

THE REPORT

Côte d'Ivoire *double*
2015

ECONOMY
BANKING
EDUCATION
TRANSPORT

ENERGY
AGRICULTURE
REAL ESTATE
TELECOMS & IT

INDUSTRY
CAPITAL MARKETS
CONSTRUCTION
INTERVIEWS

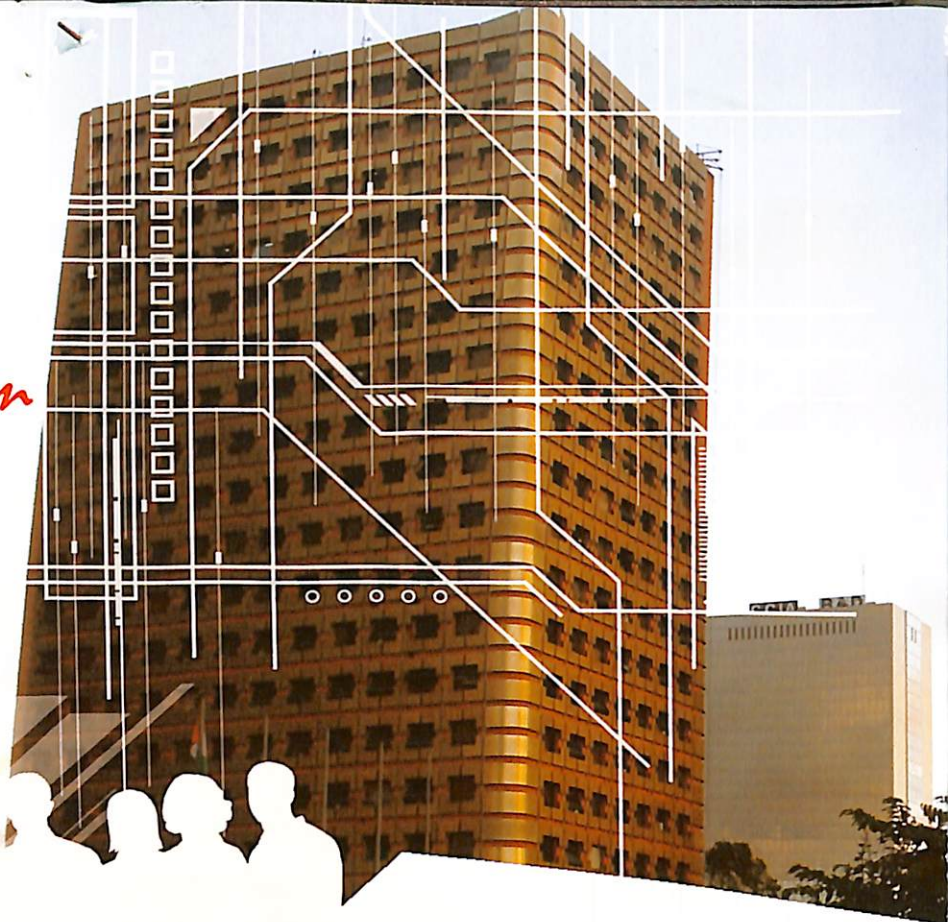


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A26107

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SIGFIP : *Système Intégré de Gestion des Finances Publiques.*
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SIGMAP : *Système intégré de Gestion des Marchés Publics.*
Côte d'Ivoire

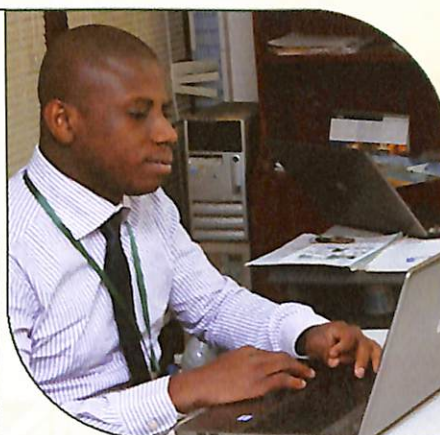
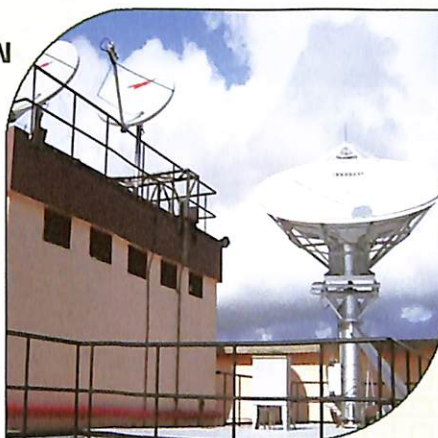
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Côte d'Ivoire

SIGAF : *Système Intégré de Gestion des Activités Forestières.*
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Côte d'Ivoire (CEPICI)

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L'émergence par les TIC



Rapid rebound

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GDP growth has rebounded since 2012 and is forecast at over 7.5% through to 2017, thanks to public spending and infrastructure projects. While debt relief and donor support are providing fiscal breathing room, attracting private investment and translating advances into job creation will be key to sustainable economic growth and – perhaps more importantly given the nation's past – social stability.

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CEPICI
CENTRE DE PROMOTION DES INVESTISSEMENTS EN CÔTE D'IVOIRE

Hudson

A longer reach

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As the banking centre of the West African Economic and Monetary Union, Côte d'Ivoire has experienced sustained double-digit growth in the financial services sector since 2011. Despite some legacy issues and under-performing public lenders, new foreign entrants to the market are contributing to a restructuring of the sector. Plans are also in the works that would privatise domestic state-owned banks.



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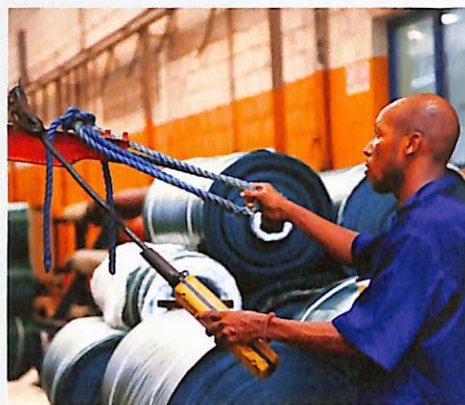
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New frontiers

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The secondary sector reached a high in its contribution to GDP of 30% in 2011, before sliding to 25% in 2013. The authorities are aiming to boost this to 40% by 2020, as part of a new, four-year programme. Growth has been driven in recent years by an uptick in agro-industrial activity and higher natural resource prices, although the latter have come down of late.

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Wide open spaces

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Economic growth and higher energy consumption have revealed gaps in provision, and the power segment is expanding rapidly. Operators are ramping up exploration and production to feed the country's gas-fired thermal power plants, with the aim of driving capacity to 3000 MW by 2020. There are also plans to significantly increase natural gas and oil output, with a target for the latter of raising production five-fold to 200,000 barrels per day. In the power segment a guaranteed market and the commitment of the government to enable returns on investment have made for an attractive investment environment.



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Standing strong

Page 112

Accounting for 22% of GDP, half of exports and 60-70% of employment, agriculture remains one of the country's key sectors. Côte d'Ivoire produces two-fifths of the world's cocoa and is diversifying into other crops like cashews, cotton, rice, maize and yams. A €3bn, four-year investment programme aims to boost sector growth to 9% a year by 2020 and address challenges.



Broad-based boost

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Renewed investment in infrastructure has cemented Côte d'Ivoire's role as a gateway for its land-locked neighbours. A \$30m expansion to the cargo terminal at Abidjan's international airport is scheduled for completion in 2015, and upgrades are under way on the road network. Meanwhile, plans have been launched for a light rail commuter train.

Getting connected

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Several public and private projects are expected to lower fees and enable the country to catch up on technology standards and internet penetration rates. At the same time the government is modernising the operating environment for IT services. Data usage is currently limited, so the scope for growth in revenues is significant in the competitive telecoms industry.



On the horizon

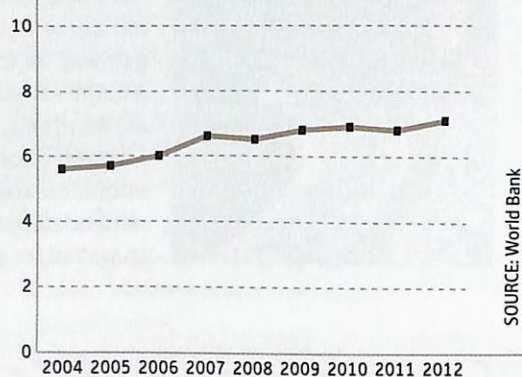
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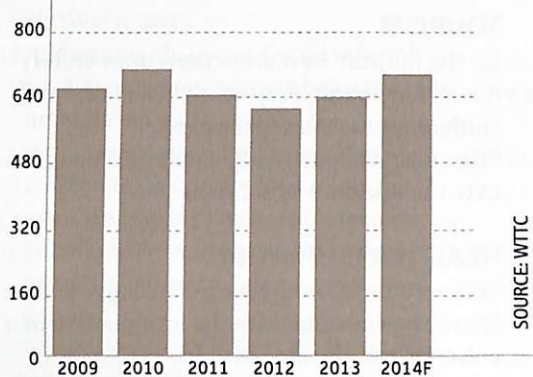
Travel and tourism directly contributed approximately 2.4% of the nation's GDP in 2013, reaching €476.7m. With hotel projects and new attractions, it is forecast that the sector's contribution could reach 8.8% in 2014 and grow 5% annually through 2024, to reach a total value of €844.5m.

Côte d'Ivoire in figures

Total health expenditure, 2004-12 (% of GDP)



Tourism contribution to GDP, 2009-14F (CFA bn)



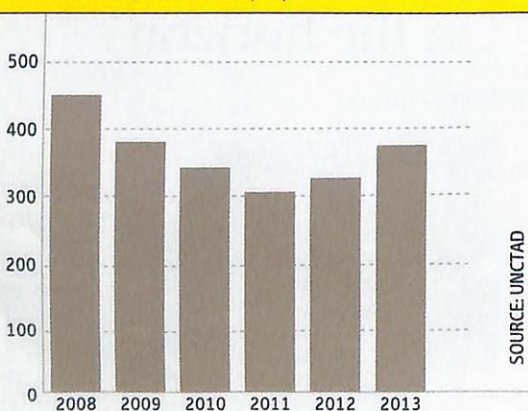
West African cement production, 2013 (m tonnes)

Country	Production
Nigeria	28.3
Ghana	6.7
Côte d'Ivoire	2.5
Benin	2.1

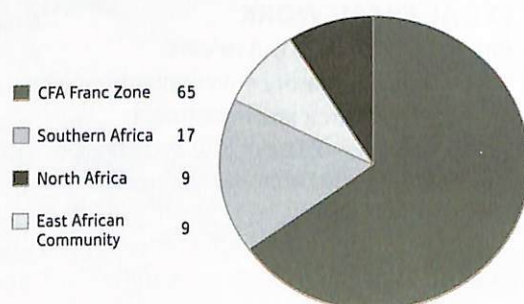
SOURCE: Ecobank



FDI inflows, 2008-13 (\$ m)

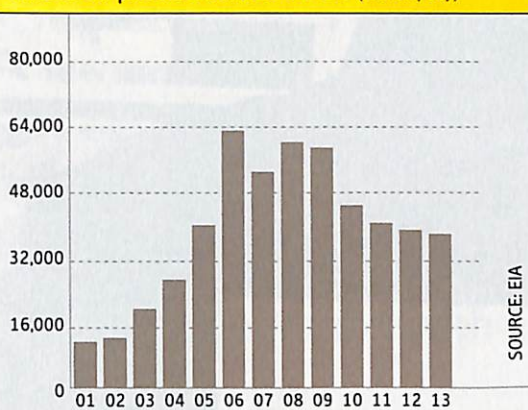


Share of cotton production by region, 2012-13 (%)

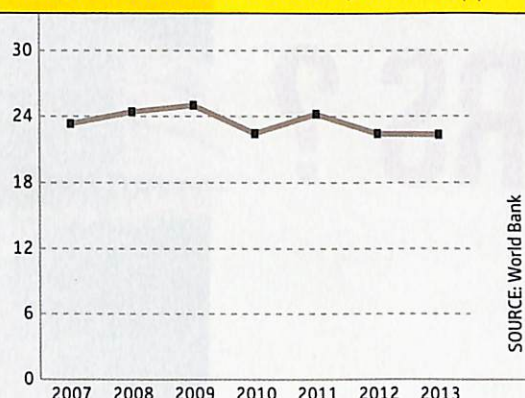


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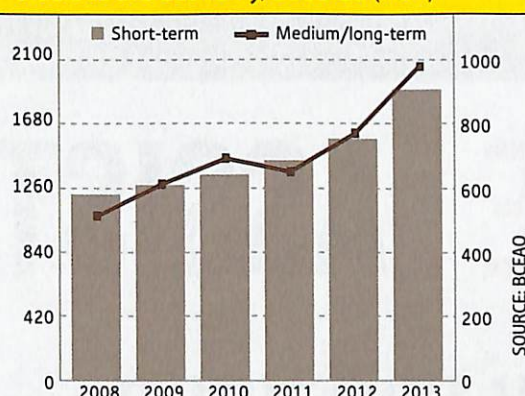
Crude oil production, 2001-13 (barrels/day)



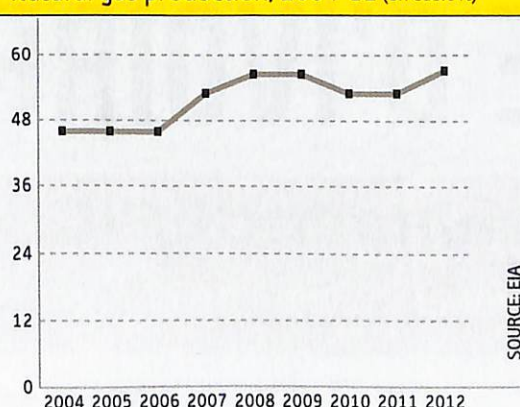
Industrial sector share of GDP, 2007-13 (%)



Credit to the economy, 2008-13 (m CFA)



Natural gas production, 2004-12 (bn cubic ft)



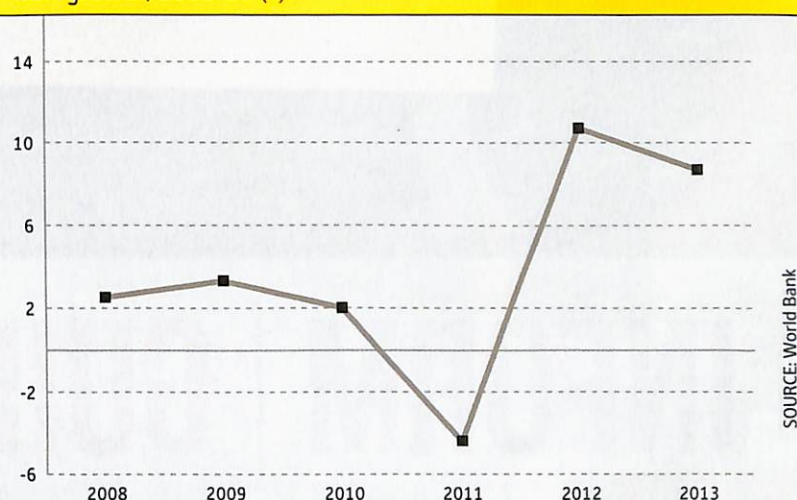
Economic indicators, 2013-17*

	2013	2014	2015	2016	2017
GDP growth (% change)	8.70	8.50	7.90	7.75	7.50
GDP per capita, current prices (CFA 000)	637.60	674.90	729.80	775.60	816.60
Total investment (% GDP)	14.9	15.8	16.3	18.0	18.7
Inflation, avg. consumer prices (% change)	2.58	0.63	2.57	2.50	2.50
Vol. of imports of goods & services (% change)	4.44	10.99	12.25	8.66	6.83
Vol. of exports of goods & services (% change)	4.82	-2.75	4.85	7.57	9.14
Population (m)	24.1	24.8	25.5	26.3	27.1
General gov't revenue (CFA trn)	3.04	3.48	3.60	3.99	4.44
General gov't revenue (% GDP)	19.8	20.8	19.3	19.6	20.1
General gov't expenditure (CFA trn)	3.39	3.87	4.18	4.63	5.13
General gov't expenditure (% GDP)	22.1	23.1	22.4	22.7	23.2
General gov't net lending/borrowing (CFA bn)	-345.2	-385.0	-581.6	-636.4	-687.6
General gov't net lending/borrowing (% GDP)	-2.25	-2.30	-3.12	-3.12	-3.11
General gov't gross debt (CFA trn)	6.13	6.10	6.39	6.75	7.10
General gov't gross debt (% GDP)	39.9	36.5	34.3	33.1	32.1
Current account balance (% GDP)	-2.10	-3.02	-3.13	-3.18	-3.28

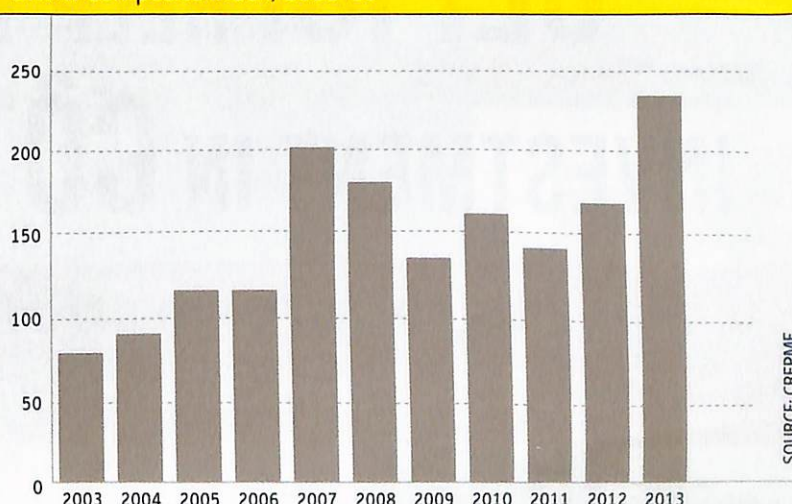
SOURCE: IMF

* Estimates

GDP growth, 2008-13 (%)



BRVM Composite Index, 2003-13



A smiling woman with dark skin and long black hair, wearing a black top, holds a white rectangular sign in front of her chest. The sign has the word "INVESTORS ?" written in large, bold, orange capital letters. The background is an airport terminal with yellow overhead signs that read "ARRIVEE" with an airplane icon. To the right, a sign for "AIR" is partially visible. The woman's hands are visible holding the corners of the sign.

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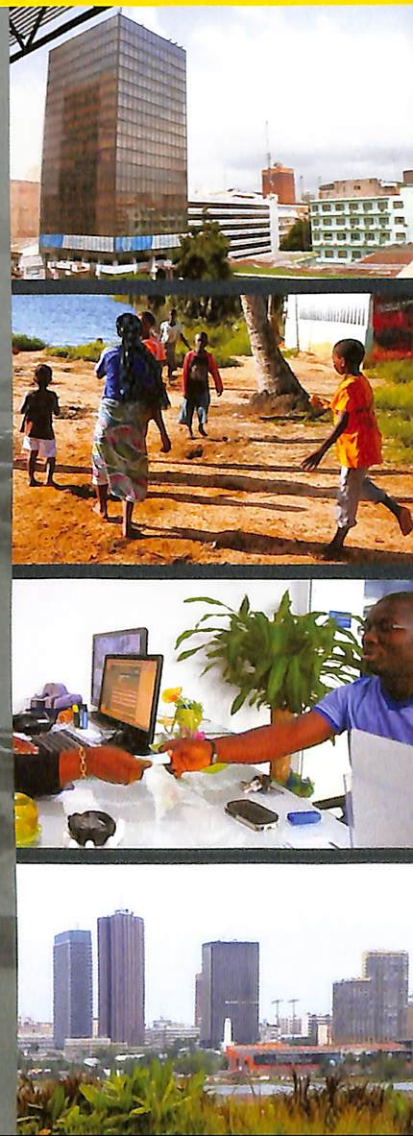
Country Profile

Presidential election set for October 2015

The young population is expected to drive expansion

New partners from around the world spur trade growth

Regional integration with ECOWAS continues apace



SOCIÉTÉ IVOIRIENNE DE BANQUE

La Société Ivoirienne de Banque est l'un des tous premiers acteurs bancaires en Côte d'Ivoire.

Son histoire riche d'un demi-siècle de présence dans le pays lui confère une forte notoriété et l'image d'une banque responsable et engagée, au service de ses clients.

Banque universelle et acteur majeur incontournable du marché bancaire et financier ivoirien, la participation concrète de la SIB à la collecte de l'épargne pour financer l'économie réelle, lui confère la 4^{ème} place des banques par les emplois et la 6^{ème} par les ressources.

La SIB compte plus de 200 000 clients repartis dans 48 agences.

La Société Ivoirienne de Banque fonde son efficacité sur l'implication et la mobilisation de 600 collaborateurs, sur leur sentiment d'appartenance à une organisation et sur le partage des valeurs et des règles de conduite.

Acteur clé du pays, la SIB poursuit son développement et renouvelle d'excellentes performances commerciales et financières avec une présence couvrant la quasi-totalité des communes d'Abidjan et les principales villes de Côte d'Ivoire.

PROFIL DE LA SOCIÉTÉ IVOIRIENNE DE BANQUE

Actionnariat
au 31 décembre 2012

48 agences

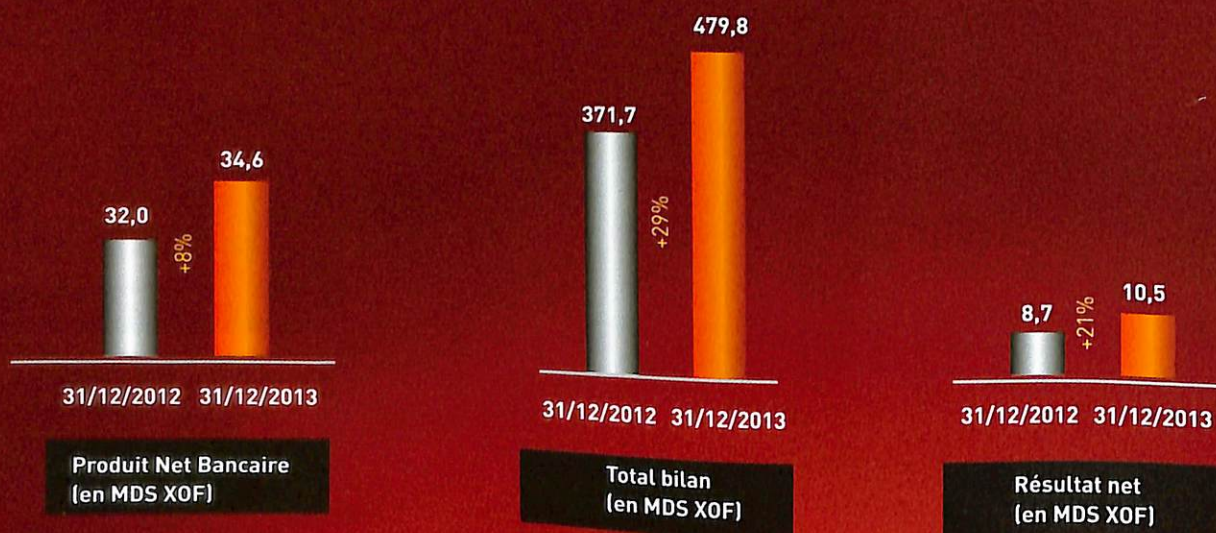
600 collaborateurs

+ de 200 000 clients



 Groupe Attijariwafa bank
 État de Côte d'Ivoire

LA SIB, UNE BANQUE EN PROGRESSION



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As of 2013 Côte d'Ivoire had 22.4m people, with a growth rate of 2-3%

Election season

The country prepares to select its next president

Possessing a rich cultural diversity, Côte d'Ivoire is located on the coast of West Africa. As the world's largest producer of cocoa, a regional electricity exporter and a developed financial centre, the country's prosperity in the post-independence era allowed it to establish itself as an influential commercial and diplomatic player. Civil unrest disrupted its development over the past decade, most recently following the last round of presidential elections in 2010, but following a resolution to the crisis in 2011 the country has seen a rebound in economic activity, with a flood of new public and private capital flowing in (see Economy chapter). While there is plenty of scope for improvement, Côte d'Ivoire is well on the way to re-establishing itself as a major growth market.

GEOGRAPHY: Côte d'Ivoire's borders span 3110 km, with Burkina Faso and Mali to the north, Guinea and Liberia to the west, and Ghana to the east, while its southern coastline abuts 515 km of the Atlantic Ocean along the Gulf of Guinea.

Comprised of 322,463 sq km of land, approximately 4460 sq km of the country is inland waterways. Côte d'Ivoire's official capital is Yamoussoukro, where the nation's first post-independence president, Félix Houphouët-Boigny, was born. Once a small village, estimates of Yamoussoukro's population differ, though figures largely congregate around slightly over 200,000 inhabitants. Located to the south-east on the coast, the country's economic capital, Abidjan, is considerably larger and more populous than Yamoussoukro and is the biggest city in Côte d'Ivoire, with a population of over 5m people. With 640,000 residents, the central city of Bouaké constitutes another major urban centre, as well as the western city of Daloa, with around 240,000 residents.

Côte d'Ivoire is home to a wealth of biodiversity, though geography varies between the north, which is characterised by a drier savannah climate, and the south, which is rich in forests. This geographic divide accounts for the variance in climate between the

northern and the southern regions, a semi-arid zone and a tropical zone, respectively. Average monthly temperatures in Abidjan fluctuate between 24° C and 28° C during the year, while rainfall varies between lows of once per month in January and February and highs of 10 days per month in June.

Much of the country is flat or hilly, although portions of the north-western and western regions are covered by mountains – an extension of the Guinea Highlands. There stands the country's tallest mountain, Mount Nimba, which stretches as high as 1752 metres above sea level. Côte d'Ivoire has four principal rivers that run from north to south, called the Cavally, the Sassandra, the Bandama and the Komoé. The construction of a dam to block the Bandama River in central Côte d'Ivoire created the country's largest body of water, Lake Kossou.

POPULATION: As of July 2013, Côte d'Ivoire had approximately 22.4m inhabitants, with a population growth rate of 2-3% per annum. Similar to many of its neighbours, the majority of Ivorians are young, with around 38.9% of the population under 14 years old, while only 4.4% of citizens are over 55. Within this, the male population holds a slight majority over the female population in all age categories except for Ivorians 65 years of age and older.

Most Ivorians inhabit the southern part of the country, while the northern regions are relatively under populated. With some 69 ethnic groups, the Ivorian population boasts rich diversity. The Akan is the largest ethnic group and comprises 42.1% of the Ivorian population. Within the Akan, a number of sub-groups exist, including the Baoulé, who are considered the largest sub-group in Côte d'Ivoire. The Mandes and the Krous constitute two other major ethnic identities who generally live in western Côte d'Ivoire, while the Dioula Malinkés and the Sénoufos inhabit the north-east and the north-west, respectively. Côte d'Ivoire is also home to sizeable immigrant populations from its neighbours as well as

The official capital is Yamoussoukro, while the economic capital is Abidjan, located along the coast. It is the largest city in Côte d'Ivoire, with a population of over 5m people.



In Côte d'Ivoire there are over 60 languages and dialects spoken, though French is the official tongue

having a notable French and Lebanese presence. As is the case in many West African countries, informal activity comprises a large proportion of Côte d'Ivoire's labour force. It is estimated that of the 10m employed Ivorians, only 600,000 work in the recognised private sector, while 164,000 individuals work in the civil service and the security forces. The remaining workers are believed to work either in the agriculture sector or in other informal sector activities.

RELIGION: The country also is home to a wide variety of religious communities, though statistics for followers of each religion differ significantly. According to some estimates, Muslims account for the largest religious group, representing over 30% of the population, followed by a slightly smaller percentage of Christians, with various local religious groupings accounting for the remainder of the population. However, other sources cite Christians as the majority, while still others state that indigenous religious groups are the principal religion bloc.

These discrepancies can be partly understood by the widespread practice of syncretism, where many Christian and Muslim groups have preserved local religious practices that include variations of nature worship, the veneration of ancestors and animism.

Although religions are dispersed throughout the country, Christians more commonly inhabit the south, while Muslims are often the majority in the north. Christian populations mainly adhere to Roman Catholicism, though other denominations, like evangelical groups, also maintain a significant presence. Less diversity exists amongst Muslim populations in Côte d'Ivoire, where the predominant religious sect is the Maliki school of Sunni Islam. Islam is also the chosen religion for the majority of migrant workers in the country, with an estimated 70% of migrant workers as Muslims, while 20% are Christian.

LANGUAGE: The national language is French, which serves to linguistically unite a country where over 60 languages and dialects are spoken. Most of the

country's local languages come from a number of Niger-Congo language families, and indigenous tongues include Dan, Agni, and Baoulé, each of which are spoken by around 1m people. Another prominent local language is Dioula, which emanates from the north-east and was used among traders.

HERITAGE & CULTURE: Many West African countries are renowned for their traditional musicians and storytellers, and Côte d'Ivoire is no exception. Known as *griots*, indigenous musicians and storytellers represent a key component of the Ivorian cultural landscape and possess significant political and social influence at the local level. This influence is derived from their unique ability to speak freely to leaders about the opinions of their people. Traditional music utilises many different instruments that include drums and the *balafon*, which is comparable to a xylophone. Modern musical favourites include reggae and local styles of dance music, such as zouglou.

Another predominant feature of Ivorian culture and heritage is the crafting of sculptures and wooden statuettes. Masks are considered another popular form of indigenous art, and for many ethnic groups, masks represent important religious and spiritual practices and beliefs, and often represent deities. Usually made from wood, features vary according to ethnic group, though their symbolism is similar across communities, where individuals of high status or people who are specially trained are largely the only members of society that are able to wear masks. Other widely practiced forms of art include pottery and painted fabrics, such as those that are fabricated by Senufo artisans, a tradition that inspired international artists, like Picasso.

Though Ivorian food changes significantly depending on the local ethnic group, it is often characterised as spicy. Popular local dishes include various fish dishes, particularly in the south, and the national speciality known as *fufu* or *futu*, which is a starchy dough that is often presented with fish, chicken or meat. Prominent local drinks include *bissap*, which



Natural commodities contributed 27.7% of total GDP in 2012

Of the 10m employed Ivorians, only 600,000 work in the official private sector, while 164,000 individuals work in the civil service and the security forces.

is made from hibiscus; palm wine; *niamakou*, prepared with ginger, pepper and other spices; and beer, with Flag considered the most popular trademark.

NATURAL RESOURCES: Natural commodities have been instrumental in promoting Ivorian growth, with agriculture, contributing 27.7% to GDP in 2012 and providing employment to a significant portion of the national labour force (see Agriculture chapter).

Cocoa beans are the country's principal source of foreign reserves and Côte d'Ivoire is the world's largest producer of this agricultural good. In 2013/14, cocoa bean output amounted to 1.75m tonnes, which represented nearly double the production of its closest rivals, Ghana and Indonesia. During the same year, yams were the second-most-important product, with output valued at \$1.07bn; followed by cashews, valued at \$396m; and plantains, at \$322m.

Côte d'Ivoire also possesses oil reserves and gas resources. With known oil reserves estimated at approximately 100m barrels, the country has the 64th-largest oil resources in the world (see Energy chapter). In 2013, oil production averaged slightly over 40,000 barrels per day, establishing Côte d'Ivoire as the 65th-largest oil producer worldwide. Natural gas reserves were estimated to be around 1trn cu ft, making it the 67th-largest reserves globally. In 2013 natural gas production was 53bn cu feet, making the country the world's 59th-largest producer.

TRANSPORT INFRASTRUCTURE: Although Côte d'Ivoire's transport infrastructure is one of the most extensive in the region, years of conflict and a lack of investment have seriously eroded transport capabilities, necessitating significant capital for upgrades and expansion projects (see Transport chapter). In light of this, the country's 2012-15 National Development Plan has highlighted transport as a priority, having allotted CFA2.82trn (€4.2bn), or 25.5% of the budget, to modernisation efforts.

In particular, the state of the nation's road infrastructure is in poor condition due to fighting during years of unrest, leading to delays and congestions.



Oil production averaged approximately 40,000 barrels per day in 2013

However, efforts to expand railways and re-pave roads, including through public-private projects, should see the country's infrastructure network improve significantly in the years to come.

Having emerged from a decade of intermittent conflict that saw the country nearly divided, Côte d'Ivoire is now reunited and witnessing an economic resurgence. Hopes are high that the nation will regain the stability and economic growth that characterised its first decades following independence, which saw the construction of some of the best infrastructure in the region. Signs so far are promising, such as the recent construction of the Henri Konan Bédié Bridge in Abidjan, which promises to significantly reduce congestion in the city.

GOVERNMENT STRUCTURE: Côte d'Ivoire is governed by a presidential system in which the president is the head of state and possesses extensive executive powers. Under this system, the president is the leader of the armed forces and implements a

Significant capital for upgrades and expansions of the nation's infrastructure will be required, with some €4.2bn earmarked for the sector in the 2012-15 National Development Plan.

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The president is elected by popular vote to serve for five-year terms

Under the nation's presidential system, the president is the leader of the armed forces and the major implementer of legislation.

majority of legislation, though parliament maintains the ability to enact policies. The president is also responsible for appointing a prime minister, who appoints the Cabinet, as well as the seven individuals who comprise the national Constitutional Court, which checks the validity of legislation and the eligibility of participants in elections. Elected by popular vote, each president serves a five-year term and if no candidate obtains a clear majority in the first round of elections, a second round of elections is held between the two candidates that received the most votes. The National Assembly serves as the legislature and has 225 members, who are also elected every five years. The last National Assembly was elected in parliamentary elections that took place in December 2011.

Administratively, Côte d'Ivoire is divided into 19 regions, with each region separated into 90 departments and 196 communes. While elected mayors administrate the latter, a centrally appointed prefect governs regions and departments. Due to its size, Abidjan is comprised of 10 districts, with each district headed by an elected mayor.

POLITICAL HISTORY: In 1842, the majority of the territory that comprises modern-day Côte d'Ivoire was

deemed a protectorate of the French, and was subsequently established as a French colony in 1893. Côte d'Ivoire became an independent state in 1960, with Félix Houphouët-Boigny as its president. A doctor, agricultural trade unionist and former minister under the French government, Houphouët-Boigny served as the Ivorian president until his death in 1993 and was one of the longest-serving political leaders in Africa. For most of his time in power the country was ruled as a single-party state under his Democratic Party of Côte d'Ivoire (Parti Démocratique de la Côte d'Ivoire, PDCI). However, following popular protests triggered by mounting economic problems throughout the 1980s, Houphouët-Boigny legalised opposition parties in 1990 and held presidential elections, which he won with 81.68% of the vote against Laurent Gbagbo of the Ivorian Popular Front party (Front Populaire Ivoirien, FPI).

Following Houphouët-Boigny's death in December 1993, the presidency was assumed by Henri Konan Bédié, a senior member of the PDCI party and president of the National Assembly. However, Côte d'Ivoire's economic troubles were increasingly aggravated by sharply declining world cocoa prices, stirring domestic tensions that culminated in Bédié's overthrow in a military coup in 1999.

Junta leader General Robert Guéï called elections in 2000; however, these were marked by numerous problems, such as the disqualification of several prominent candidates – including current President Alassane Dramane Ouattara, who represented the Rally of Republicans (Rassemblement des Républicains, RDR – and Guéï put an end to the electoral process and declared himself the winner. An uprising by supporters of the main remaining opposition candidate, Laurent Gbagbo of the FPI, followed. It forced Guéï to flee and Gbagbo was installed as president.

CIVIL STRIFE: In September 2002, the Ivorian civil war began after a grouping of troops, called the Patriotic Movement of Côte d'Ivoire (Mouvement Patriotique de Côte d'Ivoire, MPC), attempted to overthrow then-President Gbagbo. The MPC's forces later became known as the Forces Nouvelles, or the "new forces", though they failed to seize power in the capital. However, Forces Nouvelles managed to take control in the country's north, dividing the

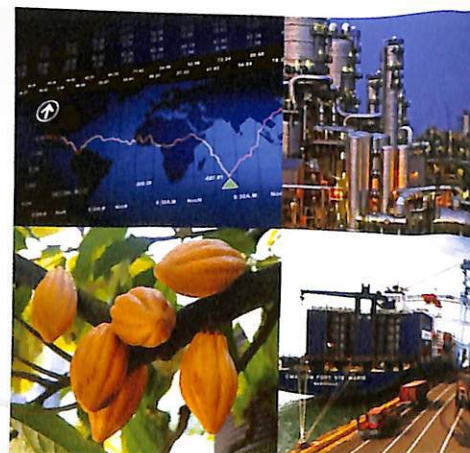
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nation in two. A peace was reached in early 2003 that ended months of fighting and was backed by the arrival of peacekeeping forces from ECOWAS states and France. A power-sharing government, in which MPC leader Guillaume Soro took a ministerial post, was formed. Relations broke down in 2004, but an agreement in 2007 saw Soro become prime minister, ending the war and beginning reunification.

ELECTORAL DISPUTES: Both sides ultimately agreed to hold presidential elections in 2008, but negotiations on voter eligibility led to the elections being postponed until October 2010. In the first round of elections, Gbagbo won a plurality of the vote, but did not succeed in obtaining an absolute majority, which led to the holding of a second round of elections between Gbagbo and Ouattara on November 28, 2010. According to the Ivorian electoral commission, Ouattara was announced to have won the ballot with 54.1% of the vote amidst voter turnout of 81.1%. Although the results were endorsed by both the UN and the international community, the country's Constitutional Courts recognised that electoral fraud by Gbagbo's supporters had taken place in the northern parts of the country. As a significant number of votes from the north had been declared invalid, the Constitutional Courts claimed that Gbagbo was the electoral victor, but this triggered intense political unrest and more than 3000 people died in the subsequent fighting, while around 1m people were displaced by violence in the capital.

The standoff ended in April 2011 and Ouattara, a former economist at the IMF who also served as prime minister in the early 1990s under Houphouët-Boigny, was installed as president a month later. Although occasional bouts of unrest still occur, peace has more or less returned and in July 2013 the UN body voted in favour of reducing its peacekeeping force to 7137, from 10,400, with further reductions planned in coming years. In May 2013 a new head of the UN mission to Côte d'Ivoire was named, Aïcha-tou Mindaoudou, in an effort to get the process of



Côte d'Ivoire is divided into 19 regions, with each region separated into 90 departments and 196 communes

demobilisation, disarmament and reintegration into civil society under way, though progress is limited.

POST-CONFLICT POLITICS: While there is a loose correlation between particular parties and different social divisions, ties are not particularly strong and Côte d'Ivoire's political parties represent a modest variety of viewpoints, although often share similar perspectives on a number of cross-cutting issues. Ouattara's party, the RDR, is the current governing party and is considered economically liberal. The FPI, affiliated with Gbagbo, identifies more with democratic-socialist values, though it is not currently participating in elections. The third major party is the PDCI, which shares similar economic views to the RDR, but disagrees with the latter on issues such as land reform when the RDR sought to relax constraints on foreigners' ability to own rural land.

RECENT ELECTIONS: In 2011, the country's return to political stability continued with the successful and relatively uneventful parliamentary elections. The RDR obtained an absolute majority, winning 122 seats out of 225, while the PDCI – which subsequently joined the RDR in a ruling coalition – won the second-largest number of positions at 76 seats. While the UN certified the results in the vast majority of the constituencies as free and fair, some 66 complaints over potential irregularities were filed, with 11 claims later investigated. Turnout was modest as well, at only 36.6% – although this was in large part due to the FPI's boycott of the vote, reflecting the need for ongoing reconciliation efforts.

In April 2013, Ivorians went to the polls for the first municipal elections in over a decade, with over 700 candidates running for positions in 200 towns. A few protests were held due over disputed outcomes, but the elections were largely peaceful.

RECENT DEVELOPMENTS: Despite the FPI's absence from politics, the government has experienced difficulties within the coalition. In November 2012, the cabinet was dissolved after the two parties were



Total land area is 322,463 sq km, with 4460 sq km of inland waterways

In April 2013, Ivorians went to the polls for the first municipal elections in more than a decade, with over 700 candidates running for positions in 200 towns.



Maintaining stability is a key consideration for the 2015 elections

Since 2011, 140,000 residents of the country have been recognised as citizens under a more expansive definition that was formalised in 2013.

unable to agree to a proposed change in the current legislation on marriage. Extensive negotiations brokered a compromise, with a significant reshuffle of ministerial posts and the PDCI's Daniel Kablan Duncan, a former prime minister in the 1990s, given the post of prime minister. Duncan was also provided the portfolio for financial and economic issues in the cabinet. The executive branch received an expansion in its power in April 2013 from the national parliament, enabling the president to rule by decree on social and economic issues that year.

PROSPECTS FOR RECONCILIATION: Given the contentiousness and close results of the 2010 elections, the pending 2015 presidential elections have emphasised the importance for Côte d'Ivoire of ensuring a holistic process of national reconciliation. To further this goal, the government established the Dialogue, Truth and Reconciliation Commission, which in 2014 released a report detailing more than 86 separate cases of human rights abuses committed dur-

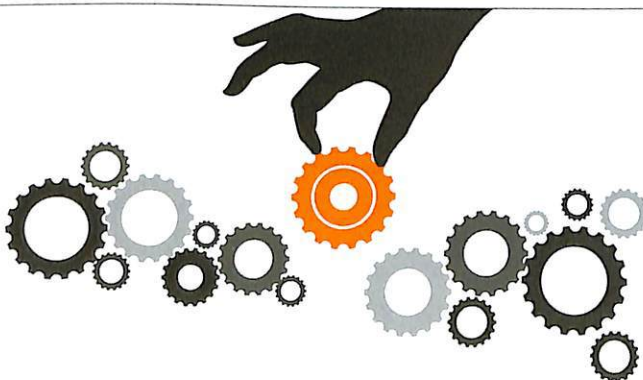
ing the conflict, though currently only one case has been investigated. The commission's progress has been hindered by limited funding, often from donor organisations, and programme implementation.

In early 2013, officials from the FPI and the coalition government were brought together several times to negotiate disputed issues, and the government delayed municipal elections to enable the FPI to participate in April 2013. Nevertheless, progress has been slow, particularly following the FPI boycott of the parliamentary elections and the temporary pullout of the party from the electoral commission in late 2014. Sporadic incidences of unrest have broken out, but the disturbances have been contained in the far western regions. The need to increase inclusiveness has become increasingly important for those candidates registered for the October 2015 election. According to local press reports, the FPI, led by Pascal Affi N'Guessan, is expected to contest the 2015 vote for president, with Ouattara, who was endorsed by the PDCI in 2014, representing the RDR.

NATIONAL IDENTITY: A key factor fuelling unrest was the debate over national identity. In the 1990s, the government upheld a definition for nationality called Ivoirité, defining "Ivorian" as someone whose parents were both nationals born in Côte d'Ivoire. Since 2011, the Ouattara government has supported a more expansive concept and 140,000 residents have been given citizenship. The new interpretation of nationality was formalised in August 2013 by parliament in a law that updated the regulations for granting citizenship, extending citizenship to inhabitants who had resided in the country for years.

OUTLOOK: Côte d'Ivoire's future is contingent on the process of national reconciliation. Although important progress has been made, the possibility of unrest remains, prompting concerns over the presidential elections set for October 2015. The preservation of peace and economic recovery will depend on the outcome of the elections and the ability of the new government to continue the reconciliation agenda.

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The nation is currently seeking to diversify its trading activities

Partnering up

Prominent new international relations were established in 2014

The unrest that characterised the past decade greatly limited Côte d'Ivoire's ability to play a diplomatic role, but the country's continued economic recovery and return to greater political stability has allowed the West African country to rekindle old relationships and develop new, amicable relations with regional and international partners alike.

IT'S COMPLICATED: Like many francophone African countries, Côte d'Ivoire's relations with France have fluctuated significantly over recent decades. During the lengthy administration of the first Ivorian president, Félix Houphouët-Boigny, Côte d'Ivoire sought to maintain close economic, political, diplomatic and cultural links to France, a bilateral relationship that was replicated more broadly by the presence of a large French expatriate community in Côte d'Ivoire.

Following Houphouët-Boigny's death, however, the relationship became somewhat coloured by the roll-out of Ivorité-related policies while the involvement of France in attempting to help maintain peace during the height of the civil war — including the presence of a "stabilisation force" of several thousand soldiers and the destruction of the Ivorian air force at the hands of French soldiers — led to severe popular discontent against France.

However, since the cessation of hostilities in 2011, France and Côte d'Ivoire have gone through a renaissance in relations under the administration of President Alassane Dramane Ouattara. France was the second-largest trading partner to Côte d'Ivoire, with trade volumes between the two reaching €1.7bn in 2013. France was also a leading source of foreign direct investment, representing 26.3% of total foreign direct investment in 2012 (see Economy).

Despite a period of strained relations during the decade of conflict, Côte d'Ivoire also enjoys cordial ties with other Western nations, including the US, with which it has a security agreement that has supported the professional development of Ivorian army officers. Côte d'Ivoire also benefits from preferen-

tial trade access to the US market under the Africa Growth and Opportunity Act (AGOA), as well as part of the Trade and Investment Framework (TIFA) with ECOWAS, of which Côte d'Ivoire is a member.

OPPORTUNITIES TO THE EAST: As is the case with many African markets, Côte d'Ivoire is actively seeking to promote its relations with Asian powerhouses such as China, Japan, India and Singapore.

The country is particularly interested in establishing strong economic ties with China, which has become a major player in financing and constructing infrastructure and development projects. In 2013, the Chinese government announced its commitment to loan \$10bn over six years to finance large-scale infrastructure programmes, including the expansion of the port of Abidjan.

The funding is intended to boost the country's post-crisis recovery process and interest rates were set below market rates in exchange for favourable terms on natural resource purchases. Later that year, a Chinese economic delegation visited in order to promote Ivorian-Chinese cooperation, particularly in industry, commerce, investment promotion and agriculture. These initiatives followed the signature of five cooperative, financial and technical assistance agreements signed in June 2012 between the two countries, worth over CFA10bn (€15m).

Coordination in agriculture in particular is seen as a strategic move due to China's appetite for Ivorian products such as rubber and cotton, while the Chinese government has donated an estimated CFA1.5bn (€2.3m) in fertilisers, shellers, mowers, threshers and tillers to facilitate rice production.

In June 2013, President Ouattara also attended the fifth Tokyo International Conference on African Development, meeting with the Japanese head of state, Prime Minister Shinzo Abe. Earlier this year, the Japanese prime minister also came to visit his Ivorian counterpart in Abidjan and pledged to increase Japan's support for national reconciliation as well as

Côte d'Ivoire is actively working to promote ties with China, Japan, India and Singapore. It wants to cultivate closer relations in several sectors – industry and agriculture, in particular.



Ties with China are key, as it has become a major player in financing and building development projects

infrastructural, industrial and human resource development. Prime Minister Abe also announced a commitment to provide \$83.4m for projects in ECOWAS.

BUDDING FRIENDSHIP: A warm relationship between Morocco's King Mohamed VI and President Ouattara has facilitated the establishment of a broad array of agreements between Morocco and Côte d'Ivoire. Since 2010, the value of trade has increased from CFA39.6bn (€59.4m) to CFA47bn (€70.5m) in 2012, establishing Morocco as the 25th-largest economic partner to Côte d'Ivoire. In 2013 during the state visit of the Moroccan king, six agreements were signed, including a memorandum of understanding regarding cooperative efforts between the Ivorian and the Moroccan foreign affairs ministries.

In February 2014, King Mohamed and the Ivorian Prime Minister Kablan Daniel Duncan concluded the Ivorian-Moroccan Economic Forum that united 101 Moroccan and 450 Ivorian economic personalities. The forum resulted in the approval of 26 cooperative agreements across the fields of housing, ports, finance, infrastructure, fisheries, agriculture, pharmaceuticals and mining, to name a few.

Specific initiatives include a cooperative arrangement between Export Morocco and the Association For the Promotion of Exports of Côte d'Ivoire, a banking agreement to develop micro-finance lending, a cooperative protocol between the port of Abidjan and the ports of Agadir and Casablanca, and a joint protocol to promote investments.

Other agreements include a financing deal worth \$50m between the Banque Populaire and the International Finance Corporation, as well as an agreement worth \$60m between the Banque Populaire and the Japanese bank Sumitomi. During the ceremony, the Moroccan Attijariwafa Bank also announced the release of CFA120bn (€180m) to facilitate Côte d'Ivoire's continued economic recovery.

Speaking to local media in 2014, the Moroccan Minister of Foreign Affairs, Salaheddine Mezouar,

explained that the agreements were "a record in the annals of bilateral cooperation".

REGIONAL AND INTERNATIONAL COOPERATION:

Newfound stability has enabled Côte d'Ivoire to improve its relations with multilateral organisations. After failing to pay arrears on its debts, the World Bank ceased its cooperative initiatives in 2004 and did not return until four years later. However, the relationship has since warmed, and the World Bank actively supports government initiatives to combat poverty and promote economic development.

In June 2012, Côte d'Ivoire received a reduction in its debt from the World Bank and the IMF, worth CFA6.4trn (€9.6bn) and CFA4.1trn (€6.2bn), respectively, or around 64% of total debt. The country has also recently welcomed the African Development Bank back to Abidjan in 2013, where it re-established its headquarters after temporarily relocating to Tunis for the duration of the civil war.

Regional bloc ECOWAS has, like France, also played an important role in the country's recent history. During the civil war, ECOWAS deployed peacekeeping forces to the country, as well as during the disputed 2010 election results, which temporarily led to Côte d'Ivoire's suspension from the group. The suspension was lifted after peace was restored and in February 2012 the country was chosen to serve as ECOWAS chair, an indication of the positive developments taking place. Côte d'Ivoire's increased profile within ECOWAS should also yield benefits for the country's recovering economy. ECOWAS, which was founded in 1975 to further regional integration among the 16 member states, has in recent years made steady progress in improving its trade cooperation and infrastructure sharing, through a common external tariff (see Economy chapter) and the West African Power Pool (see Energy chapter) – both of which Côte d'Ivoire actively participates in.

NEIGHBOURLY RELATIONS: The spillover of some of the fighting into border regions with Côte d'Ivoire's neighbours strained ties with countries like Liberia and Ghana but in recent years, measures to improve relationships have made steady progress. During the post-electoral conflict, militants occasionally used both Ghana and Liberia as a staging area, while refugee and asylum claims from Ivorian during the fighting further complicated matters.

In 2012, Côte d'Ivoire closed the 400-mile border with Ghana, though subsequent negotiations and coordination between the authorities led to its re-opening two weeks later and relations in the years since have improved significantly, particularly through efforts to expand transport corridors (see Transport chapter) and improve trading volumes. This can be seen in the efforts of the two countries to amicably resolve an on-going dispute over national boundaries, in an oil-rich area reputed to contain around 2bn barrels of oil and 1.2trn cu feet of natural gas in the Gulf of Guinea. In 2010, a commission was created between the two countries to determine the future of the territory, with a conclusion expected in 2015.

In 2012, Côte d'Ivoire received a reduction in its debt from the World Bank and the IMF, worth some €9.6bn and €6.2bn, respectively.



Alassane Dramane Ouattara

Shared benefits

President Alassane Dramane Ouattara on the path to prosperity

Our country has recovered from a decade of turmoil and now sustains strong economic growth. All the indicators are positive, and Côte d'Ivoire is currently among the 10 fastest-growing economies in the world. This strong performance is acknowledged by all our partners, including large international institutions. In terms of construction and rehabilitation of economic and social infrastructure, significant results can be seen by everyone, especially in roads, water, electricity, education and health. The entire country is being modernised.

The ongoing infrastructure projects – including roads, bridges, ports and airports – are the first steps toward modernisation, and will serve as the foundation for Côte d'Ivoire to move forward to become an emerging country by 2020. Examples include the Abidjan-Yamousoukro highway, the Henri Konan-Bédié toll bridge, the two interchanges in Riviera 2 and Marcory, the Abidjan-Bassam highway, and the Jacqueville, Bouaflé and Béoumi bridges. In addition, the rehabilitation of the Boulevard Lagunaire will start soon, as will the extension and modernisation of the Port of Abidjan.

The year 2014 will mark the end of drinking water shortages in Abidjan, thanks to the works at Bonoua. Also, almost 100% of the Ivorian population will have access to ICT services due to the use of new technology. Strong focus has also been given to the construction of social housing. The craze for such programmes is proof of the sizeable opportunities for investors in this sector. The government is keen to go forward with its homeownership policy for low-income and middle-income earners, and in the years to come the thorny housing issue will be mitigated, both in Abidjan and in the interior. While there is still work to do, we are on the path that leads to prosperity. Reforms need to be completed so that the population can benefit from the country's economic performance. Consumer prices are high, and many Ivorians struggle to make ends meet, so the fight against high prices is a priority. I have asked the government to reinforce dialogue with market players and provide solutions to this pressing issue.

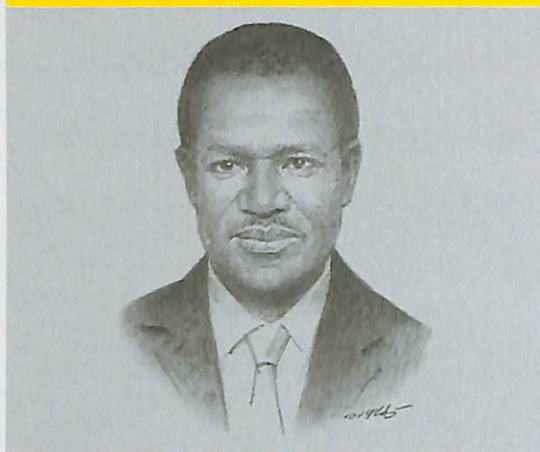
The country's strong economic performance must translate into improved incomes and more help for disadvantaged populations. As civil servants' salaries had been frozen since 1988, the government decided to raise the guaranteed minimum monthly wage from CFA36,607 (€55) to CFA60,000 (€90). Each civil servant's salary will rise steadily, so that purchasing power increases. In 2013 and 2014, CFA137.7trn (€207bn) was allocated to increase salaries.

In addition, despite a volatile commodities market, the state maintained remunerative prices for farmers in the cocoa, coffee and cotton businesses in order to improve farmers' incomes and living conditions. In the same vein, after restructuring our health system in 2013, the government decided to roll-out universal health coverage, effective from January 2015.

Another real concern for us is employment, particularly youth employment, which remains a priority. With a new set of measures already taken, the current pace of job creation will go even faster. Despite some difficulties, the goal of creating 1m jobs over five years is still within reach. These measures will provide a breath of fresh air, especially in an economy where agriculture remains the main source of employment.

However, I would again like to pay tribute to our peasant parents, who have always shown great enthusiasm for work, and have made the rise in food crops and exports possible. We are also planning to improve access to microfinance for projects that are initiated by young people, and to increase allocations to the Women's Support Fund of Côte d'Ivoire.

The sharp improvement in the country's security index, which improved from 3.8 to 1.3 in one year, shows that the safety of our citizens is well served throughout the country. The return of international organisations to Abidjan, including the African Development Bank, is eloquent testimony. In 2013 Côte d'Ivoire resumed its place in the comity of nations. It is now set to continue to deepen its relations with its neighbours, and to strengthen its ties with other countries.



Kadré Désiré Ouédraogo

Agreements driving growth

OBG talks to Kadré Désiré Ouédraogo, President, Commission of the Economic Community of West Africa States (ECOWAS)

How will the ECOWAS-EU economic partnership agreement (EPA) benefit West African states?

OUÉDRAOGO: According to the Cotonou Agreement, EPAs are intended to foster the smooth and gradual integration of the African, Caribbean and Pacific Group of States (ACP) into the global economy, with regard for their political choices and development priorities. This will promote their sustainable development and contribute to poverty eradication as well as enabling ACP states to trade internationally.

Rather than a traditional trade regime, the Cotonou Agreement and EPAs were devised as instruments of development, taking into account the national and regional development strategies of ACP countries. A number of measures were taken, including preferential treatment for West African goods, which are 100% duty free/quota free to EU markets, and liberalised EU inputs to reduce prices to consumers and lower costs of production. Also, gradual market opening will encourage competition and efficiency. Additionally, the cancellation of export subsidies will remove unfair advantages for EU products and enable our goods to compete.

Where can foreign direct investment (FDI) best be used for infrastructure project financing?

OUÉDRAOGO: Financing the ECOWAS priority regional road network is estimated to cost about \$33bn. This financing requirement is beyond the capacity of member states, so FDI is welcome. Additionally, we are pleased with the declaration that concluded the fourth Forum on China-Africa Cooperation, which seeks to strengthen cooperation for joint measures that promote regional integration and growth. In particular, we commend the government of China for doubling the envelope of support to Africa, from \$10bn to \$20bn, for integration and development efforts. The EU is also to be commended, doubling support to ECOWAS from \$0.6bn to about \$1.2bn. FDI will help us carry out feasibility studies and design regional roads and interconnections. There is already a team of 13 Chinese experts survey-

ing the Lagos-Dakar Road to enable the Chinese government to determine the exact level of support that is needed to complete untarred portions of the road and upgrade it to a six-lane highway.

FDI will also help fill financing gaps in regional road projects, such as the Dakar-N'djamena Highway and the interconnections that will facilitate the free movement of goods and persons. Also, the ECOWAS Commission is in the process of finalising plans to set up an investment guarantee agency in partnership with African Trade Insurance. Hopefully, these efforts will provide the needed incentives for the private sector to invest in the regional road network projects.

How can the energy gap in West Africa be filled?

OUÉDRAOGO: Over the past few years, the ECOWAS region has experienced an energy crisis, with a shortfall of electricity supply to meet the growing demand. Solutions to this crisis include the development of high-capacity power plants, implementation of electricity network interconnection projects and the development of renewable energy. In the short and medium terms, the main steps will be the implementation of the ECOWAS regional priority projects, comprising the construction of three regional thermal power plants of about 450 MW each, and the construction of specific electricity transmission lines. In conjunction with our commitment to sustainable development, two of these three thermal power plants, located in Benin and Ghana, are gas-fired power plants and will be directly supplied through the West African Gas Pipeline. Among the priority electricity network projects, it is worth mentioning the interconnection between Côte d'Ivoire, Liberia, Sierra Leone and Guinea. Hopefully, this project will increase the regional network with a 330-KV transmission line about 1340-km long, to be commissioned in 2018. Also, West Africa is endowed with vast hydroelectric potential. As we develop renewable energy in the region, small-scale hydroelectricity plants can provide for local communities and feed into national networks.



The eight francophone countries in ECOWAS have a common currency

Regional integration

Central African nations work to combine their individual strengths

Founded in 1975, ECOWAS has been pursuing its goal of regional economic integration for nearly four decades now. In recent years, as the EU has stumbled and faltered in its attempts to create a common foreign or security policy, and debt crises have stretched the eurozone to its limits, the wisdom of regional integration as a whole has been brought under scrutiny. However, moves in West Africa to encourage the harmonisation of fiscal policy and regulatory codes, alongside infrastructure sharing and increased regional trade, have continued unabated, seeing some success, although the 15 countries that make up the ECOWAS bloc are far from achieving their vision of a single, common market.

The region's current strategic document, ECOWAS Vision 2020, lays out the broad goals the organisation hopes to achieve by the end of the decade. Although the removal of trade and Customs barriers – as well as the creation of a single monetary union – perhaps represents the most ambitious of the goals within ECOWAS Vision 2020, the roll-out of regional infrastructure networks, and the application of more broadly interpreted peace and security tenets are also noteworthy. **POTENTIAL IN DIVERSITY:** The establishment of a regional economic body was intended to help West Africa increase the free movement of people, goods, money and labour across borders. Given the importance of external commerce, one of the organisation's largest commissions is devoted solely to trade, including the establishment of common external tariffs (CET).

However, the mandate of the Macroeconomic Policy Commission extends farther than exports and Customs, and faces the complicated task of ensuring a cohesive union among different political economies. Part of the challenge comes from the disparities among the local economies of the 15 member states. Three countries are landlocked, while some have vast natural resources and rank as top producers for hydrocarbons and minerals, and others lack commodities.

Senegal's economy is smaller and receives a great deal of international aid, but is also strengthened by

its political stability, whereas Nigeria's vast market is growing despite political uncertainty. Indeed, of all 15 member states, five – Côte d'Ivoire, Guinea, Ghana, Nigeria and Senegal – account for 90% of regional GDP. **NATURAL WEALTH:** Resources are unevenly distributed throughout the region – Nigeria has most of the oil, while Guinea has bauxite, Ghana gold and Niger uranium. While in many cases such variances would foster trade, West African countries for the most part lack the ability to process raw materials into finished goods or to ship these finished goods to markets, limiting the value brought about by the exchange of raw materials. Other barriers to trade include corruption and non-tariff barriers, such as impromptu road tolls extracted by people who have no authority to do so. A recent study by the World Bank and the IMF concluded that in African countries, each day of transit time en route to a port reduced the value of exports by approximately 7%.

The differences in business environments, particularly as they relate to legal frameworks and regulation, also add complexity at the regional level. For the most part, ECOWAS members have drawn heavily on the British and French systems of business and governmental oversight, a legacy of their colonial heritage that gives rise to different approaches to market management, judicial arbitration and economic policy, as well as more basic challenges, including linguistic differences.

MONETARY DIFFERENCES: However, the acknowledgement of diversity does not imply that there is no scope for common ground. Indeed, major steps have already been made to align key policies and indicators with one another. This is most evident in the West African Economic and Monetary Union (Union Economique et Monétaire Ouest Africainé, UEMOA), which was created in 1994 as a monetary union among the eight francophone ECOWAS member states that now share the Central African CFA franc (Coopération financière en Afrique centrale, CFA), pegged to the euro. Over half of ECOWAS members use the CFA franc currency and to achieve the goal of harmonising across

Achieving cohesion among the ECOWAS member states requires balancing the needs of land-locked countries with those of coastal nations, and commodities producers with consumers.

Transport obstacles to interstate trade are among the major problems that ECOWAS seeks to address. It is estimated that each day of transit time en route to a port reduced the value of exports by 7%.



ECOWAS has set a target of bringing electricity to at least two-thirds of the population by 2015

Government revenue from tariffs applied to ECOWAS goods averages about 0.1% of GDP, ranging from almost nothing in Mali to 0.6% in Burkina Faso. Thus, revenue losses from the proposed Customs union are expected to be low.

the ECOWAS bloc by 2020, the next step planned is for the establishment of a new currency in the putative West African Monetary Zone, which includes Gambia, Ghana, Guinea, Nigeria and Sierra Leone. Plans to debut the new currency, the eco, are now set for 2015, though achieving this will involve the task of synchronising national macroeconomic, monetary and fiscal policies. **OPEN BORDERS:** Harmonising trade and Customs procedures remains the second of the major economic objectives of ECOWAS. Trade has traditionally been marginal among ECOWAS states, comprising only 10% of the region's total volumes.

After the unified currency, a singular trade and Customs union is due to be implemented by 2020, though the implied loss of sovereignty and uneven enforcement has limited progress towards this goal thus far. However, lower cross-border costs between countries will provide significant advantages in terms of negotiating trade deals on a larger scale.

An IMF study has also suggested that any revenue losses from an ECOWAS Customs union, which have been mentioned as concerns by some member states, are likely to be minimal. Current revenue from tariffs applied to ECOWAS goods average 0.1% of GDP, ranging from almost 0% in Mali to 0.6% in Burkina Faso. However, the IMF also suggests that the introduction of a CET and an economic partnership agreement (EPA) with the EU would have a significant impact on the tax revenues of select member states, although this does not necessarily take into account any resulting increase in trade volumes. For example, Togo would see tariff revenues fall from 8.4% of GDP in 2005 under the UEMOA CET tariff schedule to 3.9% under an ECOWAS-wide CET and an EU EPA. This is largely because the EU currently accounts for 55% of the country's imports.

ECOWAS took a significant step towards a Customs union following an agreement on a tariff level for the fifth band of a regional CET. In November 2008 Nigeria agreed to a top band of 35%. The new CET structure will be harmonised with the existing UEMOA CET,

which has four bands: 0% for essential social goods, 5% for essential and basic raw materials and capital goods, 10% for semi-processed intermediary products, and 20% for finished consumer goods.

Although considerable efforts have been made so far, measuring the actual results may prove challenging. "Intra-African trade is difficult to measure because of the paucity of statistics on the continent," Yannick Gotta, managing director of France-based courier company Chronopost International, told OBG.

INFRASTRUCTURE: In addition to integrating economic and monetary systems, the nations of ECOWAS are looking to improve connectivity among member states. This remains a crucial aspect to improving intra-regional trade as a deficiency of infrastructure has been one of the primary limiting factors in the movement of goods across borders. Indeed, the cost to ship a container within the region compared to Europe has traditionally been up to \$300 higher, and compared to OECD countries, the time for exporting and importing containers is nearly three times as long.

The construction of a West African highway network (also referred to as the Trans-West African Highway) spanning 11,000 km from Lagos, Nigeria to Nouakchott, Mauritania as well as from Dakar, Senegal to N'djamena, Chad remains one of the community's principal objectives, though after nearly four decades of development, it still remains only partially finished. Even if completed, West African road networks are notorious for their long checkpoints and border controls, a problem which must also be addressed while improving freedom of movement for both goods and people. A USAID study in 2010 found that checkpoints on roads could add up to \$14 per 100 km in some countries.

Notable progress has been made in terms of energy distribution and regional electrical transmission. ECOWAS has three major goals it aims to reach by 2015: to provide half the rural and semi-rural population of the region with basic energy access; to bring motive power – which is required to run motors or machinery – to at least 60% of the rural population; and to bring electricity to at least two-thirds of people. Other long-term targets include the integration and interconnection of electricity grids to implement a West African energy grid. The West African Power Pool is a blueprint for a regional electricity grid that will quadruple capacity by 2020. The project includes laying 5600 km of power lines and would give the region installed capacity of 17,000 MW – enough to meet demand until 2023.

END GOAL: Uniting 16 nations with a combined population of 308m and a GDP of more than \$1.3trn, according to the UN, is clearly a complex task. The challenges ahead for completing economic, trade and monetary unification among members of ECOWAS loom large. The vast differences in culture, language and political systems in Europe and the recent difficulties within the EU have proven that such harmonisation does not come without risk. Nevertheless, a fully integrated trade and economic system presents benefits that on face value largely outweigh such challenges, though only time will tell if they can be overcome by 2020.

The construction of a West African highway network, running 11,000 km from Lagos, Nigeria to Nouakchott, Mauritania remains one of the ECOWAS community's prime directives.



Beyon Luc-Adolphe Tiao

Strong links

OBG talks to Beyon Luc-Adolphe Tiao, Former Prime Minister of Burkina Faso

How can the common external tariff (CET) contribute to greater economic integration?

TIAO: On October 25, 2013 in Dakar, Senegal, ECOWAS finalised the structure of the ECOWAS CET. The CET will reinforce economic integration and promote economic competitiveness while increasing intra-regional trade. The desired effect is to lower prices so as to increase the population's purchasing power. Similarly, the decline in prices for raw materials and capital goods, due to the new tariff structure, should lead to an improvement in companies' competitiveness. The harmonisation of the legal and fiscal environment also aims to create a friendlier business environment. By introducing simple and transparent procedures, we seek to have a more efficient administrative structure.

The establishment of a Customs union between member states has clear benefits. Indeed, for small and medium-sized economies, like those in West Africa, accessing a wider market will allow them to make profitable investments. Increasing demand coupled with greater supply will lead to lower costs for production and improved profitability. Companies can benefit from economies of scale and will have a growing need for labour, capital and raw materials. These spillover effects will lead to an increase in income throughout the regional economy. The establishment of a single market also aims for the unimpeded movement of people, goods, services and capital. Firms established in one member state can trade freely in all member states.

How can foreign investment contribute to improving the regional transport network?

TIAO: Financing mechanisms such as public-private partnerships (PPPs) and foreign direct investment (FDI) can contribute significantly to the improvement of regional transport. For instance, the concession for the Ivoire-Burkinabé line was granted to Société Internationale des Transport Africain par Rail (Sitarail) in 1994. Bolloré Africa Logistics subsidiary Société Anonyme de Gérance et d'Armement is a majority shareholder in

Sitarail. This concession is a form of PPP, and Sitarail is expected to maintain the line, and ensure the expansion and development of new infrastructure. As far as the road network is concerned, Burkina Faso and Côte d'Ivoire are pioneers in the region with the construction of the Yamoussoukro-Ouagadougou highway. Indeed, the Burkinabé section is already attracting FDI. We hope to see more of these kinds of projects. Additionally, the construction of an airport in Ouagadougou is based on a PPP agreement, with significant resources expected from the international private sector.

To what extent is the Port of Abidjan facilitating regional commodities exports?

TIAO: The Port of Abidjan is connected to the transnational railway between Burkina Faso and Côte d'Ivoire. This is an advantage for the export of Burkinabé products and commodities, especially cotton. Rail is deemed to be advantageous for transporting large quantities as it offers lower unit costs. With direct access to the Port of Abidjan, this rail line is a means to unlocking potential in the hinterland. It is necessary to improve and extend rail infrastructure in order to better connect our countries within the sub-region. Studies are currently being carried for the construction of a loop line between Abidjan, Ouagadougou, Niamey, Dori, Parakou, Cotonou and Lomé.

What are the challenges faced by Burkina Faso in terms of electricity supply?

TIAO: The Burkinabé electricity sector faces three major challenges: availability, cost and network coverage. To overcome those challenges, the government has decided to rely on the development of connections with neighbouring countries that have cheaper energy resources. Our country imports around 70 MW from Côte d'Ivoire at a lower cost than local thermal generation. Further work needs to be done to interconnect regional grids to reduce transmission and distribution losses, as well as to offer more affordable electricity.



Nicole Bricq

Moving forward

OBG talks to Nicole Bricq, Former French Minister of Foreign Trade

How can France remain a competitive trade partner for African countries?

BRICQ: Africa is not a uniform block where demand is the same for all countries. Every country is different, and they each have their own expectations. Therefore trading partners should take an individual approach and adapt accordingly. Growth in South-South trade is a hard fact. About half of Sub-Saharan Africa's exports are destined for emerging and developing countries, against less than a quarter in 1990. As a result of this diversification in trading partners, competition has increased significantly. Although France's share of trade has seen a steady decline in recent years, from 10.1 % in 2000 to 4.7 % in 2011, we have still benefitted from Africa's growth, with exports to Sub-Saharan Africa jumping almost three-fold over 20 years, from \$6.3bn in 1990 to \$17.5bn in 2011. While the arrival of new exporters has led to a reduction of our market share, we remain the leading trading partner in regions like the Maghreb, with market shares exceeding 10% in each country.

To what extent can trade between Europe and Africa lead to greater technology transfer?

BRICQ: The transfer of technology is key to economic growth and core to trade between both continents. It is also central to generating long-term partnerships between countries whose practices and technologies converge. In Algiers, for example, cooperation between Suez Environnement and Société des Eaux et Assainissement d'Alger is a successful case of technology transfer. While these transfers are legitimate partnerships, technology and skill transfers with African countries also confer a competitive advantage to French companies, as many new partners in Africa do not have French know-how or business roots.

How can compliance to international standards by local African suppliers be ensured?

BRICQ: Business relations between French companies and their foreign suppliers are of primary concern. Our

country is a signatory to the OECD Guiding Principles, meaning that French companies have to give a particular focus to their subsidiaries and suppliers in terms of complying with social and environmental standards.

In a different geographical context, the collapse of the Rana Plaza factory in Bangladesh was an alarming example of the lack of vigilance and interest given to local suppliers by foreign firms. In the wake of that accident, measures have been taken to reinforce awareness around respecting social and environmental standards. In Africa and beyond, the progress of French companies is centred around these issues.

What are the main challenges to greater intra-regional trade in francophone Africa?

BRICQ: While technical barriers and tariff and non-tariff barriers need to be overcome, the main problem currently is the logistical costs impacting the entire marketing chain. The cost of cross-border trade in Africa is about twice that of OECD countries. Notwithstanding, African countries are moving towards greater regional economic integration, which is a sign of future trade growth at the regional and international level. Further, the efforts made by the Economic Community of West African States should also be recognised.

In what way can economic ties between France and Côte d'Ivoire be strengthened?

BRICQ: While Côte d'Ivoire has a number of attractive assets, for instance the country's strategic geographic location, France's ambitions are also rooted in our long-standing and fruitful relationship.

With total direct investment of around €800m, France is the leading foreign investor in Côte d'Ivoire, especially in sectors such as agribusiness. Despite the political challenges faced by the country, most industrial companies developed by French operators are still present. It is now time for both countries to further capitalise on their relationship, particularly at a time when Côte d'Ivoire is about to jump-start industrialisation.

Economy

Social stability key as recovery continues apace

Diversification of trade and investment partners

Reforms ongoing under National Development Plan

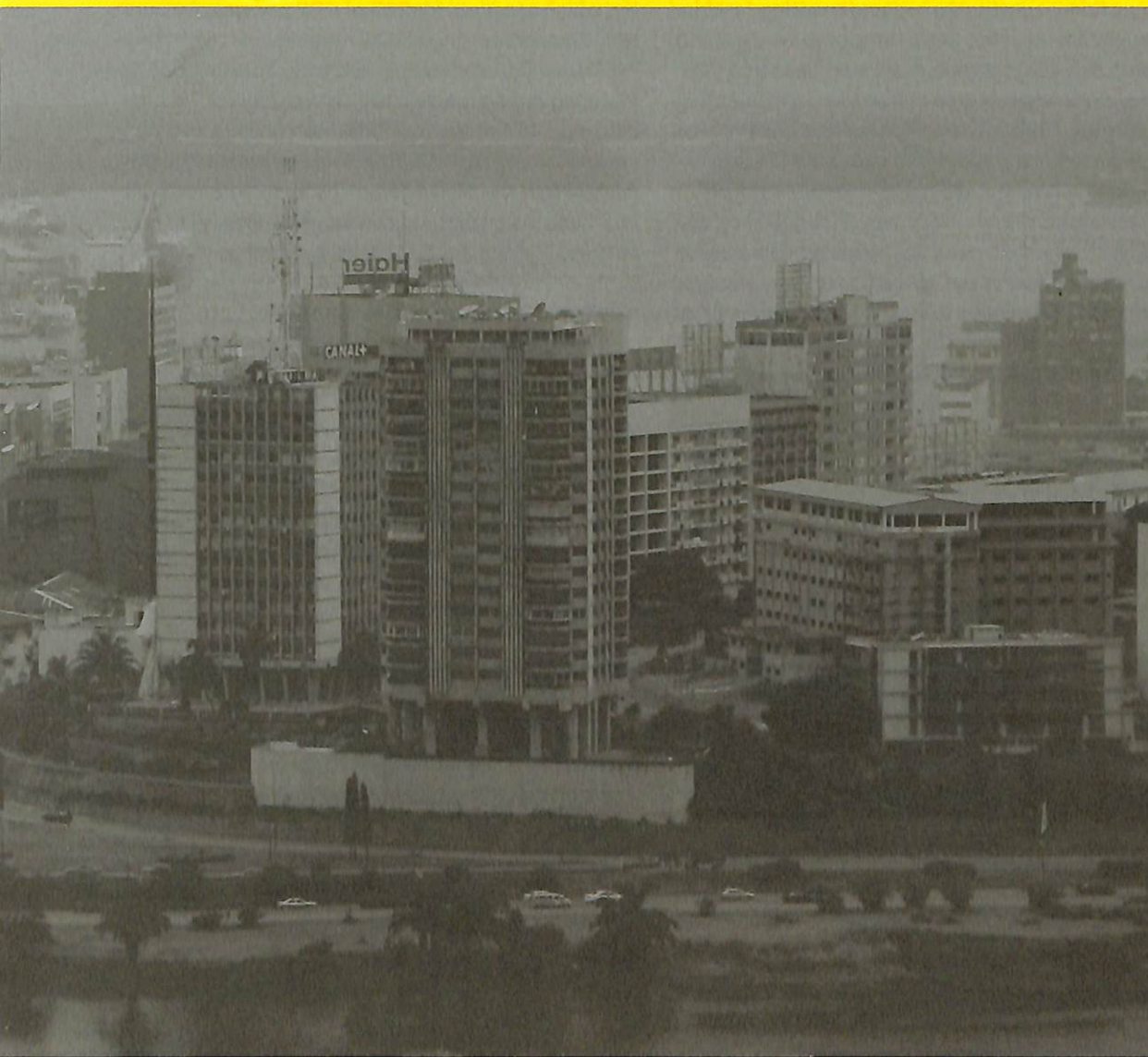
Drive to climb international investment rankings

As the economy continues to recover, social stability remains a key factor. The government is implementing various measures to ensure a smooth transition and to address the challenges posed by the global financial crisis.

The National Development Plan (NDP) is a key framework for the country's economic recovery. It focuses on diversifying trade and investment partners, improving infrastructure, and enhancing the quality of services. The government is also working to attract foreign investment and to improve the business environment. These efforts are aimed at creating jobs and stimulating economic growth.

The government is also working to improve the business environment and to attract foreign investment. This includes simplifying regulatory procedures and providing incentives for investors. The goal is to create a more competitive and attractive environment for businesses.

As the economy continues to recover, social stability remains a key factor. The government is implementing various measures to ensure a smooth transition and to address the challenges posed by the global financial crisis. These measures include providing social safety nets for vulnerable populations and ensuring that the recovery process is inclusive and sustainable.





Reforms to support private sector development are taking place

Rapid rebound

Recovery is well under way following years of uncertainty

Attracting both foreign and domestic investment will be crucial to reaching the government's goal of becoming an emerging economy by 2020.

A heavyweight within the West African Economic and Monetary Union (Union Economique et Monétaire Ouest-Africaine, UEMOA), accounting for 35% of the eight-member region's GDP, Côte d'Ivoire's growth is a bellwether for Francophone West Africa. Driven by rising public spending and public-private partnerships (PPPs) in infrastructure projects, economic growth has rebounded to high single-digits in the years since 2012.

While substantial debt relief and support from development finance institutions is underwriting fast-rising public investment, attracting both foreign and domestic private investment will be crucial to attaining the government's goal of becoming an emerging economy by 2020 – an area where the government has seen some early successes, with a six-times over-subscribed eurobond and a rise in PPPs.

"The rebound now under way is based on Côte d'Ivoire's strong fundamentals," Pascal Yembiline, chief country economist at the African Development Bank (AfDB), told OBG. Eager to regain its position as the unrivalled economic hub for the region, the authorities are aggressively reforming the business climate to support private sector development.

SHARP REBOUND: Recovery in economic growth following the end of a sustained period of turbulence in 2011 has been swift, even if the dividends of peace will take longer to share. Serious unrest curbed average annual growth at 0.1% between 1999 and 2007 and 1.6% in the five years thereafter, according to IMF figures. As a result of the violence following the disputed 2010 elections, the economy contracted 4.7% in 2011 while per capita income fell by 7.5%. As recovery efforts bore fruit, they gave way to long-term development planning. Public spending combined with deferred consumption drove a rebound in growth to 9.8% in 2012 and 8.7% in 2013, and the IMF forecast growth of 8.2% in 2014. GDP reached CFA14.13trn (€21.2bn) in 2013 according to the Ministry of Economy and Finance, which forecast 10% growth for 2014. This would mean aggregate real growth in the three

years since 2011 will total 25%, compared to aggregate growth of 15% from 2000 to 2011.

Côte d'Ivoire's traditional growth drivers – including cocoa, cashew nuts and oil – have also recovered strongly on improving soft commodity prices, aside from rubber. While the agricultural and mining sectors – which together account for around 33% of GDP, according to the AfDB – are recovering strongly with renewed investment, the growth drivers in the secondary sector, which accounts for 22% of GDP, remain construction, agro-processing and oil refining.

Meanwhile, rebounding domestic consumption is fostering rapid growth in the services sector – which makes up 48% of the economy – particularly in banking, telecoms and trade. Thus, while growth in the primary sector has slowed from 2.3% in 2012 to 2% in 2013, expansion of the secondary and tertiary sectors remained strong at 16.4% and 12.4%, respectively.

INCLUSIVENESS: Real per capita income has started to rebound from its 7.5% contraction in 2011 to growth of 6.6% in 2012 and 5.6% in 2013, according to the IMF. This growth has subsequently translated into improved employment statistics, with around 530,000 new entrants to the job market in 2013, compared to the creation of 715,000 new jobs, resulting in a drop in total unemployment from 8.7% to 6.7%, according to the Agency for Studies and Employment Promotion.

While the recovery in aggregate figures has been sharp, the dividends have been unevenly distributed. For the population of 22.6m growing at 2.8% per year according to the World Health Organisation, the lost decade prompted a fall in living conditions. Per capita income, at 2005 constant prices, fell from \$1973 in 1999 to \$1642 by 2011, according to the World Bank. By 2013 the country had a poverty rate of 49%, measured as those living on under \$1.25 a day. While the unemployment rate stood at 6.7% in 2013, the majority of unemployed (75%) are under the age of 35, where the jobless rate is 8.6%, with this increasing to 39% for university graduates, according to the AfDB.

PLANNING TO EMERGE: The National Development Plan (NDP) adopted in March 2012 aims to reduce poverty to 16% by 2015 and set the country on course to becoming an emerging economy by 2020. Through a series of reforms, including in the revenue-generating coffee and cocoa sectors, the plan includes a major increase in public investment in infrastructure, agriculture, and key social enablers like health and education. "We want to become the hub of the sub-region, the gateway to West Africa, a market of over 300m inhabitants," President Alassane Ouattara told the Invest in Côte d'Ivoire conference in January 2014.

Meeting the objectives of the NDP – which also looks to ensure broad-based and inclusive growth, through improved employment and social welfare – requires bold efforts from the government, including stimulating double-digit growth from 2014.

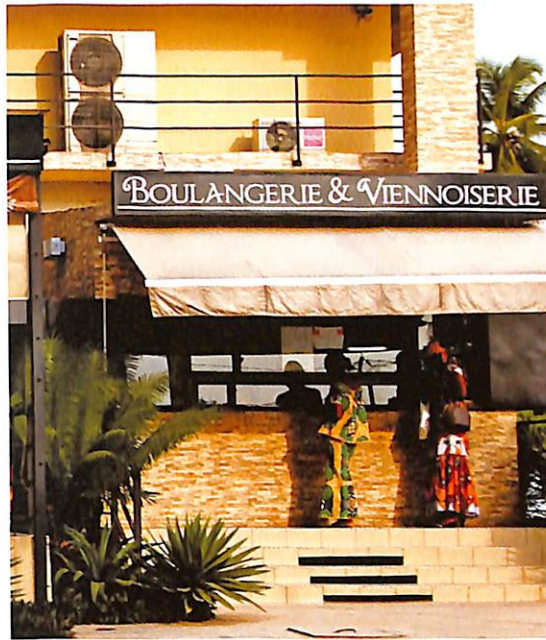
Conscious of the limits on government spending, authorities expect growth to be driven by both public and private investment. While the government aims to boost the public investment rate to 9.7% of GDP by 2015, up from 3% in 2011, it expects 54% of the planned CFA11trn (€16.5bn) investment in infrastructure between 2012 and 2015 to flow from private investors through PPPs. As the state focuses its investments on infrastructure, good governance, law and order, and small and medium-scale industry, it expects private firms to invest in agro-industry and infrastructure PPPs, particularly in power and transport.

The plan is already yielding results in terms of the required spending, with aggregate (public and private) investment rising from 8.2% of GDP in 2011 to 13.7% in 2013, according to the regional central bank, the Central Bank of West African States (Banque Centrale des États de l'Afrique de l'Ouest, BCEAO). The economic recovery has also supported higher spending, with the aggregate savings rate falling from 19.9% of GDP to 17.4% in the same span.

Despite further expansion under the 2014 budget, the authorities expect to consolidate their fiscal position over the medium term. The immediate priority is to clear domestic arrears that are owed to government contractors, an issue which has emerged as a key brake on private investment (see analysis).

DEBT SUPPORT: Execution of this bold programme has been aided through extensive international and donor support. Upon resolving the security crisis, in November 2011 Côte d'Ivoire signed a three-year extended credit facility with the IMF worth \$616m. The facility is linked to strict limits on regional and international borrowing, the formulation of medium-term fiscal and debt strategies, and reform of key sectors.

With good progress in implementing these reforms, the cocoa producer completed the Highly Indebted Poor Countries initiative in June 2012 and benefitted from substantial debt relief, six years after other West African states. The Paris Club of creditors cancelled \$6.5bn of bilateral debt, while the World Bank and the IMF led the cancellation of \$4bn in multilateral debt, roughly halving the stock of external debt from 55% of GDP in 2011 to 31% in 2012 and 28% in 2013,



The country accounts for 35% of the UEMOA region's GDP

according to the IMF. In parallel, the BCEAO led the restructuring of regional obligations – both Treasury bills (T-bills) and bonds – on which Côte d'Ivoire had defaulted during the crisis.

While the stock of regional CFA-denominated debt rose swiftly from 11.2% of GDP in 2007 to 18.6% by the end of 2012, according to the IMF, the central bank brokered agreements in November 2011 and March 2012 between the government and securities holders to restructure the CFA607bn (€911m) – 5.3% of GDP – in T-bills that it had rolled over during the 2010-11 crisis. These were converted into two-year T-bills and three- to five-year bonds, normalising relations with the regional market and allowing Côte d'Ivoire to restart issuance from 2012.

The gross stock of public debt thus declined from 74% of GDP in 2011 to 49% in 2012 and 43% in 2013, according to the IMF. International donors have gone beyond debt restructuring to concessional support for the government's programmes, with the Paris Club of international lenders pledging \$8.6bn in new loans for infrastructure and job-creating investments, while

While the state is focusing its investments on infrastructure, good governance, law and order, and small and medium-scale industry, it expects private firms to invest in agro-industry and infrastructure PPPs.

GDP growth, 2008-13 (%)



The regional central bank conducts monetary policy according to a peg of CFA655.96 to the euro, with the convertibility guaranteed by the French Treasury.

the International Finance Corporation committed \$1bn in new investment in the three years to 2015. France has opted for an alternative form of debt relief, known as a debt relief and development contract, whereby it channels aid worth €2.9bn in exchange for repayment of the debt. Most encouragingly, given the challenges the country faced previously with its debt load, the recent eurobond issuance of \$750m was a great success, coming in at a rate below that of Kenya and Ghana (at 5.6%) and six times oversubscribed, demonstrating a strong appetite by investors for Ivorian debt.

MONETARY STABILITY: A stable macroeconomic environment is ensured through Côte d'Ivoire's membership of the eight-member UEMOA. Under the region's convergence criteria, member states aim to eliminate basic fiscal deficits and domestic arrears, cap total debt at 70% of GDP and maintain average inflation at under 3%, although compliance has been uneven.

The Dakar-based BCEAO conducts monetary policy according to a peg of CFA655.96 to the euro, with the convertibility guaranteed by the French Treasury, while institutions like the Togo-based West African Development Bank (Banque Ouest Africaine de Développement, BOAD) channel concessional financing to key development projects. Operation of the regional currency block – and that of a regional real-time gross settlement system for bank transfers – has encouraged greater intra-regional transaction flows than in the rest of Africa. Only around 10% of transactions are

sent in dollars, compared to 69% in the East African Community, while the rest is handled in CFA and dominated by transfers between Côte d'Ivoire, Senegal and Mali, according to the Society for Worldwide Interbank Financial Telecommunication.

The central bank typically follows European Central Bank interest rate movements with a lag, though it also takes account of regional inflation. As annualised inflation eased from 2.8% in December 2012 to 1.7% in 2013 in UEMOA, and from 4.9% in 2011 to 1.3% in 2012, rebounding to 2.9% in 2013, for Côte d'Ivoire, the BCEAO eased interest rates in 2013. It cut its benchmark lending rate by 25 basis points twice, in March and September 2013, to 3.5%, while its minimum T-bill auction rate fell to 2.5%. However, given the abundant liquidity in the financial system, particularly in Côte d'Ivoire, with banks eager to buy government securities and lend to top-tier corporates, the impact of monetary policy on real lending rates remains highly diluted. "Monetary policy is inefficient because the transmission mechanism of interest rates on the real economy is weakened because of the relatively underdeveloped financial sector," Amina Coulibaly, an economist at the IMF, told OBG.

TRADE PRESSURES: Higher aggregate investment has driven a rapid rise in imports, which had fallen from 45.9% of GDP in 2010 to 37.9% in 2011 amid the crisis before rebounding to 47.6% in 2012 and 47.8% in 2013, according to the IMF. Although exports had

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CENTRE DE PROMOTION DES INVESTISSEMENTS EN CÔTE D'IVOIRE

remained strong during the crisis, accounting for 54.2% of GDP in 2010 and 57.7% in 2011, they fell to 52.8% in 2012 and 51% in 2013 as terms of trade for key commodities like rubber declined and as investments in cocoa slumped and the productivity of ageing plantations fell. Indeed cocoa production slumped from 1.51m tonnes in the 2010/11 growing season to 1.34m tonnes in 2011/12, before rebounding to 1.47m tonnes in 2012/13 and 1.74m tonnes in 2013/14, according to figures from Ecobank.

While these two trends created a current account deficit rising from 1.8% of GDP in 2012 to 3% in 2013, reform in the cocoa and coffee sectors, which together account for roughly 75% of agricultural exports and 25% of total exports, and a rebound in prices since 2013 should yield an improved export performance in coming years, according to research from BNP Paribas.

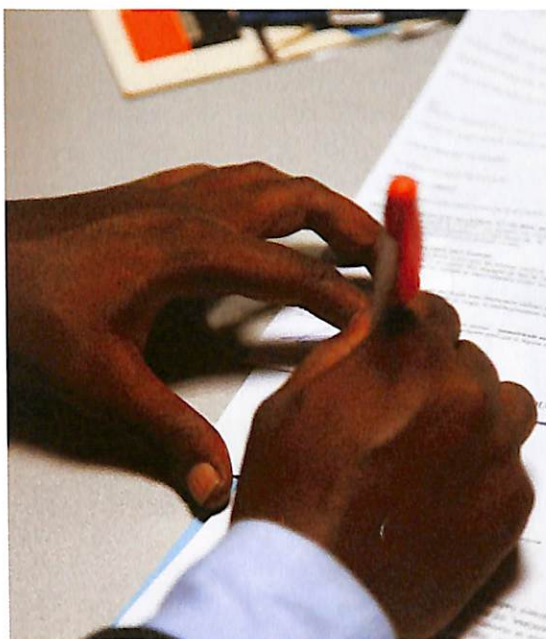
By January 2014 an estimated 932,000 tonnes of cocoa had arrived at Ivorian ports, a 30% rise year-on-year (y-o-y). Meanwhile, the government aims to expand oil production from 38,000 barrels per day in 2012 to 200,000 by 2018. The outlook for terms of trade is also good following a 25% appreciation in global cocoa prices in 2013, with further upside in 2014 given rising global demand, according to BNP Paribas. However, while exports are projected to rise by 11-12% per year over the next decade, they are likely to be overshadowed by faster growth in imports, expected at above 13% annually by the IMF.

Equipment and capital goods have been crucial drivers of import growth, with 25% y-o-y growth in the first half of 2013, according to BNP Paribas. "We have seen growing import substitution for basic foodstuffs, which led to lower agricultural imports, while better terms of trade for commodities other than rubber led to higher export earnings in 2013," Yembiline told OBG. "However, capital goods imports should drive the current account deficit going forward."

The IMF expects the current account deficit to widen to 4.7% of GDP in 2014, 6.3% in 2016 and 7.3% by 2018, although including aid inflows these figures will be a lower 2.6%, 4.5% and 5.8%, respectively.

RISE IN FOREIGN INVESTMENT: Inward foreign direct investment (FDI) flows recovered following the crisis, rising from \$286m in 2011 to \$478m in 2012, according to UN Conference on Trade and Development (UNCTAD) figures. The stock of existing foreign investment is already significant relative to the economy's size, reaching \$7.65bn in 2012, up from \$2.48bn in 2000. While this accounted for roughly 2.7% of GDP according to KPMG, the IMF expects it to rise to 3% of GDP from 2014, driven by rapid economic growth and the impact of recent government reforms aimed at improving the business climate (see analysis).

While Lebanon and France overwhelmingly dominate sources of FDI, accounting for 52.7% and 26.3% of new investment, respectively, in 2012, according to government figures, Italy and Japan also feature as prominent investors with 8.9% and 8.3% of the total, respectively. The cement industry was the single largest target for FDI in 2012, given large investment in a new



FDI has recovered significantly since the end of the 2011 crisis

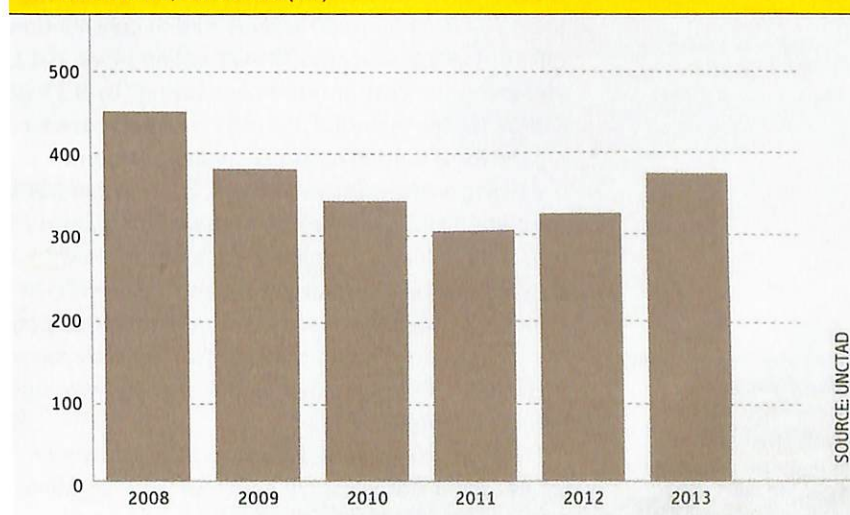
cement plant by Nigeria's Dangote Group drawn by the significant infrastructure build-out. Yet hydrocarbons, hospitality and food manufacturing are also major drivers of inward FDI, accounting for 18.5%, 14% and 13.4% of investment in 2012, respectively.

The government's promotion of investment, evident at events like the Invest in Côte d'Ivoire conference in January 2014, is helping to drum up interest. The newly established Investment Promotion Agency (Centre **PROMOTION EFFORTS:** de Promotion des Investissements en Côte d'Ivoire, CEPICI), reported CFA506bn (€759m) in investment intentions received in 2013 – a 131% rise over the CFA219bn (€329m) of 2012. Some CFA374bn (€561m) of the total was reported as commitments from foreign investors, a figure which reportedly rose to CFA443bn (€665m) following the January 2014 conference, although the actual number of projects executed has tended to lag.

"We think that the actual inward FDI flows are significantly lower than the stated intentions to invest," Jean-Michel Lavoizard, CEO and co-founder of Advanced Research & Intelligence Services, a private

Exports are projected to rise by 11-12% per year over the next decade, but they are likely to be overshadowed by faster growth in imports, at above 13% annually.

FDI inflows, 2008-13 (\$ m)





The government has been pushing ahead with reforms to the country's public pension system

intelligence firm, told OBG. "We think the conversion rate is below 10%, compared to 30% on average."

STRUCTURAL REFORMS: The increase in FDI is in part a result of the government's policy programme. Under the NDP, and aside from efforts to streamline investment procedures, the government has embarked on wide-ranging structural reforms that have helped boost quality and productivity in key sectors.

The earliest restructuring was in the traditionally opaque cocoa and coffee industry, a move upon which donor support was predicated. Starting in 2011 the CCC replaced the previous system of spot sales with a forward-auction market, whereby grinders and exporters bid for export licences for 70-80% of output, with the remainder sold on spot. These reforms are aimed at fixing sales prices in advance and improving the predictability of state revenues, and have been largely successful, with two-thirds of the 2013/14 harvest pre-sold in 2013, according to Ecobank.

The government has also been pushing ahead with reforms to its public finances. In early 2012 it enacted revisions to the public pension system administered by the two state-owned pension administrators, traditionally chronically in deficit. By raising the retirement age from 55 to 60 and increasing contribution rates from 8% of salary to 12% in 2012 and 14% in 2013, increasing the cost of retirement savings by 0.3% of GDP according to the IMF, the reform was key to reducing the fiscal burden of formal-sector pensions.

Building on these early successes, in December 2013 the prime minister announced a programme to restructure state holdings in commercial enterprises with a view to privatising several and enhancing the efficiency of key concerns like state-owned banks. Reviving the privatisation committee that had led state sales in the late 1990s, the government aims to make significant progress in 2015.

The government will pull back from the primary sector by selling stakes in gold miner Société des Mines d'Ity, oil palm producer Palmafrigue, rubber producer

Tropical Rubber Côte d'Ivoire, sugar producers Sucrivoire and SN Sosuco, as well as meat manufacturer SIVAC. Other companies in which the state holds a stake due for privatisation include engineering firms CI Engineering and Sonitra, industrial development agency IPS-WA and publishing house NEI-CEDA.

In the banking sector, the government contracted PwC to advise it on restructuring state-owned banks, and it is expected to sell 10% of BIAO-CI and 20% of SIB through initial public offering and an additional 29% of SIB to the existing majority investor, Morocco's Attijariwafa Bank. While these sales should be relatively straightforward, the restructuring of its five majority-owned lenders will be more challenging given that all but Banque Nationale de l'Investissement (BNI) are net equity negative. While the government is expected to sell the three smaller state-owned banks – BFA, BHCI and Versus Bank – it is likely to retain control and merge BNI and the Caisse Nationale des Caisses d'Epargne (see Banking chapter).

PPPs: PPPs are also one of the key focal points for the government's reform agenda. While Côte d'Ivoire has a long track record of such projects, particularly in port and airport management, the NDP includes roughly 60 PPP infrastructure projects. Having enacted a new Electricity Code in February 2014 that allows greater private investment through independent power plants (IPPs) and broader rural electrification, the National Committee in Charge of Promoting and Developing PPPs is steering investments with donor support.

"We have established a PPP centre to help member states identify and formulate projects where private participation is viable," Oumar Tembely, BOAD's chief of resident mission in Côte d'Ivoire, told OBG. "While the first priority is IPPs, we also see significant opportunities in transport, such as the €1bn urban train from Abidjan to Bouet Port."

In power, the authorities expect to boost total generation capacity from 1600 MW in 2013 to 4000 MW by 2020, driven by expansions of existing IPPs and greenfield projects (see Energy chapter). Private investor Finagestion, majority owned by private equity fund manager Emerging Capital Partner, is investing €343m to expand capacity at the existing Ciprel IPP by 222 MW, to a total of 543 MW.

Meanwhile, fellow private equity fund Actis is backing a \$450m expansion of the existing Azito IPP, adding 139 MW and bringing capacity to 427 MW on completion in 2015, through its holding in power plant operator Globeleq. Finally, China's Sinohydro is developing the 274-MW Soubré hydroelectric plant in the southwestern Bas-Sassandra region, backed by a €572m concessional loan from China's EximBank.

The transport sector offers a wide range of PPPs, including a second terminal at Abidjan's port to handle containers and bulk cargo (see Transport chapter). The concession was awarded to a consortium led by Maersk subsidiary APM Terminals in 2013 with CFA300bn (€450m) investments planned, although competitor CMA-CGM is appealing the decision. A further container terminal at San Pedro is also being

Building on its long history of successful PPP undertakings, Côte d'Ivoire's National Development Plan includes roughly 60 PPP infrastructure projects.

offered as a PPP, with investments of CFA178bn (€267m) planned. The other landmark project is the capital's third bridge, developed as a toll-road concession at a cost of \$300m by French consortium Socoprism, 49% backed by Bouygues alongside the government and the AfDB-led Pan African Infrastructure Development Fund. In rail, the government is tendering a CFA678bn (€1.02bn) line from San Pedro to Man and a CFA655bn (€983m) light urban line in Abidjan.

JOB CREATION: While such large-scale infrastructure projects are crucial to easing logistics bottlenecks, the authorities are aware of the pressing need to reduce the rate of unemployment – which stood at 6.7% in 2013 – ahead of presidential elections in late 2015. As such it is seeking to support the growth of the country's 60,000 small and medium-sized enterprises (SMEs), which account for 80% of registered firms yet only 18% of GDP and 23% of employment.

In early 2014 the Ministry of Commerce unveiled its Phoenix plan aimed at doubling the number of SMEs to 120,000 by 2020, with the goal of generating 600,000 jobs and raising their weight to 35-40% of GDP. The first step came in February 2014, when parliament enacted an SME law establishing a dedicated government authority to support their growth. The broader Phoenix master plan aims to raise CFA200bn (€300m) from the budget and donors to address four key constraints on SMEs' development: inadequate capacity, lack of access to finance, the business environment

and entrepreneurial culture. Reforms of the business environment are starting to yield fruit (see analysis).

Equally pressing, however, is the issue of access to credit. "The single most important constraint on SMEs is access to finance: banks need to act as financial advisors," Euloge Camara, officer at the African Growth and Opportunities Act Resource Centre, told OBG. "The majority of SMEs we deal with have developed based on retained earnings rather than debt." While a number of both bilateral and multilateral donors have rolled out partial risk guarantee schemes targeting SMEs, the government is expected to roll out a programme of subsidised interest rate loans under the programme.

OUTLOOK: With substantial public investment in infrastructure driving the country's rapid economic rebound, Côte d'Ivoire looks set for at least high single-digit growth in 2015 and 2016. Significant donor support will ensure adequate fiscal space over the medium term, while the government's structural adjustments should improve the public sector's efficiency. The IMF forecasts over 7.5% average growth through to 2017, but attracting private investment both to large infrastructure developments and lower-profile industrial projects that will create employment will be key to ensuring social stability. Despite competition in the region from Senegal and Ghana in terms of investment attractiveness, Côte d'Ivoire is likely to regain its place as an economic centre if it can successfully implement reform of both its hard and soft infrastructure.

The government is seeking to support the growth of the country's 60,000 small and medium-sized enterprises, which account for 80% of registered firms yet only 18% of GDP and 23% of employment.



Comité National
de Télédétection
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L'INFORMATION GÉOGRAPHIQUE AU SERVICE DU DÉVELOPPEMENT

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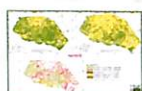
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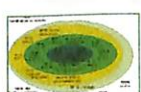
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- Conseil en aménagement urbain et rural
- Formation et assistance en gestion de projets
- Accompagnement dans les projets financés par les bailleurs de fonds (BM/BAD/UE,...)
- Hydraulique villageoise

FORMATION



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- Technologies ARCGIS
- Technologies GOOGLE MAPS
- Projets Spéciaux
- Gestion de Projets

RECHERCHE ET DÉVELOPPEMENT



- Interopérabilité, normes, standards
- Subventions
- Métadonnées
- Programme Infrastructure Nationale de Données Géospatiales (INDG)
- Métadonnées

INDUSTRIE / NOTRE CIBLE



- Assurance & finance
- Sécurité publique
- Gouvernement
- Ressources naturelles
- Transport logistique
- Défense
- Energie
- Communications
- Travaux publics

PROJETS RÉALISÉS



- SIG Carte scolaire
- E-Cadastre
- E-Commune
- Dashboard Cherté de vie
- etc.



Daniel Kablan Duncan

Trade and foreign capital

OBG talks to Prime Minister Daniel Kablan Duncan

What sort of participation in the economy is expected from the private sector?

DUNCAN: The 2012-15 National Development Plan (NDP) is estimated to cost \$22bn, and the government's objective is that 60% of this, or \$13bn, should be financed by the private sector. The Ivorian government wants to cooperate with the best companies out there; there is no room for mediocrity in our economic development. But one cannot attract private investment without creating a friendly business environment. To that end, many reforms have been carried out, and there is still more work to be done.

How much of a priority are capital inflows for farms?

DUNCAN: Agriculture is not a sector in which foreign investors usually have a particular interest. Yet Côte d'Ivoire is an agriculture-based economy, and as such needs massive investments. Within the NDP, the National Agricultural Investment programme was budgeted at \$4bn, and there are currently seven international firms set to contribute to the growth of various cash crops like cacao, rubber and palm oil. In an effort to become self-sufficient with food, investments are also needed in subsistence farming, such as for rice.

The plan is to set up large industrial plantations surrounded by artisanal ones, on a human scale but with high production volumes. In this way, industrials will be able to buy crops from local small and medium-sized farms. Through technology transfer, the programme will help install sustainable irrigation systems, and focus on intensive agriculture rather than extensive. Overall, yields and productivity per hectare will be increased.

How can South-South trade contribute to Côte d'Ivoire's economic development?

DUNCAN: Because of its common history with Europe, Côte d'Ivoire has traditionally had easy access to this market, and vice versa. In its foreign trade, Côte d'Ivoire used to export a lot of commodities like cacao, coffee and cotton, and import industrial equipment like machin-

ery, tools and vehicles. In time, however, we have benefited from globalisation and diversified our trading partners, including with emerging countries. First, we have intensified regional trades with our neighbours from the Economic Community of West African States. The idea is to capitalise on proximity. For instance, in Côte d'Ivoire we see more and more Nigerian investors in sectors like banking and construction.

Second, we have built strong ties with Latin American and Asian countries. Already in the 1980s, there were two Brazilian banks in Côte d'Ivoire – Banco do Brasil and Banco Real – and VARIG, the first Brazilian national airline, was operating flights between Rio de Janeiro and Abidjan. For some years now, we are replicating the same kind of relationships with countries like South Korea and China, which today represents 6% of total trade. South-South cooperation is important, and will become increasingly so in coming years.

There is no exclusivity in trade. The late President Felix Houphouët-Boigny used to say that Côte d'Ivoire was "enemy of no one and a friend to all". That remains our motto in economics and politics.

What are the main constraints on trade between North and West Africa?

DUNCAN: Most urgently, we need to improve transport infrastructure. There is a lack of railways and roads linking North and West Africa, and while there is functioning infrastructure on the maritime front, regularity is often a problem. Another constraint is finance. Compared to Asian countries, which invest massively through concessional loans, North African countries give little financial support to West Africa, partly because they are themselves in need of external financing. Lastly, while West Africa currently benefits from North Africa's expertise in sectors like tourism, agriculture and health, relations are not as diversified as they should be. Western countries may be generally more advanced and provide more expertise, yet the proximity of North and West Africa simplifies trade and expertise sharing.



The NDP increased public investment to 9.7% of GDP

Fiscal drivers

The authorities are making considerable efforts to stabilise spending and reassure potential lenders

The National Development Plan (NDP) boosted public investment from 3% of GDP in 2011 to 9.7% by 2015, but headline spending is not the only notable aspect of Côte d'Ivoire's fiscal policy. With donor support the authorities have also made headway on improving execution of spending and shifting funds to capital projects – even if recurrent spending still accounts for a larger share of the budget than in other West African Economic and Monetary Union (Union Economique et Monétaire Ouest-Africaine, UEMOA) states – while seeking ways of increasing revenue collection.

Returning to the regional bond market since 2012 and raising a landmark amount in 2014, the government also sought to tap the eurobond market in 2014. While it retains fiscal space to raise new debt, the government must also pay down the still significant domestic debt it holds as arrears to local contractors. Having started to pay down this debt since an audit in 2013, resolving these domestic arrears is pressing in order to unshackle the domestic private sector and support the development of domestic private investment.

FISCAL EXPANSION: Government spending recovered sharply from 2011, rising 38% in the 2012 budget, 11% in 2013 and 9% in 2014, to CFA4.25trn (€6.37bn), according to IMF figures. This increased total spending from 21.4% to 24.8% of GDP between 2011 and 2013. The rapid rise in 2012 was fuelled by recurrent expenditure, which accounts for 80% of budgeted spending, according to BNP Paribas.

A key driver of higher spending has been inflation in public wages, which already accounted for 44% of fiscal revenue in 2012, according to the African Development Bank (AfDB), higher than the UEMOA convergence criteria of 35%. This was driven by recruitment of ex-combatants as well as reconstruction efforts, including the payment of teachers in the central, northern and western zones most affected by the conflict.

From 2013, however, capital investments became the key driver of higher spending, with capital expenditure growing 116% in 2012, 65% in 2013 and 19% in

2014, reaching CFA1.206trn (€1.81bn). Public investments have risen from 3% of GDP in 2011 to 4.9% in 2012 and 7.9% in 2013, according to the Central Bank of West African States (Banque Centrale des États de l'Afrique de l'Ouest, BCEAO). Alongside the authorities' efforts to constrain further wage bill increases, the rise in public investment should bring spending closer to UEMOA requirements in the medium term. Over the longer term the IMF expects authorities to curb further rapid spending rises, with primary expenditures, excluding interest payments on debt, to rise from 22.6% of GDP in 2013 to 25.7% at decade's end.

Public revenue has not kept pace with spending; however the government is now working to expand its tax base, making efforts to improve collection and crack down on avoidance. By tightening collection the tax authority exceeded its target of CFA1.41trn (€2.1bn) in receipts for 2013 by CFA15.9bn (€23.9m). The 9% year-on-year rise in fiscal receipts followed a 48% increase in revenues in 2012, prompted by higher economic growth driving tax collection. Yet 2013 saw lower Customs receipts than expected, following the shift of administration from France's Veritas to Swiss-based Webb Fontaine. The new administrator increased inspections to all incoming containers yet the switch caused delays in recovering duties, with the Customs department receiving only CFA1.13trn (€1.69bn) of the CFA1.18trn (€1.76bn) targeted for 2013.

DEFICIT: Higher fiscal spending has driven the annual deficit above the 1.8% of GDP recorded in 2011, though its growth has been curbed somewhat. Higher-than-expected revenues in 2012 caused the budget deficit to hit only 3.4% of GDP compared to a forecast 4.3%, while higher reliance on aid for financing the investment budget in 2013 – with donor financing rising by 1.1 percentage points of GDP – curbed the overall deficit to 2.6% of GDP, according to the BCEAO.

Having addressed the problems in Customs processing and enacted tax increases equal to 0.3% of GDP in the 2014 budget, including a new tax on telecoms

Government spending recovered sharply from 2011, rising 38% in the 2012 budget, 11% in 2013 and 9% in 2014, to €6.37bn.

By improving tax collection and cracking down on avoidance, the tax authority successfully exceeded its target of €2.1bn for 2013.



Public revenue has not kept pace with spending, but the government is working to expand its tax base

operators and higher excise taxes, the government planned to bring the budget deficit down to 3.1% of GDP in 2014, only slightly above the UEMOA convergence criteria. "The administration has addressed the Customs duties collection challenges seen in 2013, and we have seen improved collection," Pascal Yembiline, the AfDB's chief country economist, told OBG.

DEBT FINANCING: To support the public investment drive, the government is increasingly turning to regional and international commercial debt markets, having restructured its debt on the regional market into longer-maturity instruments and normalising relations with foreign bondholders after having defaulted on Brady bond payments in 2010 and 2011 (see overview).

With investor appetite for African sovereign bonds high, and its total debt stock falling from 74% of GDP in 2011 to 49% in 2012 and 43% in 2013, according to the IMF, Côte d'Ivoire has ample space to issue new debt alongside its existing sources of concessional funding. In March 2014 the Treasury launched the single largest sovereign bond issue on the regional exchange, aiming to raise CFA250bn (€375m) through an issue underwritten by BOA-CI and NSIA. Although they only raised CFA241.7bn (€363m) at 6.5% coupon over seven years, this revealed continued appetite by regional bondholders, particularly insurance firms and banks, despite their abundant holdings of restructured Ivorian debt left over from the crisis.

As part of its formulation of a medium-term debt strategy elaborated with IMF support, the Treasury is also seeking to diversify its investor base and lengthen the maturity of its debt profile. In April 2014 it contracted Citibank, Deutsche Bank and Standard Bank to underwrite its maiden eurobond issue. The 10-year bond, which was issued in July 2014, raised \$750m at a rate of 5.625%, which was lower than a similar issue made by Kenya a month earlier.

Côte d'Ivoire has also raised three large concessional loans worth a combined \$2.1bn to fund its energy and infrastructure projects, including a Chinese loan

for the expansion of access to drinkable water and the extension of Abidjan Port. The IMF expects these to be disbursed over the next three years, with 1.8% of GDP in 2015, 1.6% of GDP in 2016 and 0.9% of GDP in 2017. The contribution of grants and budget aid is expected to decline from 1.7% of GDP in 2013 towards 0.5% of GDP by the end of the decade as per-capita income rises. New external commercial borrowing is projected to reach 2.6% of GDP on average by 2018 and 2.8% thereafter. Yet this growing reliance on market-rate debt has prompted calls for caution on the part of both the IMF and international banks. "The acute recourse to non-concessional financing in order to accelerate the infrastructure programme is an important risk," BNP Paribas said in a January 2014 economic update.

SETTLING ARREARS: While the government is gradually improving its fiscal position, it has had to tackle domestic arrears owed to local private contractors that had built up over the decade to 2011. Following a year-long audit completed in October 2013, the state identified CFA153bn (€229m) of unpaid debts out of an initial total of CFA356bn (€534m) originally claimed by suppliers. "These domestic arrears have seriously affected SMEs' ability to self finance," Yembiline told OBG.

In December 2013 the government paid down CFA51.1bn (€77m) of this debt, financed through a CFA100bn (€150m) loan from Congo-Brazzaville. An additional CFA40bn (€60m) of the 2014 budget has been earmarked to further pay down the domestic arrears, which should be paid in full by 2015. "The government is striving to pay arrears and internal debt to unshackle private investment," Amina Coulibaly, economist at the IMF, told OBG. "Although growth has been driven by public investments we started to see a small reaction from the private sector in 2013."

As part of its tax administration reform, the government also revised the value-added tax (VAT) refund system to limit outstanding VAT credits to CFA10bn (€15m) from 2014 and now calculates VAT receipts net of refunds. This will help resolve the cash-flow issues resulting from monthly VAT payments (at the standard rate of 18%) to the government and should support plans to expand the government's VAT receipts.

VAT receipts are already the lowest in UEMOA, with the IMF estimating the VAT gap reached 7.9% of GDP in 2012 based on its quantitative analysis of household consumption. With no new VAT refund arrears since 2012, the government aims to resolve all outstanding VAT credits due by end-2014.

The sanitising of public finances in 2014, particularly through paying arrears to domestic contractors, will be key to inducing more investment from Côte d'Ivoire's private sector. As the government expands its balance sheet and directs spending towards development rather than the traditionally dominant recurrent spending, it will rely increasingly on private markets both regionally and offshore. While it retains significant fiscal space following debt relief in 2012, attracting private investment, particularly from foreign direct investors, will be crucial to attaining the goals of the NDP, and further easing of bottlenecks to investment will also be required.

In April 2014 the Treasury contracted Citibank, Deutsche Bank and Standard Bank to underwrite Côte d'Ivoire's maiden eurobond issue, which raised \$750m at a rate of 5.626%.



Donald Kaberuka

Sharing the burden

OBG talks to Donald Kaberuka, President, African Development Bank

What challenges do sub-Saharan African (sSA) governments face in terms of financial management?

KABERUKA: In the past six years African governments have been good examples of prudent public financial management – better examples than their European peers. For instance, Côte d'Ivoire's overall fiscal deficit was at a mere 2.3% of GDP in 2013. However, sSA countries can be at risk if the deficit is financed by domestic borrowing, as this increases interest rates and squeezes small businesses. While sSA countries should have a good balance between recurrent expenditure and capital expenditure, they need to strengthen debt management capacity. Challenges for sSA governments can be summed up in how to get value for money: how to improve financial management to build infrastructure, reduce the cost of resources used, minimise inputs, maintain quality and achieve intended outcomes.

To what extent was debt relief in 2006 a success?

KABERUKA: Debt relief and clearance mechanisms have reduced the debt burden of many sSA governments, giving them the fiscal space to finance the long-term projects necessary to sustain growth. Several sSA countries have seen dramatic improvement in their balance sheets over the past 10-15 years, averaging strong growth of 5-6%. Yet to sustain these rates they would have to close the infrastructure gap. Most of the countries have used international capital market borrowing for projects with huge social benefits and a development impact, such as in the energy sector.

Do you share the IMF's concerns over the rising debt burdens of African countries?

KABERUKA: The growing debt levels of poor countries impede development and perpetuate poverty. While debt relief initiatives have alleviated the burden in recent years, weak macroeconomic fundamentals, the global financial crisis and the growing accessibility of non-concessional financing will propel debt levels into the danger zone unless proactive measures are taken.

One has to be concerned about the rising burden of African countries, given the huge impact unsustainable debt has had on these economies.

However, these concerns must be put in context. Many of the countries that are borrowing to close the infrastructure gap have introduced positive reforms in debt management, public financial management and overall governance. There is still work to be done, but the situation is far from what it was in the 1990s. Strengthening the long-term debt sustainability of low-income African countries is also a key challenge. The African Development Fund and its partners have been working to address the issue by helping countries escape or avoid debt, build their debt management capacity and access financing for development programmes at concessional rather than commercial rates.

How can public-private partnerships (PPPs) contribute to infrastructure financing in Africa?

KABERUKA: Substandard infrastructure is the main obstacle to sustained economic growth and development in Africa. In most countries, the need for infrastructure investment far exceeds the available financing. Financing requirements for Africa's infrastructure are estimated at \$100bn per year, but only \$50m is spent. The burden for financing improvements in Africa's infrastructure still falls disproportionately on government budgets, which shoulder 65% of the expenditure, while the private sector covers 20%, and traditional development partners and emerging markets another 15%.

The desire for greater efficiency and better services – and the limited public resources available to finance them – are increasingly leading governments towards PPPs. These can help governments overcome short-term budget constraints, as the capital cost of a project is spread over its lifetime, rather than incurred upfront. For more PPPs to emerge in Africa, countries need to improve their business environments. Major constraints exist, including inadequate legal and regulatory frameworks and a lack of technical skills to manage PPPs.



Côte d'Ivoire is a key producer of agri-foods and cosmetics

Casting a wider net

The country is aiming to diversify its economy and its trade partners

The rebuilding of infrastructure is part of the attempt to regain transit and trans-shipment trade that was lost to Senegal, Togo and Ghana.

An open economy with trade accounting for 91% of GDP in 2013, Côte d'Ivoire has traditionally held a central position in regional trade. The heavyweight of the West African Economic and Monetary Union (Union Economique et Monétaire Ouest-Africaine, UEMOA) with 35% of regional GDP, the country lost some of its stature over the decade of unrest. As it rebuilds its infrastructure to regain West African transit and trans-shipment trade that has been lost to Senegal, Togo and Ghana, it is also seeking to diversify its export markets. Amid gradual progress towards a common market in ECOWAS, Côte d'Ivoire has pursued trade liberalisation. Improving its logistics infrastructure and reducing non-tariff barriers will be key to leveraging such agreements towards greater economic diversification. **REGIONAL GROWTH:** Côte d'Ivoire is a key producer of refined oil, agri-foods and cosmetics. Yet while UEMOA treaties include a common external tariff (CET), a common currency and efforts to ease barriers like poor infrastructure and corruption along trade routes, growth in intra-regional trade has been lacklustre. One explanation for this is the lack of complementarities between member economies. Aside from Côte d'Ivoire, UEMOA countries predominantly export unprocessed raw materials. This has led to the development of the Abidjan and San Pedro ports as gateways for trade with landlocked countries, both for exports and, far more significantly, for imports to the region.

Intent on maintaining Côte d'Ivoire's gateway status, the government is extending its ports' capacities through new concessions and upgrading its road network, already the most extensive in UEMOA. Yet it will also need to focus on the enabling environment, given Côte d'Ivoire's ranking on the World Economic Forum's Enabling Trade Index at 126th of 132 countries, compared to Senegal's 92nd place and Burkina Faso's 122nd.

Links with Anglophone West African economies such as Ghana and Nigeria have been growing. By 2013 Nigeria ranked third among export destination for Ivorian goods, with 8% of the total, and second for imports

with 26%, according to the World Trade Organisation (WTO). Nigeria is a key supplier of crude oil to the Ivorian refinery. The IMF found that exports to Nigeria from 2010 to 2012 accounted for 3.1% of Ivorian GDP, while imports reached 8.6%. Ghana ranked fifth for exports, accounting for 4% of sales, although this likely underestimates the value of smuggled goods.

Further integration within the 15-member ECOWAS group should benefit Côte d'Ivoire. "Because of its importance in the sub-region, diversification of its economy and its geographic position...Côte d'Ivoire makes a significant contribution to the economic expansion of the West African region," the African Development Bank noted in its four-year country strategy to 2017. Yet while the creation of a single trading zone with a population of over 300m and GDP of \$650bn should create benefits for all, there has been some conservatism given Nigeria's dominance and fears of lost revenue should tariff barriers be lifted.

The ECOWAS Trade Liberalisation Scheme aims to establish a free trade area, starting with a CET from early 2015. The CET includes tariff bands of 0%, 5%, 10% and 20%. "A precondition for ECOWAS to be able to negotiate trade agreements as a block is for the CET to be implemented by 2015," said Euloge Camara, officer at the African Growth and Opportunities Act (AGOA) Resource Centre. Easing logistics barriers will also be key. Under the National Development Plan, the government is implementing major upgrades to transport infrastructure to support growing trade within the ECOWAS region. Aside from rehabilitating its trade with UEMOA, it is focusing on developing the Abidjan-Lagos and Abidjan-Dakar highway corridors, alongside increased connectivity within the Mano River Union with Liberia, Sierra Leone and Guinea.

EUROPE: While regional integration is rising, the EU as a block remains the largest trading partner, with 36% of exports and 27% of imports as of 2013. Trade with historically dominant France was hard hit by the unrest. The value of bilateral trade fell 57%, from €2.4bn to €1bn,

between 2005 and 2011, while France's share of exports fell from 18% to 7%, according to the Export Promotion Agency of Côte d'Ivoire (Association pour la Promotion des Exportations de Côte d'Ivoire, APEX-CI). In line with the recovery, however, bilateral trade rebounded by 65% to €1.7bn in 2013.

The significance of the EU to Ivorian trade explains its eagerness to secure preferential market access rights after the Cotonou agreement ended in December 2007. While ECOWAS was still negotiating a multi-lateral economic partnership agreement (EPA) with the EU, Côte d'Ivoire signed an interim EPA with the EU in 2007. This provided duty-free access to the European market for all goods, while Côte d'Ivoire has pledged to fully liberalise 81% of imports from the EU by 2022. This was seen at the time as endangering the chances of an ECOWAS-wide deal, but the community endorsed a regional EPA "in principle" in March 2014, after a decade of negotiations. If ratified by members this would supersede Côte d'Ivoire's bilateral EPA.

LIBERAL ATTITUDE: Under the draft agreement, the zone will phase in liberalisation for 75% of goods and services over the next 20 years, down from the 80% in 15 years originally requested by the EU, while the common market will grant duty-free access immediately. The EU will also provide €6.5bn up to 2019 to support capacity development in the region.

The trade deal relaxes the rules of origin by allowing goods that involve at least 35% transformation

within ECOWAS duty-free access to the EU. While the March 2014 agreement was an important step, Nigeria has announced that phased liberalisation would hinder its efforts to protect key domestic industries and promote industrialisation.

NEW MARKETS: Eager to diversify trade and investment partners away from its traditional reliance on France, the government is seeking to expand ties with North America and Asia. The lifting of the ban on Côte d'Ivoire's participation in the US's AGOA in 2011 was an important signal, even if the impact on bilateral trade patterns is relatively small.

"Most of the products covered by AGOA are already covered by the WTO's Generalised System of Preferences (GSP)," Camara told OBG. AGOA covers around 2400 products over the 4000 covered by the GSP, but the dominance of coffee, cocoa and food products among Ivorian exports means AGOA has not made a major impact. The US's share of Ivorian exports rose from 7.2% in 2002 to 7.6% in 2012 according to APEX-CI. "Exports of processed and manufactured goods under AGOA remain marginal," said Camara.

Trade with Asian partners has grown more significantly, albeit from a low base. Exports to India rose from 1.9% of the total in 2002 to 3% in 2012, and Malaysia's share grew from 0.1% to 3.3%. China's share of Ivorian imports increased from 2.4% to 8.1% in the decade to 2012, while India's grew from 2.8% to 4.2% and Thailand saw its share increase from 2% to 3%.

In an effort to diversify trade and investment partners away from its traditional reliance on France, the government is looking to expand ties with North America and Asia.

LIBRAIRIE DE FRANCE GROUPE



Founded in 1938, Librairie de France Group has 76 years of experience in bringing education, culture and new technology to the forefront of the Sub-Saharan francophone market, making it the largest distributor of educational materials in the region.

With its network of 9 stores in Abidjan, Yamoussoukro, Bouaké and San Pedro, Librairie de France Groupe offers goods and services (over 150,000 products) with an excellent price-to-quality ratio.

Librairie de France Groupe also has an online shop (www.librairiedefrance.net), a retail website which is available to customers in a world of constant technological change.

Today the Librairie de France Group develops its activity around the following brands:

Librairie de France: Books, Stationery, Information Technology, Press, Leather Goods, Sports Equipment.

Barnoin Informatique: Specializing in providing IT solutions and software.

Burotop: Specializing in office and IT supplies, as well as IT equipment.

Run by René Yédiéti, CEO, who is also the President of Côte d'Ivoire's Booksellers' Association and Director of the ALCI (Association of French Booksellers), Librairie de France Groupe adheres to the following values: respect for the client, professionalism, commitment and team spirit.

Thus, despite the political crisis and widespread damage suffered by the group, its primary mission has always been fulfilled, which is to be a brand for the cultural heritage of Côte d'Ivoire and Africa.

First Bookshop in Francophone Sub-Saharan Africa – Software packages Editor – Computer hardware retailer





Emmanuel Esmel Essis

Step by step

OBG talks to Emmanuel Esmel Essis, Director-General, Investment Promotion Agency of Côte d'Ivoire (CEPICI)

Compared to the government's expectation, how has foreign direct investment evolved?

ESSIS: Our country has come a long way over the last decade, and the government now aims to record levels of investment similar to those of emerging countries. Côte d'Ivoire's investment rate is expected to rise from 13.7% of GDP in 2012 to 23.5% in 2015. Within the National Development Plan (NDP) budget of CFA11trn (€16.5bn), private investment is expected to represent at least 60% of total investment over the period 2012-15. Most economic indicators are positive; for instance, the country successfully returned to the international debt capital markets by issuing a \$500m eurobond in mid-2014. Credit agency Moody's has assigned a rating of "B1" to the government, demonstrating growing confidence in our market.

Which sectors have most potential for investment?

ESSIS: Originally we had high hopes for the mining sector, but due to a lack of experience the return on investment was overestimated. Mining projects take at least four to five years to mature. On the regulatory side, implementation of the new mining code has also taken more time than it should have.

The NDP's strategy is continuously being amended and updated, in response to the country's needs. Our focus has now slightly shifted towards agro-industry. Indeed, agriculture remains at the heart of the Ivorian economy, especially commodities like cocoa and cashew. This is where the most potential for investment was identified. However, we need to reverse the trend in terms of exportation of raw commodities, against local creation of value-added products. The secondary sector must be developed, especially agro-industrial activities. Already, French investor Cémoi is investing in a chocolate factory with a yearly production capacity of 5000 tonnes. It is a good start, and we are keen to see more products "made in Côte d'Ivoire". Cashew production is also part of our DNA – in 2014 production is expected to reach 700,000

tonnes, while in India, one of the world's leading cashew producers, annual production is just 1.2m tonnes.

What more can be done to reduce unemployment?

ESSIS: Unemployment is a global issue. Even in the most sophisticated and structured economies, the job market is tight. In Côte d'Ivoire the solution to reversing the unemployment curve is self-employment. We are in need of plumbers, carpenters, technicians and so on. Efforts must be made to enhance vocational training and train the youth in general, but it is also about encouraging entrepreneurship in traditional businesses. Therefore, business creation is being facilitated with the help of tools like the one-stop shop.

In addition, the Ministry of Trade has launched the Phoenix Programme, which aims to help local small and medium-sized enterprises (SMEs). The goal is to have 100,000-120,000 SMEs with strong credentials by 2020. The Phoenix Programme addresses the issue of access to public procurement by easing the process and lowering requirements for SMEs.

By definition, an SME cannot generate more than CFA1bn (€1.5m) in turnover or have more than 200 employees, so it is difficult for them to compete with multinationals when bidding for public contracts.

What are the next steps in terms of improving ease of doing business and business creation?

ESSIS: In 2013, 2775 companies were created in total. At the end of December 2014, there were already 6487 newly created companies. So the one-stop shop is functioning well as more and more companies are being established. The next step is to follow up – we want to know how well these companies are performing in terms of profitability, job creation and so on. It is time to focus on quality rather than quantity. Also, in 2015 people will be able to create a business through an online procedure. A unique ID number will be assigned to each individual. This will improve the process and will shorten the time it takes to create a business.



The Investment Code paved the way for recent improvements

Open for business

Efforts to improve the country's pull for investors are bearing fruit

While Côte d'Ivoire has a natural advantage in the West African Economic and Monetary Union (Union Economique et Monétaire Ouest-Africaine, UEMOA), with the region's largest market and most developed infrastructure, authorities are striving to improve the country's soft infrastructure to improve rankings in international investment climate indexes. From revising the Investment Code to establishing a commercial court and streamlining registration and tax procedures, the government has made a headstart over the past two years, although its ranking remains low. The next steps will be to address challenges in financing small and medium-sized enterprises (SMEs) and improve the transparency in the awarding of public contracts.

IMPROVEMENT: The country has made significant progress recently, being the only country listed among the top-10 improvers for two years in a row on the World Bank's "Doing Business" report. In the 2015 report, Côte d'Ivoire ranked 147th overall, up from 167th in 2014. Meanwhile, the country rose 11 places to 115th of 144 in the World Economic Forum's (WEF's) 2014-15 "Global Competitiveness Report".

The most notable improvements have been in ease of establishing a business, where Côte d'Ivoire rose 71 places to 44th and enforcing contracts, where it moved up 16 places to 72nd. It also rose 10 places to 85th in resolving insolvency, though it slipped by 18 places to 180th in dealing with construction permits, partly due to an increase the number of processes. In the WEF's ranking, Côte d'Ivoire has improved significantly on three of the four key basic requirements including institutions, which rose 18 ranks to 86th; infrastructure, which rose 14 ranks to 93rd; and macroeconomic environment, which jumped 38 ranks to 68th. The fourth basic requirement, health and primary education, continues to be a challenge, at 140th, up only two ranks from 142th in 2013-14.

CODIFYING CHANGE: Enactment of a new Investment Code in June 2012 paved the way for these

improvements. The law sets out two investment regimes – declarative and approval – and provides for exemptions from a host of taxes for five- to 15-year periods, depending on the location of investments. Projects further away from Abidjan qualify for the highest incentives. These include taxes of industrial and commercial profit, non-commercial and agricultural profits, taxes on land holdings and income tax on housing for staff as well as business taxes and licences. It also provides for exemptions from value-added tax and a 50% rebate on Customs duties. The new law has also reduced notary fees and simplified key requirements – for instance business founders must sign a sworn declaration rather than provide a copy of criminal records.

The code brought the creation of the Investment Promotion Agency (Centre de Promotion des Investissements en Côte d'Ivoire, CEPICI), a one-stop shop for investors aimed at reducing bureaucracy. It has reduced the time taken to register a business from up to 32 days to under 48 hours. While the current one-stop shop provides tax office and social security services, CEPICI plans to broaden this to include Customs, notary services and utilities. A similar service is planned for import procedures, while a one-stop shop for land registration has reduced the time and cost of attaining building permits.

JUDICIAL REVIEW: Another key piece of infrastructure established is the Commercial Court in Abidjan, which has been functioning since October 2012. While the legal system in Côte d'Ivoire has traditionally been slow and costly, the transparency of proceedings has been boosted significantly by the online publication of legal documentation. "The commercial court has been a very welcome development, and the Cabinet resolution in early 2014 aimed at establishing more such courts in secondary cities should speed up dispute resolution, with courts required to give verdicts within 90 days," Amina Coulibaly, economist at the IMF, told OBG. "This was

The country climbed six places in the World Bank's 2014 "Doing Business" report and five places in the World Economic Forum's 2013-14 "Global Competitiveness Report".

The transparency of legal proceedings has been boosted significantly by the online publication of legal documentation, and the commercial court has been a welcome development.



The Investment Promotion Agency has greatly reduced the amount of time it takes to register a business

a prerequisite of the US's Millennium Challenge Corporation (MCC)." The new courts are expected in towns like Bouaké and the capital Yamoussoukro, although Abidjan's court will remain the largest. By the end of 2013 the existing court had handled 1739 procedures and received 3262 requests.

TRANSPARENCY: The government has also taken important steps in improving transparency, even if its ranking in international indexes remains poor. It rose 21 places to 115th in Transparency International's 2014 Corruption Perceptions Index, behind neighbours like Burkina Faso and Ghana but ahead of Nigeria, although concurrently it improved 45 places to 103rd in the Heritage Foundation's Freedom from Corruption Index. The government issued two ordinances in September 2013 to improve the legal framework for fighting corruption and establish the Good Governance Authority. Another important step was reached in May 2013 when the country became compliant with the standards of the Extractive Industries Transparency Initiative, an audit that reconciles natural resource proceeds between extracting company and host government.

NO-BID CONTRACTS: Challenges remain, however, as the government admits. "During the crisis, very bad habits were acquired and they're difficult to get rid of," the commerce minister, Jean-Louis Billon, told press in February 2014. A key challenge has been the amount of public contracts awarded in no-bid discretionary allocations since the end of the crisis.

By law, any public contract of over CFA30m (€45,000) must be tendered competitively through the National Public Procurement Regulating Authority (Autorité Nationale de Régulation des Marchés Publics, ANRMP). However, the level of discretionary allocations rose from 40% of all contracts in 2012 to 80% in 2013, according to the IMF. Independent observers have recognised that discretionary awards of public contracts tend to accelerate toward the end of the year, when the authorities seek to speed up

Any public contract of over €45,000 must be tendered competitively through the National Public Procurement Regulating Authority, but the level of discretionary allocations rose from 40% of contracts in 2012 to 80% in 2013.

budget disbursement. While this was justified in the administration's early days as a means of driving the economic recovery, donors have increasingly questioned these contracts recently. In 2014 the ANRMP launched an audit into contracts awarded by six ministries between 2011 and 2013, in conjunction with the World Bank. Meanwhile, discretionary contract allocations seem to have declined in the past year. "Although discretionary awarding of public contracts continued at a high rate in 2013, it has fallen significantly in 2014," Coulibaly told OBG.

FUTURE DEVELOPMENTS: The authorities intend to build on recent successes to further improve the business environment for investors both foreign and local. In particular, the country still lags in providing easy access to credit for SMEs, logistics infrastructure, and the mismatch between its labour force and the needs of industry. With only 13% of Ivorians having access to a bank or microcredit account, and over 70% of SMEs claiming no access to financing, according to the Ministry of Economy and Finance, there are big gaps to be filled.

The short-term nature of credit – with 60% of loans to SMEs being under one year in tenor – is another obstacle to financing investments. While donor-funded partial credit guarantee schemes have had some impact, the government's new dedicated policy for SMEs aims for a more comprehensive approach to unlocking credit. This will also involve the launching of regional credit information bureaux, which should also improve the country's ranking in the various indices (see Banking chapter).

More significant improvements in the ease of doing business in Côte d'Ivoire will depend largely on the successful implementation of broader government programmes, including achieving new electricity generation capacity through public-private partnerships and upgrades to the transmission and distribution network; rehabilitation and upgrades to the road network; and moves to ease cross-border trade by deepening regional integration, both within UEMOA and ECOWAS (see analysis).

Momentum for further improvement is being generated, as the government is intent on easing the bottlenecks on trade. Edouard Fongh-Gbei, secretary-general of the National Committee of Remote Sensing and Geographic Information, told OBG, "There has been an increase in demand for new technologies, particularly from the public sector. For example, we are seeing the roll-out of technologies such as geomatic engineering benefit a variety of segments, such as e-government and cadastral mapping."

Donor funding requirements are also driving reforms, for instance the MCC has strict requirements for rule of law and transparency in contract awards. With a pro-business government that is intent on easing the bottlenecks on both investment and trade, successful reforms will depend to a large extent on the maintenance of peace and the rule of law. Investors encouraged by recent reforms are watching for signs of sustained improvements.

Banking

Double-digit sector growth seen since 2012

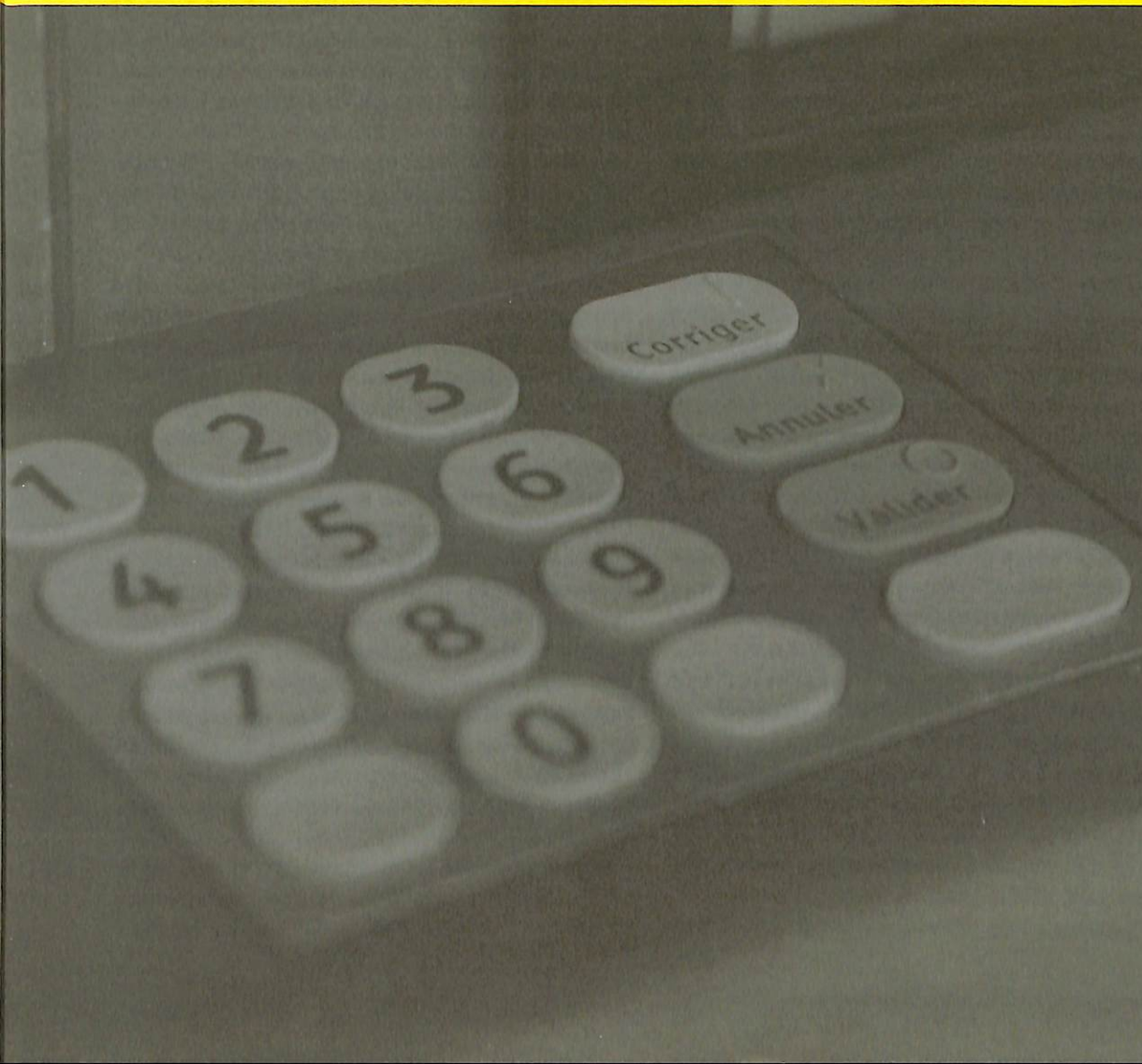
A range of new foreign entrants and local restructurings

Banking penetration far below regional average

Plans to privatise domestic state-owned banks

Central bank measures support lending and mortgages

New microfinance institutions entering the market





The Ivorian banking system has seen a swift rebound since 2012

A longer reach

Amid double-digit growth, local and foreign banks vie for market share with acquisitions, expansions and reforms

With aggregate assets of €9.9bn as of November 2014, Côte d'Ivoire's banking sector is roughly 40% larger than that of the UEMOA's second-largest market, Senegal.

As the established banking centre of the West African Economic and Monetary Union (Union Economique et Monétaire Ouest-Africaine, UEMOA), Côte d'Ivoire's financial services industry has sustained double-digit growth since emerging from the national crisis in 2011. The market still faces legacy issues, such as high aggregate non-performing loans (NPLs) and under-performing public lenders, but authorities are steering a course of ambitious restructuring and privatisation that should help sanitise the sector.

As in many emerging markets, lending is still skewed towards the high-end corporate segment. Yet growing competition among regional and international banks is driving efforts to attract both consumers and small and medium-sized enterprises (SMEs). With banking penetration still low as a share of the country's regional economic weight, there is wide scope for the sector to further support economic growth.

SHALLOW DEPTHS: With aggregate assets of CFA6.6trn (€9.9bn) as of November 2014, Côte d'Ivoire's banking sector was roughly 40% larger than that of the UEMOA's second-largest market, Senegal, according to the Central Bank of West African States (Banque Centrale des États de l'Afrique de l'Ouest, BCEAO). Banking assets have grown from 25.8% of GDP in 2003 to 26.8% in 2013, still far below the UEMOA average of 44.9%. Bank lending, meanwhile, remains low at CFA3.3trn (€5bn) or 18% of GDP in November 2014 – comparable figures in Morocco are closer to 72%. This is largely due to the market's lower penetration, both by assets and number of clients.

On the number of Ivorians with financial access, estimates vary: 10.7% according to the IMF, 11.9% according to Ecobank and 14% (3m accounts) according to the country's banking association, the Association Professionnelle des Banques et Etablissements Financiers, APBEF-CI). Unsurprisingly, penetration is still highly clustered in Abidjan and secondary towns, while the corporate market dominates lending and deposits. Data from the UN Capital Development Fund (UNCDF)

show around half of all bank branches are in Abidjan, while the reach of microfinance institutions remains far more constrained than in Benin, the UEMOA's leading microcredit industry.

Banks have long been conservative in reaching out to the potential rural retail market. More recently, disruptions linked to the decade-long crisis, which saw six central bank branches closed outside the capital, have also led to higher operating costs. "Given that the BCEAO has not reopened the branches in key rural areas in Côte d'Ivoire, it is a challenge for banks to open branches in those parts of the country since the cost of operation would be much higher," Roland Gnezale, statistician at the APBEF-CI, told OBG.

LENDING REBOUND: Following a decade of lacklustre growth due to political unrest, the Ivorian banking system has seen a swift rebound since 2012. In the 10 years prior to this, the sector had grown far more slowly than its peer markets in UEMOA and anglophone West Africa: sector assets grew by an average of 8.8% a year to CFA4.95trn (€7.4bn) while lending rose by 6.8% a year to CFA2.3trn (€3.45bn), according to Ecobank. Aggregate equity among Ivorian banks grew by an average 10.6% a year over that decade, but sped up to 15.7% in the five years to 2012, thanks to the entry of seven new banks.

The run-up and aftermath to the 2010 Ivorian elections, however, caused a marked drop in loan growth. The sector's loan-to-assets ratio dropped from 56.7% in 2009 to 46.4% in 2012 (below the regional average of 49.1%), while its loan-to-deposit ratio fell from 80.5% to 65.1% (compared to UEMOA's 73.2%), according to Ecobank. Disturbances also caused more defaults on loans: the sector's already-high NPL ratio rose from 15% in 2009 to a peak of 18.8% in 2011, before easing slightly to 16.1% in 2012 and 16.6% in 2013, according to figures from the IMF.

As the political situation stabilised and the economy began to rebound from its 2011 trough, loan growth accelerated from 2.6% in 2011 to 12.2% in 2012

Banking penetration by asset size has grown from 25.8% in 2003, but remains below the UEMOA average of 44.9%, while total lending remains low at €5bn in November 2014.

and 23% in 2013, according to the APBEF-CI. While borrowers resumed servicing their debts in 2012, the bulk of remaining NPLs are legacy defaults that will require full provisioning and write-offs from banks' balance sheets, according to Ecobank.

Banks have therefore increased their level of provisioning, which rose from 67.3% of NPLs in 2011 to 79.6% by 2013, according to IMF figures. Meanwhile, aggregate deposit growth accelerated from its 9% average over the decade to 2012 to 17% in 2013, reaching CFA4.74trn (€7.1bn). "While deposit growth has usually outstripped any rise in lending, the situation was reversed in 2013," the APBEF-CI's Gnezale told OBG. "This is because banks continued to gather deposits during the decade of crisis, but their appetite for lending was severely constrained; it is simply a return to trend." Such rapid growth, and the significant upside given Côte d'Ivoire's low penetration rate, has attracted growing interest from international and regional banking groups.

FOREIGN DOMINANCE: The country's 24 commercial banks and one financing company – which together hold around 75% of financial sector assets by the IMF's estimate – dominate both lending and deposit-taking. Foreign arrivals have raised the number of banks from 18 to 24 in the four years to 2012 – higher than Senegal's 19, Mali's 13 and Benin and Burkina Faso's 12 each. Banks from France, Togo and Morocco dominate the market, which is highly concentrated – the top five banks made up 59.5% of deposits and 60.4% of lending at the start of 2014, according to the latest data available from the APBEF-CI. In contrast, the still-limited microfinance market is dominated by inefficient mutual savings societies – although strong growth at two recently launched foreign-affiliated microfinance institutions is drawing the eyes of foreign investors (see analysis).

Of the 18 subsidiaries of international groups that together control 57.3% of the Ivorian sector's assets according to the IMF, the market is split between the traditionally dominant French banks (Société Générale, BNP Paribas), regional banks like Togo's Ecobank and Mali's Bank of Africa (BOA), and relatively new entrants from Togo (Atlantic Bank, 1997) Nigeria (Diamond Bank, 2011), and Cameroon (Afriland First Bank, 2014). Regional institutions like Ecobank and BOA have increased their presence in Côte d'Ivoire following the retrenchments of the 2008 global financial crisis. But perhaps the most visible recent arrivals are Morocco's three lenders – Attijariwafa, Banque Centrale Populaire and Banque Marocaine du Commerce Extérieur, all of which have been aggressively seeking to increase their market share since entering the country. Together, these Moroccan banks controlled 25.3% of lending and 25.8% of deposits by 2014.

TOP 10: A look at the country's 10 largest banks clearly shows the clout of foreign institutions in Côte d'Ivoire – especially from France, whose Société Générale and BNP Paribas have been there the longest (since 1962). The largest Ivorian bank, SGBCI (72% owned by Société Générale), held 17.8% of sector deposits and 14.6%



As the post-crisis political situation stabilised, loan growth accelerated from 2.6% in 2011 to 23% in 2013

of loans at the start of 2014, according to the APBEF-CI's most recent data.

Listed on the local exchange in 1976 with a roughly 20% float, SGBCI runs the broadest private network, with 69 branches, of which one-third are outside Abidjan. The bank has a clear lead among public-sector employees – some 40% of whom bank there, according to brokerage Hudson & Cie – and counts more than 250,000 total clients. Having restructured its operations in 2013, including a wage hike to make its salaries equal to that of competitors, SGBCI aims to open 10 new branches a year.

Second largest is Ecobank, with 11.2% of deposits and 14.3% of loans. Present in the country since 1989, the Togolese pan-African lender has branches in 35 countries and is triple-listed in Abidjan, Accra and Lagos. In Côte d'Ivoire, it developed its network rapidly, reaching 33 branches and 429 employees as of early 2015. Despite challenges linked to its Nigerian operations that emerged in 2013, Ecobank has capitalised on French banks' eroding market share in both corporate and retail. It is the largest of nine banks that run operations in at least four UEMOA markets, outpacing Société Générale and Bank of Africa.

Three Ivorian lenders also feature among the top 10. Banque Internationale pour l'Afrique Occidentale (BIAO-CI), ranking third-largest by lending (10.4%) and deposits (11%), was 80% acquired by the Ivorian insurance holding Nouvelle Société Interafricaine d'Assurances (NSIA) in 2006, and rebranded as NSIA Banque Côte d'Ivoire in 2014. Banque Atlantique-CI (BACI), ranking fourth by deposits (10.4%) and sixth by lending (9.4%), is half owned by Atlantique Financial Group, which sold a 50% stake to Morocco's second-largest lender, Banque Centrale Populaire, in June 2012 for €1bn and took over its management, giving the Moroccan bank access to a network in seven UEMOA markets including Côte d'Ivoire.

Société Ivoirienne de Banque (SIB) – the fifth-largest by deposits and fourth by lending, at 9.5% and

As the bulk of remaining NPLs are legacy defaults that will require write-offs, banks have increased their level of provisioning from 67.3% of NPLs in 2011 to 79.6% by 2013. Meanwhile, aggregate deposit growth accelerated to 17%.



Loan growth accelerated from 2.6% in 2011 to 23% in 2013

Some regional banking groups are following in the footsteps of Moroccan and Togolese banks by acquiring lenders that are already licensed in the country.

10.7% respectively – is 49% state-owned, with the other 51% having been sold in 2009 by France's Crédit Agricole to Morocco's largest bank, Attijariwafa. Under this new management, SIB has been rapidly expanding its network to drive retail penetration, reaching 48 branches as of early 2015, up from 16 at the time of Attijariwafa's purchase.

Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire (BICICI), which is 60% owned by BNP Paribas, holds sixth place by deposits (8.9%) and fifth by lending (9.9%). With 35 branches – the latest two having been opened in San Pédro and Adjamé in November 2014 – BICICI is focusing on retail and SME business to rebuild its lead after suspending operations during the 2011 civil unrest. Coming in at seventh by both deposits (7.7%) and lending (7.5%), the largest majority state-owned bank is Banque Nationale d'Investissement (BNI).

Following Attijariwafa's move in 2009, Banque Marocaine du Commerce Extérieur, Morocco's third-largest lender and part of the Finance Com Group, followed suit and raised its stake in the regional BOA Group from

42% to a majority 51%. Currently present in 14 African markets, BOA-CI controlled 5.9% of deposits and 5.1% of loans, ranking eighth by both measures.

Rounding out the top 10 are Caisse Nationale des Caisses d'Épargne (CNCE), which was spun off from the postal service in 1998 and has the ninth-highest share of deposits (2.8%); Alios Finance Côte d'Ivoire, which is one of the oldest private banks in West Africa and now accounts for the 10th-highest share of lending (1.9%); and Bridge Bank Group, which ranks 10th place by deposits (2.4%) and ninth by lending (2.4%). Bridge belongs to the Senegalese Teylium group, which reduced its holding to 51% by selling a 30% stake to Tuninvest's West Africa private equity fund in March 2014. Despite its relatively small size, the bank has emerged as a key player in the market for SME customers and could use its private equity backing as a springboard for acquisitions, potentially of state-owned banks – the government announced plans to restructure and privatise key banks in December 2013, though this has been delayed.

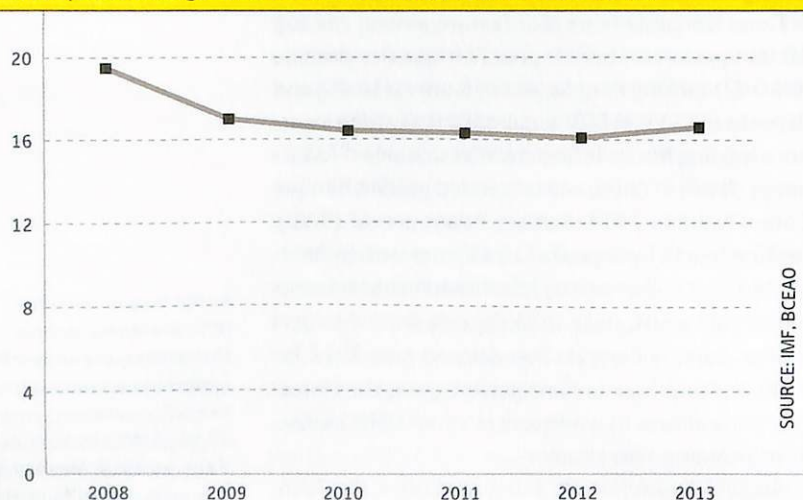
NEW ARRIVALS: Some emerging regional groups are following in the footsteps of Ecobank and Attijariwafa by acquiring lenders that are already licensed in Côte d'Ivoire. "Regional banks like Orabank and Afriland are trying to replicate the success of Ecobank in establishing a regional retail banking franchise," Pascal Djereke, director of financial institutions relations at BNI, told OBG. Afriland, based in Cameroon and the second-largest bank in francophone Central Africa, acquired the failing Ivorian operations of Nigeria-based Access Bank in December 2013 and injected CFA17bn (€25m) into the lender, some 18 months after Orabank bought state-owned Banque Regionale de Solidarité, which was previously under public administration, in June 2012 (see analysis).

The market is also welcoming greenfield investment targeting the under-served SME segment. These include Libya-based Banque Sahélo-Saharienne pour l'Investissement et le Commerce (BSIC) in 2009; Burkina Faso's second-largest lender, Coris Bank, in February 2013; and the Banque de Développement du Mali (BDM), which is expected in early 2015. So far, all of these command market shares below 2%.

NIGERIAN ENTRANTS: While the Ivorian market is attracting a lot of attention from newcomers, developing a sizable asset base is not always an easy task. Access Bank, Nigeria's fourth-largest, with operations in nine regional markets, was the first Nigerian bank to launch an Ivorian subsidiary in 2008. The new operations, however, proved a challenge and, faced with losses of about \$20.7m in 2012 and an NPL rate of 85.53%, Access sold the Ivorian outfit to Afriland First Bank for \$1m in December 2013.

In 2009 United Bank for Africa (UBA), Nigeria's third-largest lender with operations in 18 markets, followed Access Bank's lead and entered Côte d'Ivoire. In 2011 UBA restructured its Ivorian operations to mimic its success in Burkina Faso, and as a result, achieved a 1% share of deposits and 1.2% share of lending by the start of 2014, although it still faced a high NPL rate

Non-performing loans as share of total loans, 2008-13 (%)



SOURCE: IMF, BCEAO

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GUICHET AUTOMATIQUE 24H/24



New entrants from Morocco have largely focused on retail banking

The government plans to restructure the five lenders in which it has a majority stake, and to sell the minority stakes it owns in two others through an initial public offering on the regional exchange.

of 9.68%. "It is not always easy for an anglophone bank to establish in a francophone market," Olivier Dadjeu, managing director of Afriland, told OBG. "Customers' needs are different and therefore banks need to adapt to the local market."

A second pair of Nigerian banks has entered since 2012: Nigeria's fifth-largest lender Guarantee Trust Bank (GTB), which is present in five markets, and its seventh-largest, Diamond Bank. Diamond has benefitted from new BCEAO rules that allow regional branches and has established a subsidiary in Benin with operations in Côte d'Ivoire, Togo and Senegal. While Diamond controls just 0.7% of the sector's deposits and 0.8% of its loans, GTB remains much smaller at 0.1% and 0.03%, respectively.

PRIORITIES: Although new entrants from Morocco have focused on developing retail by building on existing networks, most previous entrants launched green-field projects, focusing – as is often the case in emerging markets – on the lucrative corporate market.

Established in Côte d'Ivoire in the 1970s and counting a majority of Ivorian bankers as its alumni, Citibank

focuses on top-tier multinationals like Cargill and has structured some corporate and sovereign loans and bond issues, although its local balance sheet remains small, with 1.51% of sector deposits and 1.25% of loans. In recent years, the US bank has not been as active on regional bond issuance, although it underwrote Côte d'Ivoire's \$500m eurobond issue in July 2014 alongside Standard Bank and Deutsche Bank.

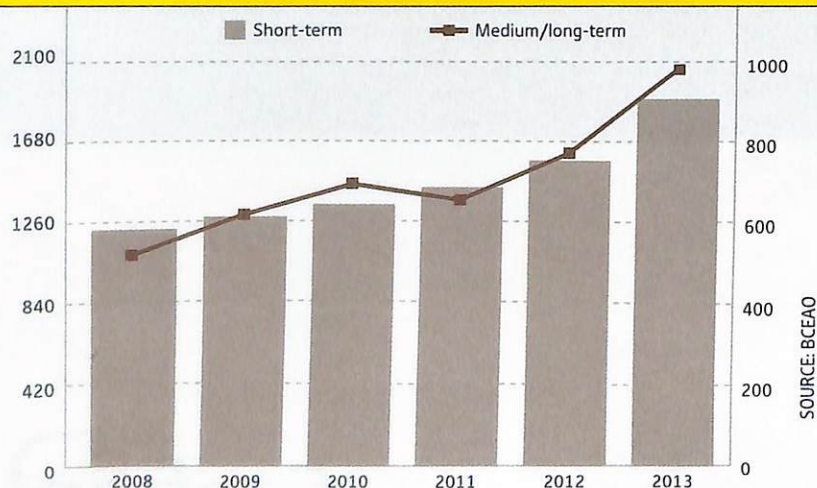
The UK's Standard Chartered has operated in the country since 2001, joined by newer entrants like Gabon's Banque Gabonaise et Française Internationale (BGFI), Coris, GTB and Diamond, all of which have focused on the corporate market, operating out of one Abidjan branch each. South African lenders are also expanding their presence, with Standard Bank opening a representative office in Abidjan to cover francophone West Africa in February 2014, while Nedbank holds a convertible bond of 20% of Ecobank's equity. Lebanese investors like Bank of Beirut and Fransabank announced their interest in joining the crowd at the end of 2013, likely focusing on Lebanese owned larger SMEs, but as of early 2015 neither's plans had materialised, partly due to long delays in government plans to privatise five state-owned banks.

STATE STAKES: The government maintains majority stakes in five lenders, as well as minority stakes of 10% in BIAO-CI and 49% in SIB. As announced in late 2013, it plans to sell the minority stakes by offering them on the regional exchange, and to restructure the wholly owned lenders. The sale of the stakes in BIAO and SIB should be relatively straightforward; however, it may be challenging for the government to privatise some of the smaller state-owned banks, given the need to restructure their books.

Of these five, the BNI is the only lender that retains net equity, while the other four hold negative equity. Having contracted PwC in 2013 to audit the five banks and propose a privatisation plan, the government in 2014 included CFA50bn (€75m) in its budget for their restructuring then set up a committee for the privatisation in February. In May, the committee announced that the privatisation would include Versus Bank, valued at CFA3bn (€4.5m), and Banque pour le Financement de l'Agriculture (BFA), both of which were 100% state-owned. In September 2014, the government liquidated BFA, though it still holds a 49% stake in SIB valued at CFA4.9bn (€7.35m), with the other 51% owned by Morocco's Attijariwafa.

Although concrete details had yet to emerge as of early 2015, many bankers expect the government to merge BNI and CNCE into a larger and more competitive institution before selling off the three other banks. While the BNI focuses on the corporate and SME markets, the CNCE's legacy as a savings society turned commercial bank (with around 180 branches in 2004) gives it a significant retail base, with about half of all bank accounts in the country, according to Ecobank. Restructuring the two other banks – SME-focused Versus Bank and mortgage-focused Banque de l'Habitat de Côte d'Ivoire (BHCI) – will require significant capital injections from the government in

Credit to the economy, 2008-13 (m CFA)



order to return them to positive net asset value prior to any sale (see analysis).

REGIONAL OVERSIGHT: As larger banking groups expand their presence in UEMOA, the region's central bank has been making moves to strengthen banks' capital and solvency profiles.

Among its many tasks, the BCEAO dictates monetary policy for the CFA currency zone, which is pegged to the euro, while its regulatory division, the Banking Commission, supervises the regions banks. It also runs the regional money market, conducting Treasury bill auctions for sovereigns as well as repurchase operations with banks on bills and bonds, and runs banking infrastructure such as the real-time-gross-settlement system set up in 2004 and the GIM-UEMOA network of low-value payments.

The BCEAO has gradually tightened regulations for banks operating in the zone, doubling capital requirements to CFA10bn (€15m) by 2012 and enforcing a capital adequacy ratio (CAR) of 8%. Roughly a quarter of Ivorian banks missed the initial deadline, yet compliance has improved with the recapitalisation of two banks by foreign companies since mid-2013. The central bank also caps the exposure of any single borrower at 75% of a bank's equity, and limits lending to affiliated companies within a group to 20% of equity.

As banking groups have expanded regionally, the BCEAO has revised its licensing and oversight rules to better reflect growing cross-border investment. In late 2012 it opened a "window" that allows banks operating a subsidiary in one UEMOA market to open branches in others. It has also begun calculating CARs based on banks' total cross-border operations rather than on that of each jurisdiction separately.

The first bank to make use of this window was Diamond Bank, which opened a subsidiary in Benin and branches in Togo, Côte d'Ivoire and Senegal. Other would-be entrants like Mali's BDM are expected to follow the same path. Growing investment from foreign banks is also prompting closer ties with other central banks in the region. "We have established mutual



The central bank has gradually tightened regulations for banks operating in the CFA currency zone

information exchange agreements with regulators in Central Africa, Morocco, Nigeria and soon Ghana to enhance our cross-border group supervision," Tiémoko Meyliet Koné, governor of the BCEAO, told OBG.

ENHANCING INTERMEDIATION: A more structural challenge lies in the sector's chronic excess liquidity, linked to the faster growth of deposits relative to lending in the decade to 2013, and also to intra-UEMOA fund flows. Though Ivorian banks' high reliance on deposits insulates them from significant debt refinancing risk, the short tenure of most deposits has hampered banks' long-term asset creation.

With an asset-to-deposit ratio of 70.3%, Côte d'Ivoire ranks as the country in UEMOA that is most heavily reliant on such low-cost funds, compared with 69.4% in Burkina Faso, 66.3% in Mali and 66% in Senegal, according to Ecobank. "Regionally Côte d'Ivoire has been sucking in liquidity from neighbouring countries like Mali, as there is a lack of assets in the region generally," Pierre Aimé, head of corporate banking at Citibank-CI, told OBG. "This excess liquidity has helped to push corporate lending rates down."

Banks have traditionally recycled excess liquidity into Treasury bills and sovereign bonds from the four UEMOA issuers – Côte d'Ivoire, Senegal, Burkina Faso and Mali – or into deposits held at the central bank yield-free. For example, larger banks like SGBCI and BICICI have long retained liquidity levels at the BCEAO far above the mandatory 5% reserve requirement: these were around CFA120bn (€180m) and CFA70bn (€105m), respectively, in the first quarter of 2014.

The central bank has traditionally applied a "transformation ratio" rule, which restricts the extent to which banks are allowed to convert short-term deposits into medium- to long-term loans, at 25% of the total. As a consequence, lending by Ivorian banks has remained highly skewed towards the short term, with loans of under two years accounting for a full 62.9% of the total in 2013 – virtually unchanged from the 63% rate in 2010 – while medium- and long-term

The BCEAO is responsible for monetary policy in the CFA currency zone, regulating the zone's banks, operating the regional money market, and building and maintaining banking infrastructure.

Banks have traditionally recycled excess liquidity into Treasury bills and sovereign bonds from the four UEMOA issuers, or into deposits held at the central bank yield-free.



Lending has long remained highly skewed towards the short term



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loans accounted for 29% and 3%, respectively, according to figures from the BCEAO.

In a bid to improve banks' intermediation, the UEMOA Council of Ministers revised the transformation rule, raising the ratio in question from 25% to 50%, effective from January 2013, to give banks more flexibility in expanding their loan books. "By relaxing the transformation ratio our aim was to encourage more longer-tenured bank lending to the real economy," the BCEAO's Koné told OBG. To make lending more affordable, the council also reduced the interest-rate cap on loans from 17% to 15%, effective from January 2014.

These measures had a marked impact. In 2013, long-term lending grew some 27% to CFA90bn (€135m), though this still made up just 2.9% of the total, while medium-term loans grew 28.2% to CFA854bn (€1.3bn) or 30% of lending, according to BCEAO figures. "We saw very strong growth in medium- to long-term loans in 2014," APBEF-CI's Gnezale told OBG. "While part of the reason may have been the change in the transformation ratio, another key factor is the significant investment in infrastructure, in which many banks have participated."

CROWDED CORPORATE: Given lenders' mix of liabilities, banks have clustered in the larger corporate and commodity trade finance markets. Excess liquidity and new competition have driven down prime corporate lending rates on medium-term loans (with a maturity of around two years) to the 6.25-7% range, while short-term capital of a three-month tenure can fall as low as 3.75% for blue-chip borrowers.

While larger corporates like Petro Ivoire, Ecobank-CI and SIFCA have been able to raise eight-year debt on the regional bond market at rates below 7%, most companies still finance themselves through banks. The government's large infrastructure projects are mostly financed by development finance institutions, yet banks have expanded their lending to contractors and utility companies, while increasingly pooling their resources for larger corporate deals. Syndicating loans is becoming more common, as individual lenders' financial capacity is relatively low by international standards. For example, SGBCI, the largest bank in the country, has a book of only CFA900bn (€1.35bn).

One notable recent example of syndication is the three-year, \$360m structured crude oil financing programme agreed for the country's refinery, Société Ivoirienne de Raffinage, running for three years and underwritten in June 2013 by Ecobank, Diamond Bank, BSIC, BIAO and BGFI. Another instance of this is the five-year, CFA130bn (€195m) finance deal for the country's road maintenance fund, Fonds d'Entretien Routier, which was backed in February 2014 by Ecobank, UBA, SGBCI, BOA, SIB, BICICI and BGFI.

The largest syndication for a private borrower, however, dates from 2009, when South African MTN's Ivorian subsidiary raised a four-year, CFA76bn (€114m) loan from BOA, BIAO, Ecobank, SGBCI, SIB, Access Bank, UBA and Standard Chartered. While banks have their eyes on emerging opportunities in the mining and hydrocarbons sectors, pressure on lending rates



Pressure on lending rates is spurring major lenders to expand competition into retail banking

is spurring major lenders to expand competition into retail. "Banks are increasingly focusing on growing their fee revenue to compensate for downward pressure on their net interest margins," Losseni Diabaté, Ecobank's head of domestic banking in Côte d'Ivoire, told OBG. "This explains the competition on extending branches, since proximity to retail and SME clients will be key for fee growth."

PROFITABILITY: Banks in UEMOA have long been less profitable than their counterparts in anglophone African countries due to their higher operating costs and lower returns on investable securities. Indeed, while Ivorian banks' return on assets rebounded from -0.8% in 2010 and -0.3% in 2011, this remained a low 1.1% in 2012 compared to an average of more than 2% in Nigeria. In terms of return on equity, the rebound was more dramatic, rising from -9.4% in 2010 to -4.5% in 2011 and 13.4% in 2012, according to IMF data.

Meanwhile, personnel costs have remained stubbornly high, at 79% of banks' aggregate net revenue, down only marginally from 82.2% in 2009. With some 95% of profits derived from net interest margins, lenders are highly exposed to the downward pressure on corporate lending rates.

This trend is supporting larger banks' increasing outreach to the under-tapped retail and SME segments, as well as their drive to develop fee revenues associated with transaction banking, corporate deal underwriting and sales of non-bank products. "While most banks are witnessing downward pressure on net interest margins, they are seeking to grow fee revenue not only through traditional commissions but also through relatively new sales – through bancassurance for instance," Jean-Philippe Touré, director of retail and wholesale banking at Versus Bank, told OBG.

RETAIL REBOUND: As with the sector as a whole, retail banking is highly concentrated in a handful of lenders. The top five lenders (SGBCI, Ecobank, SIB, BICICI and BNI) account for 75.3% of loans to individuals, while the top five by deposits (SGBCI, Ecobank, BIAO-CI,

Sector return on assets rebounded from -0.8% in 2010 to 1.1% in 2012, compared to an average of more than 2% in Nigeria. In terms of return on equity, the rebound was more dramatic, rising from -9.4% in 2010 to 13.4% in 2012.

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The total housing deficit sits at roughly 1m units and is estimated to be rising by 40,000 units a year

Lending to individuals has accelerated, growing 30.1% y-o-y in 2012 and 31.4% y-o-y in 2013, though total sums remained low at just 12.2% of total lending.

BACI and BICICI) account for 70.1% of retail savings of CFA1.44trn (€2.2bn), according to APBEF-CI.

As elsewhere in Africa, consumer lending in Côte d'Ivoire has been limited mostly to the narrow class of formally employed workers, given the need for collateral. "Most consumer lending remains collateralised, usually backed by employers," Touré told OBG. "The challenge is that only a fairly narrow set of employers are seen as credible and solvent by the banks, which means only around 200,000 Ivorians have ever had access to credit."

Nonetheless, competition has heated up. Nigerian banks like UBA and Morocco's SIB have cut minimum lending amounts to as low as CFA5000 (€7.50). Meanwhile, some banks have cut rates drastically on specific promotions: BICICI, for example, unveiled a deal for 0% interest on education loans up to CFA1m (€1500) for 10 months – though the fees applied add up to the average consumer lending rate of over 12%.

As a result of rising competition, lending to individuals has sped up, growing 30.1% year-on-year (y-o-y) in 2012 and 31.4% y-o-y in 2013, according to APBEF-CI. Total sums remained low, however, at CFA439.4bn (€660m) as of November 2013 – amounting to just 12.2% of total bank lending. Banks are also eyeing the potential to expand their very limited mortgage books by leveraging the government's low-cost housing programme. "The consumer finance market is growing rapidly, both in volumes and value, even if NPLs remain an issue," Hubert de Saint Jean, SGBCI's managing director, told OBG. "Over the longer term the greatest potential lies in the mortgage market."

MORTGAGES: According to state estimates, the total housing deficit sits at roughly 600,000 units and is rising by some 40,000 each year, with half the demand coming from cities outside Abidjan. To help address this, the government plans to build a total of 60,000 homes by 2015 with a budget of CFA428bn (€642m), targeting lower mid-market units priced up to CFA20m (€30,000) for lower-income earners (see Real Estate

chapter). This will speed up the pipeline of projects for which banks can underwrite mortgages. "A key challenge for mortgage lenders is the relative lack of houses to finance," Ecobank's Diabaté told OBG. "To increase the supply of houses, we are forced to finance developers, who tend to under-estimate construction costs." Although Côte d'Ivoire has a state-owned mortgage bank, the BHCI – which has only 1.05% of total loans but a high NPL rate of 9.89%, according to APBEF-CI data – authorities have been encouraging private lenders to expand their mortgage books through a regional mortgage refinancing mechanism.

Established in 2011, the Togo-based Caisse Regionale de Refinancement Hypothécaire (CRRH), refinances lenders' mortgages at 6% throughout UEMOA and issues guaranteed bonds on the regional market on a needs-driven basis. The CRRH – whose equity of CFA3.43bn (€5.1m) is funded 60% by 29 regional banks, 25% by the BOAD and 15% by housing finance firm Shelter Afrique – had issued three CFA20bn (€30,000) sets of 12-year bonds by the first quarter of 2014, with every issue oversubscribed. "The CRRH mortgage refinancing mechanism is clearly working, as it has started floating bonds since September 2013," Hermann Boua, head of research at Hudson & Cie, told OBG. "This provides banks with a source of long-term financing for mortgages."

While the absolute sums remain low, this mechanism has allowed banks to offer longer-maturity mortgages to consumers. Ecobank first offered 20-year mortgage loans in early 2013, followed by BACI and BIAO, although the market's average is 15 years, compared to 30 years in the US. The banks most active in using CRRH refinancing are Ecobank, SIB, BICICI and SGBCI. As part of its civil housing agenda, the Ivorian government is asking lenders to offer rates of just 5.5% on mortgages for households with monthly income below CFA850,000 (€1275). To help meet this request, the CRRH is currently seeking concessional funding from the World Bank.

BRANCHING OUT: Spurred by new entrants and the drive by more established banks to bolster their networks, the number of bank branches nearly doubled in 2008-13, rising from 281 to 497, according to UNCDF. Ecobank has been especially ambitious in expanding its ATM network, and has sought to boost cost efficiency by setting minimum in-person withdrawals at CFA300,000 (€450). The bank now operates 127 ATMs, compared to about 100 for BNI and about 70 for SGBCI, with the latter operating the most branches. While many banks are investing heavily in bricks and mortar branches – and increasingly outside Abidjan – strong growth in mobile money since 2012 is spurring more banks to launch mobile services as a means to bridge the distribution gap, especially in the underserved north and west (see analysis).

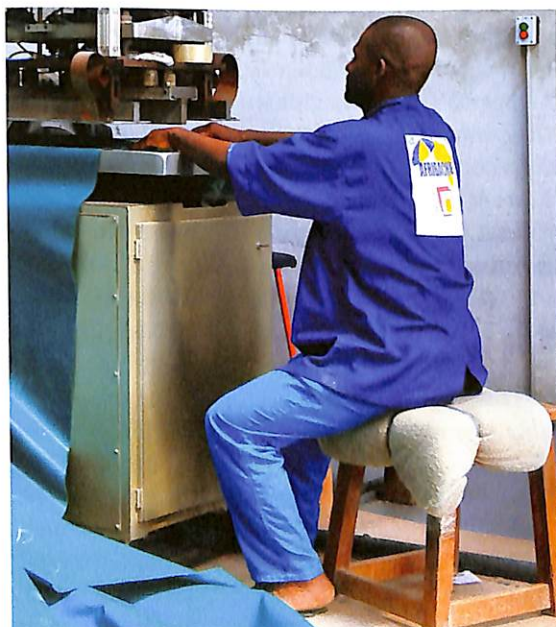
UNLOCKING SMES: Despite accounting for more than 80% of companies in Côte d'Ivoire, SMEs remain a broadly neglected segment – a common theme in Africa. To fill this gap in financial services, foreign donors operate partial risk-guarantee funds aimed at

Authorities have sought to encourage private lenders to expand their mortgage books through a regional financing mechanism, which refinances mortgages at 6% and issues guaranteed bonds on the regional market.

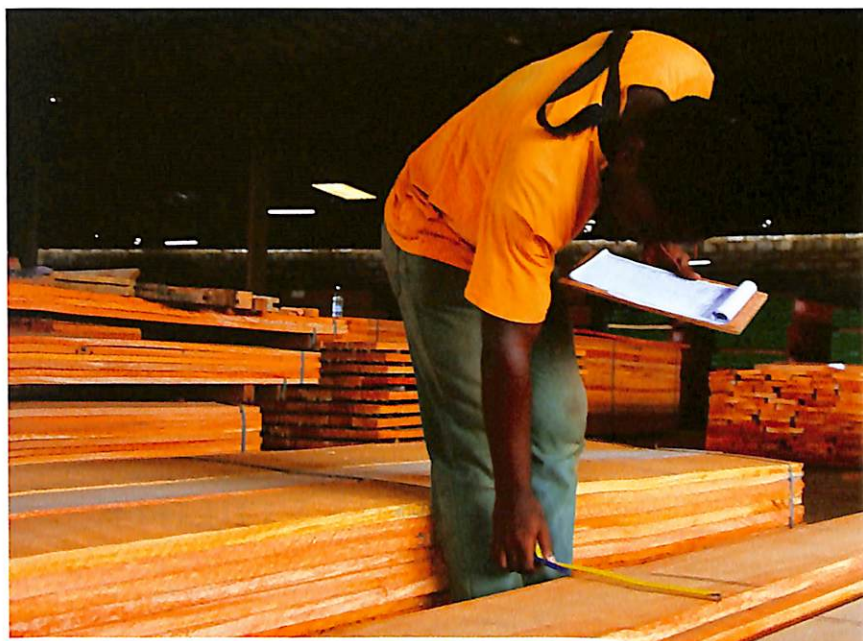
supporting banks in lending to SMEs. The French Development Agency, for example, runs the Arise programme, which guarantees 50% of the risk on pools of SME loans for fees of 1-3% – a similar scheme to the World Bank's SME guarantee fund, the African Development Bank's African Guarantee Fund for SMEs and the West African Development Bank's Gari Fund.

The most active users of such guarantee funds are foreign-affiliated banks whose groups are Basel III compliant, such as BICICI and SGBCI. The largest aggregate lenders to SMEs are Ecobank and BOA, each of which lend roughly CFA70bn (€105m), although the most exposed to SMEs as a share of their loan books are smaller banks like Bridge Bank and Versus Bank, for whom SMEs account for roughly 70% of their lending. Building on the initial success of such guarantee funds – as well as a similar fund established by the employers' association, the Confédération Générale des Entreprises de Côte d'Ivoire – the government announced a comprehensive plan for SME support in early 2014, covering the business environment, capacity and governance, as well as financing for SMEs (see Economy chapter). "The key to financing SMEs is to ensure strong corporate governance and accountability," Charles Daboiko, managing director of Ecobank Côte d'Ivoire, told OBG. "Banks are too often discouraged to lend money because of a lack of guarantees, both from regulators and SMEs."

LIMITED ACCESS: Despite these advances, however, some 70% of SMEs claim difficulty in accessing bank loans, and 60% of SME lending is short-term working capital (with maturity of less than one year), according to the Ministry of Finance. Part of this is related to lack of basic skills like bookkeeping: "Small business owners often confuse turnover with profit, leading to an accounting mismatch," Albert Kouatelay, former managing director at BFA, told OBG. Nevertheless, channels exist for those with sufficient organisation. "Private equity firms can be a good source of financing for SMEs that are well-structured," said Daouda Coulibaly, SIB's director-general. Though the BCEAO



Many small business owners lack accounting and bookkeeping skills



Some 70% of SMEs claim difficulty in accessing bank loans, and 60% of SME lending is short-term capital

does operate a credit bureau, the Centrale des Risques, its data is limited to larger corporations.

The UEMOA has already moved to ease constraints on credit to SMEs, when in 2012 it implemented the Uniform Act on Secured Transactions promulgated by the Organisation for the Harmonisation of Business Law in Africa. The act considerably broadens the types of assets that can be used as collateral for loans, including future assets, and provides for the possibility of out-of-court settlements. Yet to bridge the wide information gap between banks and SMEs, the BCEAO is steering a drive to set up regional credit information bureaux that should unlock financing. "Lending to SMEs will only grow sustainably if the information asymmetry is rectified," BCEAO's Koné told OBG. "This is why the new credit bureaux are so significant." In June 2013 the UEMOA Council of Ministers enacted a new law creating the legal framework for the creation of regional credit bureaux.

OUTLOOK: Such structural reforms will be key to improving the ways in which banks can function as intermediaries. While lenders expect another year of high double-digit credit growth in 2015 – bolstered by the state's infrastructure stimulus and rebounding private investment – the medium-term outlook remains clouded and is a cause for banks to remain conservative. For example, the elections scheduled for late 2015 have in part curbed banks' appetite for extending long-term financing to smaller companies, as they do present some uncertainty.

The rapid growth in mobile money platforms indicates clear potential in the under-served retail market. And though lenders are expanding their retail presence through both traditional branches and new technologies, capital spending is expected to remain conservative in the run-up to the November 2015 elections, according to Ecobank. Barring an upset, in the medium term financial institutions are likely to significantly expand their outreach, and to target many previously neglected areas in the north and west.

The UEMOA has moved to ease constraints on credit to SMEs by broadening the types of assets that can be used as collateral for loans, including future assets, and providing for the possibility of out-of-court settlements.



Tiémoko Meyliet Koné

Adding volume

OBG talks to Tiémoko Meyliet Koné, Governor, Central Bank of West African States

What can be done to increase credit volume and encourage long-term financing?

KONÉ: Banks need further resources for long-term financing, and so within the West African Economic and Monetary Union (Union Economique et Monétaire Ouest-Africaine, UEMOA), the minimum capital requirement for banks operating in the zone has doubled, from CFA5bn (€7.5m) to CFA10bn (€15m). To increase short-term deposits in long-term lending, the transformation ratio was lowered from 75% to 50%. Previously, banks were only allowed to transform 25% of their short-term resources. While this measure impacts on banks' ability to lend, it is yet too early to witness any impacts on financing for retail customers.

To what extent are credit bureaus necessary, and what challenges exist for their implementation?

KONÉ: Information asymmetry is a key determinant to credit growth, meaning that banks are challenged with unclear risk assessment, and so apply high interest rates as a precaution. Therefore, there is a great need for credit bureaus that can provide information on credit applicants at a regional level. The database currently being built will collect and centralise information on customers from all UEMOA states. At the same time, we will obtain access to customers' billing records from water and electricity suppliers. In the course of 2014, the new legislation should be approved by each state. The second phase will be to promote these bureaus, for which we have signed a partnership agreement with the International Finance Corporation.

What will be the impact of credit bureaus on the non-performing loans rate?

KONÉ: It will have a positive and quick impact. As soon as the database comes online, banks will be using it accordingly. The database will not only affect banks' operations, but also Decentralised Financial Systems (DFS). By capturing a large share of the population with low purchasing power, microfinance institutions are

more exposed to loan defaults, and so credit bureau coverage is extended to DFSs. Moreover, a biometric system will be put in place to help identify each individual. People will be encouraged to register to obtain a financial identity card, facilitating their access to credit at the best conditions. Yet while positive impacts are expected, the regional non-performing loan rate, especially in Côte d'Ivoire, remains far too high.

What factors affect the consumer price index?

KONÉ: Ensuring price stability is a priority. The annual average inflation rate in the region has continued to decrease, from 2.4% in 2012 to 1.6% in 2013. Foreign private investment is crucial for economic growth, but this can be sensitive to monetary erosion. If investors lose 10% or 15% of their investment each year, they will think twice before investing in our countries.

Inflation should be kept as low as possible so that investors can keep the monetary value of their investment. Poverty alleviation is also vital in this regard, as low-income populations with low purchasing power are also very sensitive to inflation. What impacts inflation most of all is the availability of food stocks, especially cereals. When yields are good, the inflation rate is low, with annual variation fluctuating between 1% and 1.9%. Food crops are generally diversified in Côte d'Ivoire. However, in Sahelian zones, rough climates can lead to massive production losses, negatively affecting the cost of certain commodities and driving up inflation.

Measures are thus being taken so that countries with a production surplus can trade with less favoured countries. With enhanced meteorological forecasts for agriculture, better crop yield predictions can be made to anticipate changes in the rate of inflation. Additionally, as the CFA currency is pegged to the euro, our economies suffer from imported inflation. However, this trend has been moderated due to a drop in global demand. While the current rate of inflation is manageable, it is crucial that it does not induce liquidity gluts as this could lead to a highly inflationary situation.



Over half of the country's 500-odd bank branches are in Abidjan

Beyond bricks

Mobile money and microfinance go rural

While commercial banks have been rebuilding and expanding their bricks-and-mortar networks since 2011, the keys to reaching unbanked populations are proving to be alternative means like mobile money and microfinance institutions (MFIs). A handful of new MFIs – sanitised through fresh rules issued in 2011 – have seen strong double-digit growth in the past three years, though the bulk of non-bank deposits remains with mutual savings societies. While the number of bank accounts grew by 10% to some 3m in 2013 – according to the banking association, the Association des Professionnelles des Banques et Établissements Financiers, (APBEF-CI) – this rate is likely to pick up as mobile banking platforms become more prevalent.

UNDER SERVED: The number of bank branches has jumped from 281 to 497 between 2008 and 2013, yet more than half of these remain in the economic capital of Abidjan, according to the UN Capital Development Fund (UNCDF). Long serving only corporate and high-net-worth clients, banks had generally shunned even lower-paid public sector employees. Only over the last decade has this begun to change, as the market becomes more competitive with pressure from Ecobank and new Moroccan entrants on the retail side.

With a banking penetration rate of roughly 10.7% in 2013, according to the IMF – or 14.7% including MFI clients, according to APBEF-CI – Côte d'Ivoire remains far shy of the UEMOA goal of 20%. To help address this, the region's central bank – the Central Bank of West African States (Banque Centrale des États de l'Afrique de l'Ouest, BCEAO) – promoted a new financial inclusion policy with national regulators in 2014, requiring banks to provide a basic account product regardless of income and with no monthly fee. Backed by the UNCDF and the UN Development Programme, the Ministry of Finance is developing a five-year strategy to ensure banks reach out accordingly.

SAVINGS SOCIETIES: Even so, the country does already have a fairly diverse group of institutions – both formal and semi-formal – targeting lower-income individ-

uals. A decentralised network of mutual savings-and-loan societies has developed since the 1970s – the largest being Unacoopec, a network of small savings societies targeting rural areas, and second-largest being RCMEC-CI, which serves second-tier cities – broadly comparable to Ghana's rural banks or Kenya's savings-and-loan cooperative societies. The governance of these structures was linked to local governments, with elected officials sitting on the mutuals' boards.

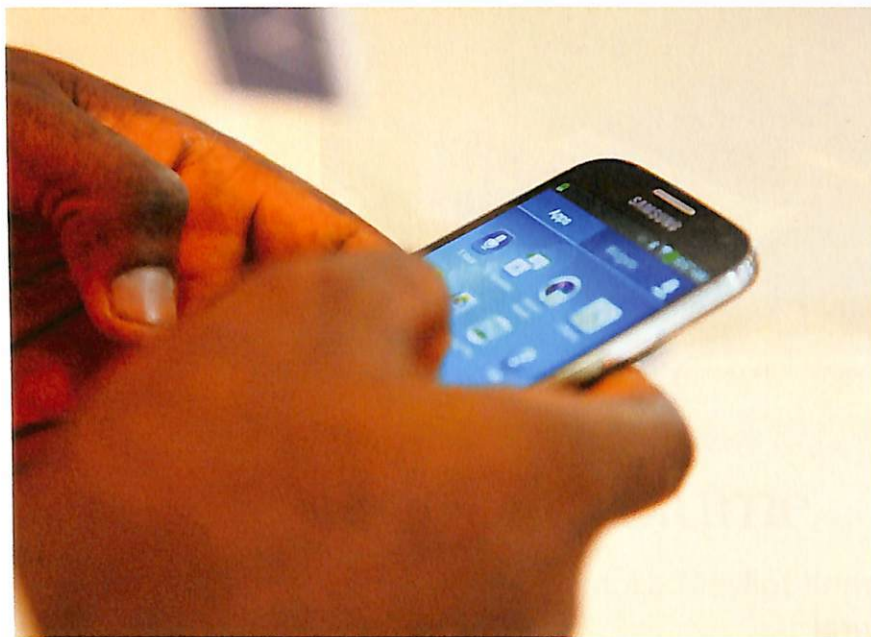
Such societies have proved far more effective at crystallising deposits than at extending loans. By the end of 2012 Unacoopec held \$179.4m in deposits but only \$65.7m in loans, according to its annual report, the latest available. With 448,740 depositors and 53,293 active borrowers, it remains the heavyweight in a light-weight market. "Mutual societies like Unacoopec traditionally targeted lower-income salary earners rather than the informal sector as such," Francois-Xavier Posté, director-general of Microcred, told OBG. "As MFIs and some banks increasingly target this segment, the next frontier will be to service informal workers."

MICRO-LENDERS: The microfinance market is still dominated by mutual savings societies, but in the last four years a number of commercially minded micro-lenders have emerged. In 2008 the UEMOA passed new regional rules on decentralised financial systems setting new reporting and auditing requirements under the BCEAO. Before this, each country's finance ministry was responsible for overseeing MFIs; the new law implemented in Côte d'Ivoire in 2011 gives the central bank regulatory jurisdiction over MFIs with assets above CFA2bn (€3m). With oversight still conducted jointly with the Ministry of Finance, the BCEAO introduced risk-based supervision of MFIs, and in 2013 lowered the cap on lending rates from 27% to 24%. This has done much to sanitise the sector further since 2011, when the central bank suspended 76 MFI licences and placed the two largest mutual societies under its wing.

Of the five licensed micro-lenders in the country, the two largest are scaling up and moving beyond Abidjan.

A handful of new microfinance institutions have seen strong double-digit growth in the past three years, though the bulk of non-bank deposits remains with mutual savings societies.

To help raise banking penetration, the central bank promoted a new financial inclusion policy with national regulators in 2014, requiring banks to provide a basic account regardless of income and with no monthly fee.



With mobile penetration at nearly nine times banking penetration, the scope for mobile money is large

Both licensed in 2010, Advans is backed by the International Finance Corporation, the French Development Agency and the local branch of Société Générale, SGB-CI, while Microcred is backed by the African Development Bank, European Investment Bank, life insurer UAvie and the local branch of BNP Paribas. Both services have achieved 100% annual growth in lending, although their deposit bases have grown far more slowly. With total lending of roughly CFA30bn (€45m) in 2013 compared to deposits of around CFA11.4bn (€17m) from clients and CFA4.7bn (€7m) from institutionals, Microcred is highly reliant on credit lines from banks.

This is in marked contrast to the microcredit sector as a whole, which (if skewed somewhat by mutual societies) achieved deposits of nearly CFA150bn (€225m) and lending of almost CFA100bn (€150m) by September 2014, according to BCEAO data. Although the main MFIs remain clustered in Abidjan, including Microcred's six branches and Advans's four, the lenders plan to expand up-country starting with Bouaké in 2015, partly by enlisting partners as agents. "The next phase of microfinance development will be for institutions to tie up with correspondents like remittance services and retailers to act as agents, expanding access beyond urban centres," Microcred's Posté told OBG.

The commercial MFIs have focused on financing trading ventures – lending between CFA200,000 (€300) and CFA15m (€22,500) to individuals, and up to CFA25m (€37,500) to SMEs, at monthly rates of 2% and 1.75% respectively – but plan to broaden lending as they expand nationwide. "Although our lending is predominantly to the trade sector, and to a lesser extent to services and light manufacturing, the most significant growth prospects in the medium term are in agriculture," Microcred's Posté told OBG.

The new wave of micro-lenders has managed to control defaults better than mutual societies – Microcred recorded a non-performing loan ratio of 1.53% in the first quarter of 2014, compared to a sector average of 5.5%. Fast growth in micro-lending since 2011 espe-

cially has drawn the eye of other foreign MFIs eager to replicate the initial success of MFIs like Advans. "Foreign institutions like Canada's Développement International Desjardins and Accion International seem very interested in entering the market," Posté told OBG.

MOBILE MEDIUM: While MFIs' restructuring should support their outreach, commercial banks too have seized on alternative channels like mobile money to cast a wider net. Indeed, with mobile penetration at 92%, according to the global GSM Association – the region's highest rate and nearly nine times banking penetration – the scope for mobile money networks is large.

Though the BCEAO established a regulatory framework for mobile money as early as 2006, Côte d'Ivoire has been a relative latecomer to the medium. Its first entrant – Orange Money, launched in 2008 in partnership with BNP Paribas – has nonetheless grown exponentially in recent years, from 2m users (22% of which were active) in December 2011 to 5m (35% active) in June 2013, according to the GSM Association. The next entrant was MTN's Mobile Money, launched in October 2009 with SGBCI. The third, the Flooz service launched by Moov in January 2013, is smaller, while two independent services launched since then – Celpaid and Qash – offer mostly remittances. By early 2014, the country thus had five operators, the most in UEMOA.

Such services have spread far beyond money transfer. Orange partners with utility companies like CIE (power) and SODECI (water) for bill payment. MTN, meanwhile, outsourced its distribution channel from 2012 to marketing agency Top Image, which runs its mobile money agents network. This has allowed MTN to tap into a highly active agent base, with 95% of its agents active on a monthly basis, according to the GSM Association. "The impact of mobile money on domestic remittances has been immediate, and forced Western Union to lower their prices for domestic transfers significantly – to below rates offered by Orange Money for low amounts for instance," Koffi Bouadou, head of transaction services at Ecobank Côte d'Ivoire told OBG. While remittance outfits like Western Union limit transactions to CFA2m (€3000) per day, mobile money platforms have a lower cap of CFA500,000 (€750) per day, raised from CFA300,000 (€450) in 2013.

INCREASING POPULARITY: Mobile money has grown significantly in the past two years, with Orange hitting CFA20bn (€30m) in mobile money circulation and MTN roughly CFA10bn (€15m) by 2014, according to industry estimates. Yet mobile platforms are still scaling up to achieve critical mass. As Orange gears up to extend its money transfer service from Côte d'Ivoire, Senegal and Mali to other African countries in 2015 – with fees of CFA1000 (€1.50) for sums below CFA50,000 (€7500) and CFA5000 (€750) for sums up to CFA500,000 (€75,000) – competition with older remittance services will only get more intense.

Although domestic transfers are still the key reason for using mobile money – making up 90% of transactions in 2013, according to Consultative Group to Assist the Poor, an NGO – providers expect cross-border payments to rise as agent networks and services expand.

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Mohamed El Kettani

Banking on growth

OBG talks to Mohamed El Kettani, CEO, Attijariwafa Bank

What can be done to improve access to finance and banking services in rural areas?

EL KETTANI: In Côte d'Ivoire the decade-long political crisis negatively impacted the banking sector, leaving market players with little room to grow. Nonetheless, the country is back on track and considerable progress has been made. However, when it comes to access to finance, it is still a question of supply rather than demand. Despite a wide array of financial institutions and a creditworthy customer base, banks have failed to design their distribution models with a view to steadily improving access to finance. As banking services are financial products at heart, access can only be increased through the adaptation and improvement of distribution models. Clearly, whether seen through a bank assets-to-GDP ratio or in terms of population per branch, there is still a ways to go. Indeed, we know there is a problem when the revenue growth of banks depends upon such a small percentage of the population.

Increasing the rural population's access to banking services is, before anything else, a question of geographic planning. Despite rapid urbanisation across Africa, many people still live in the countryside. As such, bankers must carefully follow urban planning in order to best assess opportunities for branches in remote areas.

What obstacles must small and medium-sized enterprises (SMEs) in Africa overcome in order to gain access to long-term financing?

EL KETTANI: Improving SMEs' access to financing is a global issue, even when SMEs create wealth and jobs. Unfortunately, issues with financial accountability and the high cost of long-term resources are common to many sub-Saharan African countries. In terms of financing, SMEs are often confronted with good governance and transparency issues. To alleviate said problems, there is a strong need to foster a managerial and entrepreneurial culture in the younger generation. Indeed, education and other training systems are not keeping pace. What matters most to bankers is confidence in

the ability of SMEs to sufficiently control the future and thus to meet their commitments and honour their engagements. It is a question of the quality and rigour of management. While public policies can help increase the participation of local SMEs in the real economy, those measures must also be progressive and in line with the banking sector in order to fully succeed.

How can banks structure their assets and liabilities with a view to mitigating risk?

EL KETTANI: Without going into too much detail, one can easily understand that short-term resources (deposits) can, by definition, be quickly withdrawn from banks' reserves (total assets). However, retail banks, within the scope of their financial intermediation services, use their clients' short-term resources to provide long-term loans. When banks lend money long-term, they are likewise reimbursed long-term; however, clients retain the ability to withdraw their short-term deposits at any given time. So, long story short, banks are naturally exposed to imbalances between their short-term assets and their long-term liabilities. That said, banks are prepared for this dilemma and many mechanisms exist to mitigate potential issues. Real problems come into play when exogenous shocks, such as socio-political or financial crises, affect the system as a whole.

How can Côte d'Ivoire work to reduce the ratio of non-performing loans (NPLs) in the country?

EL KETTANI: While the NPL ratio is a key measure of bad credit, one must not forget the crucial role that a clean business environment plays in addressing and reducing the quantity of bad loans. This is largely dependent on variables outside the financial system. For the banking sector itself, better risk control is needed to guarantee effective operations management and governance. Commercial decisions should be kept from unduly influencing risk assessments. To that end, the banking sector typically uses the "four eyes principle" as a precaution. The survival of the bank is at stake.



In 2012 there were two major acquisitions in the banking sector

Rules and takeovers

Regulatory changes and privatisations are drawing foreign investors

The central bank has revised capital, solvency and liquidity ratios to strengthen banks' balance sheets, including by doubling minimum capital requirements to €15m.

As larger banking groups expand their reach within the West African Economic and Monetary Union (Union Economique et Monétaire Ouest-Africaine, UEMOA), authorities at the region's central bank have recently implemented a number of significant changes. First, they have raised capital requirements to enhance lenders' scale. Second, they have begun allowing banks with licences in one jurisdiction to open branches in another. Last, the central bank has begun calculating banks' solvency and liquidity ratios based on their operations in UEMOA as a whole, instead of by individual country.

REGIONAL REGULATION: Over the past decade, the Central Bank of West African States (Banque Centrale des États de l'Afrique de l'Ouest, BCEAO) has revised capital, solvency and liquidity ratios to strengthen banks' balance sheets. The headline reform was a doubling of minimum capital requirements to CFA10bn (€15m) for new banks from 2008, and for all lenders from 2012 – far below the requirement in Nigeria (€112.5m) and Ghana (€36.8m). Capital adequacy ratios (CARs), meanwhile, were kept at 8%.

In another key change, in 2013 the BCEAO opened a "window" to support regional banking groups by allowing banks licensed in one member country to open branches in another. This has "opened a new regulatory battlefield," said Ecobank in November 2013, "because the capital adequacy will now not be based on the amount of risks [a bank] holds in its country of domicile but rather on the whole of its cross-border operations." Though the BCEAO has yet to announce new region-wide banking licences with higher capital requirements, it has stepped up its oversight functions through the Banking Commission. "We are reinforcing our banking supervision with more on-site visits," BCEAO Governor Tiemoko Koné told OBG. "We have also established an integrated financial supervisor to oversee all sectors – from banks to insurers to pension funds – to ensure the resilience of our financial markets."

UNEVEN COMPLIANCE: By the end of 2012, the average CAR for UEMOA banks was 12.8%, according to

Ecobank, though the BCEAO made known that eight banks fell short of capital requirements and seven remained below the 8% CAR floor. Banks newly under the Banking Commission's administration included state-owned ones like Versus Bank; Caisse Nationale des Caisses d'Epargne; Banque pour le Financement de l'Agriculture (BFA), which was liquidated in September 2014; Banque Régionale de Solidarité (BRS), which was bought by Orabank in April 2014; and Banque pour l'Habitat en Côte d'Ivoire; as well as small private corporate banks like Cofipa and Banque Atlantique.

Many of these have significant holdings of Ivorian government debt, according to the IMF. Versus Bank, for example, held 10.3% of its outstanding loans as government credits as of November 2013, while BFA held another 11%, according to the country's insurance association, Association des Sociétés d'Assurance en Côte d'Ivoire. While the BCEAO has not set a deadline for non-confirming lenders to meet the requirements, the number of complying banks has steadily increased as new investors took equity stakes.

NEW EQUITY: Despite financial straits, these banks have begun to draw investors. In October 2012 Togo-based Orabank announced its acquisition of 51% of BRS, a deal in which its balance sheet was recapitalised by the West African Development Bank, UEMOA member states and private equity investors, including France's Proparco and Emerging Capital Partners. The cost of the transaction, which swelled Orabank's network from six West African markets to 12, was not made public.

In June 2012 Morocco's second-largest lender, Banque Centrale Populaire, acquired 50% of Atlantique Financial Group, which controls subsidiaries in Côte d'Ivoire and six other UEMOA markets, for €1bn and took the reins. Cofipa was still looking for new equity investment in 2014. For the other non-conforming banks, the state announced an ambitious privatisation programme in December 2013 and included some CFA50bn (€75m) in the 2014 Budget for the bank restructuring plan, though at the time of writing details had not emerged.

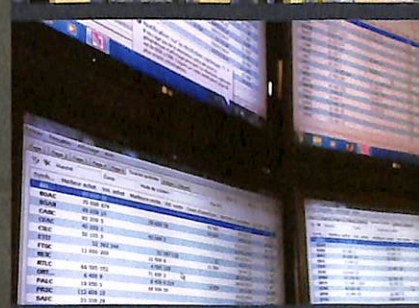
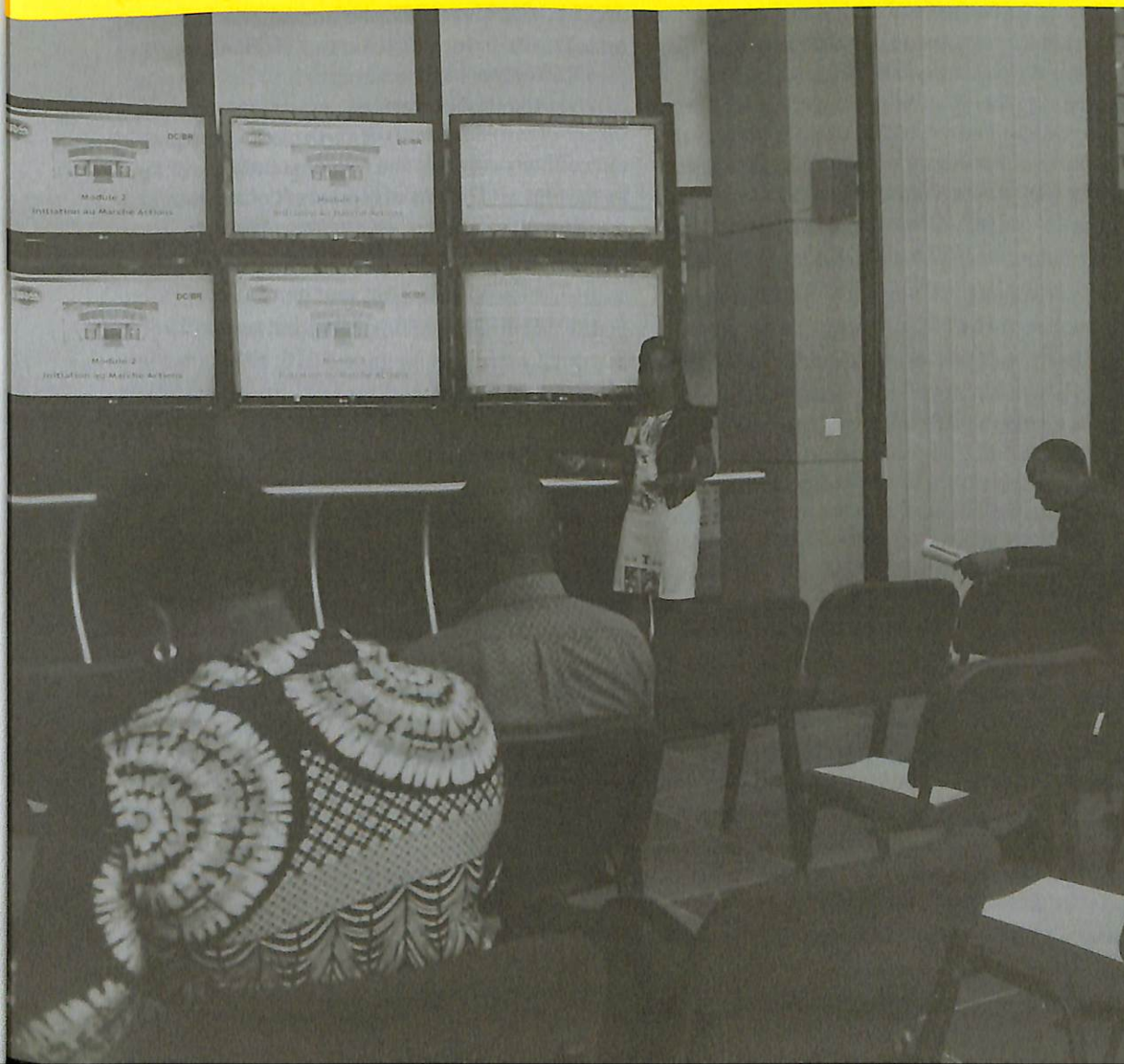
By the end of 2012, the average CAR for UEMOA banks was 12.8%, though eight banks remained below the 8% floor, and some of them were placed under the administration of the central bank.

Capital Markets

Value of listed equities up five-fold since bourse launch
 Bond market more dynamic over the last decade
 Regulator working to develop secondary trading
 Two key reforms set to boost liquidity in the market
 Alternative SME board on the cards in coming years

The NSE's performance over the last decade has been remarkable. The value of listed equities has increased five-fold since the bourse's launch in 2008. The bond market has also seen significant growth, with the total value of bonds issued increasing from Rs 10,000 crore in 2008 to Rs 1,00,000 crore in 2018. The regulator, SEBI, has been working to develop a secondary trading market for bonds, which will help improve liquidity and reduce the cost of capital for issuers. Two key reforms are set to be implemented in the coming years: the introduction of a new SME board and the implementation of the Insolvency and Bankruptcy Code (IBC). The SME board will provide a platform for small and medium-sized enterprises to raise capital, while the IBC will streamline the process of resolving insolvency, thereby improving the credit environment.

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The BRVM is Africa's sixth-largest exchange by market capitalisation

Secondary market makers

Bond market development is the key to greater regional liquidity

The year 2015 will prove dynamic both for initial public offerings and in terms of developing secondary trading in bonds, which have acted as a linchpin of sovereign financing in the region.

Host to francophone West Africa's regional stock exchange, the Bourse Régionale des Valeurs Mobilières (BRVM), Côte d'Ivoire has a more sophisticated financial services industry than most of its peers in the region, with an impressive geographic catchment area. The sixth-largest of Africa's 29 exchanges by capitalisation, the BRVM has seen the market value of its listed equities grow over five-fold from CFA1.02trn (€1.53bn) at its inception in 1998 to CFA6.32trn (€9.48bn) at the end of 2014.

While smaller in size, the regional bond market has grown more significantly, starting from CFA83bn (€124.5m) in 1999 and reaching CFA1.14trn (€1.71bn) at the end of 2014. Although still marginal to broader economic growth, accounting for 12% of the GDP of the West African Economic and Monetary Union (Union Economique et Monétaire Ouest-Africaine, UEMOA) and 38.5% of domestic GDP, the BRVM plans to break into the continent's top-five exchanges by 2015. Indeed, 2015 will prove dynamic both in terms of initial public offerings (IPOs) and developing secondary trading in bonds – a linchpin of sovereign financing in the region.

INFRASTRUCTURE: One of two multi-country markets in West and Central Africa – alongside the much smaller Bourse des Valeurs Mobilières d'Afrique Centrale, which represents six member economies but only has a single equity listed – the BRVM was established in 1998, acquiring the 35 equities listed on the former Abidjan Stock Exchange, which had been in operation since 1976. Originally conceived in 1973, a steering committee was formed in 1993, led by the Central Bank of West African States (Banque Centrale des Etats de l'Afrique de l'Ouest, BCEAO).

Finally established in 1999, the new exchange, which is privately held by 170 shareholders, including brokers, runs antennas in each member country and handles trades electronically, which are settled through the Central Depository and Settlement Bank (Dépositaire Central/Banque de Règlement, DC/BR).

The region's common currency, the West Africa CFA franc, facilitated the market's establishment in the absence of capital controls in the UEMOA. Ecobank, a Togo-headquartered pan-African bank, was selected by the DC/BR to handle cross-border settlements, as it was the only bank with operations in all eight countries at the time. The market moved to daily trading in 2001 and migrated from a T+5 to T+3 settlement system in 2007, thereby increasing efficiency and liquidity. Meanwhile the bond market operates on a T+1 basis for domestic transactions, and T+3 for inter-country settlements.

While the DC/BR operates a guarantee fund as a means of insulating market participants from potential counterparty risk, the Regional Council for Public Savings and Financial Markets (Conseil Régional de l'Épargne Publique et des Marchés Financiers, CREPMF) was established in 1996 as the statutory regulator for both equities and bonds.

EQUITY STRUCTURE: The market witnessed 10 IPOs in the 12 years leading up to 2010, although there were also eight delistings, which have caused the number of listed equities to remain broadly stable, at 38 as of the fourth quarter of 2014. The market is dominated by the 31 equities from Côte d'Ivoire, alongside two from both Burkina-Faso and Senegal, and one each from Benin, Niger and Togo.

While equity offerings are more diversified by sector – covering banking, telecoms, hydrocarbons, aviation, construction and agro-industry – a handful of firms dominate the market and the amount of stock is limited. "The average free float of BRVM stocks is around 25% only," Antoine Yoboué, head of capital markets and asset management at Phoenix Capital, told OBG. Senegal's telecoms operator Sonatel, which is also active in Mali, Guinea and Guinea-Bissau, and is 42.33% owned by France's Orange, accounted for 36.1% of market capitalisation at the end of 2014, while Togo-based Ecobank Transnational made up another 14.27%, according to the exchange's figures.

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The rest of the top 10 by market capitalisation are modest, including Ivorian brewer SOLIBRA (5.21% of market capitalisation at the end of 2014); French bank Société Générale's Ivorian subsidiary SGBCI (4.76%); French logistics operator Bolloré Africa Logistics (4.29%); Burkina-Faso's telecoms operator, L'Onatel (3.98%); Ivorian power utility CIE-CI (3.66%); Imperial Tobacco's Ivorian subsidiary, SITAB-CI (2.26%); palm oil producer Palm-CI (2.07%), which is part of the SIFCA group; as well as Groupe BNP Paribas' Ivorian subsidiary BICICI (2.06%).

The market hosts two main indices alongside its seven sectoral ones: the BRVM-10, which tracks the most-traded stocks and is reviewed quarterly, and the BRVM-Composite, which covers all the listed equities. As of early January 2015, the BRVM-10 included Ecobank, Sonatel, L'Onatel, BICICI, Palm-CI, packager FILTISAC-CI, SGBCI, CIE-CI, water utility SODECI and Bolloré Africa Logistics.

STOCK PERFORMANCE: The market gained upward momentum from 2005, the first year it exceeded its 1998 capitalisation following an initial drop. The bull run to 2007 saw the market's capitalisation triple in just three years to CFA3.73trn (€5.59bn), before the global financial crisis wrought a correction to CFA2.81trn (€4.21bn) by 2009. The bourse subsequently saw a recovery in 2010; however, the 2011 Ivorian crisis forced a correction of 10.2% year-on-year (y-o-y), dropping to CFA3.12trn (€4.68bn).

The market has been rebounding in the wake of the global slowdown, rising 29.3% in 2012 and 39.7% in 2013 to CFA5.63trn (€8.45bn), according to data from CREPMF. Of the 37 firms listed in 2013, 27 paid dividends, the same as the previous two years, of 5.5% on average. The market as a whole has trended broadly upwards since the Ivorian crisis, albeit somewhat unevenly. For example, in the first quarter of 2014, aggregate capitalisation rose 6.3% month-on-month in January 2014 to CFA6.02trn (€9.04bn), before falling to around CFA5.6trn (€8.4bn) in May, to finish the year up 12.2% at CFA6.32trn (€9.48bn).



All sectors, except agro-industry, showed strong growth in 2013



The market as a whole has trended broadly upwards since the Ivorian crisis, albeit somewhat unevenly

While the BRVM-Composite has tracked broader market performance, the BRVM-10 has proven more volatile, with wider fluctuations. Although the liquid shares index rose a mere 8.55% from 1998 to 2004, it grew 118.9% in the three years leading to the end of 2007, trailing the 127.7% rise in the composite index. The two-year correction to the end of 2009 saw the top-10 index fall 36.1%, compared to 33.8% in the composite, before rebounding 27.4% y-o-y in 2010, relative to a 20.5% rise in the composite.

The Ivorian crisis caused a 13.4% slump in the BRVM-10 and a 12.7% drop in the BRVM-Composite in 2011, though both started to rebound in 2012. The BRVM-10 grew 16.1% y-o-y in 2012 and 33.9% y-o-y in 2013. The index was up 8.6% in 2014, to finish the year at 267.53 points, while the BRVM-Composite rose faster still, by 19.9%, 39.3% and 11.2%, respectively, to reach 258.08 points at end-2014.

DRIVERS: With all sectors (besides agro-industry) showing strong growth in 2013, the rise in valuations was broad-based. Industries represented with only one stock, such as textiles (by UNIWAX) and publishing (by NEI-CEDA), saw the largest rises, of 550% and 133.46%, respectively. More representative of the market as a whole, in 2013 stocks in the infrastructure, construction and transport sectors saw growth of 69.35%, 90.48% and 98.57%, respectively, which was linked to significant public-sector infrastructure investments that year, still ongoing in 2014.

Indeed, SODECI and CIE-CI appreciated by some 94.29% and 47.62%, respectively, in 2013, while SETAO stock rose 90.48%. Meanwhile, the 128.57% increase in the share price of Bolloré Africa Logistics, the fourth best-performing stock in 2013, was driven by the new concession agreement for Abidjan's second container terminal. "Placements in stocks like CIE and SODESI represent plays on the Ivorian government's infrastructure build-out, although the fruits of these investments will only be felt in 2016," Hermann Boua, the head of research at Hudson & Cie, told OBG.

The market hosts two main indices alongside its seven sectoral ones: the BRVM-10, which tracks the most-traded stocks and is reviewed quarterly, and the BRVM-Composite, which covers all the listed entities.

The stock market has been rebounding in the wake of the global slowdown, rising 29.3% in 2012 and an additional 39.7% in 2013, to end the year at €8.45bn.

The bond market has proven more dynamic over the past decade, and is increasingly tapped by governments of the region to meet their funding needs.

A strong recovery in Ivorian domestic consumption also drove investor appetite, with 44.42% growth in distribution sector stocks, a 77.59% rise in downstream oil stocks, a 47.03% increase in the two packaging sector stocks, a 42.07% rise in the tobacco stock and 13.04% growth in food and beverage stocks, according to data from Hudson & Cie.

The telecoms and banking sectors achieved performances on par with the general market average, with growth of 36.91% and 45.59%, respectively. Sonatel and L'Onatel were also boosted by strong revenue growth, and several listed banks benefitted from the country's economic revival.

The strongest performers amongst banks in terms of market capitalisation growth were Bank of Africa's listed subsidiaries in Burkina-Faso (84.09%) and Côte d'Ivoire (74.32%); SAFCA (71.43%) and BICICI (63.93%). Ecobank remained one of the most traded stocks on the exchange; however, a March 2014 management crisis constrained growth.

Bucking the trend due to its exposure to exogenous pressures, the agro-industrial sector was impacted by lower rubber prices that in turn affected SOGB and SAPH-CI, which fell 17.69% and 15.25%, respectively, although Palm-CI saw a 10.56% rise.

FIXED INCOME: The bond market has proven more dynamic over the past decade, increasingly tapped by governments of the region to meet their funding needs. Driven by issuances from Burkina Faso, Mali,

Senegal and Côte d'Ivoire (the latter two in particular) since the middle of last decade, governments sought to diversify towards longer-maturity instruments over traditional Treasury bills, which have maturities of one week to two years.

Côte d'Ivoire officially re-entered the regional bond market after the end of its political crisis with a five-year issue in September 2012. By the end of 2014 the BRVM was host to 33 bond lines – including 10 from sovereigns – with the remaining 23 bond lines accounted for by regional and private issuers.

Bond issuance rose steadily despite the Ivorian crisis, from CFA136.6bn (€205m) in 2009 to CFA381bn (€571m) in 2011 and CFA510.5bn (€766m) in 2013. Issues slowed in 2014, with CFA304.5bn (€457m) for the year. Meanwhile, bond market capitalisation nearly doubled from CFA523bn (€785m) in 2009 to CFA1.07trn (€1.61bn) in 2013 and CFA1.14trn (€1.71bn) by end-2014.

The BRVM management has estimated that some 270 bonds worth a combined CFA3.54trn (€5.31bn) had been issued between 1998 and March 2014, of which 53% were in the form of sovereign issues. In 2013 alone the market's capitalisation grew 28.97%, driven primarily by new issues.

Treasury bonds continued to dominate issuance of fixed-income securities in 2013, with CFA407.1bn (€610.7m), far outpacing international organisations and private issuers, which issued only CFA39.4bn

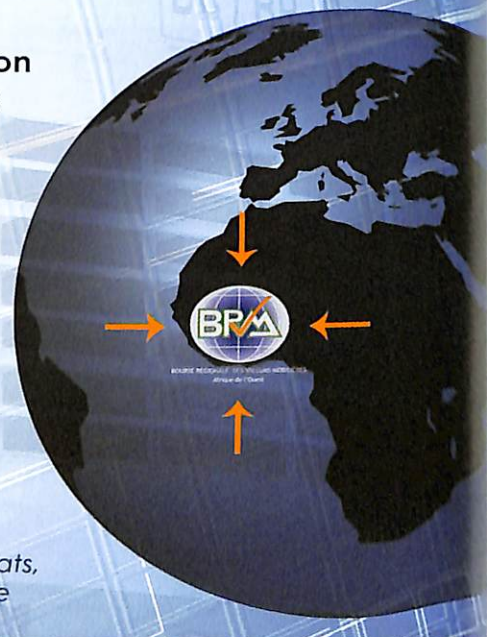


BOURSE RÉGIONALE DES VALEURS MOBILIÈRES
Afrique de l'Ouest

Après plus de 15 ans au service des économies des pays de l'UEMOA, la BRVM est désormais intégrée aux indices MSCI et S&P Dow Jones. Elle poursuit son développement au niveau international par l'organisation de la 1^{ère} Edition des «BRVM INVESTMENT DAYS» à Paris, les 30 Septembre et 1^{er} octobre 2014.

La BRVM, c'est plus de 6.000 milliards de Capitalisation Boursière et la 6^{ème} place au classement des bourses africaines.

Véritable outil d'intégration de l'UEMOA, la BRVM offre aux États, aux entreprises et aux investisseurs de réelles opportunités de levées de ressources et de rentabilité de l'épargne.



(€59.1m) and CFA64bn (€96m), respectively. Bond issuance remained skewed towards shorter-maturity instruments, with three-to-five-year bonds accounting for 65% of the market in 2013; six-to-seven-year bonds accounting for 21%; and 15% of bonds falling into the eight-to-12-year range, according to data from Hudson & Cie.

The largest sovereign issues consisted of three- and five-year bonds from Côte d'Ivoire, worth a total of CFA217bn (€325.5m), at 6% and 6.3%, respectively; CFA121.6bn (€182.4m) raised in seven-year bonds at 6.5% by Burkina-Faso and CFA66.9bn (€100.4m) in 10-year bonds at 6.5% from Senegal. The smaller corporate bond issues included CFA36.6bn (€54.9m) raised in eight-year bonds at 6.9% by agro-industrial group SIFCA, CFA15bn (€22.5m) in six-year bonds at 6.75% by Oragroup and CFA3.9bn (€5.9m) in seven-year bonds at 7% by Petro Ivoire. Ecobank CI sought to raise CFA10bn (€15m) in seven-year bonds at 6.5% (91% subscribed).

The market also hosts some supranational bonds from the West African Development Bank (Banque Ouest Africaine de Développement, BOAD), the ECOWAS Bank for Investment and Development (EBID) and the French Development Agency. The regional mortgage refinancing mechanism established by the BOAD, the EBID and Shelter Afrique successfully tapped the market for CFA19.16bn (€28.74m) in 12-year bonds at 6.1% in November 2013, while six new bonds worth a combined CFA403.4bn (€456.6m) were issued in 2014.

TURNOVER: Whereas liquidity has grown in the equity market – albeit at a modest pace – as seen in foreign investment's share of turnover, trading in bonds has remained virtually non-existent. "Foreign investment accounted for around 15% of stock holdings, but roughly 70% of turnover in 2013," Boua told OBG. "This investment is clustered in banking, telecoms, food and beverages, as well as stocks linked to multinationals like Shell-CI, Total-CI and Bolloré." Indeed foreign investment has largely remained clustered in key blue chip stocks, with only one global exchange-traded fund – the S&P Frontier BMI, which is exposed to only 0.5% of BRVM-listed stocks.

Although investors are required to comply with a 10% withholding tax on dividends, they are exempt from capital gains taxation and from any restrictions on foreign investment. Nonetheless, any holdings of over 1% of a firm's share capital must be reported to the authorities.

RISE IN LIQUIDITY: While liquidity of stocks has grown only modestly in the decade to 2012, the BRVM saw significant increases in turnover in 2013, particularly during the fourth quarter of the year. According to Hudson & Cie, turnover rose from roughly 37m shares, worth a combined CFA86bn (€129m) in 2012, to 60m shares totalling around CFA141bn (€211.5m) in 2013. Despite an uptick in the ratio of shares-traded-to-total-market-capitalisation (the turnover ratio) in 2013, it remained at around 3% in 2013 – on par with the level seen in Ghana and



Authorities have sought to foster greater liquidity through reforms

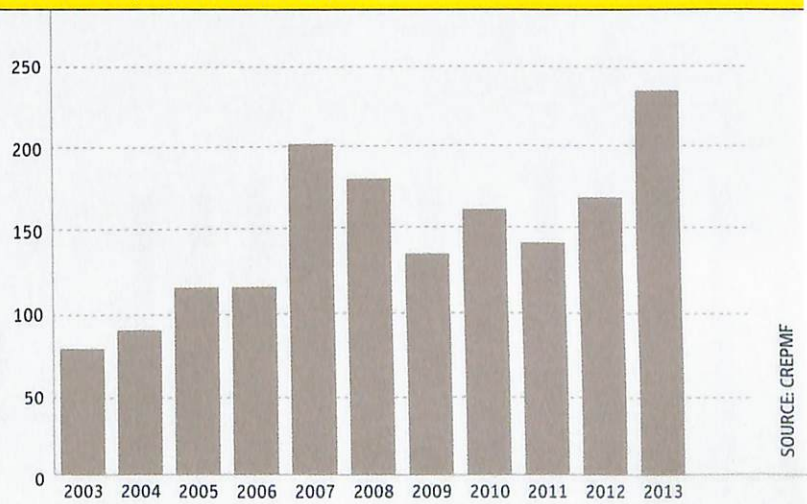
below the 7%, 9% and 45% witnessed in Kenya, Nigeria and South Africa, respectively, in 2013, according to the African Securities Exchanges Association.

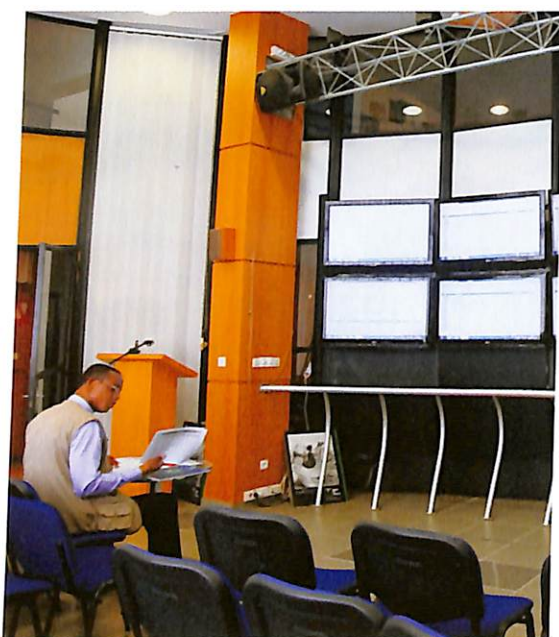
Turnover in fixed income remained fairly static in 2013, with roughly 2.7m bonds traded worth a combined CFA18.34bn (€27.51m). However, 10 bonds accounted for some 79.09% of turnover. Insurance companies and the two public pension funds – the National Social Security Fund (Caisse Nationale de Prévoyance Sociale, CNPS) and the General State Agent Retirement Fund (Caisse Générale de Retraite des Agents de l'Etat, CGRAE), which had combined assets of CFA350bn (€525m) in 2013, according to the IMF – accounted for over 60% of outstanding bond holdings by the end of 2013, while banks and retail investors were smaller participants. "The secondary bond market remains inactive because the main buyers of bonds, insurance companies, tend to buy and hold," Bertrand Bodet, fund manager at Ecobank Development Corporation (EDC), told OBG.

In 2013 effective bond yields varied from 5.95% for bonds with eight-or-more-year maturities to

Despite an uptick in the turnover ratio, it remained at around 3% in 2013 – on par with Ghana and below the 7%, 9% and 45% seen in Kenya, Nigeria and South Africa, respectively, in the same year.

BRVM Composite Index, 2003-13





As of January 2012, all listed firms may conduct share splits

Over the longer term the exchange is participating in West Africa's Capital Markets Integration initiative that aims to boost intra-regional liquidity with exchanges in Sierra Leone, Ghana and Nigeria.

6.94% for three-to-five year bonds, which remained much lower than the 13% yields on comparable Nigerian bonds. "We estimate foreign investors own only around 1% of bonds on the BRVM, although the exact number is hard to estimate since they invest through local brokers," Boua told OBG. "Typically they see returns on BRVM bonds as unattractive, despite our stable exchange rate, at roughly half the yield of comparable bonds in Nigeria for instance."

ENHANCING LIQUIDITY: The authorities have sought to foster greater market liquidity through two main reforms. The first was the CREPMF's revision to allow for share splitting from 2012 in order to cater to smaller investors. Although the regulator had previously made exemptions for Ecobank and SOLIBRA to split their shares in 2006 and 2007, respectively, on a 1:2 basis, it generalised the rule to all listed firms starting in January 2012. This paved the way for Sonatel and L'Onatel to conduct 1:10 splits in November 2012 and November 2013, respectively, when their individual share-prices stood at around CFA115,000 (€172.50) and CFA10,000 (€15). This

revised regulation had an immediate impact on liquidity, even if these shares already featured amongst the five most traded stocks. "Share splits by SOLIBRA, Sonatel and L'Onatel had a big impact on liquidity, although successive share splits by Ecobank had only marginal effects, since we viewed their share price as too high to start with," Boua told OBG.

The second major reform was implemented in mid-September 2013, when the market switched away from the traditional fixing method for transactions, where orders were cumulated from 8.30am to 10.45am and then settled at a single price. Under the new continuous trading model, transactions are handled in real-time from 9.45am to 2.00pm, with pre-opening and closing sessions on either side, similar to trading on most major exchanges in the world. This fosters greater trading to arbitrage price movements and has had an immediate impact on trading activity. "The switch to continuous trading had a big impact on liquidity, roughly doubling turnover volumes on the equity market," Boua told OBG. Such technical reforms are meant to support outreach efforts by the exchange and brokers, both to the wider public through mutual funds but also by wooing institutional investors like insurance underwriters, who have traditionally favoured fixed income.

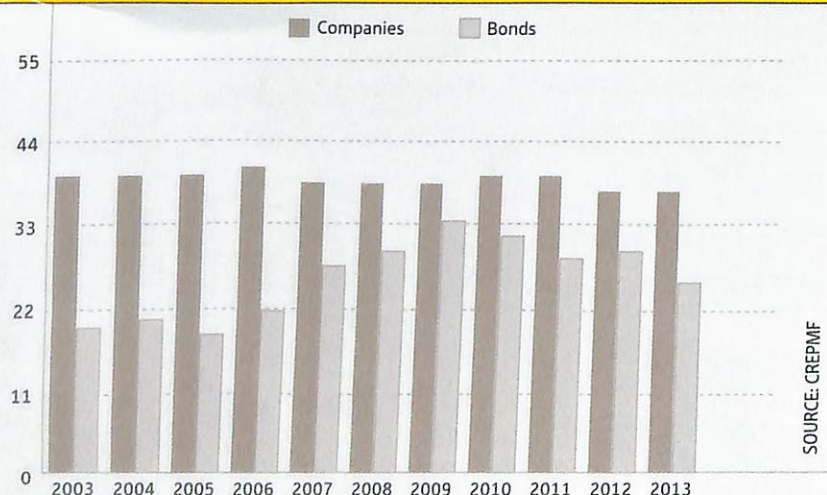
Over the longer term the exchange is participating in West Africa's Capital Markets Integration initiative that aims to boost intra-regional liquidity, with exchanges in Sierra Leone, Ghana and Nigeria. The first step of the process involves harmonising listing, trading and settlement rules and granting sponsored access to brokers. This will allow for an electronic interconnection between the exchanges by March 2015, which each participating bourse expects will generate further liquidity. As institutional investors are already able to trade on foreign exchanges with CREPMF approval, this integration is aimed at the still small pool of retail investors.

There is also interest in developing other supra-regional markets. "Setting up a regional stock exchange, at the ECOWAS level, would certainly be beneficial to the whole of West Africa," Edoh Kossi Amenounvé, managing director of the BRVM, told OBG. "However, it will take time and must be carried out thoroughly with all ECOWAS members, including big players like the Nigerian Stock Exchange."

INTERMEDIATION: Rising equities and renewed bond issues since 2011 have attracted new brokers, such as Phoenix Capital (which was licensed in 2011), in what is already a crowded market with 21 broker-dealers licensed as of 2013.

Barriers to entry are relatively low, with capital requirements of CFA250m (€375,000) for brokers. Seven of the UEMOA member-states have at least one broker (with the exception of Guinea-Bissau), with Côte d'Ivoire, Senegal, Benin and Burkina-Faso each having more than one. However, the total number of brokerages producing research for retail investors is far smaller, including Hudson & Cie, BICI-Bourse, Impaxis since 2009 and Actibourse since

Number of listed companies/bonds, 2003-13



SOURCE: CREPMF

2013. Trading is dominated by a few brokers, including Dakar-based CGF Bourse and Hudson & Cie, and brokers affiliated with banks, like BICI-Bourse, EDC Investment Corporation, Actibourse (Bank of Africa), Sogebourse (Société Générale de Banques en Côte d'Ivoire, SGBCI) and NSIA Finance.

While market shares fluctuate widely, given the low liquidity on the exchange (brokers like CGF and BICI cornered roughly 50% of turnover in the first and second quarters of 2013, respectively), six brokers commanded market shares above 5% in the first quarter of 2014, up from five in 2013. With average broker commissions of 0.75% – limited by the 0.5%-1% bracket that was set by the CREPMF – many smaller brokers cannot break even on broker revenue alone. "Brokerage income is less important for smaller brokers, who tend to make most of their revenue on asset management, private equity and underwriting bond issues," Boua told OBG.

There are also 16 asset management companies that have launched a total of 24 mutual funds (Organismes de Placement Collectif en Valeurs Mobilières, OPCVMs) since 2000, although the pace of new launches has accelerated in recent years, with half occurring since 2012. Asset manager fees are also set by the CREPMF and average 2.5%. "The good performance of diversified funds since 2012 has attracted not only more retail investors, but also insurance companies that used to be more reticent to commit to such funds," Bodet told OBG.

There are two types of mutual funds on the market: FCPs (Fonds Communs de Placement) and SICAVs (Sociétés d'Investissement à Capital Variable). FCPs are the dominant form, with 23 vehicles as of the first quarter of 2014, while there is only one SICAV, managed by the Société Ouest Africaine de Gestion d'Actifs and diversified across asset classes. "The doubling in the number of FCPs since 2010 was driven by banks and asset managers seeking to channel small-holders' savings into the capital markets," Yoboué told OBG. "SICAVs have been relatively less attractive as the administration costs are higher."

While mutual funds are allowed to invest at least 70% of their net assets in listed securities, they are also free to place up to 15% offshore, subject to CREPMF approval. The council was preparing new rules in 2014 to also allow diversified funds to make limited investments in unlisted, private equity. Diversified funds dominate the market, with 14 closed-end mutual funds, five mid-to-long-dated funds, one in short-dated bonds and three others.

In April 2014 the most active asset managers by number of mutual funds were CGF, with five, and Africabourse, EDC, Opti Asset Management and Africam, each with three, while, the largest by assets under management were Attijari, Sogespar and EDC. **PUBLIC OFFER:** Although the pace of IPOs has been slow since inception, with only 10 since 1998 and none in 2010-13, the exchange saw one IPO in 2014 – Bank of America's Senegalese subsidiary – and expects as many as seven new listings in the com-



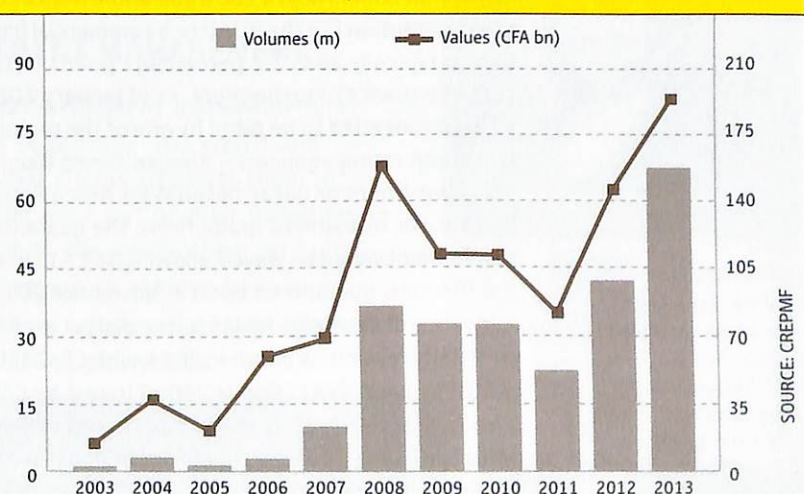
There are two types of mutual funds on the market: FCPs and SICAVs

ing years and a steady stream thereafter. The pipeline of issues includes local subsidiaries of multinationals, at least two privatisations by the Ivorian government and some Senegalese firms. Listing firms, which do not benefit from tax incentives, are required to sell more than 20% of their equity, either publicly or through private placement.

The BRVM is also expecting three new bank listings, including Burkina-Faso's second-largest lender, Coris Bank International, which opened an Ivorian branch in 2013 and plans to list 20% of its equity. The Ivorian government announced the sales of two of its minority stakes in banks through IPOs scheduled for the coming years – both of which are to be managed by Hudson & Cie. The first is the sale of 20% of Société Ivoirienne de Banques through an IPO, with another 29% being sold to the majority shareholder, Morocco's Attijariwafa Bank, for CFA4.9bn (€7.35m). The government is also aiming to sell a 10% stake in Banque Internationale pour l'Afrique Occidentale for a total of CFA2bn (€3m), with its majority shareholder NSIA also selling 10%.

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Annual trade volumes & values, 2003-13



SOURCE: CREPMF

ETIT	Norm
ETIT	Norm
ETIT	Norm
ETIT	Norm
SOGC	Cr
ETIT	Norm
ETIT	Norm
ETIT	Norm
ONTBF	Norm

Liquidity of stocks grew modestly from 2002-12, but there was a significant increase in turnover in 2013

Authorities are seeking to develop the bond market both through higher private sector issuance and by jump-starting a market for secondary trades.

The government likewise intends to sell 28% of its 48.47% stake in Côte d'Ivoire Telecom, in an operation valued at CFA4.27bn (€6.41m), although this will likely take longer, according to Hudson & Cie. Broker CGF Bourse is also involved in the planned listings of two Senegalese firms – money-transfer firm Money Express and energy equipment provider Matforce – in the coming years. Over the long run, authorities plan to encourage more listings of small and medium-sized enterprises through collaboration with private equity investors (see analysis)

French oil major Total sold an additional 8.9% stake – 290,000 shares – of its Senegalese downstream business in late 2014, at an asking price of CFA12,000 (€18) per share, which was set by its underwriter, CGF Bourse. The listing raised CFA3.48bn (€5.22m). Toronto-listed Sama Resources also announced its intention to dual-list on the regional exchange; however, this had yet to take place.

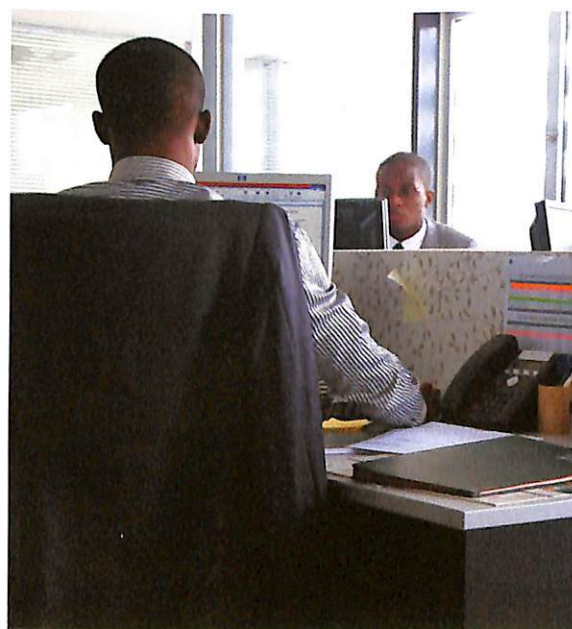
DEVELOPING BONDS: Authorities want to develop the bond market through higher private sector issuance and by jump-starting a secondary market. In 2012 the CREPMF amended previous requirements that issuers hold a 100% guarantee from a certified institution like the BOAD or a commercial bank (which typically adds 1-2 percentage points to the cost of issuance). Furthermore, as of January 2013, all issuers needed to be rated by one of the region's two credit rating agencies – Abidjan-based Bloomfield Investment or Dakar-based West Africa Rating Agency. For investment grade firms, the guarantee requirement would be waived, allowing SIFCA to issue the first non-guaranteed bond in November 2013.

In terms of sovereign issuance, the market expected slightly fewer new bonds in 2014, with CFA241bn (€361.5m) and CFA160bn (€240m) issued by Côte d'Ivoire in March and November 2014, respectively and a CFA75bn (€112.5m) float from Senegal on the horizon. The first Ivorian issue was the biggest issue in BRVM history. Significantly, Côte d'Ivoire also

returned to the eurobond market for the first time since its 2011 default, with a \$750m dollar-denominated issue in July 2014 that was heavily oversubscribed, to the tune of nearly \$5bn in orders.

Although the settlement system for bond trading is automated, with regional identification numbers for bonds, as of yet there are no licensed primary dealers or International Securities Identification Number (ISIN) codes. The UEMOA Council of Ministers adopted a draft charter on the relations between bond issuers and primary dealers, while also establishing guidelines for bond repurchase operations, which was enacted from October 2013. This has broadened the BCEAO-run weekly repo market from Treasury bills to bonds, with over €750m in repos weekly, according to estimates from Citigroup. The BCEAO was in the process of licensing banks as primary dealers in 2014, which would facilitate banks' liquidity management, as well as encourage more secondary trading. Over the longer term there is a plan to turn the DC/BR into a depository for bonds and, later still, Treasury bills. Once ISIN numbers are attributed, the bonds would feature on Bloomberg, which could act as a ready-made secondary market and help attract greater foreign portfolio investment.

OUTLOOK: With the IMF reporting 5.7% real GDP growth in UEMOA in 2013, and forecasting 6.6% and 6.2% growth in 2014 and 2015, respectively, fundamentals support continued appetite for equities and bonds. "We expected the BRVM's performance in 2014 to be an average of the last three years," Bodet told OBG. "2011 was a crisis year, 2012 was the rebound, 2013 was a growth year and this year will see a drop in euphoria and growth closer to the trend." As public investment supports key sectors like infrastructure and construction, private investors should continue to buoy stocks linked to domestic consumption. Given this bull market, authorities are seizing the opportunity to broaden market participation and enact structural reforms aimed at expanding secondary trading in equities and fixed income.



UEMOA's GDP growth is forecast at 6.6% for 2014 and 6.2% for 2015

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Full service securities firm

Hudson is an integrated securities firm, member of the Regional Stock Exchange (BRVM) that offers a large array of financial services including brokerage, custody, sale-side research, investment management, investment banking and advisory, issuer services.

Hudson's African and International client base includes governments, financial institutions, high net worth individuals, and corporates from various industries.

INVESTMENT BANKING

Strategic Advisory: We advise our clients on the various aspects of the transactions they undertake. We provide financial advice for conducting mergers, acquisitions, restructuring, privatizations and fairness opinions.

Underwriting: We advise our clients on their debt and equity issues on the primary market. We design, structure and distribute these offers on the regional market via public or private offerings.

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Trading: Our trading desk is committed to delivering market insight, liquidity and best execution services to our clients. We understand that best execution is a critical element in achieving investment objectives.

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Issuer Services: we service listed companies and fixed income issuers by handling their registrar services.

We help with the administration and payment of dividend and interest to facilitate the issuer relation with their minority shareholders or lenders.

RESEARCH

Our long-established research capability is focused on excellence and objectivity. Our research process is driven by industry expertise and rigorous fundamental analysis. The quality of our research analysts' team and our proprietary database allow us to cover most of the companies listed on the BRVM. Our research notes are distributed through our partner Auerbach Grayson & Co and are also available on our website, and through BLOOMBERG, REUTERS, FACTSET, and CAPITAL IQ.

INVESTMENT MANAGEMENT

We provide investment management solutions to our high net worth and institutional clients to assist them in making the most out of their investments on the BRVM. We advise them on asset allocation to achieve long-term performances or take advantage of short term market opportunities.



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Kadi Fadika-Coulibaly

To market, to market

Kadi Fadika-Coulibaly, Managing Director, Hudson & Cie, on challenges and opportunities in the secondary bond market

The bond market is made up of 76% treasury bonds, issued by the eight West African Economic and Monetary Union (Union Economique et Monétaire Ouest Africaine, UEMOA) states; 16% from international and regional development institutions; and 8% corporate bonds. From 1998 to 2009 the corporate segment was not very active owing to regulation requiring corporate issuers to back bond issuances with a first demand guarantee offered by regional guarantors. As all issuances complied, rates were similar for any issuer regardless of their creditworthiness. A rating system was introduced in 2009 and two rating agencies now operate in the UEMOA. The new regulation authorised corporations and states to issue bonds solely on their creditworthiness, leading to more corporate issuances. It likewise creates space for investors to better appreciate the risks associated with different issuers.

The main investors in the region are pension funds, insurance companies, mutual funds and banks. International investors do not participate and, as regional ones are buy-and-hold investors, they do not make for a flourishing secondary market. These regional investors collect regional savings that cannot be invested externally and are over-liquid, especially on five-year and lower maturity bonds. They prefer not to sell any position for fear of incurring a major reinvestment risk given limited investment opportunities in the UEMOA.

With respect to lack of participation from international investors, my first explanation is the relatively small volumes offered (€750m raised in 2013 for a cumulative market capitalisation of about €1.5bn) and limited liquidity (measured by rotation ratios of 1.73% in 2013 and 4% in 2014). They do not justify the time and effort dedicated to the study of the market and its opportunities for making an investment decision. The larger part of state borrowing is done in the money market segment (€1.5bn raised in 2013), which is managed by the central bank. However, the bank has not yet put in place a system for investors to directly access information about prices and volumes exchanged in the segment.

The second explanation is that the yield curve is somewhat flat. Fairly low and stable inflation (thanks to the peg to the euro), combined with the high liquidity of regional investors and investor uncertainty on future economic perspectives, has induced lower short- and long-term rates. In addition, the investment committees of regional institutional investors are not always staffed with traders or financial market specialists to arbitrage and manage investment portfolios according to market movements. Bonds issued in the regional market have an embedded liquidity mechanism as they amortise throughout their life, lowering risk and duration, making most issuances short or medium term.

Luckily, reforms are on the way to create a better structure for the bonds and bills market, with both market makers and primary dealers set to be put in place by the end of 2014. This should allow for easier mark-to-market and help investors receive daily price indications. Liquidity will also be bolstered as market makers offer two-sided pricing and volumes. In fact, market makers will have to individually ensure 2% of the total secondary market and should therefore act as counterparties to other investors seeking liquidity.

The central bank has also been working on a reform transferring custody of treasury bonds and bills to the region's central depository and clearing house in order to be dematerialised for easier trading and recording. This system lets international investors use their global custodians, as is the case for the equity market.

With most countries in the region shifting focus from short-term spending to long-term investment, demand for longer maturities is growing – as evidenced by longer maturity bonds with wider amortisation grace periods from the region's states and corporations. However, we are still waiting for the region's first zero coupon bonds, which will help to create a more active secondary market by fuelling both arbitrage and profits.

Lastly, it is important to note that the regional currency's peg to the euro frees investments in the CFA from the exchange risk seen in other African countries.

Company	Market Cap	Revenue	Profit	Dividend
BOAC	10,000,000,000	1,000,000,000	100,000,000	10,000,000
BRUA	5,000,000,000	500,000,000	50,000,000	5,000,000
CABC	3,000,000,000	300,000,000	30,000,000	3,000,000
CEAC	2,000,000,000	200,000,000	20,000,000	2,000,000
CEC	1,500,000,000	150,000,000	15,000,000	1,500,000
ETIS	1,000,000,000	100,000,000	10,000,000	1,000,000
FTSC	800,000,000	80,000,000	8,000,000	800,000
IBEC	700,000,000	70,000,000	7,000,000	700,000
INTLC	600,000,000	60,000,000	6,000,000	600,000
OMT	500,000,000	50,000,000	5,000,000	500,000
PAALC	400,000,000	40,000,000	4,000,000	400,000
PRISC	300,000,000	30,000,000	3,000,000	300,000
SAAC	200,000,000	20,000,000	2,000,000	200,000
SDCC	150,000,000	15,000,000	1,500,000	150,000
SDSC	100,000,000	10,000,000	1,000,000	100,000
SDSC	75,000,000	7,500,000	750,000	75,000
SDSC	50,000,000	5,000,000	500,000	50,000

African private equity has drawn increasing global investor attention

Tapping the market

Efforts are under way to boost listings and provide easier exits

Far more dynamic than the public markets as a source of equity funding, African private equity (PE) has drawn increasing attention from global investors, with €2.5bn in new funds destined for the region in 2013, up 136% year-on-year according to the second annual study by EY and the African PE and Venture Capital Association (AVCA). While bigger economies like South Africa, Nigeria and Kenya still produce the largest deals, investors in search of higher returns are expanding their scope to Côte d'Ivoire and the region.

To foster a more active initial public offering (IPO) market, the Bourse Régionale des Valeurs Mobilières (BRVM) is working to facilitate listings of small and medium-sized enterprises (SMEs) and expand the means of exit for PE funds. This could mark a watershed moment for the market. "The launch of an SME board has the potential to attract smaller firms actually needing to raise funds," Hermann Boua, head of research at Hudson & Cie, told OBG.

GROWING CROWD: The track record of private equity funds in Côte d'Ivoire is relatively short, with the first fund based in the region dating back to 1995 with the advent of Cauris Management, established by the West African Development Bank and European development finance institutions. The private equity landscape has become more crowded, particularly since 2010, with two broad segments of funds emerging: those focusing on African mid-cap deals in the €3.5m-€15m range, and continental or global funds that tend to seek larger deals. For Côte d'Ivoire, funds of the first type typically fall in the €37m-€57m range, including Cauris; Phoenix Capital; Tuninvest, a subsidiary of AfricInvest; Amethis Capital; and Adenia Capital, which is part of the Investisseurs & Partenaires group.

The regional regulator, the Regional Council for Public Savings and Financial Markets (Conseil Régional de l'Épargne Publique et des Marchés Financiers, CREPMF), was working on new rules in 2014 that would allow mutual funds to invest a small share (rumoured at 5-15%) of their assets in PE. While this could channel

resources to existing funds, asset managers are expected to start establishing in-house PE funds as well.

A crowd of larger PE funds has been drawn to the West African Economic and Monetary Union's largest economy in recent years. "Interestingly, Côte d'Ivoire has emerged as a regular destination for PE funds, thanks to the country's strong growth, stable politics, solid infrastructure...and connections to francophone Africa," noted Deloitte's "2014 East Africa Private Equity Confidence Survey," published in March.

The Washington-based Emerging Capital Partners (ECP) is a large PE fund with the longest track record in Côte d'Ivoire, having taken stakes in insurer NSIA, MTN-CI, tuna-canner Thunnus Overseas Group, Nestlé-CI and others. Emirati fund manager Abraaj entered the market by acquiring UK-based Aureos Capital in 2012, which managed a €300m pan-African fund with some €37.5m invested in West Africa.

Large fund managers with offices in Nigeria, like UK-based Actis (private successor to CDC's PE business), and the Carlyle Group, are also seeking deals in this market. Actis is already present through stakes in the Dutch wax-fabric producer Vlisco, which owns a majority in Uniwax, as well as through its power operating company Globelec, which is developing the upgrade of the Azito gas-fired power plant from 288 MW to 432 MW. Carlyle completed fundraising on its €525m sub-Saharan Africa Fund in early 2014 and invested €110m in Nigeria's Diamond Bank in November.

WIDER TARGETS: With five deals concluded in 2013, Côte d'Ivoire was the fourth-most-active market in sub-Saharan Africa after Kenya, South Africa and Nigeria, according to Deloitte. As the pace of investment has grown, the sectors targeted have broadened significantly. "While the greatest opportunities in the 2000s were in finance and telecommunications, the scope for private equity is broadening to more sectors, linked to rising domestic consumption as African economies mature and become increasingly sophisticated," Jean-Marc Savi de Tové, an associate director at Cauris, told OBG.

To foster a more active IPO market, the BRVM is working to facilitate listings of SMEs and expand the means of exit for private equity funds. This could mark a watershed moment for the exchange.

With five private equity deals concluded in 2013, Côte d'Ivoire was the fourth-most-active market in sub-Saharan Africa after Kenya, South Africa and Nigeria.



The private equity deals since 2012 have tended to favour sectors exposed to domestic consumption

Although exits have been a perennial challenge in francophone West Africa, given its shallow financial markets and cultural reticence to sell majority control of smaller firms, Côte d'Ivoire has recently seen a growing number of successful trade sales.

According to Deloitte, the deals since 2012 have favoured sectors exposed to domestic consumption, such as fast-moving consumer goods and banks, as well as agro-industrial firms, particularly those producing inputs. Cauris' investment portfolio includes financial and ICT investments, and has expanded to a broader set of domestically exposed sectors. While it invested in Atlantic Financial Group and internet service provider VipNet, it has also taken stakes in Malian hotel operator Azalaï and pharmaceutical producer Cipharm over the past year. Fuel retailer Petro Ivoire has been a darling of smaller PE funds, raising equity from Cauris, AfricInvest, Phoenix Capital and Amethis over the years. With consolidation looming in the banking sector, funds have also taken positions in smaller banks positioned for strong growth, with AfricInvest taking a 30% stake in Bridge Bank Group in March 2014, for instance.

Larger PE funds have less scope for diversification, given their target deal size, and have thus focused on infrastructure. "The large-cap PE funds are looking for public-private partnership deals, predominantly in energy and infrastructure in Côte d'Ivoire, given the project size," Jean-Jacques Ngono, an analyst at ECP, told OBG. "Smaller funds looking for African mid-cap deals operate in more diversified sectors." While ECP has taken early positions in financial and telecoms firms, its main focus in Côte d'Ivoire is through its 60% stake in Finagesion, which it has held since 2009, with stakes in water distributor SODECI, power utility CIE, gas-fired power producer CIPREL and water services operator SDE.

The region's independent power plant market is drawing significant international PE interest. Aside from CIPREL's €300m investment in two new plants, Actis' Globeleq is developing the €150m Azito expansion, while competitor funds run by Carlyle and Abraaj are also on the look out for opportunities. Despite the relative lack of the right size of agro-industrial deals in the region, Abraaj beat other large funds to acquire 51% of Denmark-based Fan Milk, matched by the 49% bought by Danone, in June 2013 for an undisclosed sum.

The regional exchange is seeking to establish an alternate board for SMEs and high-growth companies in 2015, inducing firms to sell shares to the public with lower strictures imposed.

EXITS: Although exits have been a perennial challenge in francophone West Africa, given its shallow financial markets and cultural reticence to sell majority control of smaller firms, Côte d'Ivoire has recently seen a growing number of successful trade sales. Smaller funds have traditionally sold out through management buy-outs or sales to other funds, with Cauris achieving 35 exits of 42 deals by 2013. A primary challenge is that the PE fund investment timeframe does not match company maturation in the region. "The timeframe for a company's growth in Africa tends to be longer than the average five-year time horizon for PE funds," Tibor Asboth, investment officer at Proparco, told OBG. "This means exits will continue to be through fund-to-fund sales."

This dynamic was evident in ECP's successful exit from its stake in MTN-CI in December 2013 by selling to AfricInvest through the Mauritius-based special purpose vehicle Planor Capital International. The transaction yielded a cash multiple of 2.6x and roughly €60m in capital from its six-year investment in the operator. Fund managers also typically include clauses for a trade sale in the original investment agreement to facilitate exits. Case in point, Abraaj included provisions for co-investor Danone to take majority control of Fan Milk after several years – effectively a put option for Abraaj's investment. Yet PE funds speak of a growing maturity amongst business owners in Côte d'Ivoire. "The governance of SMEs has evolved over the past decade," Vis-sého Gnassounou, an associate director at Cauris, told OBG. "Whereas business-owners used to only be interested in put-options and management buy-outs, they are increasingly interested in discussing options for trade sales and potential IPOs."

FOSTERING IPOs: Eager to tap this potential pipeline, the BRVM is seeking to establish an alternate board for SMEs and high-growth companies in 2015, inducing firms to sell shares to the public with lower strictures imposed by the CREPMF. Indeed, small firms are disincentivised from listing by requirements like capitalisation in excess of CFA200m (€300,000); net profits of 3% of annual turnover for more than three years; and five years of audited accounts. The idea of reducing requirements to CFA50m (€75,000) turnover and two years of audits has been floated, though specifics of the board and possible tax incentives have yet to be finalised. "While incentives to list on the BRVM would be useful at a later stage, it is crucial to get business owners interested in listing for real reasons, creating a pipeline of issues," De Tové told OBG. "We think we stand at a watershed with the potential of five new listings a year on the regional market."

The exchange concluded a partnership with Cauris in February 2014 to foster a pipeline of new IPOs through information sharing and closer involvement of broker-dealers in planned exits. Indeed, the IPO underwriting process and pricing will be key. Some fund managers have already indicated interest in exits through IPOs, such as Cauris' stake in Azalaï and ECP's stake in NSIA. While activity in the PE space has been more dynamic than for listed equities, the challenge will be drawing high-growth companies to the exchange.

Share analysis & data provided by Hudson & Cie

BOLLORE price & index relative performance



BOLLORE market ratios

Bloomberg code: SDSC: BC

PERFORMANCE	Data as of September 9, 2014		
Price (CFA)	179,000		
12M high (CFA)	248,205		
12M low (CFA)	119,800		
Market cap (CFA bn)	214.48		
TRADING ACTIVITY	1M	3M	12M
Avg daily value (CFA)	13,312,597	85,219,571	23,728,989
Avg daily vol	78	416	121

Bolloré Africa Logistics CI

Transport

THE COMPANY: Bolloré Africa Logistics CI is one of the major players in the transport, handling and logistics sector, offering air, road, sea and rail transportation services. In April 2009 the group management decided to change the company's name from SDV-SAGA to Bolloré Africa Logistics Côte d'Ivoire, which helped standardise the name of the group and consolidate its presence on the continent.

With a presence in Côte d'Ivoire for over 50 years, Bolloré currently maintains subsidiaries in Abidjan, San Pédro, Bouaké, Noé, Ferkessedougou and Ouagadougou, with total warehouse and storage areas in excess of 1.4m sq metres. The company also has a 15-year concession for the container terminal at the port of Abidjan, which was awarded in 2004.

Port activities resumed after the end of the post-election crisis, with a 1.58% year-on-year (y-o-y) increase in revenues to CFA75.35bn (€113m) in 2013. This followed exceptional growth in 2012 of 32% due to the rebound effect. Net profit stood at CFA9.82bn (€14.7m) in 2013 compared to CFA8.21bn (€12.3m) in 2012 thanks to revenue growth as well as higher financial income, which came to CFA5.27bn (€7.9m), up from CFA3.19bn (€4.8m) in 2012.

The year 2014 started off relatively gloomily, with half-year revenues dropping by around 8% y-o-y to CFA38.07bn (€57.1m). Activity has primarily been affected by events that have generated additional costs and a drop in productivity, such as delays caused by the replacement of the company in charge of the control of goods value in customs; the dysfunction of the Customs declaration process due to the SYDAM (automated Customs clearance system) update; and congestion in the port access area. As a result, half-year net profit fell by 38% to CFA5.90bn. However, the cost controls initiated by management should ensure positive net profits are realised for the year.

OUTLOOK: Bolloré should continue to benefit from a peaceful environment and the expected economic growth of around 8% for 2015. Future projects

include new ship housing areas and the construction of a second container terminal in deep water, which will allow the port to receive vessels carrying up to 8000 twenty-foot equivalent units.

Furthermore, the establishment of a major industrial and commercial area – covering 500 ha – and the promotion of the two ports of the country (Abidjan and San Pédro) for hinterland markets should also help expand the flow of traffic.

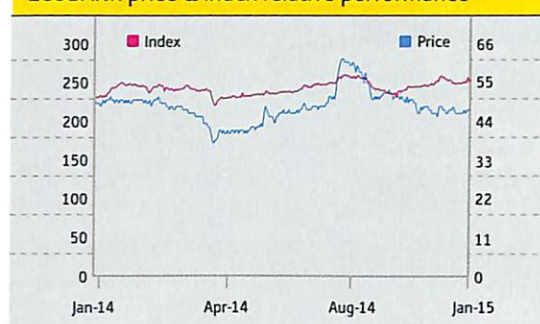
The logistics sector is highly competitive, and Bolloré is strongly challenged in the maritime transit, handling and air transit segments by DELMAS, the GETMA, Movis and the SIMAT. The competition is very aggressive, especially when it comes to pricing. Nonetheless, Bolloré should maintain its leadership position thanks to the growing hegemony of its parent company, Bolloré Group, in the port of Abidjan. Having already secured the concession for the first container terminal, the group has also won the concession for the construction of the second container terminal. Bolloré should take full advantage of this to leverage its maritime and handling activities.

With a price-to-earnings ratio of 19.39x, the stock trades above the sector average of 16.59x – showing that the stock is highly valued. This price level is explained by the fact that the market has already taken into account the expected growth from the concession of the second container terminal, which should not be ready before 2018.

DEVELOPMENT STRATEGY: The management strategy of Bolloré is to maintain its market share across all of its lines of business in spite of growing competition, in addition to supporting growth by developing new markets – particularly those focused on fast-moving consumer goods. The company also plans to strengthen and expand its presence in mining and oil, as well as revive and expand its conventional handling activities in the port of San Pédro. To achieve these objectives, Bolloré's management decided to invest CFA6.86bn (€10.29m) in 2014.

Share analysis & data provided by Hudson & Cie

ECOBANK price & index relative performance



ECOBANK market ratios

Bloomberg code: ETIT: BC

PERFORMANCE		Data as of September 9, 2014		
Price (CFA)		49		
12M high (CFA)		64		
12M low (CFA)		39		
Market cap (CFA bn)		955.73		
TRADING ACTIVITY		1M	3M	12M
Avg daily value (CFA)		5,899,505	12,269,123	18,936,245
Avg daily vol		121,521	252,665	372,729

Ecobank

Banking

THE COMPANY: Ecobank Transnational Incorporated is a pan-African bank, founded in 1985 in Togo, which operates in 36 African countries via six regional clusters, including Nigeria, francophone West Africa (nine countries including Côte d'Ivoire), the rest of West Africa (five countries), Central Africa (seven countries), East Africa (seven countries) and Southern Africa (five countries).

Ecobank is listed on the Nigeria Stock Exchange, the Ghana Stock Exchange, as well as the West Africa Regional Stock Exchange (Bourse Régionale des Valeurs Mobilières, BRVM). Ecobank began its operations in Côte d'Ivoire in October 1989 and is now the second-largest bank of the country. As of the end of November 2014, Ecobank had an 11.80% market share of loans and 12.6% of deposits.

In terms of total assets, Ecobank ranks first in six of the countries where it operates, in the top 3 in fourteen countries and in the top 10 in twenty seven countries. Its cost-to-income ratio improved in 2013 – from 71.4% to 70.1% – thanks to an increase in net banking income, which was up 6% to \$2bn.

From 2009 to 2013, the bank performed well, with net banking income growing by an average of 24% per annum, and loans and advances to customers increasing by an average of 25% per year over the period. Likewise, customer deposits grew by around 27% per annum, while the balance sheet experienced growth of around 27% per year.

However, after witnessing growth of 67% from 2009 to 2012, profits fell by 45% year-on-year (y-o-y) in 2013 to \$156m due to higher costs from risk, as seen in loan loss provisioning in the Nigerian segment – up 143% y-o-y, to \$377m.

OUTLOOK: The poor performance in 2013 can largely be seen as an exception to the rule, with third quarter results from 2014 showing good growth prospects for the full financial year. Net banking income was up 14% y-o-y to \$1.7bn, while net income increased by 15% to reach \$324m. Net banking income is set

to finish the year up 15% at \$2.3bn. In 2015 and 2016, the bank is targeting growth on the order of 11% per year. Net income should strongly increase – by some 161% – to stand at \$385m over the period due to the decline in the net cost of risk and the increase in net banking income.

From August 2013 to March 2014, Ecobank faced its greater crisis of governance to date, which ended with the replacement of its CEO, Thierry Tanoh, by the deputy CEO, Albert Essien. However, the bank is unlikely to be impacted by this internal crisis. In the coming years, Ecobank is forecast to see double-digit growth in term of loans, deposits, net banking income and profit.

Ecobank is currently trading below the sector price-to-book ratio average of 2.21x on the BRVM, at 0.96x. This low price-to-book ratio can be explained in large part by the large drop in its profits recorded in 2013. However, the strong financial outlook should allow the company to be fairly valued.

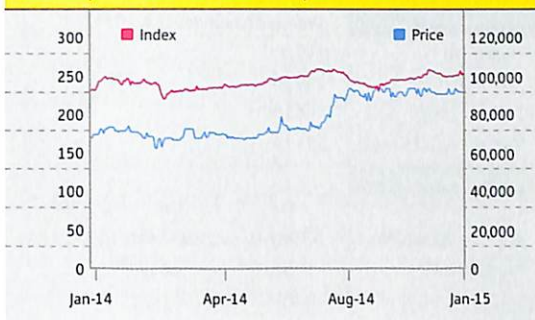
It is also important to note that the bank plans to take advantage its strategic partnerships with both Nedbank, one of South Africa's largest banks, which holds 20% of Ecobank's shares; as well as Qatar National Bank, holds a 16.9% capital stake.

Another positive signal came from a recent ratings upgrade. In October 2014, credit ratings agency Fitch upgraded Ecobank's rating in two separate categories: from "B-" to "B" for its long-term issuer default rating, and from "B-" to "B" for its viability rating, with a stable outlook.

DEVELOPMENT STRATEGY: As a pan-African bank, Ecobank benefits from its established presence in several African countries through its subsidiaries and representative offices. However, Ecobank is planning to gradually slow down its rapid expansion in Africa, which began in earnest in the 2000s, in order to focus on improving both the efficiency and profitability of its existing subsidiaries – particularly its operations in Ghana, Nigeria, Angola and Kenya.

Share analysis & data provided by Hudson & Cie

SGBCI price & index relative performance



SGBCI market ratios

Bloomberg code: SGBC: BC

PERFORMANCE	Data as of September 9, 2014		
Price (CFA)	95,000		
12M high (CFA)	97,000		
12M low (CFA)	64,500		
Market cap (CFA bn)	233.33		
TRADING ACTIVITY	1M	3M	12M
Avg daily value (CFA)	18,111,492	18,794,690	23,345,096
Avg daily vol	188	196	294

SGBCI

Banking

THE COMPANY: Société Générale de Banques en Côte d'Ivoire (SGBCI) is the largest bank in the West African Economic and Monetary Union and was created in 1962 from the local branches of France's Société Générale bank, with the participation of the government and several international financial partners. SGBCI was subsequently listed on the regional stock exchange (Bourse Régionale des Valeurs Mobilières, BRVM) in April 1976, and is now the leading bank in the Ivorian banking sector with total assets of CFA865.4bn (€1.3bn).

For one month at the end of 2013, SGBCI lost its leadership position in terms of customer loans to Ecobank, due to growing competition in the segment. By the end of 2013, SGBCI had lost 3% of its market share compared to end-2012.

The cost-to-income ratio also saw a deterioration, from 54% to 61%, due in large part to the expansion of its branch network and labour unrest that led to a 12% increase in overhead costs. In October 2013 an agreement was signed between SGBCI and its employees to increase salaries by 5%. This increase in payroll, combined with stagnant net banking income (up 1% over 2012) and a deterioration in the cost of risk – up to CFA11bn (€16.5m) in 2013 compared to just CFA18m (€27,000) the year before – led to a 44% drop in total profits.

OUTLOOK: However, the bank has good prospects for the 2014 financial year and should produce a higher net banking income to cover the increase in staffing costs. Net income peaked at CFA13.62bn (€20.43m) in the first half of 2014, equivalent to 166% growth over the CFA5.11bn (€7.67m) seen in the first half of 2013. This increase can be explained by several factors, including higher net banking income, up 11.7% at CFA33.89bn (€50.84m) thanks to better use of surplus cash; an increase in net commissions and other operating income and controlled interest expenses; and a positive cost of risk, at CFA2.3bn (€3.45m), on large provision recoveries.

Furthermore, thanks to the loan growth policy put in place by the new management, the bank should record loan growth of at least 30% for the year and deposit growth of approximately 8%.

As of the end of November 2014, SGBCI accounted for CFA842.73bn (€1.26bn) of the banking sector's combined resources of CFA5.44trn (€8.16bn). This was up 22.29% y-o-y. The bank also accounted for CFA688.64bn (€1.03bn) of the total CFA4.59trn (€6.89bn) in loans provided by Ivorian banks – a 29.99% increase over end-November 2013. By market share, this represents 17.4% in term of customer loans and 17.1% in term of customer deposits.

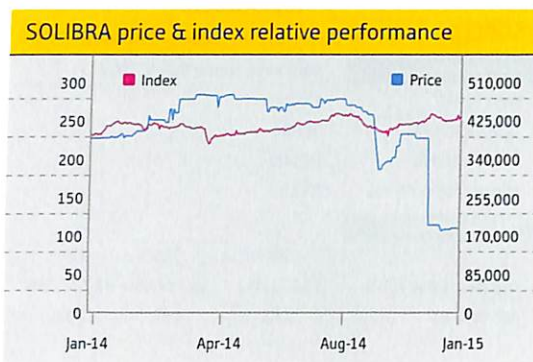
SGBCI's loan growth will likely be driven by economic growth in the country, projected at around 8% in 2015, as well as the bank's aggressive loan policy, implemented as a means of challenging its competition. The bank also plans to open 10 branches per year starting in 2015 to expand its customer base. SGBCI shows strong willingness to extend coverage to the whole country, reaching as many as 90 branches by 2017, up from its current 67.

With a price-to-book ratio of 3.19x, SGBCI is currently trading higher than the sector average on the BRVM of 2.21x. This is explained by strong market expectations for SGBCI's growth. We expect a CFA25bn (€37.5m) net profit in 2014, compared to CFA13bn (€19.5m) in 2013.

DEVELOPMENT STRATEGY: As the leader in the Ivorian banking industry, SGBCI is taking advantage of the huge investment needs in the country due to the period of reconstruction and recovery. The strategy of SGBCI is to be more active in retail banking and consolidate its position in the corporate segments.

The bank also plans to recapture the 3% market share lost in 2013. To address greater competition, the bank has decided to develop its commercial activity, and to pursue this strategy, the management hired two new deputy managing directors to implement a new, aggressive commercial policy.

Share analysis & data provided by Hudson & Cie

**SOLIBRA market ratios**

Bloomberg code: SLBC: BC

PERFORMANCE	Data as of September 9, 2014		
Price (CFA)	195,000		
12M high (CFA)	250,000		
12M low (CFA)	164,188		
Market cap (CFA bn)	399.18		
TRADING ACTIVITY			
	1M	3M	12M
Avg daily value (CFA)	9,890,741	12,882,419	12,341,078
Avg daily vol	52	48	31

Solibra

Beverages

THE COMPANY: After 60 years in operation, the Société de Limonaderies et Brasseries d'Afrique (Solibra) has developed production expertise and unparalleled consumer awareness in the beverage market in Côte d'Ivoire. The company has invested nearly CFA47bn (€70.5m) since 2012 to modernise its four sites – one in Treichville, one in Bouaflé and two in Yopougon. Like other African branches of France's Castel Group, quality management is at the heart of Solibra's competitiveness strategy. With 16 brands and 92 products, Solibra supplies nearly 50,000 outlets and ranks among the largest employers in the country, with more than 1500 employees – 1050 of which are permanent – and approximately 250,000 people indirect employed in distribution, bars and restaurants, among others.

Solibra is ranked first in the manufacturing and marketing of beer, sodas, mineral waters and spring water in Côte d'Ivoire, despite the presence of several competitors in the market. In the beer segment, Solibra's market share stands at around 80% due to the growing competition from Les Brasseries Ivoiriennes, which has a market share of around 10%, as well as local traders focused on imported beers, including Heineken, Codis and Bavaria. On the soft drink side, Solibra's has a 90% market share. The competitors Soft Drink CI (PepsiCo) and Nouvelle Brasserie de Côte d'Ivoire (Monarch Beverage) hold around 10%.

OUTLOOK: Sales grew by just over 7% year-on-year (y-o-y) in the first half of 2014 to reach CFA81.36bn (€122m). This growth was mainly due to higher sales volumes in the provinces compared to the same period in 2013. Nonetheless, Solibra's EBITDA as of the end of June 2014 was CFA9.20bn (€13.8m), down 26.56% y-o-y from CFA12.52bn (€18.78m).

This drop in performance was largely due to the increase in the rate of excise duty on beer, from 13% to 15%, which went into effect on January 1, 2014. Furthermore, the tax base, which changed from the ex-factory price to the selling price, also played a role.

As a result, net income dropped from CFA8.97bn (€13.46m) in the first half of 2013 to CFA6.15bn (€9.23m) in the first half of 2014 – equivalent to a 31.47% drop. Given this, the full year net income for 2014 is expected to be around CFA13bn (€19.5m).

With a price-to-earnings ratio of 18.14x Solibra is currently trading below the sector average of 25.47x. This demonstrates good growth potential in line with the wider recovery of the Ivorian economy in the medium term. The company also boasts a generous dividend policy, with an average historical payout ratio of 83% over the last 10 years.

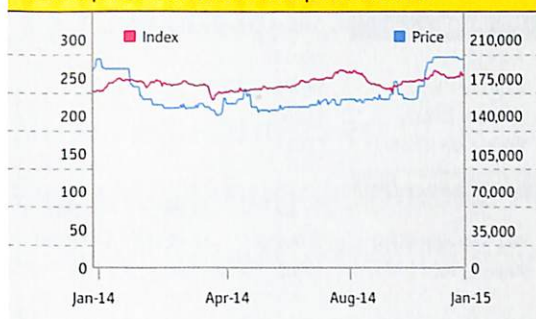
However, the decision of the government to increase the excise tax and the growing competition in the market will impede the company from producing the same net income as in past years – unless management makes some strategic decisions in the coming years. To give Solibra greater liquidity, management conducted a share split on a two-for-one basis on December 30, 2014. This operation will halve the nominal share value from CFA5000 (€7.5) to CFA2500 (€3.75), and double the number of shares to 1,646,084.

DEVELOPMENT STRATEGY: Through its four existing production sites, Solibra produces more than 300m litres of beer, soda, mineral and spring water per year. Solibra's management decided to remodel its entire production line, which saw investment expenditure climb to CFA28.73bn (€43.1m) in 2012 and CFA27.89bn (€41.8m) in 2013, compared to an average of around CFA10bn (€15m) in past years. In 2014 Solibra made a CFA25bn (€37.5m) investment in its Treichville and Yopougon factories. The company's management plans to continue this investment trend, with the objective of acquiring the most technologically sophisticated equipment.

Castel Group and all its subsidiaries in Africa are committed to producing and marketing strong brands and affordable, quality products for its consumers. To solidify this commitment, the company is seeking to obtain the ISO 22000 certification for food safety in 2015.

Share analysis & data provided by Hudson & Cie

TOTAL price & index relative performance



TOTAL market ratios

Bloomberg code: TTLC: BC

PERFORMANCE		Data as of September 9, 2014		
Price (CFA)		160,000		
12M high (CFA)		200,000		
12M low (CFA)		145,000		
Market cap (CFA bn)		100.74		
TRADING ACTIVITY		1M	3M	12M
Avg daily value (CFA)		3,203,257	82,465,629	17,106,846
Avg daily vol		16	472	101

Total CI

Petroleum

THE COMPANY: Total was established in Côte d'Ivoire in 1947 and currently engages in downstream, refining and marketing activities. Its main assets include a gas filling centre (domestic liquefied natural gas), two aviation fuel depots (Abidjan and Yamoussoukro) and participation in the national refinery company, Société Ivoirienne de Raffinage. With 158 gas stations across the country, Total CI has the largest distribution network of oil products in Côte d'Ivoire.

Until 2011 Total CI was unable to sell its products in the northern part of the country due to the political crisis that split the nation in two. With peace reinstated, Total CI was able to take advantage of the end of the crisis by reopening 24 gas stations in the north, centre and west part of the country. Total CI has since been recovering the market share it lost – which stood at 25% in 2002 – by focusing on rehabilitating and reconstructing gas stations.

As a result of these efforts, 2013 revenues grew some 7% year-on-year (y-o-y) to CFA274.06bn (€411.09m), bolstered by a 4.66% increase in sales volumes, to 382,000 tonnes. Meanwhile, net profit reached CFA7.47bn (€11.21m), up 16% y-o-y. This strong performance was due mainly to higher sales, better financial results and an improved gross margin – 14.11% compared to 13.30% in 2012. The strategy implemented to take advantage of higher demand and improve logistics and service quality helped boost investments further, from CFA6.26bn (€9.39m) in 2012 to CFA7.61bn (€11.42m) in 2013.

OUTLOOK: Sales growth is on pace to continue in 2014. As of the end of the first half of the year, overall sales had increased by 5.4% y-o-y to CFA146.48bn (€219.72m) thanks to the sharp growth of domestic sales, which were up 8.4% by volume. However, the net income from continuing operations fell by 5.7% to CFA5.43bn (€8.15m), impacted by the rebranding project and external growth strategy of acquiring independent companies (for example, 18 Ivoirienne d'Hydrocarbures gas stations) in the first half of 2014.

In terms of competition, the Ivorian market is split between the state-owned company, PETROCI, and private companies, including Total CI, Vivo Energy (Shell), Energy CI, Pétro Ivoire, Corlay, Oryx Energies and other much smaller independent companies. The competition is stiff, with the large number of gas stations putting downward pressure on revenue per station.

Nonetheless, the sector has strong growth potential, driven mainly by the mining, aviation and automobile sectors. The country is working on a large number of mining sites discovered in the western part of the country – specifically, iron mining in the mountains of Klayo, Gao and Nimba, and nickel mining in Sipilou and Biankouma. This sector is expanding considerably, driven by high demand, which should lead to an increase in Total CI's sales volumes.

For its part, the aviation industry – which is taking advantage of the recovery of operations and arrival of new international airlines in the country – is giving Total CI the opportunity to boost its sales from this segment, which were up 6% y-o-y in 2013. Marginal growth in the automobile sector, driven by the projected 8.2% GDP growth in 2014, should also have a positive impact on the sales of petroleum products.

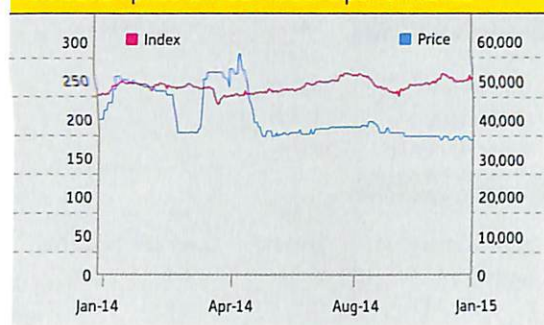
DEVELOPMENT STRATEGY: Total CI's strategy relies on intensifying its presence across the country and capturing growth in market segments like mining, large consumer businesses and aviation.

Furthermore, some 80% of the company's retail sites are under management control. Total CI looks after its employees and provides them with the opportunity to become managers after completing a rigorous selection and training process.

Total CI planned to boost its capital expenditure to CFA12bn (€18m) in 2014, double the average of CFA6bn (€9m) in previous years. These investments are in keeping with the company's external growth strategy – seen through the acquisition of independent players and the extension of its distribution network, with six new gas stations constructed in 2014.

Share analysis & data provided by Hudson & Cie

UNILEVER price & index relative performance



UNILEVER market ratios

Bloomberg code: UNIL: BC

PERFORMANCE	Data as of September 9, 2014		
Price (CFA)	36,000		
12M high (CFA)	59,000		
12M low (CFA)	36,000		
Market cap (CFA bn)	63.62		
TRADING ACTIVITY	1M	3M	12M
Avg daily value (CFA)	576,097	1,048,470	1,850,740
Avg daily vol	16	29	46

Unilever CI

Food & beverages

THE COMPANY: Unilever CI is the leading manufacturer of household cleaning products, personal and dental hygiene, and food products in Côte d'Ivoire. In December 2008 Unilever CI divested its oil activity to SIFCA Group and acquired Cosmivoire's (SIFCA Group) soap activities to refocus its business portfolio on the production and distribution of soaps, detergent and cosmetics products – which it distributes to the eight West Africa Economic and Monetary Union states.

The consumer products market in Côte d'Ivoire is highly competitive, with other brands coming from Europe, Asia and India, as well as local names. Unilever CI strongly competes with Danone, L'Oréal, Sipro-Chim, and Africa West Industries. Unilever CI has two major distribution channels – one modern and one traditional. The modern circuit is based on supermarkets, hypermarkets, wholesale, semi-wholesale and discount, and comprises industrial-distributors, wholesalers, semi-wholesalers and retailers. The channel is dominated by Prosuma, Compagnie de Distribution de Côte d'Ivoire and Société de Distribution de Toutes Marchandise, which account for 45% of sales.

Meanwhile, the traditional circuit is made up of customers that buy and resell products with the Unilever CI trademark. This circuit includes independent wholesalers, large distribution companies and retailers, which contribute the remaining 55% of sales.

In 2013 Unilever CI's turnover fell 19.9% year-on-year (y-o-y) from CFA73.37bn (€110.1m) to CFA58.8bn (€88.2m), due to supply problems with the Lifebuoy brand; a lack of promotion of the Lux and Rexona brands; greater competition for household soaps; and quality issues with its Omo powder detergent. Unilever CI's sales consist of 60% local sales and 40% exports.

The local market is dependent on the sale of soaps, which represent 59% of total sales, as well as detergents, margarine and mayonnaise, which together account for 25.34%. Local sales volumes were down 20% y-o-y to 31,903 tonnes in 2013, while export sales volumes fell by 26.6% to reach 20,849 tonnes.

OUTLOOK: Unilever CI continued its downward trend in the first half of 2014 with CFA5.6bn (€8.4m) in losses due to a 5.36% y-o-y drop in sales to CFA30.6bn (€45.9m). The result was further affected by accounting operations stemming from the closure of its toothpaste plant and the transfer of the washing powder production plant, on the order of CFA1.12bn (€1.67m) and CFA2.97bn (€4.19m), respectively, for a total impact of CFA4.14bn (€6.21m).

Unilever's average sustainable share value from the various valuation methods used is forecast at CFA59,000 (€88.50) in 2016, compared to the current price of CFA39,000 (€58.50). This represents potential growth of 51.28% in a 24-month investment period. Given the negative results of late, Unilever CI did not distribute dividends in 2009, 2010, 2012 or 2013; however, the company is forecast to recommence dividend distribution at the end of 2016.

DEVELOPMENT STRATEGY: Management has a range of priorities through 2020, including doubling the size of the business; reducing its environmental footprint; increasing its positive social impact; and improving profitability. The focus will be placed on eight points in order to achieve these priorities:

- The return of the managing director in Côte d'Ivoire, who has been in Ghana since the Ivorian crisis;
- A new brand-building manager, with the goal of increasing brand positioning in the local market;
- The arrival of a customer development manager, who will mainly be focused on the export market;
- Increase consumption through marketing;
- Improve distribution systems in local and export markets;
- Product variety and quality at competitive prices;
- Introduce new products to the market; and
- Combat counterfeiting through a partnership with Ivorian Customs.

The sound application of the above strategies should help Unilever considerably increase its level of sales and allow it to recapture its previous market share.

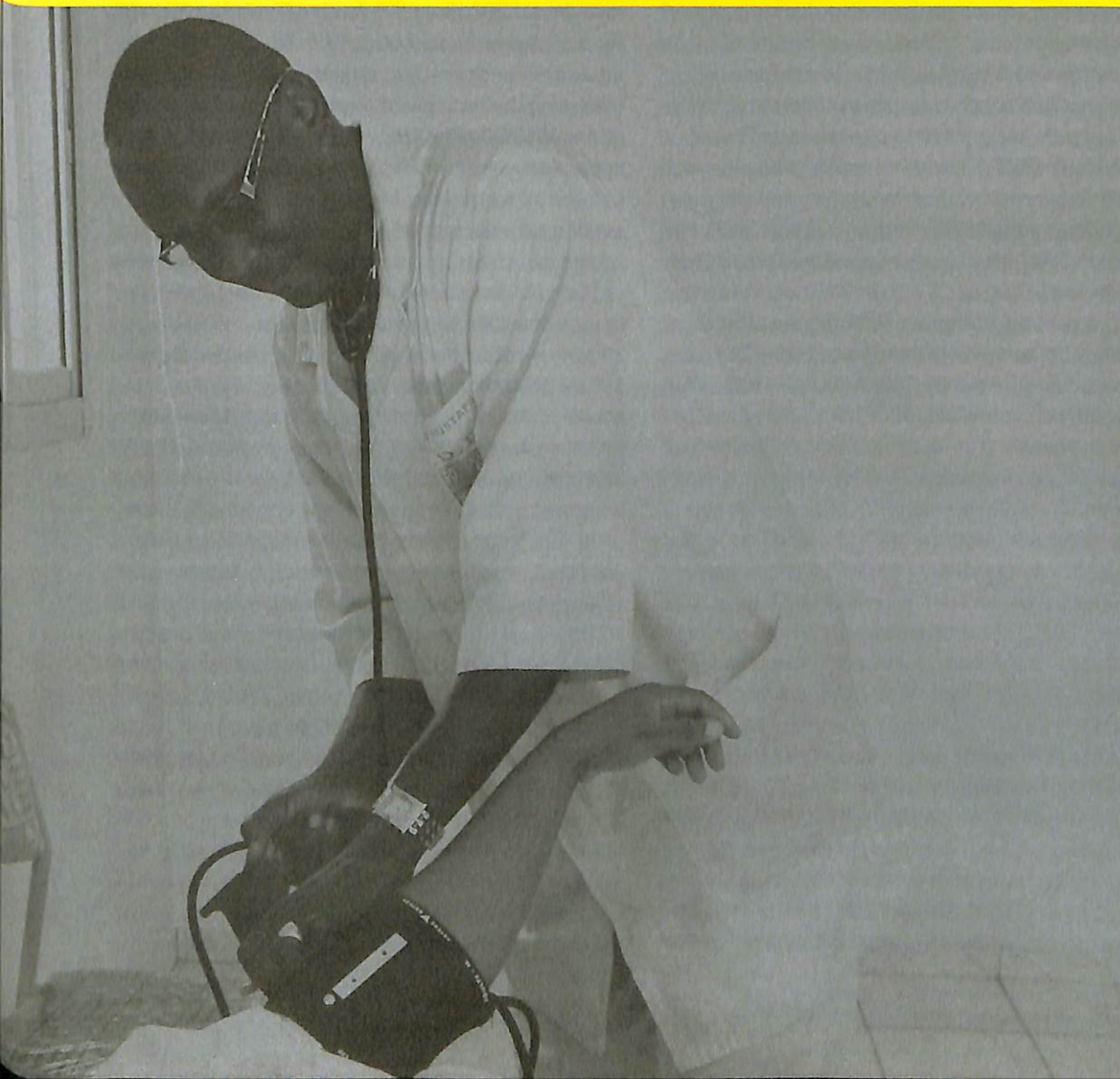
Insurance

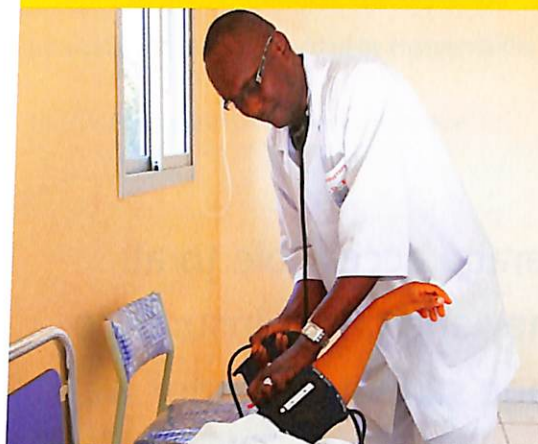
New regulations to make coverage accessible to all

Operators bundle mobile money and micro-insurance

A new universal health coverage scheme is under way

No restrictions imposed on sector foreign investment





The country is home to the largest insurance market in CIMA

Cutting losses, pushing growth

Greater domestic activity and foreign interest drive the industry forward

With 29 underwriters – 18 in non-life and 11 in life – the market is highly fragmented. However, business is dominated by six insurers in both life and non-life, which together held over 50% of total premiums in 2013.

Bolstered by the economic rebound since 2012, double-digit growth in Côte d'Ivoire's insurance sector is attracting new entrants and product innovation. While it is the largest market of the 15-country Inter-African Conference of Insurance Markets (Conférence Inter-africaine des Marchés d'Assurances, CIMA), the sector is fragmented for its size. With large-scale public projects expected to generate 9.8% GDP growth in 2014, the priority will be to expand the domestic market's retention capacity, enhance the domestication of larger risks and improve business conduct to shore up underwriters' liquidity. Meanwhile, as alternative distribution channels continue to gain traction, the life insurance segment is expected to overtake non-life.

DOUBLE DIGITS: Growth in gross premiums has rebounded since 2011. Following year-on-year (y-o-y) growth in aggregate premiums of 28% in 2009 and 12.08% in 2010 the market dropped to 5.39% in 2011, before rebounding to 13.29% in 2012 and 12.85% in 2013, according to figures from the Association of Insurance Companies of Côte d'Ivoire (Association des Sociétés d'Assurances de Côte d'Ivoire, ASA-CI). With aggregate gross premiums of CFA236.72bn (€355.1m) in 2013, however, or roughly 1.68% of GDP, the market remains far shy of its potential. Indeed, the association's president, Roger Eugène Johnson Boa, sees the potential for the market to grow to 7% of GDP over the next decade. Yet by regional standards, with an average insurance penetration of 1% in the CIMA zone, Côte d'Ivoire is already a heavyweight with premiums roughly equivalent to the next two largest markets combined: Cameroon with CFA154bn (€231m) and Gabon with CFA99.6bn (€149.4m). With combined assets in 2012 of CFA526bn (€789m), or roughly 10% of financial sector assets, insurers are key participants in Côte d'Ivoire's capital markets, particularly in fixed income where they control 60% of bonds according to Hudson & Cie.

The market remains dominated by the non-life segment, whose CFA132.84bn (€199.26m) in gross premiums accounted for 56% of the total and 0.94% of GDP

in 2013, while life penetration remained a lower 0.74% of GDP. Although expansion in the life segment has recently outpaced the broader market, with gross premiums rising 15.45% in 2010 and 16.82% in 2012 compared to growth of 9.7% and 10.56%, respectively, in non-life, the situation reversed in 2013 with expansions of 14.2% in non-life compared to 11.1% in life. "The life segment has sustained double-digit growth every year as Ivorians have realised the need to hedge risk and save since the war's end," Balamine Dicoh, the ASA-CI's secretary-general, told OBG. "We expect life to overtake non-life for the first time in the next few years, mimicking the example of more developed markets."

FRAGMENTED MARKET: With 29 underwriters – 18 in non-life and 11 in life – the market is highly fragmented. However, Jean-Claude Jeanson, CEO of Ascoma Côte d'Ivoire, told OBG, "While the insurance brokerage industry can seem fragmented, only a handful of them hold most of the assets. It is the same trend as in the banking sector." Business is dominated by six insurers in both life and non-life, which held more than 50% of total premiums in 2013. The degree of concentration is slightly higher in life, with top-three underwriters commanding 55.82% in life compared to 49.22% in non-life, while seven groups operate subsidiaries in both segments. With no restrictions on foreign investment, foreign-affiliated underwriters like AXA and Allianz are significant players as in the rest of CIMA, although regional players remain the dominant force.

The largest group in the life sector is Sunu Group, a Paris-based insurer founded by Senegalese investor Pathé Dione with operations in nine CIMA countries. Sunu Group operates three subsidiaries in life (UA-Vie, LMAI-Vie and AAA-Vie) and one in non-life (LMAI-IARD). It also holds a combined 32.58% share of life premiums and 7.66% in non-life in 2012.

The largest non-life insurer is Saham with 24.89% of gross premiums and 18.53% in life in 2013. Previously known as Colina, acquired by the Moroccan group Saham in 2010 and rebranded in 2014, the company

The market remains dominated by the non-life segment, whose €199.26m in gross premiums accounted for 56% of the total and 0.94% of GDP in 2013. For its part, life penetration remained lower, at 0.74% of GDP.

has operations in 10 countries. Second in non-life and third in life, with 11.73% and 14.01% market share, respectively, German insurer Allianz is 50% larger than French insurer AXA's 7.45% share in the non-life segment, where it ranks fifth. Inheriting the former French UAP's operations in francophone Africa, AXA had sold its life businesses to Sunu by 2004 and focused on non-life and industrial risks. The last group with over 10% market share (12.6% in non-life and 17.61% in life) is Nouvelle Société Inter africaine d'Assurances (NSIA), an Ivorian banking and insurance group that acquired French insurer AGF's African businesses in 1996 and bought an 80% stake in the third-largest lender, Banque Internationale pour l'Afrique Occidentale (BIAO-CI), in 2006. In 2014 private-equity firm Emerging Capital Partners offered for sale its 25% stake in the insurer.

OTHER PLAYERS: The rest of the market is spread between mid-sized non-life underwriters like Loyale with 5.13% market share, SIDAM with 3.81%, Atlantique at 3.28% and SONAR-CI (rebranded TSA in 2013) with 3.27%. The lowest tier of the eight smallest insurers has under 3% market share. According to ASA-CI figures underwriters ceded an average of 27.39% of their premiums to reinsurers in 2012, far higher than the 2.43% in life. Insurers linked to affiliated reinsurers tended to cede the most, including LMAI (48.58%), Saham (41.42%), Allianz (37.32%) and AXA (27.99%). "The vast majority of underwriters act as reinsurance brokers as they are not significantly increasing their risk retention," Kamal Harati, CEO of KH assureurs conseils and president of the brokers' association, told OBG.

Despite the high number of existing insurers, several investors are eyeing opportunities in the Ivorian market. Market entry through acquisition has not always been easy, however. Morocco's Wafa Assurances had almost completed the acquisition of non-life insurer SAFA in 2013, before cancelling in August following a fire at SAFA's headquarters. Instead, the Moroccan insurer applied for a greenfield licence to roll out non-life products through a bancassurance deal with Attijariwafa in Côte d'Ivoire, Cameroon, Gabon and Congo. While SAFA was still seeking new investors in early 2014, a second Moroccan insurer, RMA Watanya (RMAW), entered the market in April 2014. Part of the Finance Com group that also owns a majority of Bank of Africa through BMCE Bank, RMAW acquired a 40% stake in Cameroonian insurer Belife, also present in Togo and Côte d'Ivoire in life.

REINSURANCE: The reinsurance market is also more competitive, with eight domiciled players. The two largest players are intergovernmental reinsurers with mandatory legal cessions. CICA-RE, the CIMA zone's reinsurer that was established in 1981 with 12 member states as shareholders and 50 underwriters; the West African Development Bank; and the African Solidarity Fund command a 15% legal cession of all premiums ceded through treaties. CICA-RE had CFA20bn (€30m) in paid-up capital and CFA24bn (€36m) turnover in 2013. Meanwhile, the African Reinsurance Corporation (Africa Re) has €600m in capital and is rated A- by Standard & Poor's and AM Best. Founded by the Organisation for



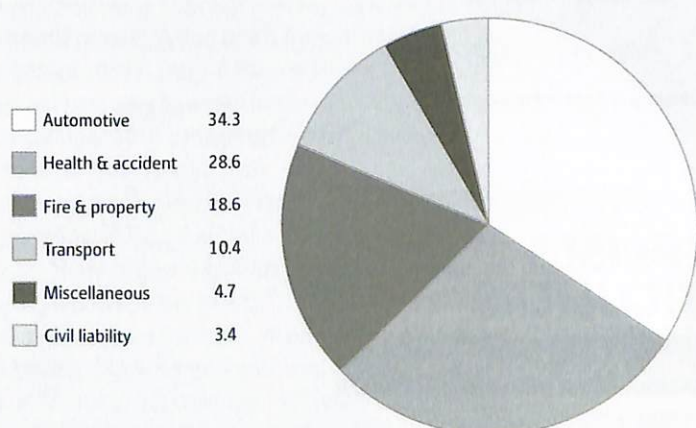
Fire and property accounted for 18.6% of premiums in 2013

African Unity in 1976, it is owned by member states and other reinsurers, holding a 5% legal cession of all reinsurance treaties on the continent.

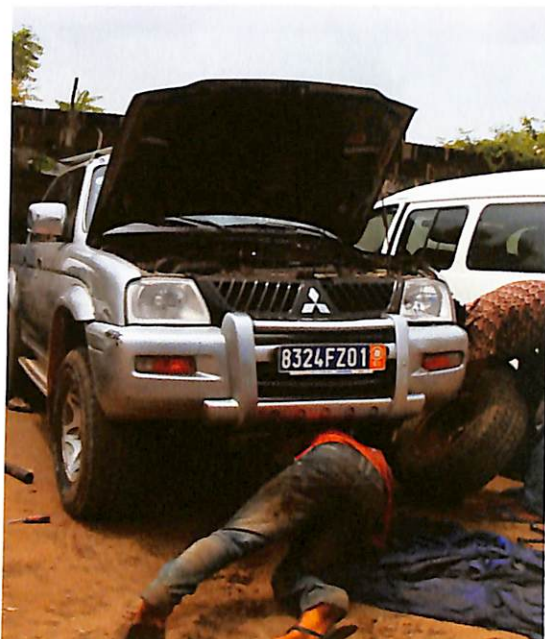
Other reinsurers operating out of Abidjan include AVENI-Re, established in 2004 in Côte d'Ivoire with CFA10bn (€15m) capital, Kenya-Re, Tunis-Re, Sen-Re, NCA-RE, Nigeria-based Continental-Re, which opened an office in 2013, and Société Centrale de Réassurance, a subsidiary of Morocco's Caisse de Dépôts et de Gestion. Another new entrant is Globus-Re, a reinsurance pool backed by insurers in the CIMA region based in Burkina-Faso, while Bahrain's Trust-Re is planning to open an office in 2014. Meanwhile, the larger Ivorian underwriters have launched their own reinsurance windows, such as NSIA Participations. Despite some weakening in price discipline, the local market has been increasing its risk retention. "The rapid growth in facultative business for local reinsurers reflects this growing retention, even if we don't have aggregate figures for this," Moustapha Diongue, West Africa underwriter at CICA-RE, told OBG. Traditionally dominant foreign reinsurers like France's SCOR, and to a lesser extent

Despite the high number of existing insurers, several investors are eyeing opportunities in the Ivorian market. This includes the reinsurance market, which includes eight domiciled players.

Share of non-life premiums by segment, 2013 (%)



SOURCE: Insurance Association of Côte d'Ivoire



In 2013 the motor segment accounted for 34.3% of premiums

The sector employees about 1200 insurance agents out of 1741 sector employees, although agents are not certified by the national regulator that oversees their activities.

MunichRe and SwissRe, have faced growing domestication of facultative placements, although they have maintained several treaties each.

West Africa's reinsurers have also expanded their international business, covering risks in Middle Eastern and Asian markets, according to CICA-RE's Diongue. The largest reinsurer by share of treaties in 2014 is CICA-RE, with nine. As in other peer markets, the smaller life segment relies far less on reinsurance. In total, the market's capacity is of roughly CFA70bn (€105m) for facultative and CFA50bn (€75m) of treaty capacity, according to estimates from CICA-RE.

DISTRIBUTION: Brokers are traditionally the dominant distribution channel, accounting for roughly three-fourths of premiums in non-life, according to estimates from ASA-CI. While audited statistics are unavailable for distribution, the market has roughly 120 brokers licensed although most are largely dormant. "There are only really five serious brokers on the market," Harati told OBG. "The rest handle only around CFA500m

(€750,000) in business and are not significant." Two French brokers, Gras Savoye and Ascoma, are the two largest, while locally owned KH ranks third. The world's third-largest broker, WillisRe, is expected to enter the market once it exercises its option to acquire Gras Savoye in 2016. There are also several captive brokers such as SIFCOM Assurance, 66% held by Allianz with leading cocoa producer SIFCOM, and SNCAR-CI, acquired by Colina in the early 2000s. A key driver of retail sales, particularly in non-life policies, remains agents in a market where personal relationships are key to overcome suspicion, with roughly 1200 agents authorised by the national regulator – of a total of 1741 sector employees in 2013. The association established a training centre although it does not certify agents.

NEW RULES, NEW DRIVE: Since CIMA rules permitting insurers to partner with microfinance institutions, banks and savings funds were enacted in 2006, bancassurance has become a significant driver of growth in life, accounting for over 50% of premiums compared to less than 10% for brokers, according to Mohamed Bah, deputy director-general at Sunu Assurances.

"Bancassurance has been the key driver of growing life premiums, as all major underwriters have close partnerships with banks," ASA-CI's Dicoh told OBG. Key drivers behind bancassurance have been insurers affiliated with banking groups, such as NSIA, the only underwriter with an exclusive relationship with its banking subsidiary BIAO, and Stamvie (Banque Atlantique-CI), although independent groups like Allianz, Somavie and LMAI have followed suit. The largest retail banks tend to have multiple relations, with SGBCI (part of France's Société Générale) working with Allianz, Ecobank partnering with NSIA and UA-Vie, Attijariwafa's SIB with LMAI-Vie, Allianz and NSIA. The arrival of Moroccan banking groups is changing the landscape, however, as they seek to replicate the type of exclusive bancassurance deals in their home market.

"The market is changing as SIB and Bank of Africa move towards closer relations with their affiliated insurers (Wafa and RMAW, respectively)," Bah told OBG. "The

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process will be gradual however, as most banks will want to continue relations with several underwriters."

REGULATORY REFORM: Regulation of former French colonies' insurance sectors has long been steered from Paris, first through the International Conference on Insurance Control (CICA) and since 1992 through CIMA. The Cameroon-based CIMA issues regulations and oversees enforcement, while the Economy and Finance Ministry's Insurance Department in Côte d'Ivoire is the front-line enforcer and helps make policy. Through the regulatory code in 2009, CIMA doubled capital requirements for underwriters to CFA1bn (€1.5m), effective from 2011. Insurers are regulated according to solvency ratios, although the absence of liquid trading, in bonds in particular, has hampered the ability to mark securities to market and move towards a risk-based framework. The regulator has however become increasingly stringent in its controls in recent years, rescinding licenses for three Ivorian insurers – AIA in 2008, SOMAT in 2009 and SIAC in 2010 – when they faced insolvency. A further three non-life companies have been placed under technical administration by the Insurance Department in 2013, including GNA-CI, Fedas-CI and AAA. The department itself was cleaned up in August 2013 when the head of the regulator was replaced following embezzlement charges.

CLEANING UP: The regional regulator has also sought to sanitise the sector by implementing "no premium no cover" under the reform of Article 13 published in July 2011. Over the years, insurers' balance sheets were bloated with policies for which premiums were not received, either because policyholders would withhold payment until claims occurred or because brokers delayed payments. Indeed, the African Insurance Federation estimated that some 55% of non-life premiums were in arrears prior to the reform.

"Life insurers never built up significant arrears because life premiums are usually paid on a monthly basis, and policies are withdrawn if more than one payment is skipped," Sebastien Ngaméni, deputy director-general of Belife Insurance, told OBG. In 2011 CIMA set a deadline of December 2014 for insurers to either recover unpaid premiums or take policies off their books. The rule also bans brokers from cashing any premium above CFA1m (€1500), while any sum below must be remitted to underwriters within 30 days.

"The 'no premium no cover' rule since 2011 has been widely respected, despite exemptions for government contracts," Diongue told OBG. "With recovery rates of up to 99%, it has been very good for underwriters' liquidity." While recoveries on new policies written since 2011 has been near 100%, as insurers have increasingly switched from annual payments to monthly instalments, the ASA-CI expects that new figures following the 2014 deadline will reflect substantial write-downs, particularly by older insurers. In parallel, CIMA is developing regulations dedicated for reinsurers and is expected to start auditing reinsurers from 2015.

At a broader level underwriters are lobbying the national regulator to improve compliance with existing rules requiring a minimum of 25% of any risk to be



The tax rate on health policies has fallen to 8% for individuals and 3% for groups, encouraging coverage

insured locally. "The association has asked the ministry to improve compliance with section 308 of the law, which requires 25% of all risks to be insured locally," ASA-CI's Dicoh told OBG. "There is still a lot of fronting for larger projects." Indeed, while investment in infrastructure has generated higher construction all risk premiums, larger projects like the third Abidjan bridge insure entirely offshore, receiving discretionary exemptions from the domestication rule. "There are three key areas where we would like to see stronger enforcement by the regulator," Bah said. "Aside from insuring a share of larger projects domestically, we would like authorities to better enforce mandatory policies like motor, third-party liability and renters' property insurance."

NON-LIFE DRIVERS: Insuring such large projects domestically would prove a significant boost to the property segment and construction covers. As in most peer markets, the automotive segment dominates non-life by revenues, if not by profitability. In 2013 the motor segment accounted for 34.3% of premiums, ahead of personal accident (PA) and health with 28.6%, fire and property with 18.6%, transport (including marine and aviation) with 10.4%, and civil liability with 3.4%.

The health segment in particular has grown swiftly since 2006, when new tax incentives were enacted aimed particularly at group policies, with the tax rate on health policies falling to 8% for individuals and 3% for groups, down from 4.5% previously. Insurers are also watching the piloting of universal health insurance from October 2014, preparing health riders that would complement the new scheme.

Although aggregate loss ratios in non-life remained manageable at 32.1% in 2013, having fallen 18.4% y-o-y, the three largest segments of insurance recorded the highest loss ratios. In 2012, the last year for which detailed losses are available, PA and health recorded a 72.79% loss ratio, while motor and fire and property achieved a lower 33.4% and 39.19%, respectively, according to ASA-CI figures. In contrast, civil liability and transport policies achieved 29.59% and 10.7% loss ratios.

Insuring large projects domestically would prove a significant boost to the property segment and construction covers. As in most peer markets, the automotive segment dominates non-life by revenues, if not by profitability.



Third-party liability coverage in the motor segment has been improved, from 88% in 2012 to 95% in 2013

MOTOR: Insurers launched a motor insurance pool and a CFA460m (€690,000) Motor Guarantee Fund to improve underwriting and pricing discipline in the segment, although not all insurers were participating in 2013. However, controls of vehicles revealed a net improvement in compulsory third-party liability coverage, with compliance rising from 88% in 2012 to 95% in 2013, according to the association. While smaller underwriters have continued to focus on motor, PA and health, larger insurers have tapped stronger growth in civil liability and transport, where premiums rose 24.6% and 18.8% y-o-y, respectively, in 2013. In particular premiums rose 65.3% in aviation to CFA2.41bn (€3.62m) and 67.6% in marine to CFA7.62bn (€11.43m) in 2013. In contrast the top three segments grew roughly in line with the market, with motor growing 14.2%, PA and health some 15.8%, and fire and property 18.6%.

LIFE DRIVERS: Whereas corporate business continues to dominate general insurance, growing retail sales through bancassurance have bolstered the life segment. Individual policies, which accounted for 55% of life premiums in 2013 according to ASA-CI, saw their premiums rise 54.68% over 2012 levels, while group policy premiums actually fell 12.68%. "Life insurers are moving away from the traditional life market where group insurance sold through agents dominated: it is close to saturation and tax incentives are not that attractive," Bah said. "They are increasingly targeting the retail market through bancassurance, micro- and mobile insurance." With only around 3% of Ivorians holding life insurance according to ASA-CI, there is scope for expanding retail penetration.

While purely provident policies remain marginal at 11.3% of total individual life premiums, they have grown the fastest, by 129% in 2013. The dominant savings policies, which accounted for 54.63% of individual policy sales, achieved 50% growth, while mixed policies grew a more modest 17.3%. In group life, the only growth in 2013 occurred in group provident classes, which rose 8.8% y-o-y, as well as accounting for 25.97% of group

premiums. Group savings policies, however, which accounted for 69.23% of premiums, dropped 11.7% over 2012, while the small 4.8% of premiums collected through mixed policies fell a drastic 60.9% y-o-y. Although premiums on group terminal benefits contracts have been tax exempt since 2005, the association is asking the government to further expand the exemption to supplementary private retirement schemes held over a decade to support further growth.

"We are lobbying the government to extend tax exemption for life insurance policies of over 10 years," ASA-CI's Dicoth told OBG. "While this may lead to lower tax revenue in the short run, we are arguing that this would generate more life insurance assets that can be channelled towards longer-term investments domestically." The 2012 reform of the public pension system, aimed at expanding the two pension schemes' reach beyond the 5% of the population and 7% of financial sector assets covered in 2013, could also stimulate further demand for private retirement riders.

LOSSES: By containing loss ratios at very low levels, insurers, particularly larger ones, have sustained strong profitability, although this also reflects challenges in claims settlement. Indeed, loss ratios in both segments have improved markedly in 2013, with the ratio in non-life falling 18.4% y-o-y to 32.1% in 2013 and that in life falling some 50% to 29.7% according to ASA-CI figures. "The large drop in loss ratios in life in 2013 was due to clients' high withdrawals of savings in 2012 to rebuild after the end of the crisis," Belife's Ngaméni told OBG.

Part of the explanation for historically low non-life losses is the low insurance penetration – most contracts excluded political unrest and were thus unaffected by the Ivorian crisis. Another challenge is poor claims management, particularly by smaller non-life players – while loss ratios on motor policies rose from 25.99% in 2011 to 33.4% in 2012, this remains far lower than other emerging markets that typically have ratios in excess of 50%. "Loss ratios in Côte d'Ivoire remain quite low, which is especially surprising in motor. This plays a role in people's mistrust of insurance companies, so we are encouraging our members to improve their claims management," Dicoth told OBG.

PROFITS: Although the fire/property segment witnessed relatively high losses in 2012, with a fire at the ROTOCI publishing house in Abidjan, non-life insurers still saw their aggregate profitability rise 32.62% y-o-y to CFA24.52bn (€36.78m) in 2012. Life insurers saw markedly higher rises in profit albeit from a low base, with a rise of 112.21% y-o-y to CFA7.78bn (€11.67m). Meanwhile, settlement of large claims incurred in 2013 were still pending in early 2014, causing the sector's loss ratio to decline 37% over 2012 levels.

Indeed, the region's largest loss in Abidjan in July 2013 was a fire at the Gandour perfume plant, but while associated losses may add up to more than CFA10bn (€15m), exposure was localised on two foreign-linked insurers with their captive reinsurers offshore, AXA and Allianz. As such reinsurance rates have remained stable. "Rates were quite flat across all non-life classes at the time of treaty renewals for 2014," Diongue said.

Whereas corporate business continues to dominate general insurance, growing retail sales through bancassurance have bolstered the life segment.

As in peer markets the life segment has proven more profitable than general insurance, with underwriters achieving an average of 10.68% rate of operational profit in 2012 compared to 5.4% in non-life. The most profitable players in non-life tend to be smaller firms, with Atlantique Assurance achieving the highest operational profit rate of 33.22% in 2012 despite a market share of 2.48%, followed by AAA with 18.53% profit for a 1.65% share. The larger underwriters achieve high single-digit returns, ranging from 3.73% for Saham to 9.29% for Allianz and 9.77% for LMAI. Size is a more significant factor in life, where larger insurers like UA-Vie, Saham and Allianz-Vie sustained double-digit profits of 13.55%, 16.87% and 26.68%. Three life insurers saw net operational losses in 2012 due to spikes in claims, however: NSIA-Vie saw losses of 2.08% of turnover, while two smaller players SOMAVIE and STAMVIE lost a higher 6.07% and 12.47% respectively. Life insurers relied on stronger investment returns from predominantly fixed income and property placements however, with 5.41% y-o-y growth in investment profits to CFA357.79bn (€536.69m) in 2012, compared to 4.07% growth to CFA150.03bn (€225.05m) for non-life.

SCALING DOWN: Longer-term prospects are tied to driving retail penetration and scaling down products to target informal workers. Innovation in micro-insurance since 2012, when the CIMA issued guidelines for policies of under CFA35,000 (€52.50) in annual premiums, has focused on scaled-down personal accident, health and life policies sold through partnerships with mobile banking and microfinance institutions (MFIs). The three major mobile operators with mobile money platforms have all partnered on micro-insurance products. Since November 2011 Orange has worked with LMAI on accidental death/funeral covers bundled with a telephone, "Prévoyance O", with CFA15,000 (€22.50) initial premiums and CFA6800 (€10.20) annual renewals, with covers up to CFA500,000 (€750). "While our penetration for mobile insurance is still below 5% of Orange's customer base, we see strong upside in coming years while the claims rate is not significantly higher," Bah said.

Etisalat's Moov partnered with STAMVIE in November 2012 for MoovPrévoyance, which bundle free calls with funeral cover of up to CFA150,000 (€225) at an annual cost of CFA12,000 (€18). Allianz launched two micro-policies through MTN in June 2012. The term life policy costs CFA8000 (€12) annually and provides covers of up to CFA500,000 (€750) for natural deaths and permanent disabilities and CFA1m (€1500) for accidental deaths. The savings plan, for which clients must enrol at an MTN office but can then renew through their mobile wallet, carries monthly premiums of CFA3000 (€4.50) and allows for annual withdrawals of up to 30%. The policy pays out up to CFA1m (€1500) in case of death, compounded by 85% of the interest on the net savings. The German insurer has also sold funeral insurance, with premiums ranging from CFA7500 (€11.25) to CFA87,000 (€130.50) for pay-outs of between CFA500,000 (€750) and CFA2m (€3000).

AGRICULTURAL COVERS: Despite agriculture's significance as the main employer, accounting for 30% of



Health cover has grown swiftly since 2006, when new tax incentives aimed at group policies were enacted

GDP, crop insurance remains at an early stage in Côte d'Ivoire. The only insurer offering policies to the agricultural sector in 2014 is Serenity, established in 2008 but generating roughly CFA3bn (€4.5m) in premiums, 30% outside Abidjan, in 2013. The underwriter works through aggregators, targeting associations of plantation workers with policies in the CFA15,000-25,000 (€22.50-37.50) annual range. The policies insure plantations and equipment, and also provide health insurance for individuals, covering 80% of treatment costs. Having signed up collectives of cashew nut, palm oil and rubber, Serenity claims it wrote €1m in micro-insurance policies by end-2013, although it also aims to reach cocoa and coffee planters. It has partnered with the Société Internationale de Plantation et de Finances (Sipef-CI) as a key agricultural financier to expand coverage, signing up an additional 5000 rubber planters for the year 2014. At a regional level, the Global Index Insurance Facility of the International Finance Corporation is backing a five-year feasibility study into index-based harvest insurance in the Sahel in partnership with SwissRe, Allianz, Africa Re, CICA-Re and NGOs like Oxfam and Planet Finance. Under the pilot scheme in Senegal, Mali, Burkina-Faso and Benin the target is to cover 60,000 to 80,000 farmers by 2016 by establishing a regional platform for index-based crop insurance that will be broadened to Côte d'Ivoire.

OUTLOOK: While the economic recovery post-2011 has generated double-digit growth for both insurance segments, underwriters will need to step up their outreach efforts through affordable products and alternative distribution channels to drive retail growth. "The prospects for insurance are tied to the retail market, as underwriters find the optimal distribution mix to reach target segments," Bah told OBG.

Authorities will also need to enforce rules that require a minimum of larger risks to be covered domestically to support the industry's growth. Major players and foreign investors are likely to drive consolidation to achieve the scale necessary to boost Côte d'Ivoire's growth.

Despite agriculture's significance as the country's main employer, crop insurance remains at an early stage of development in Côte d'Ivoire. There was only one insurer offering policies to the sector in 2014.



Roger Eugène Johnson Boa

Expanding reach

OBG talks to Roger Eugène Johnson Boa, President, Association of Insurance Companies of Côte d'Ivoire

What measures could help to bolster revenues in the life insurance segment?

JOHNSON BOA: In developed countries, life insurance is leading in terms of revenue. In Côte d'Ivoire, this is not yet the case, but life insurers are encouraged to develop new products to reach a broader share of the population. Over the past three years, with the exception of 2013, the life segment has grown faster than the non-life segment. In 2014 life represents 44% of the overall market, which is a lot considering the size of the InterAfrican Conference of Insurance Markets (Conférence InterAfricaine des Marchés des Assurances, CIMA). By 2016/17 the segment is expected to at least tie up with non-life. This growth can be explained by an increasing number of distribution channels, such as bancassurance. Banks are keen to start offering a wide range of insurance products, and are forming partnerships with insurers. The industry expects growing sales of life and savings products due to a rising middle class. Microinsurance is also set to take off under a more favourable legal framework. Microinsurance premiums are very low, and management costs should also be low in order to generate profits.

How can life insurance assets be channelled towards more long-term investment?

JOHNSON BOA: From a legal perspective, all insurance companies have to invest in bonds, Treasury bonds and other securities. Yet, while non-life insurers only have short-term resources, life insurers collect long-term savings and thus are more able to invest in government debt securities. As per the CIMA code, those firms must make a return on their assets of 3.5%. It is forbidden to invest outside of the CIMA zone; however, insurers have numerous regional opportunities, such as real estate projects and local capital markets. Life insurers could perform better if the government implemented a tax exemption on supplemental life insurance products. However, the current level of buybacks makes it difficult for life companies to make long-term investments.

How can the insurance market in Côte d'Ivoire increase its risk retention?

JOHNSON BOA: According to Article 308 of the CIMA code, 25% of all risks must be insured locally. The aim of this law is to keep premiums in the local market so that cash can be injected into the economy. However, this rule it is not 100% respected. Many large-scale infrastructure projects are financed by foreign loans and executed by international companies, which are insured in their home countries. Some posit that large-scale projects are too expensive to insure for local players, but that is why reinsurance companies exist and local companies can also use co-insurance mechanisms.

What are the needs in terms of increased regulation for the reinsurance sector?

JOHNSON BOA: The reinsurance sector needs to be better regulated within the CIMA zone. Regulators are fully aware of that, and there is currently an existing draft regulation. Regulation is particularly needed for small-sized reinsurers. However, the reinsurance sector is so globalised that stringent regulation could hamper the development of the sector. According to the first draft regulation, foreign reinsurers would have to establish in-country with local assets, but the exact details are still to be discussed and confirmed.

What are the expected outcomes of the "no premium, no coverage" policy?

JOHNSON BOA: Article 13 of the CIMA code aims to reduce premiums in arrears. The default rate of premiums in the CIMA zone is the highest compared to other zones in Africa. In some countries the default rate is as high as 45% of turnover. Under Article 13, insurance companies were given three years to cancel or collect all premiums in arrears. After December 2014, all the premiums that have not been cancelled or collected must be taken off insurers' books. That is going to affect many insurers' turnovers and will most likely lead to bankruptcies or acquisitions by larger groups.

Industry & Mining

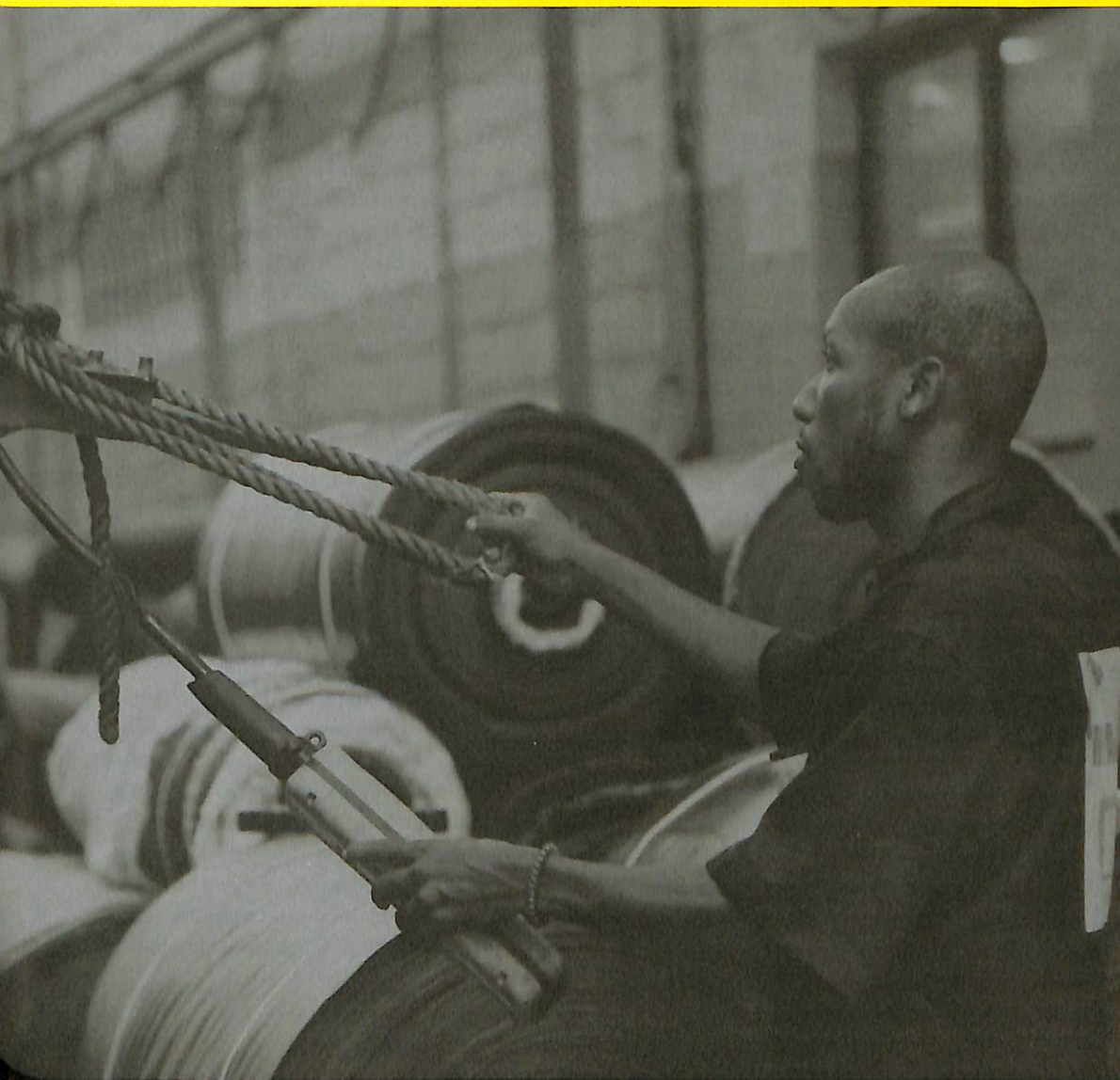
Four-year programme targets increased investment
 Industrial capacity set to receive boost with new zones
 Recently issued mining code to strengthen transparency
 Growing domestic demand a boon to retail growth

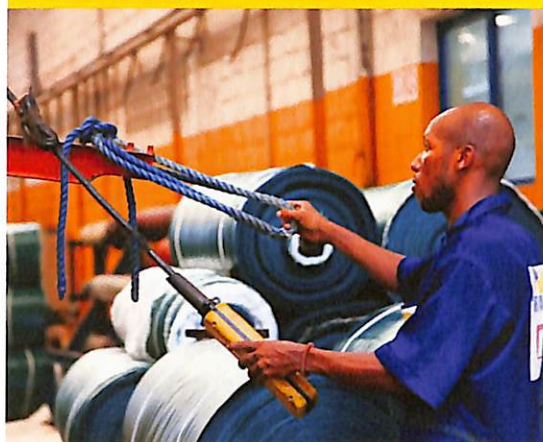
While most will measure success in terms of growth, the government is also keen to ensure that the mining sector is sustainable and contributes to the country's long-term development.

Moreover, the implementation of the new mining code has allowed a significant improvement in the processing of public tenders, with the new regulations being more transparent and easier to understand. This has led to a significant increase in the number of bids received from foreign investors.

From 2010, a four-year programme was launched to attract foreign investment into the mining sector. The programme aimed to increase the number of foreign investors in the sector, with a target of 100 new investors by 2014. The programme also aimed to increase the number of foreign investors in the sector, with a target of 100 new investors by 2014. The programme also aimed to increase the number of foreign investors in the sector, with a target of 100 new investors by 2014.

While the programme has been successful in attracting foreign investment, it has also faced criticism. Some critics argue that the programme has led to a concentration of investment in the mining sector, which is not necessarily the best use of resources. Others argue that the programme has led to a concentration of investment in the mining sector, which is not necessarily the best use of resources.





More than €228m will be invested in industry over the next four years

New frontiers

A revamped approach aims to increase investment and diversification

Investment in industry rose to 10.3% in 2013, up from 8.8% in 2012. Public works and accelerating national consumption levels have been two of the main drivers of wider sector growth in recent years.

Côte d'Ivoire's industrial sector has a long and storied history as one of the most developed in the sub-region, but as with many parts of the economy, it is recovering from the adverse impact of a decade of unrest. As a result, the country's productive capacity fell to levels below that of the 1990s – an upbeat period marked by price and market liberalisation – as much of the foreign-owned industrial base moved elsewhere.

Resolution of the political crisis in 2011 however, and the recovery that it sparked, has started to bring about improvements. As such, the secondary sector increased its contribution to national GDP to 30% in 2011, compared to 27% in 2010, according to figures from the Ministry of Industry and Mines (Ministère de l'Industrie et des Mines, MIM). While rising global prices of natural resources, such as oil and gas, which accounted for 21% of the sector in 2011, have been a key factor, an uptick in agro-industrial activity in cocoa, palm oil and rubber has led to higher output in the nation's processing plants. Other factors were public works and energy, which accounted for 9% and 3%, respectively.

GOVERNMENT INPUT: The increased activity is in part a result of high levels of public spending, which have increased domestic consumption. One of the hallmarks of the administration of President Alassane Dramane Ouattara has been the introduction of a \$19bn investment plan in large-scale public infrastructure under the auspices of the Presidential Emergency Programme. A third bridge spanning Abidjan's lagoon opened at the end of 2014, while works are ongoing on the extension of the country's highway network, international airport and container terminal in the port of Abidjan.

Meanwhile, power generation capacities are set to be ramped up from 1600 MW in 2013 to 3000 MW by the end of 2020. This is impacting local supply chains and likely to attract new industrial investments.

SUBSECTOR INDICATORS: Figures from the MIM show that overall sector growth reached 12.8% in 2012. An evident beneficiary was the construction materials segment, which experienced annual growth figures of

56.5%. Other segments include local food production, which went up by 20.4%, textiles and shoes (29.8%), the chemical industry (30.9%), and the automotive industry (18.9%). The first quarter of 2013, the latest period for which data was available at the time of writing, showed similar progress. The sector as a whole grew by 6%, with particular peaks in paper, rubber and plastics, encouraged by the rise in both public works and national consumption levels. Food and beverage production also continued its 2012 rise, reaching 5.7% in the first quarter of 2013. The figures are supported by growth in industrial investments, jumping from 8.8% of GDP in 2012 to 10.3% in 2013, according to the IMF. The same period also saw a rise in the creation of businesses in the construction and public works sector, as well as food products and extractive industries.

INDUSTRIAL POLICY: The government has a stated ambition of increasing the share of the industrial sector in the national economy to 40% by 2020. In order to guide these efforts, a new four-year industrial programme was launched in March 2014, known as the National Enterprise and Restructuring and Upgrading Programme (Programme National de Restructuration et de Mise à Niveau, PNRMN). Backed by the UN Industrial Development Organisation, the plan has set a target of attracting 150 industrial players (see analysis).

Under the scope of the initiative, more than CFA152bn (€228m) will be invested in traditional industrial segments, including agro-processing and textiles, along with less-established but equally promising subsectors.

According to the MIM, 17.5% of the total budget will come from private industrial players, 60% from the banking sector and 18.5% from foreign development partners, leaving the government with minimal financial participation of 0.6%. Among the plan's targets is the development of light manufacturing such as information technology hardware and consumer goods, including plastics, generic medication and semi-processed timber for furniture production. The policy is also banking on the development of other industries

Under its four-year industrial programme, the government aims to increase the contribution of the industrial sector to the national economy to 40% by 2020.

further up the supply chain to boost local content in the domestic construction and public works segment, particularly the cement and chemical industries.

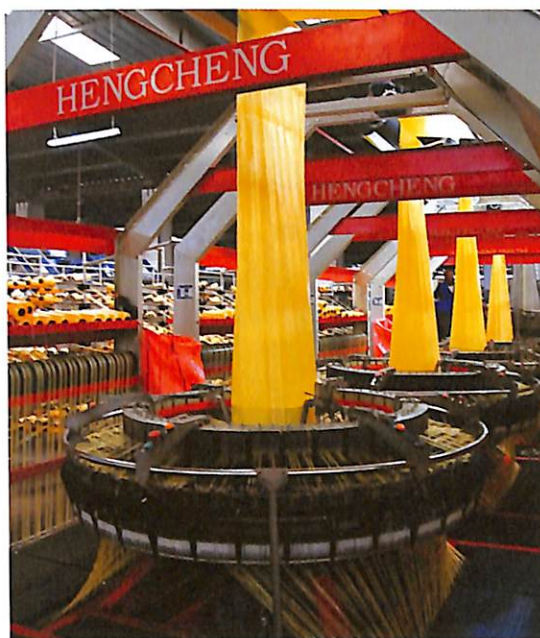
The policy follows previous initiatives to alleviate costs and bureaucracy of the business environment (see Economy chapter). In the 2012 Investment Code, for example, machinery and equipment purchases are exempted from value-added tax (VAT) for those who invest a minimum of CFA500m (€750,000), and from all taxes for those who invest more than CFA2bn (€3m). In addition, tax breaks apply to companies that operate facilities in the country's preferred industrial zones, while small and medium-sized enterprises (SMEs) benefit from a reduction on utility costs and accelerated and subsidised land access.

Moreover, the implementation of single-window registration desks has allowed a significant acceleration of the processing of public procedures such as business registration, land access and export licences leading to fewer bureaucratic delays and a reduction in fees. Also, a Commerce Tribunal was set up in 2012 dedicated to handling commercial conflicts. The combination of measures has enabled Côte d'Ivoire to improve its rating on the World Bank's 2015 "Doing Business" report, which ranked the country 147th, up 11 places on 2014, above Senegal (161) and Nigeria (170), but below the sub-Saharan African average (142).

AGRO-INDUSTRIES: Côte d'Ivoire's global agricultural participation is defined first and foremost by its exports of cocoa, accounting for 40% of global supply based on 2014 figures, followed by palm oil (371,000 tonnes), coffee (300,000 tonnes) and rubber (256,000 tonnes) (see Agricultural chapter). Global demand trends are strong in each of these segments, in particular cocoa and rubber, leading to higher margins for local producers as well as increased domestic processing activity. To date, the country counts 16 rubber-processing facilities and ranks first in Africa for natural rubber exports, at 250,000-300,000 tonnes for 2013. With automotive assembly and production going through growth spurs in nearby markets, such as Nigeria, this situation is likely to remain in the medium term.

Growing consumption in Western markets is providing sound market fundamentals for the growing and processing community in Côte d'Ivoire. Cocoa production jumped to a record 1.7m tonnes in 2014, up from 1.47m tonnes in the 2012/13 season. In addition, since 2012, Ivorian producers enjoy locally guaranteed prices and renewed quality control mechanisms giving the right to a country-of-origin label. As is the case in many cocoa producers, the bulk of the crop is exported raw, but 30% of annual output goes through a primary processing stage which is dominated by multinationals including Barry Callebaut, Cargill, ADM and Olam.

The strength of the cocoa sector has helped it ride out some recent regulatory revisions. Since 2012, an export tax break for processors was replaced by a rebate of mid-crop beans. The reforms raised concerns from the processors, with various multinationals putting temporary halt on their expansion plans. Meanwhile, small grinders which have entered the sector in



Investors are exempted from VAT on the acquisition of machinery

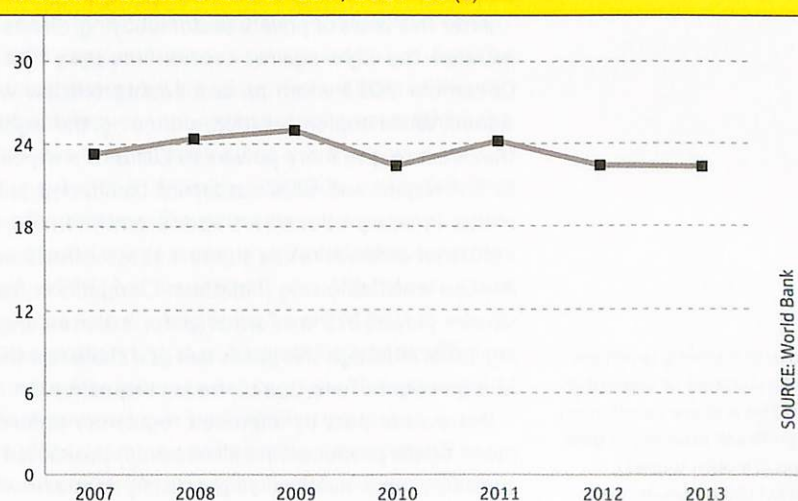
the past few years, largely attracted by the tax breaks, are struggling to compete at the international level. As many of them have yet to fully pay off their investments, reduced revenues and high debt repayments may well lead to their exit from the market.

PALM: Another key commodity for local producers is palm oil. Domestic production reached 425,000 tonnes in 2013, according to Ecobank figures, placing it in second position in ECOWAS after Nigeria, with all processing taking place domestically. Côte d'Ivoire is Africa's biggest exporter of palm oil, a position it is likely to hold on to given soaring demand levels in the West African region. The segment is dominated by two domestic firms, Palmci and Sania, both majority-owned by SIFCA, a local diversified agro-industrial group, along with Olam and Wilmar, both based in Singapore. As per 2014 African Economic Outlook figures, these firms conduct up to 90% of their business in the sub-regional market, particularly in Burkina Faso, Mali and Nigeria.

Additional industrial opportunities also exist in tropical fruit processing, such as cashew nuts, with the country producing a total of 450,000 tonnes annually,

Agro-industry is a mainstay of the sector and wider national economy, with exports of cocoa, palm oil, coffee and rubber particularly competitive.

Industrial sector share of GDP, 2007-13 (%)





A jump in demand for higher-quality fabrics and a crackdown on counterfeits have brought new optimism

the most in the region, according to data from the 2014 African Economic Outlook.

A possible challenge to growth prospects in the agriculture sector, in particular for palm oil, is limited access to land. A lack of secure long-term farmland ownership rights undermines investment appetite and, subsequently, size and yield of plantations (see Agriculture chapter). This impacts the sector's competitiveness, given that production in Asian markets is already up to seven times more efficient.

TEXTILES: Although Côte d'Ivoire's once flourishing textile industry has – as with so many other large textile exporters around the continent – been impacted by the growth in Asian production, a rise in demand for higher-quality fabrics and a crackdown on counterfeits has given local producers reason for optimism. Merely 6% of the printed tissue segment – the only industrial application of textiles in the country – is in the hands of Ivorian companies, including Uniwax, Vlisco and Woodin. The rest is largely made up of Chinese imports. "A large chunk of this is counterfeit or fraud," Jean Louis Menudier, CEO of Uniwax, told OBG, "Counterfeits enter the country at a margin of the cost of formal production and are therefore undercutting local producers."

After five years of private sector lobbying, efforts to increase the fight against counterfeits bore fruit in December 2013 when an anti-counterfeit law was signed. While implementation is ongoing, the legislation is set to give more powers to Customs and police to investigate and seize suspected counterfeit shipments. Private producers are also currently forming an industrial association to support these efforts and impose whistleblowing initiatives. Competition from smaller players in the informal sector is also an ongoing issue, although this poses less of a challenge than foreign counterfeits, due to market segmentation.

Boosted in part by improved regulatory enforcement, textile producers are also strongly positioned to capitalise on a number of promising domestic and regional opportunities. These are being driven by pop-

ulation growth and urbanisation, along with preferential trade treatment within the Union Economique et Monétaire Ouest-Africaine (UEMOA) and ECOWAS. Further, access to the European and US markets provides opportunities to serve premium markets such as dressmaking, household textiles, interior decoration, and traditional embroidery and luxury handicrafts.

However, there is scope for improvement in the supply chain. A lack of cost-competitiveness has undermined the profitability of Ivorian cotton plantations leading to a shift from domestic supplies to a dominant reliance on imports from Benin, Ghana and, to some extent, China. In 2014 the government announced efforts to help encourage domestic production levels through fiscal incentives and discounted rates of access to land and utilities. It has also set out to restructure the Ivorian Cotton Company, which handles much of the downstream market and specialises in processing.

Decreasing sales and difficult access to credits has led to the company's decline since 2002. The government has now commenced with initiatives looking to attract private capital into the entity, accompany its ongoing debt restructuring, and embark on negotiations with its employees in a bid to raise its competitiveness going forward.

MINING: The country's mining industry is considered a key asset for a revival in secondary sector output, and given the success of neighbouring Ghana in developing mining revenues, there is some cause for optimism (see Mining analysis). According to the MIM, annual potential revenues are estimated at some CFA800bn (€1.2m), as Côte d'Ivoire includes sizable gold deposits, along with estimated reserves of 4bn tonnes of iron ore, 40m tonnes of nickel and 18m tonnes of manganese. As of late 2014, 140 exploration permits and 11 production licences had been issued.

Thus far, mining has remained largely limited to smaller-scale projects focused on gold and manganese, contributing around 1% to national GDP. However, with political stability gaining hold and a new Mining Code under implementation, domestic and foreign investors

Potential mining revenues are estimated to amount to €1.2bn and are based upon significant reserves of gold, iron ore (4bn tonnes), nickel (40m tonnes) and manganese (18m tonnes).



The mining industry is key to reviving secondary sector output

are gradually exploring their entrance (see analysis). The government foresees national gold production to reach 25 tonnes by the end of 2015, up from 14 tonnes in 2012, and half that in 2010.

The first signs of that came to light in the early part of 2014 when British company Amara Mining announced the discovery of a gold deposit of "exceptional quality", as declared by Jean-Claude Brou, minister of industry and mines, at the event's official announcement to local media. The reserves, located close to Yamoussoukro, are estimated at some 6.3m oz as of early 2015, and will require significant investment, with the economic benefits of the project to be outlined in a feasibility study to take place in early 2015.

Another key development in 2014 was the inauguration of the Agbaou mine, located in the country's centre and operated by Canadian group Endeavour Mining. The mine can produce 3 tonnes of gold annually, raising the nation's total output by almost 20%, and has an estimated lifecycle of 10 years. Agbaou joins the existing gold mines of Tongon, Ity and Bonikro.

The country has also benefitted from compliance with the guidelines of the Extractive Industries Transparency Initiative since 2014, and in April of that year the UN Security Council voted to lift the export ban on Ivorian diamonds due to progress made on the implementation of the Kimberley Process Certification Scheme and better governance of the sector.

INDUSTRIAL ZONES: Dedicated economic zones first appeared as part of Côte d'Ivoire's industrial landscape since the early 1970s. Since that time, a number of dedicated areas have been established, particularly in and around Abidjan where Vridi, Koumassi and Yopougon house most of the city's medium- to large-scale manufacturing firms. However, issues of under-investment, exacerbated by years of unrest, have limited their development and, in many cases, created adverse conditions in surrounding road and utility infrastructure.

Over the past few years, the government has tried to address the problem and create sustainable measures to improve the existing and newly planned zones.



Industrial zone tenants pay some of the region's lowest rental fees



National gold production is expected to reach 25 tonnes by year-end 2015, up from 14 tonnes in 2012

In May 2013, the government adopted legislation paving the way for the creation of the Agency for the Management and Development of Industrial Infrastructure. The agency currently oversees the development of existing and new industrial zones, which are increasingly financed and managed in close collaboration with private operators. At the same time, the National Fund for the Development of Industrial Zones, established through contributions from within the industrial sector, was set up to provide public funding for new zones.

COSTS: Inception of the new management agencies however, comes at a cost, with an increase in rental fees paid by tenants of the existing industrial zones. Rental fees have remained unchanged since the zones' establishment in 1972, allowing tenants to pay some of the region's lowest fees. By comparison, annual averages per square metre in Senegal and Ghana lie at CFA2000 (€3) and CFA1500 (€2.25), respectively; fees at the industrial zone of Yopougon were fixed at CFA165 (€0.25), while those of Vridi and Koumassi were CFA100 (€0.15) and CFA65 (€0.10), respectively.

In late 2013, the government announced a change in these charges and, shortly thereafter, published new brackets ranging from CFA2000 (€3) to CFA15,000 (€22.50) for Abidjan-based zones, while that of surrounding agglomerations lie at around half of that. The announcements led to criticism from industrialists, who were unhappy not only with the high level at which the rates have been increased, but also the lack of consultation prior to their implementation, which left little time for planning. The government has since compromised by delaying necessary payments of the new fees until mid-2014 at discounted rates. The new structure was put into force beginning from 2015.

Notwithstanding, this alone will likely be insufficient to underwrite wider needed upgrades. Required investments for their improvement are estimated at some CFA30bn (€45m), according to the state-owned National Bureau of Technical Studies and Development (Bureau National d'Etudes Techniques et de Développement,

The government has established a number of new management bodies to oversee the development of existing and new industrial zones, as well as the financing of these zones.



Small and medium-sized enterprises currently play a limited role in the industrial value chain

BNETD). However, annual revenues from tenants only generate up to CFA1.5bn (€2.25m) at best.

NEW ZONES: The government has also stipulated plans to develop additional zones in various parts of the country, operating under public-private partnership. At the time of writing, there were media reports of plans on the table for an industrial park in Bouake, north of Yamoussoukro, dedicated to export-oriented industries such as textiles. "Industrial zones constitute critical support for exporting industries, but our hopes are for locations that are well connected to overseas markets, such as Europe and the US; the south of the country remains ideal in that regard," Menudier told OBG.

The potential Bouake zone would join a new industrial park on the outskirts of Abidjan, titled PK24 in reference to its distance from the city centre, which is on the drawing table. By July 2014, the government had closed international submissions for a private partner to design, co-finance and manage the zone.

The park will stretch over a surface of 940 ha, one of the country's largest, with a capacity for as many as 300 firms. The initial stage will target a total area of 200 ha. Earlier in 2014, the BNEDT, the body in charge of the zone's feasibility study, announced that the cost of building the zone ranges from CFA2bn (€3m) to CFA5bn (€7.5m) per square metre. The project is expected to alleviate some of the excess demand for dedicated industrial zones. "We have over 70 requests from industrialists pending," Brou told local media when announcing the project in March 2014.

CHALLENGES: The government has made the secondary sector – and manufacturing and mining in particular – a focus for the country's broader recovery plans, in part thanks to their multiplier effects on employment and consumption, as well as the current account. However, investors must still be prepared to grapple with constraints that can dampen growth forecasts over the short and medium term. One example is the buildup of government arrears on tax returns, in particular VAT on exported items. By early 2014, the government had

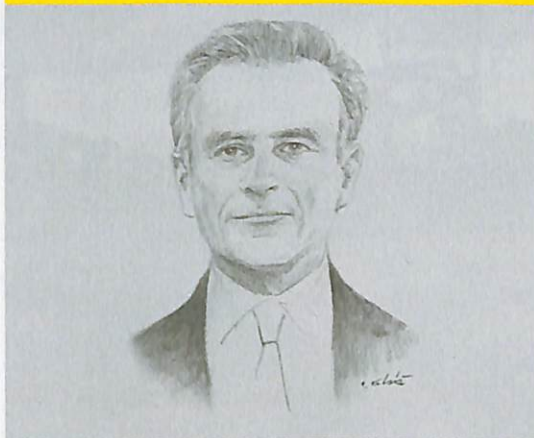
accrued arrears dating back 48 months with little indication as to how it intends to resolve the matter. Given the country's financial deficit and the government's determined drive to continue high public spending on large-scale infrastructure, the need to ensure fiscal discipline has become a pressing matter. Energy constitutes another challenge (see Energy chapter). The industrial sector remains largely dependent on the national power grid, but a shortage of gas supply and low rainfall have crimped generating output, with demand outstripping production. Although much better performing than other parts of the region, power supplies are rising in price in part owing to the removal of power subsidies – a result of the government's efforts to improve the fiscus. "In Côte d'Ivoire 90% of the power cables are produced locally, but it costs about the same price to import them," Jean-Maurice Ibrahim, managing-director of local group Distribution de Matériels Electriques Industriels et Batiments, told OBG. "The only advantage of producing them locally is that they are available upon demand," he said.

The limited role local small businesses play in the industrial value chain is also a concern. According to the 2014 African Economic Outlook, local capacities in areas such as packaging, marketing and distribution are too small to win new business and generate funds for reinvestments and growth. The report suggests the creation of a government-run fund for access to credit, as well as an SME development agency to help SMEs boost capacity and quality levels which will make them eligible for export and sub-contracting activity of the country's biggest domestic and foreign industrial actors.

OUTLOOK: Côte d'Ivoire's public investment campaign has bolstered the recovery of industry, through the expansion of ancillary and dedicated infrastructure, and various policy support mechanisms. The economy's broader return to health is also helping to strengthen consumer confidence. This should not only help existing consumer-orientated manufacturers, such as fast-moving consumer goods firms, but also new and higher value-adding industries including assembly of household electronics and pharmaceutical production.

As a member of UEMOA and ECOWAS, Côte d'Ivoire benefits from the free movement of goods and services in the region. On the back of developing regional infrastructure plans – a railway connection with Burkina Faso and Benin being one example – investors have the chance to tap into neighbouring markets at a competitive cost. Further, preferential access to European and US markets for niche products, such as textiles, is raising perspectives to diversify Côte d'Ivoire's export portfolio, currently dominated by coffee and cocoa, which can be volatile. The private sector is also set to play a role in projected industry growth, in terms of capital and broader participation. At the same time, sustained reforms at the level of the local business environment are needed. While the 2012 Investment Code and the new industrial policy are steps in the right direction, there is scope for more improvement. The country's points of entry, where financial resources continue to be lost on informal procedures, are key.

A number of new industrial zones are being planned to boost industrial capacity, with Bouake zone, close to the commercial capital Abidjan, one of the largest.



Adham El Khalil

Complex dynamics

OBG talks to Adham El Khalil, CEO, Eurofind Participation

How can the energy costs and supply of raw materials for steel producers be better managed?

EL KHALIL: The cost of energy remains one of the greatest challenges for steel mills. Compared to other steel producing countries like China, India or Turkey, the cost of electricity is substantially higher in Côte d'Ivoire. Steel producers in those countries benefit from low energy costs and are therefore more competitive than Ivorian companies. Energy prices in Côte d'Ivoire increased by 10% in 2013 – which is enormous – and it seems they are going to increase again this year. At this stage, higher electricity costs would likely slow down the local production of steel products. Not many alternatives are offered to producers, except to generate their own energy. The limited supply of natural gas also becomes a problem that can inflate prices. Currently, natural gas is supplied to thermal power plants, but there is a lack of supply for industry. Therefore, some industrial companies need to use either fuel or butane gas, which are more costly than natural gas.

Another challenge was the supply of local scrap. However, industry players managed to find a solution with the government to ensure local scrap stays in-country so that steel producers could buy it. Hence, exports of local scrap are banned for five years, allowing time for the local industry to develop. Scrap is for steel producers what cocoa beans are to chocolate producers.

What impact has Chinese steel production had on West African producers?

EL KHALIL: World steel production capacity exceeds global demand by an average of 450m tonnes per year, partly due to Chinese overproduction. Indeed, China overproduces steel products by about 25%. Hence, Chinese producers are dumping their products on the international market. Between 2013 and 2014, Chinese rebar prices decreased from \$800 per tonne to \$580. Consequently, prices also went down in West Africa, decreasing by more than \$150 in about a year. In the production of welded tubes, Chinese producers sell

tubes in West Africa at a cost, insurance and freight price equivalent to the import cost of the steel coil to produce them. In the past 20 years, much investment was made into the Chinese industry, but current growth cannot absorb the existing production.

How do you expect the brewing industry to grow, and what policies could lead to new opportunities?

EL KHALIL: In 2013 the brewing industry grew by at least 13% (for beers). For many years, the Brasseries et Glacières Internationales (owned by Groupe Castel through Solibra) had a monopoly in the brewing industry. Hence, there was room for investors to come in and claim some market share. Despite an investment of CFA21bn (€31.5m), the newly established Les Brasseries Ivoiriennes has much less capacity than Solibra, but it still expects to gain roughly 15% of the market. When there is more competition, the quality of products improves as well as services – it is beneficial to consumers, and also to advertising agencies which have more business to deal with. Thanks to strong demographic growth and a growing middle-class, volumes in the brewing industry are set to increase, and local brewers are expected to grow accordingly.

In terms of fiscal policy, however, it becomes more and more of a burden for the private sector. Regarding the brewing industry, and more specifically beer, until end-2013, the excise duty was 13% of the cost price. In the tax schedule for 2014, this tax was reviewed and industrials to 15% on turnover, three times more than brewers used to pay. Discussions between market players and the government occurred, but in vain.

The government recommended brewers increase their sale prices, but that means inflation and people are not necessarily willing to pay more for beer (or have the financial means to do so). The tax should have been implemented gradually; a 15% tax on turnover is quite a hit for the industry. The investment policy needs to be made clearer for investors, as such changes to the tax system are a deterrent to prospective investors.



The average number of days to obtain a building permit is now 87

Broad reform

Revamped industrial policy targets sweeping changes

Some 17.5% of the budget for the PNRMN will come from direct investment, while the banking sector will contribute another 60%. The remainder will come from development agencies and the national government.

Côte d'Ivoire is aiming to increase the contribution of its industrial sector to the national economy from 25% at present to 40% by 2020 as part of a brand new, four-year industrial programme. Known as the National Enterprise and Restructuring and Upgrading Programme (Programme National de Restructuration et de Mise à Niveau, PNRMN), and launched in March 2014, the initiative has been developed with support from the UN Industrial Development Organisation in part to curb chronic under-investment in Côte d'Ivoire's industrial sector. This is not limited to solely attracting new investment, but also providing overhauls to ancillary sectors, including both hard and soft infrastructure – such as research and development in which the country has spent less than 0.5% of its national GDP in recent years, compared to an average of 1% to 1.5% for emerging economies and 1.5% to 3.5% for OECD member states.

POLICY TURNAROUND: The policy goes hand-in-hand with broader government reforms. The 2012 Investment Code, for example, exempts investors from value-added tax on the acquisition of machinery and equipment, while a 50% reduction is applied to Customs duties on imports of related supplies and spare parts. In addition, new industrial zones will be created and investors will benefit from special tax treatment for periods between eight and 15 years, depending on the location of the investment. Further, small and medium-sized enterprises will benefit from a reduction on utility costs and accelerated and subsidised land access. The code also incentivises the promotion of social housing and infrastructure development. In return, investors commit to technology transfer, compliance with environmental regulations, job training and job promotion.

ADMINISTRATION: The implementation of single-window registration has also quickened the processing of public procedures such as business registration, land access and export licences. Both the number of bureaucratic steps and their fees have been reduced significantly. As a result, the average number of days required to obtain a building permit has fallen from 475 to 87.

Also, a Commerce Tribunal was established in 2012, dedicated to handling commercial conflicts exceeding CFA1bn (€1.5m) in value, that would have otherwise been handed down to the Court of Appeals. This has increased the number and speed of legal queries. Under the previous regime, these were handled by regular civil courts. According to the Ministry of Industry and Mining (Ministère de l'Industrie et des Mines, MIM), the tribunal has averaged 1200 verdicts per 45 days since its creation in 2012. The measures have led to Côte d'Ivoire moving up in the World Bank's most recent "Doing Business" report, moving 11 places to 147th for 2015.

The PNRMN has consolidated earlier plans to improve industrial zones, particularly in Abidjan, and, in the process, attracted funding and the attention of private players to set up and manage new industrial zones. The inception of the Agency for the Management and Development of Industrial Infrastructure in May 2013 to oversee the development of existing and new zones, as well as the creation of the state-run National Fund for the Development of Industrial Zones in 2014, has increased financing and new productive facilities.

PLAN SPECIFICS: As part of the plan, the government is seeking investments totalling CFA152bn (€228m) into a number of key industrial segments, offering competitive advantage and export potential into the (West) African region. Traditional industries in the agricultural and textile segments, such as rubber, cotton, oil palm, and cocoa, are among the chief beneficiaries, but new industries offering higher added values are being targeted. These include the production and assembly of information technology hardware and consumer goods, such as plastics, generic medication and semi-processed timber for furniture production. According to the MIM, about 17.5% of the total budget is to come from direct investment, while the banking sector has committed to help underwrite more than 60% of it. The remaining share will be taken on by Côte d'Ivoire's development partners, accounting for 18.5%, leaving the government with a minimal financial participation of 0.6%.

Côte d'Ivoire currently spends less than 0.5% of its national GDP on research and development, compared to an average of 1% to 1.5% for emerging economies and 1.5% to 3% for OECD member states.



Exports rose by 3.8% in 2013, slightly down on 2012's 5.2% growth

New signposts for exports

A clearer growth strategy emerges under recent government directives

The government has set up an export council charged with implementing a strategy to diversify the world's leading cocoa exporter away from its traditional markets and provide a roadmap for realising opportunities related to mining and rubber, among other segments.

The National Export Council (Conseil National des Exportations, CNE) was established in June 2014 following the government's fourth consultation in April with the International Trade Centre (ITC), which has served as a partner for technical assistance on export matters since 2013. The CNE was launched at the end of 2014 and will manage the National Export Strategy (NES), a new blueprint for promoting trade. Côte d'Ivoire's top three exports are cocoa, hydrocarbons and rubber, which made up 48%, 18% and 11% of exports as of 2012. However, the administration of President Alassane Ouattara is keen to promote under-represented sectors such as mining and manufacturing. "We are really open to all the world," Prime Minister Daniel Kablan Duncan told an investment forum in 2014.

CURRENT ACCOUNT: The country is seeking to diversify trading partners and has pursued trade liberalisation both with Europe, as well as with newer markets in North America and Asia, following GDP growth in recent years. The economy has rebounded to high single-digit growth since 2012, with real GDP growth estimated at 8.7% in 2013, driven by exports and high domestic demand, according to the IMF's fifth review in June 2014. Exports, at current prices, rose by 3.8% in 2013 year-on-year following 5.2% growth in 2012. Maintaining the high volume of exports, however, will be important for keeping the current account deficit in check. Despite projections of exports rising by 11-12% annually over the next decade, they are likely to be overshadowed by faster growth in imports, expected at above 13% per year, according to the IMF. The current account deficit is thus expected to widen to 4.7% of GDP in 2014, 6.3% in 2016 and 7.3% by 2018, though when aid inflows are factored in, these figures will be lower at 2.6%, 4.5% and 5.8%, respectively.

EXPORT DEVELOPMENT: According to a decree on June 18, 2014 by the Council of Ministers, the CNE will serve as a consultative body mediating between government and the private sector, with an aim to carry forward the government's new export drive as well as take advantage of the opportunities offered by regional and international markets. Following consultations between industry representatives, including the Export Promotion Agency and the ITC over the past 18 months, and subsequent confirmation by the Council of Ministers, priority will extend to the following segments: rubber, cashew, cotton, fruit, cassava, fashion and textiles.

The CNE's tasks will range from the provision of trade information and logistics to quality standards, capacity building and access to financing, Anton Said, head of the ITC unit advising the strategy, told the media. "The NES will serve as the reference roadmap for export development and competitiveness to boost growth in line with Côte d'Ivoire's aim to become an emerging-market economy by 2020."

A recent ITC project showcased textiles, fashion and home decoration products from the Côte d'Ivoire at a pop-up store in Paris. "ITC has introduced the producers to potential buyers in central and southern Africa and prepared them with marketing strategies and support in handling commercial negotiations," said James Howe, senior advisor of international marketing and branding at ITC. "In addition, we assisted the companies in designing branding strategies, in particular communications materials and websites, in order to better present their products to international buyers."

EU TRADE ACCESS: The announcement of the council comes as negotiations continue for a regional economic partnership agreement (EPA) with the EU that would allow Côte d'Ivoire, along with fellow ECOWAS member states, to trade more freely with Europe. Having signed an interim EPA in November 2008, the country is now engaged in the approval process for a more comprehensive regional agreement endorsed at a summit in July 2014 by the ECOWAS heads of state.

The country is seeking to diversify trading partners and has pursued trade liberalisation with both Europe and new markets in North America and Asia.

The current account deficit is expected to widen to 4.7% of GDP in 2014, 6.3% in 2016 and 7.3% by 2018, though when aid inflows are factored in, these figures will be considerably lower.



New foreign entrants are increasing competition in the retail sector

Making adjustments

Retail and automobile growth exposes a wider logistics issue

Broad economic recovery, with real GDP growth at 8.7% in 2013 — albeit from a low base — bodes well for Côte d'Ivoire's retail sector. According to the IMF, the country's current positive macro-economic outlook is supported by "sustained strong domestic demand", aided in part by low inflationary pressure of 1.2%. The forecast, combined with a gradual rise in household income, is set to encourage consumer confidence and, eventually, bring about a significant uptick in spending.

The early signs of a sustained long-term increase in retail activity are encouraging, with fast-moving consumer goods sold by official outlets, in particular neighbourhood stores, supermarkets, and shopping malls, seeing average annual growth in revenues of around 7% over the past two years.

MARKET DYNAMICS: As in most African markets, the informal sector dominates the local trading scene, accounting for more than 80% of retail activity. However, with recession impacting traditional core markets for multinational retailers in Europe and North America, a number of larger firms have been looking to Africa to help boost exposure to high-growth markets.

In mid-2013 French retail conglomerate Carrefour announced its entrance into the country with plans for the opening of its first hypermarket in 2015. While no official opening date had been set at the time of writing, the move marks a return of the group's international growth strategy, which it rescinded in the 1990s when it withdrew from foreign markets such as Greece, Indonesia, Malaysia and Colombia, and will be the company's first location in sub-Saharan Africa.

Carrefour's Africa expansion is part of a partnership with CFAO, a French trading company with automotive, information technology, pharmaceutical and industrial subsidiaries, who has a 55% share in the venture. After the inauguration of its first store in Abidjan, CFAO expects to open another Carrefour commercial centre and four standalone locations across the country in the next few years. The move should significantly increase competition in the modest-sized formal retail sector,

but should also bring benefits for local supply chains via sourcing. "We will be focused on local sourcing as much as our standards allow for it, in particular in areas of agriculture and livestock," Xavier Desjobert, CFAO's director of business development, told local media.

OTHER PLAYERS: The entry by Carrefour has triggered renewed spending plans by Côte d'Ivoire's two largest distributors, Prosuma and Compagnie de Distribution de Côte d'Ivoire (CDCI), albeit in different niches. Both companies serve the middle and lower echelons of the market through a variety of retail chains. Prosuma, the country's leading distributor, oversees 130 stores nationwide, ranging from general convenience to dedicated furniture, electronics and grocery retailers. Prosuma's grocery store chain, Bonprix, accounts for a large number of outlets with 56 stores nation-wide at the start of 2015, of which 19 are in Abidjan, and 60% of total revenues for 2012. The number of stores is set to increase to 90 in the near term, according to company estimates, primarily driven by growth opportunities in small-sized towns across the country.

Miniprix, Prosuma's minimarket brand, is also undergoing rapid growth. The company estimates that it will be operating at 168 locations across the country by the end of 2015, up from a total of just eight at the time of writing in early 2015.

CDCI also has a footprint in the general convenience and grocery segments. The company's flagship chain King Cash, with 120 stores throughout the country, targets low-middle income households, although store footprints are typically smaller than those of Prosuma. The company announced a CFA3bn (€4.5m) investment plan in January 2014, primarily focused on nationwide expansion. "Our footprint of 120 shops today will have reached 200 within five years," Yasser Ezzedine, CDCI's owner, recently declared to local media.

To increase its reach, CDCI signed an agreement with Afrimarket, an e-money platform competing with traditional players such as Western Union and MoneyGram. The deal lays the groundwork for the instalment of

While the informal segment is estimated to account for up to 80% of retail activity, new multinational operators are entering the market, attracted by rising levels of domestic consumption.

Afrimarket's terminals in CICI stores allowing local shoppers to pay for their goods with money transferred from overseas sources, such as family and friends. At the time of writing, the service was available in Abidjan and some secondary cities such as Toumodi and Daloa. "Our ambition is to be present in at least 50% of our partner's points of sale nation-wide," Rania Belkhaia, Afrimarket's president, told local media.

STRUCTURAL ISSUES: While the effort to increase formal retail should boost sales volumes and bring a measure of new competition to the sector, there is still plenty of scope for further growth. Large outlets, such as the 18,000-sq-metre store planned by Carrefour, account for only 6% of total annual sales, while the wider formal segment represents up to 20% by most estimates. The remaining share is in the hands of informal traders operating in outdoor and local street corner markets.

This is hardly unusual in West Africa, as Ghana, Nigeria and Senegal all demonstrate very similar dynamics. However, structural supply-side issues also constrain activity. Local distribution is largely reliant on road networks, which have suffered from under-investment during the years of unrest (see Transport chapter). The trucking segment is also heavily fragmented, dominated by single-vehicle owner-operators, and uneven distribution of production activity means that trucks will often only carry a full load one way.

Bottlenecks at the Abidjan port and border-crossings – through which more than 90% of retail goods enter – push up processing and delivery times. More recently, the transition of the outsourcing of port-based Customs clearance procedures to private contractors, such as UAE-based Webb-Fontaine in 2013, temporarily slowed handling. By May 2014 more than 600 cargo-carrying trucks were blocked at various ports due to alleged non-compliance. Daouda Doumbia, general manager of Soudure Industrielle et Pétrolière, told OBG, "Customs has slightly improved but it still remains a burden in terms of price lists and items valuation."

The situation climaxed in May 2014 when the National Traders Federation announced a two-day strike in protest of the reforms, urging the government to step in. A resulting temporary compromise on inspections allowing for the entrance of much of the backlogged imports caused traders to resume their activities. "Margins have already been affected due to a multitude of new fiscal pressures on distribution and retail companies; this is causing much frustration among players which are likely to continue to be expressed through collective action," Maher Safaoui, deputy-general manager of Société Abidjanaise d'Importation et d'Exportation, a local trading company, told OBG.

CAR SALES: While the preponderance of informal sales contributes to the opacity of most consumer segments in Côte d'Ivoire, one area of clarity is car sales, as well as being a useful measure of household consumption among middle and upper-income segments. While informal secondary and grey market sales – a common practice in West Africa – are an issue, the number of formal car distributors has seen a significant jump in recent years. Following the resolution of the 2010-11



While informal car sales remain an issue, the number of official car distributors is rising

political crisis, new car sales jumped by more than 60% from 5246 units in 2011 to 8548 in 2012, according to the Interprofessional Automotive, Material and Equipment Association (Groupement Interprofessionnel Automobiles, Matériels et Equipements, GIPAME). Much of this demand derived from replacement of material and vehicles damaged or looted during the preceding aggressions. Similar restructuration activity across other sectors led to growth of close to 10% that same year.

In 2013 new car sales observed a slight drop over its 2012 performance, totalling 8159 vehicles. GIPAME calculates 2013's figures "based on real demand and an indication for years to come", according to a recent report from the association. By 2015 it predicts total annual car sales will have reached 9000.

Two main dealers dominate the automotive segment. CFAO Motors, a subsidiary to the earlier mentioned French conglomerate, sold 2462 vehicles in 2013, representing about 30% of local market shares. Its main competitor is Africauto, part of the Tractafric Group, a pan-African vehicle and equipment dealer, which managed sales of 1972 vehicles, equivalent to 24% of the year's total sales. The remainder of the market is divided between four smaller players, including SOCIDA, which accounted for 12% of 2013 sales, ATC Comafrique (11%), SETACI (7%) and RIMCO Motors (6%).

Strong fundamentals and a return to political stability bode well for the retail sector's near-term outlook. This is supported by the fast-paced rollout of investment plans of formal retailers looking to capture some of the large market share owned by a highly fragmented network of informal traders.

Despite structural supply-side issues, formal players are also challenged by the lack of transparency on their target audience, in particular outside of the upper-middle and high-income segments. A significant proportion of the Ivorian labour force currently work in the informal market, especially agriculture, thus undermining the effectiveness of obtaining reliable national statistics on disposable income and consumer spending.

Local retail distribution is affected by under-developed road networks, which often results in extended transit times. More than 90% of retail goods currently enter through Abidjan port.

Growing demand for automobiles, which saw car sales reach 8159 units in 2013, is expected to continue in the short term as the post-conflict recovery gathers momentum.



Clare Short

A period of change

OBG talks to Clare Short, Chair of the Board, Extractive Industries Transparency Initiative (EITI)

What challenges do transparency initiatives face in ensuring good governance in sub-Saharan Africa?

SHORT: For the earliest reporting, the EITI focused on revenue transparency – basically, what companies pay to governments compared to what governments receive. We then reconciled and checked those figures. Regarding enforcement – it is not that difficult – a bi-annual report system has been put in place with a validation process; therefore, figures have to be rigorous. If not, countries have to reconcile when money is missing.

Beyond that, the challenge was to shape the expectations of transparency in the extractive sector, which used to be notoriously opaque and full of secrets – with massive flows of money going to offshore accounts in tax havens around the globe. Obviously, local populations do not benefit from those resources. So there has been a shift to create an expectation of transparency in the extractive industry. While transparency is not an end in itself, it still leads to more accountability and, therefore, improves governance standards.

In terms of compliance with EITI standards, how vulnerable are member countries to backsliding?

SHORT: A lot of EITI members are low-income countries, with weak governments. Many of them are also former colonies of European countries. Côte d'Ivoire was the apple in the French eye and one of the wealthiest countries in West Africa. Yet, it has faced many crises in recent years, though it is now going forward with stability. Generally, there are an increasing number of reformers, scrutinising existing systems, demanding change and working alongside civil society. This is not going to have an impact in the short-term, but it is slowly changing things. There are always reformers and non-reformers, and tools like the EITI can be used by reformers to drive forward advances in governance.

Just like in developed countries, reforms can be rolled back. There is always a risk that a country will backslide; however, deadlines enable us to exert a bit of pressure. As a last resort, we also have the capacity to suspend

countries' memberships or to dissolve them – as happened in the case of Equatorial Guinea – so, deadlines must be met. We are not trying to be too stringent, but we expect countries to comply with EITI requirements.

Have you noticed a shift in how private firms invest in the extractive industries of frontier markets?

SHORT: Since the US anti-bribery legislation and the OECD Anti-Bribery Convention, there has been a stronger will to comply with best ethical practices. The UK Bribery Act 2010 also helped to address unethical behaviour. All the large companies, listed in countries with strong legislation, have to be more and more careful, and that is encouraging changes in ethical manners. It is becoming a grave risk to large firms to engage in any practices that could result in criminal proceedings.

Overall, enormous changes are taking place in anti-bribery and expectations of transparency, and we are in the process of addressing the challenges. Obviously, some countries are more advanced than others. On a general basis, behavioural improvement is significant; however, it is not just ethics that is helping, but incentives and regulatory frameworks. Even Chinese firms operating in Africa, which used to suffer from bad reputations, are becoming more responsible. While they have been opaque for many years, improvements have been made in terms of employment. It is up to each government to implement good governance standards, then private companies will have to comply.

How can mining and petroleum codes balance the need for public revenues and environmental sustainability while remaining attractive to investors?

SHORT: Countries with a commitment to transparency and better management will end up being more attractive to investors. Foreign investors seek political and economic stability in the long run; this weighs a lot in their investment decisions. Openness and reasonableness are prerequisites to investment, and for this reason codes and institutional frameworks are required.



Mining's contribution to the economy is expected to reach 8% by 2030

Mining developments

New regulatory changes are part of ambitious long-term targets

The mining sector is a key pillar of Côte d'Ivoire's economic diversification strategy due to both its high potential for foreign investment and government revenues and its currently low level of development. Much of the modest attention the mining sector has received thus far has been focused on gold and, to a lesser extent, manganese and diamonds which, until recently, were banned from exportation by the United Nations. However, the country has sizeable reserves of other metals and minerals, particularly bauxite, nickel, copper and iron ore.

Although 35% of the Birimian Greenstone Belt, a mineral-rich geological formation crossing the West African region, is situated within the country's borders, it produces less than 5% of the belt's total output, adding a modest 1% to Côte d'Ivoire's economy, compared to 30% from the agricultural sector.

Neighbouring Ghana, meanwhile, which sits on some 19% of the belt, consistently ranks among the world's largest gold producers. Minerals production among other countries along the belt, including smaller economies such as Burkina Faso, Guinea and Mali, also outrank Côte d'Ivoire.

A NEW FRAMEWORK: In March 2014, the national parliament passed a new mining code, following two years of public and private sector consultations. The progress made is part of President Alassane Ouattara's administration's stated ambition of raising the mining sector's contribution to GDP to 8% by 2030. The reasons for the timing of the new code are manifold, ranging from the several years of prolonged political unrest that dampened economic growth to a lack of cohesive policy planning in the initial period that followed. To help stimulate the sector, the regulatory framework was revised with the objectives of increasing foreign investment; modernising the legal, Customs and tax framework in line with regional and international standards; and accounting for the expectations of the government and of communities in terms of the mining's contribution to development.

Among the key amendments that the new legislation stipulates is an extension of the duration of exploration permits from seven to 10 years, with the option to extend by two, 12-month periods. Meanwhile, the maximum exploration surface area was reduced from 1000 sq km to 400 sq km, with the aim of facilitating a larger number of operations.

INCENTIVES: In a bid to further entice investors, a number of "investment-friendly" components have been integrated into the new rules.

First, government suggestions of windfall taxes were dropped in the final stages of the process, while the government set up a scaled *ad valorem* tax aimed at capturing a more significant portion of revenue, as it increases according to commodity price variations during production. Meanwhile, the authorities also introduced a series of tax and Customs incentives for exploration as well as production, which provide operators in Côte d'Ivoire with a comparative advantage to those in other countries in West Africa.

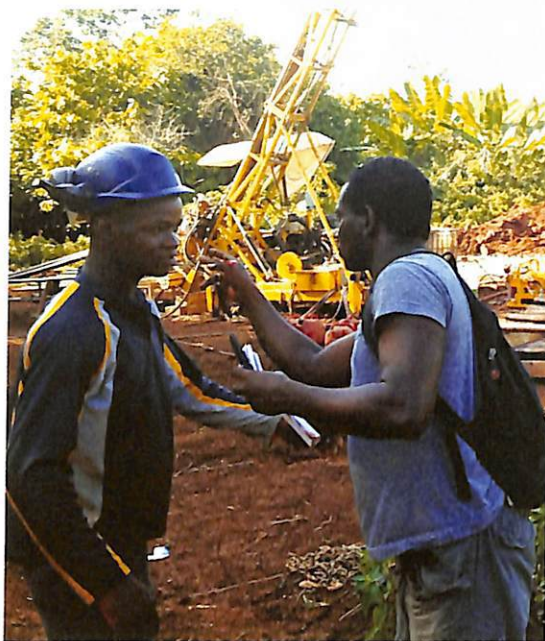
Additionally, the new legislation reinforced rules regarding community development, environmental protection and the industry's participation in training and capacity building in Côte d'Ivoire, and created mandatory funds dedicated to these factors.

According to government sources, the law will also bring improved transparency, a key point of criticism of the old regime. As such, the text stipulates that any civil servant with access to specific types of data and information related to the mining sector is prohibited from taking a direct or indirect interest in mining and mining services for up to five years following the conclusion of their appointment. Disclosure standards will be further improved by the country's compliance with the guidelines of the Extractive Industries Transparency Initiative, a globally accepted certification for full disclosure of public revenues from extractive industries, since early 2014.

Initial reactions from industry players have been largely positive. "The new mining code is a big step

The national parliament passed a new mining code in March 2014. One key development includes an extension of the duration of holding permits from seven to 10 years, with the option to extend by two, 12-month periods.

A number of incentives have been built into the new mining rules, with fiscal and Customs breaks applied to all mining-related operations during the exploration and production stages.



The regulatory progress coincides with a number of new finds

forward; it makes our mining sector much more attractive," Nouho Koné, then chairman of Côte d'Ivoire's Mining Association, declared to local media shortly after the government's announcement of the law. Operators also lauded the close collaboration with the private sector throughout the legislative process.

"Investors are deterred by the political and infrastructural risks associated with Africa, but in Côte d'Ivoire we have shown how these challenges can be overcome by a true partnership between a mining company, the government and the people," Mark Bristow, CEO of Randgold Resources, a UK-based mining company operating the largest number of concessions in the country, declared to local media.

NEW FINDS: The regulatory progress fortuitously coincides with a number of promising new finds. In January 2014, British operator Amara Mining announced the discovery of a deposit of high-quality gold at Yaouré, near Yamoussoukro, estimated at 6.3m oz, placing it among the country's largest reserves. The project is expected to generate significant investment, with the economic benefits of the project to be outlined in a feasibility study to be completed in early 2015. Around the same time as Amara's discovery in 2014, Canadian mining company Endeavour Mining started operations on the Agbaou project, the country's fourth producing gold mine. Its annual output is estimated at 100,000 oz, bringing Côte d'Ivoire's national total output up to 20%.

DIVERSIFICATION OPTIONS: Meanwhile, the government is hopeful of increasing production of various other minerals such as manganese, with reserves estimated by the government at 18m tonnes, as well as iron-ore at 4bn tonnes and nickel at 40m tonnes.

Following successful negotiations early in 2013, China National Geological and Mining Corporation and Côte d'Ivoire's state mining company Société pour le Développement Minier de la Côte d'Ivoire (SODEMI) extracted the first manganese from the Lauzoua mine,

located 180 km west of Abidjan, in April 2013. Annual domestic production was projected to reach 300,000 tonnes for 2014, up from 245,500 tonnes in 2013, according to the state company.

The new facilities would lead to a tripling of manganese output, with scope for further upside growth. At present, the country's only producing manganese mine is the Bondoukou project, owned by the Indian group Dharni Sampda. The project, which is located on the country's border with Ghana, produced around 250,000 tonnes in 2012. Forecasting on these and upcoming operations, SODEMI expects that national annual production can be increased to around 1m tonnes by the end of 2016.

A WAYS TO GO: While optimism on the passage of the new mining code and additional exploration and production activity dominate the segment, concerns remain about the implementation of the new legislation. One critical item is uncertainty over the manner in which the code's guidelines will be applied.

Exploration companies have also expressed concerns about the new requirements for exploration permits including minimum investment and capitalisation obligations, as well as stringent conditions of technical and financial capacity not generally in line with the practice of junior companies. "Such requirements make investors wary, not only as the recent slide in the gold price has put margins under pressure, but also it fails to reflect a sound understanding of the working of the global mining industry," Koné told OBG.

Exploration budgets follow a gradual allocation to allow for adaptation to the quality and quantity of new finds. "The key is to allow operators to control their exploration funding," Koné added. Another issue is the lack of cadastral efficiency, which has been left out of the scope of the new regulations. At the time of writing, Côte d'Ivoire had a total of 22 permits outstanding, but investors are faced with lengthy procedures to request the details. "The cadastre is the entry point for many new investors; it is therefore crucial that efficiency and responsiveness are guaranteed. We have some ways to go here," Koné said.

PROSPECTS: The passage of the new mining code is a significant step in the country's wider ambition to develop a globally competitive and diversified mining industry. Consultation with the private sector has been a noteworthy contributor to its positive reception by mining companies during the definition of the guidelines, but if such optimism is to be maintained, similar practices will need to be ensured during its application. In the longer run, aside from regulatory reform, successful mineral diversification will require additional transportation networks in Côte d'Ivoire and improvements in both mining finance markets and global commodities prices. Plans for the development of a more robust regional rail connection linking Côte d'Ivoire with Burkina Faso and Benin are promising signs, and the mining sector should also benefit from additional infrastructure from the creation of new power plants and the extension of the Abidjan port or the construction a dedicated mineral terminal.

Manganese reserves have been estimated at 18m tonnes, with annual production expected to increase as foreign operators begin new activity.



The country is reliant on natural gas for most of its power generation

Wide open spaces

Increased interest in exploration and a shake up of the sector are creating new opportunities

The government has set aside €12m under the Presidential Emergency Programme in order to improve access to the electricity network throughout the country.

With the recent economic growth spurt serving as a testament to Côte d'Ivoire's recovery, the subsequent increase in energy consumption has also highlighted gaps in provision. Under pressure to satisfy growing domestic demand and to consolidate its position as a regional energy supplier, the power segment is currently going through an ambitious expansion exercise. Meanwhile, in the upstream oil and gas segment, operators are ramping up exploration and production (E&P) activity in a bid to feed the country's predominantly gas-fired thermal power plants. Such efforts should drive capacity to 3000 MW by 2020, up from 1600 MW in 2014 – an ambitious target alongside equally bold objectives of doubling production of natural gas and increasing oil output five-fold to 200,000 barrels per day (bpd).

FACING PRICES: Pressure on the country's balance sheet has prompted a revision of subsidies for electricity, as well as a renegotiation of contracts with gas producers. The most recent wave of increases in global gas prices has led the government to default payments to producers, which has been addressed by a reduction in prices and an increase in minimum off-take guaranteed until 2025. Amadou Touré, the director-general of petroleum products distributor Corlay Côte d'Ivoire, told OBG, "For many years, the government has been providing subsidies to maintain stable consumer prices – notably for butane gas, which is consumed in large quantities by households. Nonetheless, at some point, measures must be taken to reduce the government budget deficit, which would involve cutting subsidies."

In addition, the government has allocated CFA8bn (€12m) under the Presidential Emergency Programme to accelerate critical infrastructure projects, much of which will be used to improve and subsidise access to the electricity network. As it stands, domestic demand stands at around 270m standard cu feet (scf) per day. According to figures from the Ministry of Petroleum and Energy (Min-

istère du Pétrole et de l'Energie, MPE), by the end of 2013 natural gas output hit 220m scf per day, up from 110m scf per day in 2012, and is projected to have reached 250m scf per day in 2014. While the progress is significant, the volumes remain modest and are fully consumed by the country's power plants.

In view of their earlier described expansion, serving both domestic and regional power needs, this figure is rising by around 8% every year. As a result the government is hard pressed to encourage higher production. While hopes exist that the difference will be met by in-country resources, alternative options are being considered, such as liquefied natural gas (LNG) imports and a possible connection to the West African Gas Pipeline. "The growing demand for natural gas, coupled with a toughening competitive environment among producers, lead us to consider diversifying in segments like LNG in order to meet local and regional needs" said Roger Dago, managing director of Oryx Gaz Côte d'Ivoire.

THERMAL POWER: Since the end of electoral unrest in 2011, the power segment has experienced significant growth, in generation in particular. Following the sector's liberalisation in the early 1990s, a number of independent power producers (IPPs) invested in gas-fired thermal plants, although recent years have seen a rise in combined-cycle turbines.

The Compagnie Ivoirienne de Production d'Electricité (CIPREL) is an IPP owned by the French utility group Eranove and the government of Côte d'Ivoire, and is the country's biggest power supplier, generating close to 30% of total volumes in 2013, according to figures from the Central Bank of West African States. Following the completion of a third tranche of investments in 2009 that brought the plant's capacity to 321 MW, up from an initial 100 MW, a fourth expansion project was launched in 2011, partly financed by the African Development Bank. CIPREL IV will add a 111-MW combustion turbine and a 111-MW steam turbine extending capacity to a

After the energy sector was liberalised in the early 1990s, several independent power producers invested in gas-fired thermal plants, although there has also been a rise in combined-cycle plants.

total of 544 MW, making it the largest operating thermal plant in sub-Saharan Africa, according to the company's own sources.

NEW ENTRANTS: Azito Energy, which is owned by UK-based Globeleq (76.9%) and Industrial Promotion Services West Africa (23.1%), runs the country's second-biggest gas-fired facility. Following two expansion projects since it first began operating in 1999, the plant is currently spending €349m to add 130 MW to its installed capacity of 288 MW. In December 2011 Korean engineering firm Hyundai Engineering and Construction was contracted for the engineering, procurement and construction of a combined-cycle turbine that uses waste heat from the existing gas turbines. This will allow for an additional output of 1000 GWh per year on top of the current 2200 GWh, without an increase in gas consumption or emissions. Once operations start in 2015, the additional electricity will be sold to the Ivorian government under a 20-year concession deal.

Scotland-based Aggreko was the latest to enter the Ivorian market in 2010 when it started operating a 70-MW gas-fired facility. Since that time it has been rolling out a gradual expansion plan, bringing total capacity to 200 MW at present. In April 2014, following negotiations with government parties, the company announced plans to optimise capacity levels and double its output by 2016.

Meanwhile, plans are solidifying for the construction of a 330-MW, gas combined-cycle thermal plant at Abatta, a site located close to the city of Bingerville in the country's south-east. In 2012 the national petroleum company Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire (Petroci) awarded US energy company ContourGlobal the build-operate-transfer concession agreement for the facility. In October 2013 local news reports announced that funding for the project, valued at \$500m, would come from the Qatar Petroleum Company.

The deal is part of the Gulf state's bigger plans to invest some \$3bn in the Ivorian energy sector and also concerns the supply of up to 240m scf per day – which will double current production – from an offshore floating LNG storage and resgasification unit located 12 km off Grand-Bassam on the country's south-eastern coastline. Delivery would cover the current deficit, as well as secure the future needs of the new power plant, while Côte d'Ivoire keeps up its search for more domestic reserves.

HYDRO: Similar expansion is ongoing in the nation's hydroelectric segment. At the moment, six state-run facilities have a combined capacity of 600 MW. However, unstable rainfall led to production losses of 25.2% over the course of 2013. Significant losses were incurred at the Kossou facility, which saw its annual contribution fall by half the year before. In a bid to mitigate similar volatility going forward and increase the share of renewable energy in the energy mix, the government has contracted various large-scale projects to outside investors. The largest planned project constitutes the 275-MW Soubré



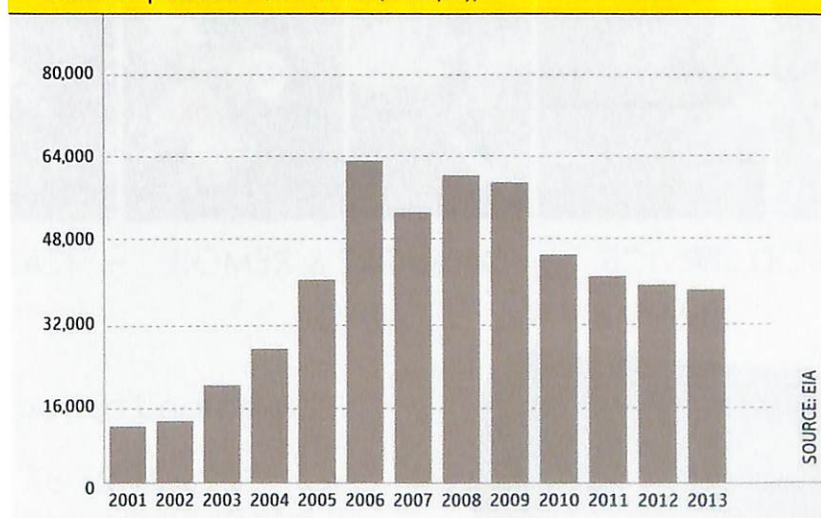
The country is considering alternative options to secure gas supplies

hydropower plant located on the Sassandra River, north of the city of San Pedro and scheduled to begin operations by 2018. The government also announced a total of seven new hydropower projects in January 2014, combining some 1150 MW of additional capacity by 2019 (see analysis). Provided these projects follow their course, hydro capacities will account for more than 60% of the nation's total installed capacity by 2020, up from 25% today.

ALTERNATIVE SOURCES: There has also been a number of initiatives to increase renewable energy's contribution to Côte d'Ivoire's energy mix. The lack of a supporting legal framework is one of the factors limiting development of the segment. However, in an encouraging sign for the sector, work is ongoing on a revision of relevant legislation and was confirmed by the introduction of a revised regulatory framework in 2013. The new legislation discerns renewables from conventional sources and reportedly provides guidelines for an adaptation of tariffs to be implemented through a set of legal applications, which are yet to be defined. While

Plans are under way for the construction of a 330-MW gas combined-cycle thermal plant near Bingerville in the country's south. The plant is valued at some \$500m.

Crude oil production, 2000-13 (barrels/day)





The government is seeking to double natural gas production by 2020

An increase in domestic demand has seen the national utility's sales figures grow from 4494 GWh in 2012 to 5945 GWh in 2013, which meant a rise in turnover of €54.84m.

specifics have yet to be confirmed, the new framework stipulates fiscal and financial incentives as a primary way to attract investors into the segment.

Speaking to local press about the new legal framework in May 2014, Adama Toungara, the minister of petroleum and energy, stated, "Our goal is to increase the share of renewable power in the energy mix by developing our nation's potential in biomass, small-scale hydro and solar resources." In addition, the revised framework provides for a new regulatory body that will oversee the development of local renewable energy sources, as well as an agency to promote energy efficiency and renewables. Aside from securing a modest part of southern-based industrial needs, renewables can be of particular importance for communities in the north of the country, where grid infrastructure is limited.

DISTRIBUTION: While the government owns and maintains the national transmission and distribution grid, it is managed by Compagnie Ivoirienne

d'Electricité (CIE), majority controlled by Paris-based holding company Finagection. The company has been active in Côte d'Ivoire since 1990 and saw its licence extended by 15 years in October 2005. CIE collects electricity payments on behalf of the state and transfers these in full to the government in return for management fees. Both the planning and execution of transmission and distribution infrastructure investments are in the hands of the Société des Energies de Côte d'Ivoire (CI-Energies), while the National Authority for Regulation of the Electricity Sector oversees the sector and sets tariffs.

GROWING NEEDS: Rising domestic demand has seen an increase in CIE's sales figures from 4494 GWh in 2012 to 5045 GWh in 2013, representing an increase in turnover of CFA36.56bn (€54.84m). This was predominantly due to growth in domestic demand and a rise in the average billed price, which was partly influenced by a 15% hike in the industrial tariff in 2012. Growth figures were the highest in low-tension supplies to households. Demand in this segment rose by 14.1% year-on-year and was particularly driven by a 38.2% boom in consumption in the Abidjan region. Over the course of 2013, the total number of residential customers rose by almost 60,000, reaching 1.2m at the end of the year. During the first half of 2014, CIE also reported net profits of CFA3.55bn (€5.32m), a 10% rise over CFA2.94bn (€4.41m) in the first half of 2013.

Overall, the domestic network registered an increase in efficiency, as measured by the difference between electricity received and billed for by CIE, from 73.7% in 2012 to 77% in 2013. This can be attributed, in particular, to a clamp down on unregistered connections in the Abidjan metropolitan region and CIE's gradual return to formerly rebel-held areas in the country's north. Although the improvements are significant, the figures demonstrate the ongoing challenges created by persistent inefficiency, representing annual losses of some CFA45bn (€67.5m). Furthermore, the market for smuggled



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products is also creating problems for other segments of the energy sector. In fact, Touré told OBG, "The lubricant business is being hammered by illegal imports. It is growing fast and gaining market share a little bit more every day. Those illegal lubricants often prove to be of very poor quality."

To this effect, CIE is investing in expanding its revenue collection capacity in a bid to further curb illicit connections. Through CI-Energies the government is also overseeing the rollout of a CFA400bn (€600m) investment plan targeting the construction of 1200 km of new power lines, which will lift transmission capacity from 1200 MW to 3000 MW, repair voltage transformers, and add more than 2000 villages to the national grid by 2020.

UPSTREAM FRAMEWORK: As previously mentioned, the gaps in gas supply, which can be compounded by seasonal fluctuations in hydro generation, have highlighted the importance of increasing domestic production to meet demand. One way in which the government is trying to spur upstream activity is by revising the regulatory framework. The country's 1996 Petroleum Code, which governs the oil and gas segments, oversees the distribution of oil exploration and production permits, most of which are structured as production-sharing contracts (PSCs) overseen by departments attached to the MPE.

Upon signature of a PSC, the winning party pays the government a signature bonus that ranges from \$2m to \$20m. Exploration typically follows a similar model, under which commercial players finance all exploration and development costs, including that of national oil company Petroci, which can take carried interest of between 5% and 15%. Costs are partially recovered from production afterwards, which is divided according to the conditions of the PSC. While there are no laws that stipulate minimum volumes, the government's take typically increases in line with production growth. Following a successful exploration period, exclusive authorisation for production usually applies for a period of 25 years, after which it can be extended for up to 10 years.

PSCs stipulate a range of fiscal incentives. As such, with the exception of a corporate income tax rate of 25%, oil and gas companies are exempted from all taxes, contributions, levies and duties applicable to the upstream industry, including import charges and value-added tax. These supersede general tax incentives provided in the nation's investment code. Sub-contractors benefit from an extension of these benefits and are generally faced with composite taxes ranging from 3% to 6%. Petroci Industries-Services, the national oil company's service branch, is always granted a free 10% participating interest with an option to acquire up to 20%.

GAS PRODUCTION: The majority of national gas production comes from Foxtrot International, which operates the shallow water CI-27 field in partnership with Enerci, a local subsidiary of France's GDF Suez, Petroci and local limited company SECI. Its proximity to the shore has allowed for the construc-



The country is investing €600m to increase transmission capacity

tion of a pipeline to the Vridi terminal in Abidjan after which it connects to the Azito network, also serving Ciprel and the Société Ivoirienne de Raffinage, which operates the country's refinery. Following the conclusion of negotiations with the Ivorian government in 2012, which saw their sales price drop and the daily off-take rise, the company announced a \$1bn investment plan that will add seven wells to the six that are currently in operation. It will also construct a new platform at its Marlin gas field – expected to go on-line in 2015 – that will handle 156m scf per day of natural gas.

With domestic demand outstripping supplies, new investors are guaranteed of a domestic market with a government willing to commit to long-term acquisition. This is illustrated by the conclusion of amendments to the PSC for CI-202, a gas block. Australia's Azonto, formerly known as Rialto, renegotiated its contract with the government following two unsuccessful wells. According to the company, the terms of the new PSC stipulate three consecutive exploration periods over a total of seven years from the

The government is focusing on the need to increase domestic production, largely due to gaps in gas supply, by revising the regulatory framework for the sector.

Natural gas production, 2000-12 (bn cubic ft)



SOURCE: EIA



The majority of oil production takes place offshore, reaching a high mark of 63,200 bpd in 2006

The Baobab field is located in the CI-40 block, some 65 km south-west of Abidjan, and produces around a third of national output from estimated recoverable reserves of 200m barrels of oil.

date of signature, after which an exclusive exploitation authorisation will be issued.

Under the new framework, Switzerland-based oil trader Vitol has a 65% stake, while Petroci holds 13%, with the right to increase its working interest up to 16%. Azonto is currently analysing 3D seismic data, after which it will draw up an exploration plan and launch a tender for a drilling rig. If all goes to plan, activity should start in the second quarter of 2015, according to the company's own estimates. "We're looking at a relatively straightforward development [at Gazelle which would be] multi-phase oil and gas to shore," Rob Shepherd, the Australian firm's CEO, stated in an interview with international media in late 2014. Company announcements have further stated that the project would involve two new development wells and the completion of one existing well that would target resources of 40bn scf at 90% probability level and 85bn scf at 50% probability.

OIL RESOURCES: Côte d'Ivoire's oil production has been somewhat unstable in recent years. According to figures from the US Energy Information Administration, the sector saw a jump in 2001 when production rose from just over 11,500 bpd to more than 63,200 bpd five years later in 2006. However, after two volatile years, output slowed to around 59,000 bpd in 2008. Over the course of 2013, it gradually stabilised at just under the 40,000 bpd mark. If the sector is to meet the government's ambitions to reach 200,000 bpd by 2020, production on existing licences will need to be ramped up significantly.

At present, the lion's share of oil production comes from one of three offshore fields. Baobab, located in block CI-40, some 65 km south-west of Abidjan, produced close to a third of national output. The field is operated by oil independent firm Canadian Natural Resources (CNR), which holds a 57.61% share in the project, together with Sweden-based Svenska Petroleum Exploration (27.39%) and Petroci (15%). It has been under production since 2005 and holds

estimated recoverable reserves of 200m barrels of oil. Following the completion of the second drilling campaign in 2011, it holds eight production wells in 1219 metres of water. Excess gas is transported north to the Espoir Invoirien floating, production, storage and offloading (FPSO) vessel, also operated by CNR, from where it links it to pipelines heading to the shore. Due to a decline in output from wells in the field's initial development phase, CNR has contracted a drilling rig for a third campaign that is targeting the addition of 11,000 bpd through five production wells and one water well; the exercise is scheduled to start in the first half of 2015.

OTHER FIELDS: Closer to the shore, some 19 km south of Jacqueline at depths of up to 600 metres, lies the Espoir field situated in block CI-26. While it was not thought to be economically viable upon discovery in the 1980s, modern drilling and production techniques, secondary oil recovery and improved terms for PSCs have made the block a key contributor to current and future national production. Following its acquisition in 2001, CNR holds a share of 58.67%, while Irish player Tullow Oil holds 21.33% and Petroci owns 20%. With estimated recoverable reserves of 93m barrels of oil and 180bn scf of natural gas, the field has a life expectancy of 20 years. Peak oil is assessed at over 35,000 bpd, while gas is likely to plateau at 35m scf per day. Besides oil, which is exported by shuttle tanker, it also produces some 30m scf per day of associated gas, which is taken to shore via a 19-km subsea pipeline that links the field to the country's power plants. In 2012, signalling confidence in the block's mid-term potential, CNR extended the lease on the field's FPSO until mid-2017 with an option for an additional 20 years. As of late 2014, the company was preparing for a well-drilling programme that is aiming to achieve an additional net production of 5900 bpd of light crude.

Block CI-11, located on the western side of the Abidjan basin, holds both the Lion oilfield and the Panther gas field which produce approximately



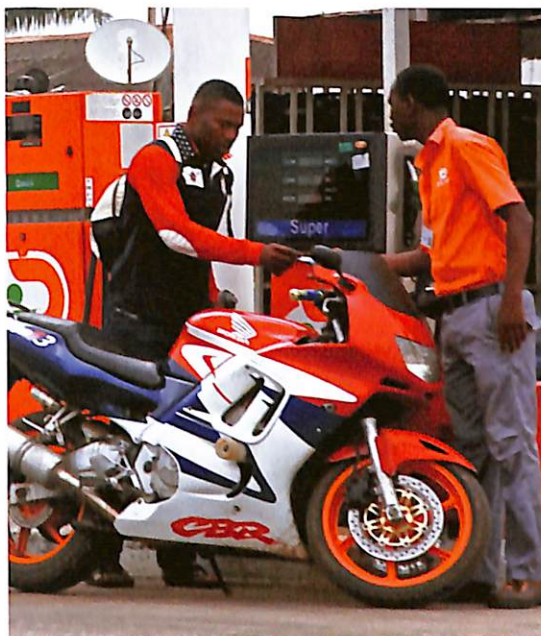
Energy consumption is rising on the back of economic growth

The Espoir field, located 19 km south of Jacqueline in the CI-26 block, was originally thought to be economically unviable, but modern techniques have reignited interest in its 93m barrels of oil and 180bn scf of natural gas.

4000 bpd and 24m scf per day, respectively. Despite its modest contribution and proven reserves of 4.4m barrels, Lion's crude is the country's lightest at sulphur levels of 0.18%. Its location in shallow water and relative proximity to the capital have allowed for direct evacuation of oil to the Abidjan refinery, while gas is delivered to the state-owned Lion Gas Plant. With a capacity of 75m scf per day, the plant processes gasoline and butane from natural gas from the CI-11 block and CNR's CI-26 (60 km south-west of Abidjan) and CI-40 (25 km offshore).

In 2013 Afren, the AIM-listed Nigerian oil and gas company, concluded the sale of its 100% stake in the Lion Gas Plant to Petroci, as well as its 47.96% stake in the CI-11 block to Petroci for \$26.5m. However, the company confirmed its interest in exploring CI-01, which contains the Kudu, Eland and Ibex fields situated adjacent to the Ghanaian maritime border in the Tano basin. With estimated reserves of 102bn scf of natural gas and 20m barrels of oil, the block holds considerable promise. In the third quarter of 2014, Afren concluded ongoing negotiations with the Ivorian government to re-draw the block into two new larger areas, CI-523 and CI-525, allowing the company to extend its acreage both to the south and the north of the original block. As part of the new deal, Afren took a 20% share in CI-523 and a 51.75% operating share in CI-525. The latter is operated by London-based Taleveras Group, which holds a 70% stake in CI-523, as well as 38.25% in CI-525. Petroci has a carried interest of 10% in both blocks. By late 2014, Afren and its partners had already started an 1800-sq-km 3D seismic acquisition programme, which is to be followed by an exploration drilling campaign to commence in the first quarter of 2015.

NEW PASTURES: The move to boost existing production is being paralleled by efforts to expand new acreage, both in terms of shallow and deep offshore (see analysis). Particular enthusiasm has been raised by the discovery of Ghana's Jubilee oilfield and neighbouring finds in the deepwater Tano basin and West

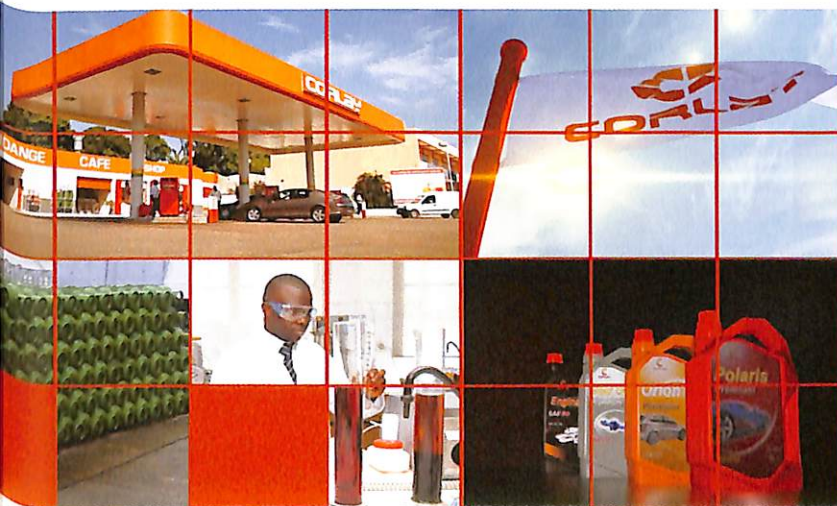


The government is seeking to rely on locally sourced hydrocarbons

Cape Three Points blocks. Hoping for similar geological compositions on the Ivorian side, oil majors have stepped up their drilling activity in the region. Shortly after the first wells were drilled in the deepwater CI-401 and CI-101 blocks situated in the Tano basin, Russian major Lukoil announced oil discoveries earlier in 2014. Lukoil entered into a PSC for both blocks through a 2005 agreement with US-independent Vanco Energy. The latter still holds a 28.34% share in both blocks, while Petroci owns 15%. In 2006 the firm concluded a deal with Nigeria's Oronto Petroleum International, acquiring a 63% share in the PSA for the exploration, appraisal, development and production of the deepwater CI-205 block, which shares similarities with proven commercial findings in the neighbouring Espoir, Baobab, Lion-Panther, Jubilee and Tweneboa fields, with reserves ranging from 100m to 1bn barrels of oil equivalent.

Lukoil is currently in the third exploration phase scheduled to last until mid-2015. In June 2013 the

The CI-01 block is adjacent to the Ghanaian maritime border in the Tano basin and contains the Kudu, Eland and Ibex fields, which have estimated reserves of 102bn scf of natural gas and 20m barrels of oil.



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The government is looking to expand energy exports to the region

The Saphir-1XB well in the CI-514 block was drilled to a total depth of 4655 metres and revealed around 40 metres of light 34° API oil.

company expanded its portfolio in Côte d'Ivoire's eastern border by acquiring a 65% share in Taleveras Energy's PSA for block CI-504. The asset borders CI-205 in the south and is situated at a depth of 800-2100 metres. Thus far, the company has confirmed the drilling of two exploration wells within the next five years. In the same region, Tullow Oil is looking to emulate the success it had with Ghana's Jubilee field. In June 2012 its exploration campaign on deep-water block CI-103, which it operates in partnership with US-based Anadarko and Petroci, proved oil-bearing geological conditions. A second appraisal well, named Paon-2A, completed in December 2013, encountered water and was plugged, questioning the size and commercial viability of the find.

More promising news came in April 2014, when French conglomerate Total confirmed its second discovery in the country's deep offshore. The Saphir-1XB exploration well on the CI-514 block, at a depth of 2300 metres below sea level, was drilled to a total

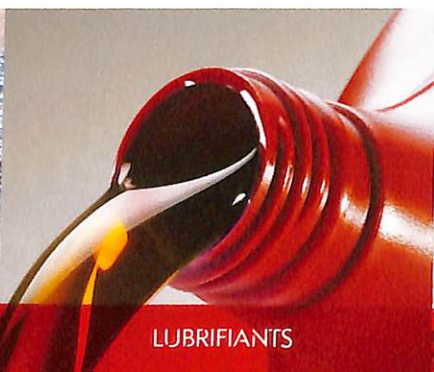
depth of 4655 metres, "encountering around 40 metres of net pay containing light 34° API oil", according to Total's website. The find was promising as, in contrast to most deep offshore exploration including that of Total, it is situated in the San Pedro margin along the border with Liberia. Thus far the area has received far less attention than the eastern Abidjan basin. Total also has a 54% interest in CI-514, which it operates in partnership with CNR (36%) and Petroci (10%), as well as two other ultra-deep offshore exploration licences for CI-515 and CI-516.

In late 2013 the company announced a \$300m investment plan to explore its ultra-deep assets, and with the results of the CI-514 find still being analysed, it has declared a continuation of its efforts on CI-515 and CI-516, with the two wells planned to be completed before the end 2014. Following the amendments to the PSCs for CI-509 and CI-513 in April 2014, UK-based African Petroleum Corporation has been awarded extra time to fulfil its obligations on the licences' first exploration period, which will now expire on March 2016 and December 2015, respectively. The added time will allow for the analysis of recently completed 3D seismic studies and the ensuing drilling campaign.

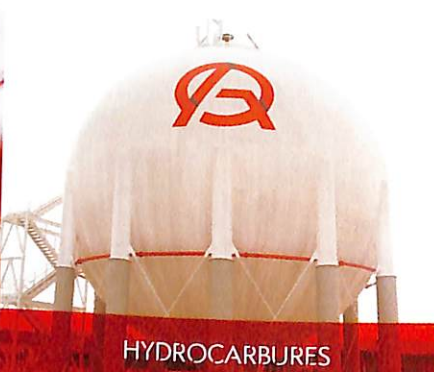
OUTLOOK: Côte d'Ivoire's push to improve energy security at home, as well as expand exports into the region has opened up a raft of promising opportunities for the private sector in terms of upstream, downstream and generation. As the slate of ongoing projects in the power segment demonstrates, a guaranteed market and the commitment of the government to enable returns on investment, including sharing the financial burden, has made for an attractive investment environment. While tariffs have some ways to go to reflect market forces, increasing electricity penetration and improvements in distribution leakages are contributing to the long-term health of the power segment. The government is aware of the need for competitive regulations to keep exploration activity going and production increasing.



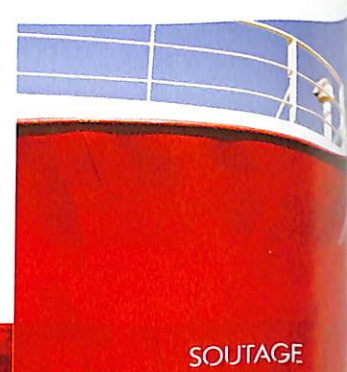
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Investment in oil production has increased after a decade-long lull

Dig deep

Players are looking to discover the potential in the country's deepwater basins

While Côte d'Ivoire's offshore oil basin has attracted foreign players since the early 1970s, a lack of sizeable findings and rising production costs led to a slump in activity from the late 1980s onwards. This changed at the turn of the millennium when enhanced oil recovery techniques and the prominence of the Gulf of Guinea's sedimentary basin in other areas, such as Equatorial Guinea and Angola, attracted international players such as Vanco Energy, Canadian Natural Resources (CNR), Tullow Oil, Lukoil and the Anadarko Petroleum Corporation. Initially, these efforts paid off, and, according to the US Energy Information Administration, daily crude output increased from an average of 11,500 barrels per day (bpd) in 2001 to more than 63,200 bpd five years later in 2006. However, a combination of prolonged civil unrest and more readily accessible fields elsewhere in the region led to a slow-down in activity, with a number of oil majors opting to suspend activity altogether. Recent production levels fell almost as fast as they had risen a few years earlier.

ADDRESSING THE PROBLEM: In a bid to curb the trend, the Ivorian government has introduced new fiscal incentives and has laboured to make its regulatory framework as competitive as possible within. As a result, upstream players are exempted from all taxes except income taxes. Moreover, national oil company Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire (Petroci) claims a carried interest of 15% at maximum. The lion's share of licences, which are readily renegotiated, operate under a production-sharing agreement (PSA), alleviating operators of the bureaucracies and delays that regular concessions often face.

Boosted by oil finds in neighbouring Ghana in late 2010 and the end of a decade of conflict in the country in 2011, foreign players are once again trying their luck in the Ivorian oil basin. Close to 18 PSAs were signed in as many months in 2012 and 2013, while 3D seismic data is being gathered over a surface area of close to 9000 km. Meanwhile, 10 wells were drilled over the course of 2013, double the figure in the decade

prior to that. In the wake of these developments, the government has announced its ambitions to increase daily production levels to 200,000 bpd of crude by 2020. To achieve this, the government has called on existing and new operators to increase production at ongoing sites, as well as to step up exploration efforts. "We have about 50 oil blocks, of which half have been awarded," Prime Minister Daniel Kablan Duncan told local media in January 2014, calling on companies worldwide to explore an entrance into his country's oil sector.

TACKLING DIFFICULTIES: While sceptical of the feasibility of a five-fold increase in output over the next five years – new findings take seven years on average to reach production stage – exploration and production companies and operators seem encouraged by the concerted government push to expand activity. According to Ministry of Petroleum and Energy figures, a total of 27 exploration, development and appraisal wells are scheduled for completion by 2016. A number of these target a hike in production from ongoing fields. These plans feature upcoming drilling campaigns on the country's two biggest oil fields, Baobab and Espoir, both operated by CNR. As of mid-2014 the firm was on schedule to start with a 10 well-drilling campaign on Espoir by the second half of the year. The plans cater for an additional output of close to 59,000 bpd.

Meanwhile, the oil producer is preparing for a third drilling campaign on the Baobab field, which represents about a third of national production, in the first half of 2015. A total of five production wells are targeted to raise output by 11,000 bpd, according to the company's own estimates.

DEEPWATER: Ramping up activity will not be enough to meet the ambitious 2020 target, however. "Given the expansion projects we have going on today, 2020 production will be closer to 115,000 bpd," Jean Charles Loubao, head of the legal department at Société d'Exploitation et Production Pétrolière, a local marginal fields operator, told OBG. Operators have therefore welcomed the government's push to license more

In an effort to make the regulatory framework more competitive, the government has introduced new fiscal incentives, such as exempting upstream players from all taxes except on income.

While findings take seven years on average to reach the production stage, operators have shown much enthusiasm, with 27 exploration, development and appraisal wells scheduled until 2016.



Several firms are currently analysing seismic data for new fields

Ongoing assessments of the Ivorian basin are aimed at discovering whether the country's fields share the same geological composition as neighbouring Ghana.

blocks, in particular in the country's deepwater basin, which as of yet has remained largely unexplored. With geological structures similar to Ghana's Jubilee development, currently producing over 100,000 bpd, hopes are high are striking it big in these areas.

LOOKING GOOD: There has been encouraging news in this regard. Russian oil major Lukoil, for example, finished its first exploration well on the CI-101 block in April 2014, confirming the presence of hydrocarbons. The Capitaine East-1X well reached a depth of 5200 metres in waters exceeding 2000 metres. As of late 2014 the company was evaluating the results before planning further appraisal. In addition, the Russian firm is progressing on a six-well drilling programme on its CI-401 block, located west of the Jubilee field. By January 2014 Lukoil had finished the second well, drilled in water depths of around 1600 meters, which proved the presence of oil. As with CI-101, the outcome of the analysis on the well results will dictate the company's plans in the next few years. At the end of 2013, Lukoil also completed drilling of an appraisal well at the Independence field, located north-east of block CI-101 and adjacent to the CI-401 block.

Additionally, French oil major Total, following the roll-out of a \$300m investment plan for the exploration of

three ultra-deep wells, reported positive results on its very first well in April 2014. The Saphir-1XB well, situated in the CI-514 block, in which CNR and Petroci hold minority stakes, was drilled to a total depth of 4655 metres and encountered 40 metres of net pay with light crude, according to the company. Total has also announced that it will progress with plans to drill two wells in both CI-515 and CI-516, in which it holds a 45% stake, along with US-based Anadarko (45%) and Petroci (10%), before the end of 2014.

Irish independent Tullow Oil is also working in deepwater, an area where it saw significant success in neighbouring Ghana's Jubilee Field. The firm is working on the appraisal of the deepwater CI-103 block, which it operates in partnership with Anadarko and Petroci. At the end of 2013 the appraisal well Paon-1X determined the extent of a light oil discovery made one year earlier, which it estimates at a minimum of 700 metres. However, the Paon-2A well, also completed in December 2013, encountered water and was plugged, leading to questions regarding the size of the find.

Finally, CNR has gradually paved the way for an extension of its deepwater footprint. The firm is currently developing an exploration strategy for block CI-12, situated some 35 km west of its Baobab field and in which it has a 60% working interest. It signed a PSC in July 2013 and as of November 2014 the data from a 3D seismic programme was still being processed. Commenting on the signing, Dave Bell, CNR International's vice-president for exploration, told the press, "Securing CI-12 is part of CNR International's strategy to build a portfolio of high impact exploration acreage in areas where we understand the geology, can identify opportunities and have local supporting infrastructure."

NEW POTENTIAL: Preliminary indications of oil in unexplored parts of the Ivorian basin, particularly deepwater, are attracting attention from international players looking for the Gulf of Guinea's next big find. While assessment on the findings is ongoing, ambitious drilling campaigns will increase understanding of yet unexplored parts of the Ivorian basin and affirm whether or not it shares the prolific geological composition found next door in Ghana. The government of Côte d'Ivoire is hard pressed to secure conducive investment conditions and regulatory consistency following the 2015 general election, which is set to take place in October.



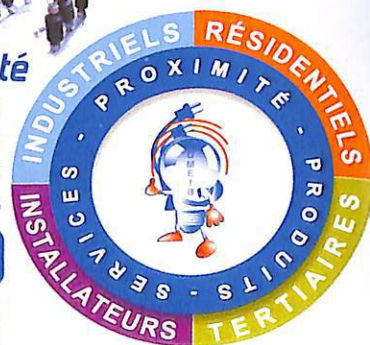
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Hydrocarbons are the country's primary source for power generation

Power play

Growing consumption and economic expansion prompting an overhaul of electricity generation infrastructure and capacity

Economic growth of 8.8% in 2013, an estimate of around 9% for 2014 and a forecast of nearly 8% for 2015 are all testaments to the robust recovery under way in Côte d'Ivoire. However, this success has also brought deficiencies in energy supplies to the fore. Rising household consumption and industrial activity has seen demand for power grow by an average of 10% in recent years, and with the mining sector going through a gradual revitalisation and requiring an estimated 500 MW by 2020, forecasts for the next few years will be considerably higher. The country is better developed than most and has in the past been a significant exporter, particularly within the framework of the West African Power Pool. However, net electricity production has grown at only 2% annually, according to figures from the African Development Bank.

In a bid to catch up on demand and optimise regional opportunities, the country has allocated some \$4bn for investment in energy infrastructure over the next six years, including the power, oil and gas segments, according to the Ministry of Petroleum and Energy. The bulk of the new investment in generation is expected to come from the private sector. While the government is encouraging private operators to ramp up electricity production in line with its ambition to increase capacity to 4000 MW by 2020, up from around 1600 MW in 2013, it is faced with a challenge of securing a conducive investment climate while maintaining tariffs at levels accessible to its population's poorest.

FISCAL CHALLENGES: Thus far, it has managed to subsidise generation costs, keeping rates at among the lowest in the region, but under pressure from international donors it has started to gradually withdraw these, starting with industrial rates that saw a rise of some 10% in 2012. In the years to come, the government aims to transfer more large household end-users from the social tariff of CFA36.05 (€0.05) for the first 80 KWh and CFA73.99 (€0.1109) after that to the general tariff of CFA74.54 (€0.1118) per KWh. Another challenge is the financial capacity to afford rising natural gas

prices – the hydrocarbon is the country's primary source for power generation – bought from offshore oil and gas producers. With the pricing mechanism for natural gas indexed to crude oil and the US dollar, the government has faced unsustainably high tariffs in recent years. Tariffs rose by 161% between 2003 and 2010, with prices reaching €6 per million British thermal units (mBtu) in 2011. As a result, the burden of energy subsidies on the national budget increased from 0.4% of GDP in 2009 to 1.2% in 2011. The government's deficit of CFA150bn (€225m) in arrears was set to climb to CFA170bn (€255m) in 2012 until it renegotiated supply contracts with the main natural gas providers.

As such, oil and gas company Foxtrot, which is partly owned by the French group Bouygues and is the country's biggest natural gas supplier, lowered contractual prices from €7 per mBtu in 2011 to €4 per mBtu in 2012, while guaranteeing a minimal off-take of 140m standard cu feet (scf) per day until 2025, up from 80m scf per day previously. Canadian Natural Resources, the country's second-largest supplier, went through a similar exercise with a guaranteed off-take of 40m scf per day. This saved the government CFA91bn (€136.5m) in 2012 and means future savings of CFA100bn (€150m) in the medium term, according to its own calculations. At the same time, policymakers have sought to introduce new incentives to encourage upstream activity with hopes of increasing domestic gas supplies that are much needed to feed the expanding capacity of the nation's power plants (see analysis).

MORE OPTIONS: Mindful that this strategy might be a long shot, the government is developing a number of alternatives to reduce reliance on domestic gas. One such example is a liquefied natural gas (LNG) deal with Qatar Petroleum. Starting in 2015, the company is set to start supplies of up to 240m scf per day – which would double current production – from a floating LNG storage and regasification unit located 12 km offshore of Grand-Bassam, in the country's south-east. Delivery would cover the current deficit, as well as secure the

The government has allocated \$4bn for energy infrastructure in order to increase capacity to 4000 MW by 2020, up from 1600 MW in 2013.

As the pricing mechanism is indexed to crude oil and the US dollar, the Ivorian government has seen energy subsidies rise from 0.4% of GDP in 2009 to 1.2% in 2011.



The country participates in the West African Pipeline Company

The government is working to increase hydro-electric facilities contribution to the energy mix up to 60%, including through the construction of six new plants, expected to be completed in late 2017 and 2018.

future needs of a new power plant in Bingerville, which is also financed by the Qatari company.

Another option being considered is an Ivorian connection to the West African Gas Pipeline, which currently connects Nigerian gas to Ghana, Benin and Togo. While supplies have been marred by delays and shortfalls – something that has caused problems in Ghana, which had to find alternative source at high cost in 2013 and 2014 – the West African Pipeline Company (WAPCO), which manages the link, has plans to double its current capacity of 170m scf per day, raising Côte d'Ivoire's interest. "Although gas volumes currently received from Nigeria are significantly below expectation, we envision increased utilisation of the pipeline going forward with potential new sources here in Ghana and likely new sources in Nigeria," Walter Perez, WAPCO's managing director, told local media in May 2014.

HYDRO: In addition to thermal capacities, the country is also in the advanced stages of increasing its hydro-electric capacities. A total of six state-run facilities,

including Ayame (20 MW), Ayame 2 (30 MW), Kossou (174 MW), Taabo (210 MW), Buyo (165 MW) and Faye (5 MW). With only one-quarter of the nation's hydro-electric potential used at the moment, the country is rolling out new projects to increase their share to 60% of the nation's total installed capacity by 2020.

The largest of these plans concerns the 275-MW Soubré hydropower plant located on Naoua Falls on the Sassandra river, north of the city of San Pedro. Financed with a concessional loan of CFA239bn (€358.5m) from China's Eximbank and CFA92bn (€138m) from the Ivorian government, the total cost of this five-year project is an estimated CFA331bn (€496.5m). Construction on the dam began in February 2013 by China's Sino-Hydro and is scheduled to be completed in late 2017 or 2018. The project will also include a 225-MW power line to connect Soubré and Yopougon 2, an industrial area of Abidjan located 365 km to its south-east.

In January 2014 Adama Toungara, the minister of petroleum and energy, announced the addition of 1150 MW of hydroelectric capacity before 2019. The plan comprises seven dams, three of which will be constructed downstream from the Soubré dam, contributing a combined capacity of 548 MW. In the south-east two dams will be built on the Comoé River with a capacity of 200 MW each, and two other dams, totalling a capacity of 206 MW, in the country's north-west.

RENEWABLES: New plans also exist for alternative renewable sources such as solar, wind and biomass. While their current contribution is limited to off-grid or retail applications, various industrial initiatives are being considered. One such example is a \$500m investment in a plant to produce photovoltaic panels announced by Chinese firm Hanergy Group at the start of 2014. Also on the agenda is a biomass plant to be built in Aboisso, on the eastern flank of the capital. The facility will have a capacity of 42 MW, fuelled by palm oil waste, including trunks, branches and leaves from village plantations. Ivorian diversified agricultural commodities firm Sifca's subsidiary, Biokala, is in charge of the project, which has an estimated value of €31m.

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The West African Power Pool aims to see regional integration by 2020

Doing its share

Regional exchanges offer an efficient way to extend and improve access to power supplies

Despite underinvestment due to the country's civil unrest, Côte d'Ivoire's power infrastructure is well developed by regional standards and is of strategic importance to several nearby countries. The country's first cross-border connection was established in 1994 with its eastern neighbour Ghana. While exchanges between the two nations have been modest since, it marked the start of regional exchanges with other countries such as Burkina Faso, Mali, Togo and Benin.

COMMON POOL: Regional integration has been further encouraged under ECOWAS's West African Power Pool (WAPP), which envisages full integration of physical networks and national electricity markets by 2020. Due to its energy infrastructure, low-priced power and its central location in West Africa, Côte d'Ivoire plays a prominent role in the realisation of this objective. In fact, it is the only connecting country between the WAPP's western and eastern sub-regions.

This has led to export opportunities, which reached a total of 820 GWh in 2013, equivalent to CFA13.79bn (€20.68m), according to figures from the country's utility company, Compagnie Ivoirienne d'Electricité (CIE), which is majority controlled by Paris-based holding company Finagestion. In 2013 volumes grew by 27% compared to 2012, helped by the start of operations of the Côte d'Ivoire-Mali connection in October 2012, which was developed under the WAPP framework. The link constitutes a 225-KV, high-voltage power line between the cities of Ferkessedougou and Laboa. According to the agreement, Côte d'Ivoire provides 30 MW at peak hours of demand and 100 MW during off-peak periods. Mali is Côte d'Ivoire's second-biggest export market for power exports with a share of 26.5%, while Burkina Faso leads the way at 58.8%. Benin and Ghana account for 12.1% and 2.7%, respectively.

Despite its recent growth, power exports have fallen compared to the previous decade. In 2002 exports reached 1600 GWh, double the figure for 2013. However, with its economic recovery and the roll-out of WAPP, Côte d'Ivoire has its eyes set on regaining some

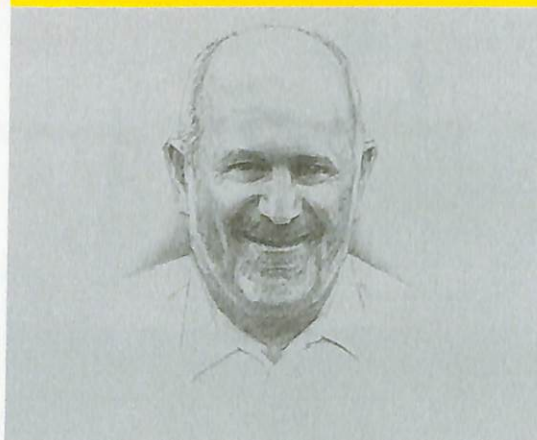
of this regional export market share. As such, exports are set to rise to 1000 GWh in 2014 and to 2000 GWh by 2017, according to Stephan Dauriac, CIE's deputy director for finance and logistics.

The role of WAPP in facilitating regional electricity exports is key in helping address Côte d'Ivoire's domestic demand as well, particularly in areas where current transmission and distribution infrastructure might be limited. In September 2013 Ghana agreed to provide regular power supplies to communities in the northern and eastern parts of Côte d'Ivoire where, due to security concerns, domestic investments in infrastructure have been limited in the past. Under the agreement, Ghana's Northern Electricity Distribution Company will provide electricity from Chache-Vonokoro in Ghana's Northern Region to Bouna in Côte d'Ivoire.

NEW PLANS: Another main item on the regional integration agenda is the establishment of the Côte d'Ivoire, Liberia, Sierra Leone and Guinea (CLSG) interconnection. Supported by the African Development Bank (AfDB), which will cover up to 40% of the project cost, the project involves the construction of about 1400 km of high voltage (225 KV) line, 11 new sub-stations and two regional control centres. According to the AfDB, the project will increase the regional average rate of access to electricity from 28% to 33% and benefit close to 24m inhabitants through low-priced power supplies. An interconnected grid is also expected to help solidify plans for a slate of generation projects, in particular hydroelectric facilities in Sierra Leone and Guinea, which have immense potential for hydro-electric power that remains unexploited. Operation of the line will require an Ivorian contribution of 83 MW. At the start of the year, Adama Toungara, the minister of petroleum and energy, reaffirmed his country's readiness to deliver its share, despite growing needs at home. He said in January 2014 that additional capacities at the Azito and Ciprel facilities "will increase our installed capacity to 1882 MW, an increase of nearly 24% by 2016", allowing for ample space to support CLSG.

The country has been able to take advantage of new export opportunities in recent years, and in 2013 energy exports reached a total of 820 GWh, equivalent to €20.68m.

The Côte d'Ivoire, Liberia, Sierra Leone and Guinea interconnection is supported by the African Development Bank and should increase the regional average rate of access to electricity from 28% to 33%.



Izak Elyashiv

Persistence pays off

OBG talks to Izak Elyashiv, CEO, Telemenía

What are the major challenges of financing power generation infrastructure in Africa?

ELYASHIV: There are many types of financing solutions and public-private partnerships (PPPs). For example, infrastructure projects generally lend themselves very well to PPPs, particularly via build-own-operate (BOO) and build-operate-transfer (BOT) schemes. However, within BOT frameworks, governments and international financial institutions can sometimes be slightly too stringent, whereas BOO schemes give more flexibility to investors, project developers and the private sector in general.

For instance, developers can make quicker decisions on technical issues, without consulting the government beforehand. Indeed, governments do not usually have the right technical skills or the manpower to provide added-value insights into a power generation project. In the case of Côte d'Ivoire, many power projects have suffered from the post-election crisis, but the country is now back on track.

To what extent is there scope for further upgrades and improvements in the electricity sector?

ELYASHIV: Among the most important priorities is the development of a gas pipeline, and making sure it is well connected. The next step will be to build high tension lines and sub-stations. There are currently high losses because the power lines are fully loaded, but if better quality lines and sub-stations are built to add capacity, losses will decrease dramatically. Côte d'Ivoire has many opportunities to export electricity to neighbouring countries, and it is already exporting some to Burkina Faso. However, at the same time, exporting energy should not be done at the cost of a local supply shortage.

In the context of thermal power, how can Côte d'Ivoire capitalise on its natural gas production?

ELYASHIV: Unfortunately, the country has barely invested in the gas sector. Although it has produced

some natural gas, the current supply is not in line with the requirements of local thermal power plants. At some point, therefore, liquefied natural gas (LNG) will be needed. Indeed, LNG will be emphasised in the short term because of the shortage of natural gas. However, the price of LNG remains very high compared to natural gas – more than double, in fact.

The problem is that the current producers of natural gas are currently making a lot of money without really investing in their offshore blocks. They have high margins and so are not incentivised to invest more. If more power stations would be built, companies in possession of the blocks would be more incentivised to develop their natural gas activities, with an immediate effect on prices. All over the world, the proportion of fuel costs in electricity prices is around 60-65%. Therefore, if the cost of fuel is high, the final price for consumers will also be high. If one were to reduce the fuel price or use a cheaper fuel, the cost of electricity would decrease.

Within the African context, how would you rate Côte d'Ivoire on the ease of doing business?

ELYASHIV: As a private investor that has been willing to work towards increasing the country's total capacity for power generation, we have not been able to locate many business opportunities in Côte d'Ivoire. While the highest level of the government does hold a welcoming attitude towards the private sector, there are many issues with the message emanating from smaller-sized government offices.

The reality is that Côte d'Ivoire can be a challenging market to enter. That said, once all these outstanding issues have been addressed, investment has the potential to be highly profitable. For example, it took Telemenía and the government four years to write our contract and its annexes. This kind of time period is fairly normal in Africa. Elsewhere, however, the infrastructure would already have been built by then, which has not been our experience here.



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Côte d'Ivoire is not only the world's largest cocoa producer but also an important coffee producer. Both crops provide revenues for about eight million people and contribute to around 15% of the gross domestic product. The coffee and cocoa sector is regulated by the Council of Coffee and Cocoa whose main tasks are: to guarantee farmers' incomes, improve the living conditions of farmers and their communities, promote a sustainable cocoa economy and ensure the implementation of the rules of good governance and transparency in the management of coffee and cocoa sectors.

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price for their crop, giving them little financial security and few incentives to invest in good planting, harvesting and drying practices.

Under this system, the average yield per ha dropped significantly to 450 kg, or less than half of the optimal output levels of around one tonne per ha, while poor drying and fermentation techniques led to an average bean humidity level of 12-14%, relative to the industry standard of 8%. Côte d'Ivoire's deteriorating cocoa quality thus translated into lower futures contracts on the global market.

Implemented by the sector's new regulatory body, the Coffee Cocoa Council (Conseil du Café-Cacao, CCC), which was established in 2011, the introduction of a minimum price has improved the financial returns for farmers while providing an incentive to reinvest in their plots and adhere to better planting and drying practices. Set at CFA725 (€1.09) per kg in 2012/13, or 64% of the average global price, the effect of price security and the introduction of a maximum humidity level of 9% have significantly improved the quality of cocoa beans.

Before the CCC's reform, cocoa processors frequently had to overpay in order to secure beans that met the standard quality of 10 years ago, and even then beans typically had less-than-ideal humidity levels of around 12%. Following the reforms, the quality of beans has improved significantly, with average humidity levels now between 8% and 8.5%.

However, the minimum price has created financial difficulties for bean exporters and processors, particularly for small and medium-sized players (see analysis). Coupled with the introduction of a forward-selling auction system and amendments to export tax regulations, processors in particular have expressed concerns about the long-term viability of the sector if current policies remain in place (see analysis).

RUBBER PLANTATIONS: Although Africa represents less than 5% of total global rubber production, Côte d'Ivoire is the continent's largest natural rubber producer. Since 2011 Côte d'Ivoire's rubber production has expanded from 230,000 tonnes in 2011 to 290,529 tonnes in 2013, when the sector enjoyed a turnover estimated at CFA350bn (€525m).

According to a 2013 report from Ecobank, continued investments will facilitate the replanting of 50,000 ha of existing plantations and the planting of 300,000 ha of new plantations, bringing total production to 600,000 tonnes by 2020.

SECTOR PLAYERS: Out of the nearly 300,000 tonnes of rubber produced in 2013, approximately 70,000 tonnes were produced by industrial rubber plantations, while the balance of 230,000 tonnes was accounted for by small-scale producers, who number around 120,000. Small-scale production is particularly diverse and includes farms ranging from 1000 ha to less than two ha. Due to prevailing land laws, which prevent large companies from buying land, growth in industrial production has been limited relative to the production of smallholders. Productivity levels vary significantly between small-scale and industrial plantations, with



The global downturn in the tyre industry led to a collapse in world rubber prices

average yields of 1600 kg of dry rubber per ha versus 2000-2050 kg per ha, respectively.

Industrial rubber plantations and rubber exports are largely owned by two companies that possess a 73% market share combined: the Société des Caoutchoucs de Grand-Béréby (SOGB) and the Société Africaine de Plantations d'Hévéas (SAPH). With a 31% market share, SOGB is owned by Socfinaf, an African subsidiary of the natural rubber and palm oil company, Socfin. SOGB's main competitor, SAPH, has a market share of 42% and began as a state-run entity in 1956 but was subsequently privatised and purchased by SIFCA in 1999. SAPH owns four main plantation sites, with three smaller production areas and five factories. Of the 300,000 tonnes produced in 2013, SAPH produced approximately 35,000 tonnes and purchased another 85,000 from farmers. The firm expected to boost its production capacity by 15,000 tonnes by the middle of 2014, with additional increases of 20,000-25,000 tonnes and 50,000 tonnes per annum scheduled for 2015 and 2017, respectively.

COMPETITION: Fierce sector competition prevailed between 2010 and mid-2012 due to high international rubber prices, which peaked at €4.27 per kg in February 2011. However, the global downturn in the tyre production industry led to a collapse in world prices, which fell to €1.79 per kg in mid-April 2013. Nevertheless, world rubber production rose 7% in 2012 to 11.8m tonnes though global consumption remained at 11.7m tonnes, contributing to a sharp decline in country revenues between 2011 and 2012 from a peak of €823.63m to €698.31m.

Throughout 2014, international rubber prices fell by an additional 33%, before eventually stabilising at around €1.2 per kg, resulting in additional financial constraints on the sector's activities.

TAXES: Segment revenues are limited by the implementation of a 5% levy on rubber companies' annual revenues. "The break-even point for producers is around €1.2 per kg, and between the break-even

Implemented by the sector's new regulatory body, the Coffee Cocoa Council, the introduction of a minimum cocoa price has improved the financial returns for farmers while providing an incentive to reinvest in their plots and adhere to better planting and drying practices.

Out of the nearly 300,000 tonnes of rubber produced in 2013, some 70,000 were produced by industrial plantations, while the remaining 230,000 came from small-scale producers, who number around 120,000.



The agriculture sector accounts for at least 50% of Ivorian exports

With the creation of the CCC, new reforms have been introduced to revitalise farmer interest in coffee production. As with the cocoa industry, coffee producers now benefit from a minimum farm gate price, set at 60% of the CIF price.

washed coffees and new varieties such as Arabusta coffee, a blend between Robusta and Arabica. Sector heavyweights like Olam will assist government rejuvenation programmes by providing seeds and technical assistance to farmers.

Côte d'Ivoire will also need to increase domestic consumption of coffee to promote production. "In Ethiopia coffee is a part of the culture. Although it is the largest producer in Africa, half of the crop is consumed locally. This is not the case in Côte d'Ivoire, and the success of the crop will partly depend on building a domestic market," George told OBG.

KEY COFFEE EXPORTERS: Although there are around 10 local coffee exporters, three actors have historically dominated the Ivorian market, though their activities have dwindled with the decline of production. Local firm Compagnie Ivoirienne de Promotion pour l'Exportation et l'Importation (CIPEXI) was once the largest coffee exporter alongside Olam, accounting for around 30% of exports, or about 35,000 tonnes

of coffee. CIPEXI's coffee exports fell significantly behind Olam's for 2014, leaving Olam as the largest exporter in the industry, with Nestlé exporting around 40,000 tonnes annually.

SECTOR REFORMS: Limited sector competition translated into poor coffee prices for farmers, which then encouraged many to switch to more profitable crops. However, with the creation of the CCC, new reforms have been introduced to revitalise farmer interest in coffee production. As with the cocoa industry, coffee producers now benefit from a minimum farm gate price, set at 60% of the CIF price, which is expected to provide farmers with increased financial security as well as an incentive to expand output.

However, despite the appearance of a stabilised price market, the reforms have not completely eliminated speculation. As of late 2014, there were 35 companies buying coffee in the market, of which only 10 companies are exporters. This creates a situation through which the remaining 25 companies can buy up coffee stocks and try to increase the price that the exporters must pay in order to secure beans to meet their client obligations. Exporters are unable to freely change their prices due to the price controls and therefore they end up being forced to accept a loss in order to meet their export contracts.

OUTLOOK: The diversity and potential of Côte d'Ivoire's agricultural activities will ensure the sector remains a key source of economic growth and employment. Renewed emphasis on the production of soft commodities such as cocoa, cotton, cashew and coffee will see agriculture's share of GDP increase, but improvements in access to credit and agricultural inputs will be needed to fully realise the country's potential. Despite the scope for a thriving processing sector, fiscal incentives in commodities such as cashew and cocoa may need to be considered to encourage investors to establish and expand local activities. With a range of well-established multinational firms already operating in the country, Côte d'Ivoire is well positioned to continue building up its local processing capacity.

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Exporters are required to register with the CCC to purchase cocoa

Changing policies

Cocoa reforms have empowered farmers but presented new challenges

Implemented in November 2011 under the auspices of the sector's new regulatory body, the Coffee Cocoa Council (Conseil du Café-Cacao, CCC), the cocoa reforms sought to address arguably the largest obstacle to local production: price insecurity for farmers. The enforcement of a minimum 60% cost, insurance and freight (CIF) price for farmers has produced major improvements in the sector's performance, having provided farmers with an economic incentive to grow cocoa and reinvest in their crops while enhancing the volume and quality of cocoa beans. However, the CCC's reforms have also created serious financial and strategic difficulties for small and medium-sized exporters, forcing many out of business.

PRICES: Although reforms have empowered the farmers, the implementation of a minimum farm gate price has limited the ability of small and medium-scale players to purchase cocoa. For example, in 2012 there was a negative differential on Ivorian cocoa. However, now the CCC sets the minimum price for export rights by applying a minimum differential above the London price, and paid differentials are often higher still.

As cocoa prices continue to rise, exporters are obliged to deal with growing quantities of the commodity to benefit from economies of scale and remain profitable. The recent changes in the industry have meant that many company's break-even point is very high. Even with the infrastructure to run 100,000 tonnes of cocoa, companies must run at least 60,000-65,000 tonnes just to break even, where in the past only around 45,000 tonnes per year was required. In this environment, small players producing 15,000 tonnes face serious hardship, as even those with 60,000-tonne capacity are struggling.

Even if smaller sector players are able to secure large quantities of cocoa, they often lack the infrastructure and human resources to quickly secure and export it. "Soft commodities intrinsically have a low value; therefore, you need big volumes to make money, particularly with so much competition. In Côte d'Ivoire

cocoa is a volume game, and smaller players cannot compete in this environment," Edward George, head of research at Ecobank, told OBG.

TRANSPORT COSTS: Small and medium-sized exporters are also disadvantaged by the CCC's estimation of transport fees budgeted into the CIF price to bring cocoa to port. With CFA80 (€0.12) permitted in the cost structure, many exporters and processors have argued that the CCC underestimated the cost, leading some companies to boycott Ivorian cocoa in 2014, notably the British firm Armajaro.

One of the core issues arises from the fact that regardless of whether a company is deep in the bush or on a main road, or whether it is 500 km from a port or 50 km, companies are assumed to have the same transport costs. The allocated transport allowance is argued to be insufficient, as it does not reflect the various environments that exporters operate in, and the subsequent effect that this has on costs.

Ultimately, this impacts every producer and exporter, and has obliged the larger players to implement cut-backs to save on costs. However, this burden has disproportionately fallen on smaller players that lack the financial security of multinational trading houses.

The reforms are expected to impact small and medium-sized companies in such a way that only the most efficient big players remain. While this has the benefit for removing inefficient operators from the market and encouraging other players improve operations, it may have undesirable effects on employment over the short term, if smaller operators are forced to close.

THE FUTURES SYSTEM: Another crucial element of the CCC reforms was the introduction of a futures auction system, where 70% of the following season's cocoa is purchased in two daily sessions, while the remainder is sold in spot sales. Exporters are required to register with the CCC, and during the twice-daily auctions the CCC sets the tonnage to be sold each day. Exporters then bid over an indicative CIF price calculated from averaging cocoa future contract prices with a differ-

The enforcement of a minimum 60% cost, insurance and freight price for farmers has produced major improvements in the sector's performance. It has provided farmers with an economic incentive to grow cocoa and reinvest in their crops while enhancing the volume and quality of cocoa beans.

With just €0.12 allocated for transport fees in the cost structure for cocoa, many industry players have argued that the CCC is underestimating the cost.



Cocoa reforms have had a disproportionate impact on small and medium-sized companies

The CCC restricts the tonnage that each exporter can purchase to 70,000 tonnes from October to December, and 40,000 tonnes from January to March, while no restrictions apply to mid-crop purchases.

ential. Exporters are permitted to bid on beans in portions of 25 tonnes each, and the highest bidder acquires half of the tonnage, after which the second highest bidder receives a quarter, and the remainder of the beans is divided between the next two bids.

The futures system was designed to safeguard farmers by ensuring a market for their crop and by buffering them from changes in the global cocoa price. Rather, the system has disproportionately limited the ability of small and medium-sized exporters to compete against larger firms due to the resources needed to purchase beans in the auction.

LIMITATIONS: The CCC restricts the tonnage that each exporter can purchase to 70,000 tonnes from October to December, and 40,000 tonnes from January to March, while no restrictions apply to mid-crop purchases. Although this system theoretically ensures that small trading houses have volumes available to them, purchasing power is constrained by the amount of capital needed to make such purchases.

For example, many larger companies have integrated activities and also have operations abroad, and therefore, they have the capacity to pay a certain premium to obtain needed cocoa volumes. For small exporters who buy and sell locally, Côte d'Ivoire is the centre of their profile, and they have difficulty competing in the bidding system with large firms.

Financial constraints for smaller players are not limited to the capital needed to purchase cocoa. For a small or medium-sized exporter to open, the business must provide €300,000 as a bank guarantee, and an additional €300,000 guarantee to receive the right to export from the CCC. This is in addition to the other costs associated with opening a company and exporting cocoa, putting exports out of range for small firms.

Access to credit is another constraint on smaller exporters, who must put a down payment of up to 50% on loans with an interest rate of 10-13%. However, multinational companies are able to borrow in more competitive banking economies, where interest rates

are between 1% and 3%. Local Ivorian firms are obliged to borrow in less competitive banking markets, thereby incurring a major financial burden.

Another factor that favours multinational companies over smaller players is the premise of buying beans a year in advance. Due to their international presence, large firms have regular contracts with buyers in need of cocoa beans and therefore have relatively little trouble securing clients a year ahead.

At present, companies must put up large amounts of money one year in advance, take view of the differential and find a physical buyer. However, small and medium-sized operators often do not have the means to do this. Instead of simplifying the buying structure for local Ivorian companies and medium-sized businesses, the reforms have complicated things further.

One remaining outlet for smaller export cooperatives to survive is to go into partnership with large companies. "A lot of smaller players buy beans and then sell them to big trading houses. The system is forcing smaller firms to become the unofficial subsidiaries of big corporations. Around 70-75% of purchased cocoa is processed by four or five big companies, while another 20% is bought by small trading houses and sold to big ones," George told OBG.

The futures market bears an inherent risk for large and small exporters alike. Although the system ensures that producers are able to sell their cocoa stores, the CCC estimates the amount of cocoa to be produced a year ahead, and therefore the majority of the crop is purchased before it is even produced. This opens purchasers to the risk that poor estimations and bad weather may hurt total production. For example, Ghana also has a forward auctions system, and in the past there have been times when there were not enough beans because predictions were too optimistic. This has the potential to cost purchasers significant amounts of money if they cannot secure enough cocoa.

SURVIVAL OF THE FITTEST: All of these factors have culminated in a rapid disappearance of local Ivorian exporters since the implementation of the CCC reforms. Prior to the reforms, it is estimated that there were over 20 local Ivorian exporters and small cooperatives involved in exporting cocoa. However, in recent years this number has dwindled to under 10.

The cocoa sector reforms have in part skewed the industry in favour of larger enterprises, which has resulted in many local exporters leaving the market or beginning to explore alternative arrangements. One option is branching out to other products. For example, some medium-sized cocoa exporters trade in a range of agricultural products including cashew nuts, cocoa, coffee, sesame and sheanut, thereby allowing them to replace any lost revenues on cocoa with those from other products when cocoa prices are too low.

Though the CCC is currently considering adjustments to the futures system to aid small exporters to provide financial guarantees and compete in the bidding process, no tangible reforms were announced at the time of writing, and many exporters remain sceptical that allowances will be made for small players.

Access to credit presents another constraint on smaller exporters, who must put a down payment of up to 50% on loans with an interest rate of 10-13%.



Massandjé Touré-Litsé

Crop support

OBG talks to Massandjé Touré-Litsé, CEO, Coffee Cocoa Council (Conseil Café Cacao, CCC)

Can cocoa processing in Côte d'Ivoire be increased?

TOURÉ-LITSÉ: In 2014, the cocoa processed locally accounted for 35% of the country's output. By 2023, the government wants 50% of output to be locally processed cocoa products. To reach that aim, competitiveness studies are being conducted – notably in terms of factor cost – to assess Côte d'Ivoire's attractiveness to investors compared to other countries in the region. Meanwhile, the Investment Code eases doing business for industrial newcomers and grants a number of fiscal advantages like a tax exemption on imported materials. A good sign for increased processing is the French chocolate manufacturer Cémoi's construction of a new factory in Abidjan, which will come on-line in 2017. There is also a need to empower manufacturers with small-scale production units. The more we add value to our resources, the better it is for the economy; we cannot continue to only be a raw cocoa bean exporter.

How does the minimum farm-gate price encourage farmers to improve cocoa crop yields?

TOURÉ-LITSÉ: There is a direct link between the farm-gate value and the quality of cocoa beans. Before the 2011 reform, authorities suggested a non-binding target price, there was no stable price level and farmers' cash flow was unpredictable. With the reform, the minimum farm-gate price is mandatory and guarantees farmers will receive 60% of the cost, based on insurance and freight (CIF) price. Farmers now have the time and resources to grow cocoa beans effectively.

When best agricultural practices are applied, cocoa quality increases. Ivorian cocoa commands a premium on the international market; it is not yet as high as Ghanaian cocoa, but this is a step forward. The priority has been ensuring that government revenues from the cocoa sector are well-managed, and now handled with good governance standards. One of the greatest challenges of cocoa production in Côte d'Ivoire is the aging orchard. There is no option but to replace all aging

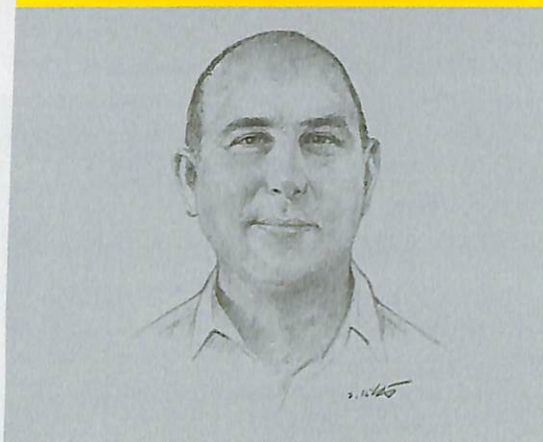
orchard to increase yields and productivity. Financed by government revenues, there are currently three orchard replacement efforts within the *Quantité, Qualité et Croissance* programme. Orchard replacements are conducted in partnership with the National Agro-nomic Research Centre, which provides more high-yield varieties. The CCC also works with a number of international partners including Mars, Nestlé and the World Agroforestry Centre to regenerate orchards.

What risks are there in the cocoa futures market?

TOURÉ-LITSÉ: Forward-selling auctions of cocoa are tied to the London cocoa futures market. Every day the CCC puts on the market an undisclosed volume of cocoa and buyers bid on bean quantities they want to purchase. There are risks in such a scheme. In London, the cocoa business is not only about demand and supply, as speculative funds are also on the market. That is why producing countries are price-takers instead of price-makers. The CIF price depends on the international market trends and if prices go down, farmers' revenues decrease. The market is also exposed to default risk – when buyers bid but fail to enforce and pay their contracts. Nonetheless, a number of guarantees were put in place to address the issue. Besides a deposit from each buyer, a back-up fund of CFA40bn (€60m) was established by the central bank, which helps regulators alleviate risks in case of contract enforcement default.

How can coffee production be improved?

TOURÉ-LITSÉ: Côte d'Ivoire used to be one of the world's largest coffee producers, but because of price deflation, farmers gave up on the crop. They started to plant palm and rubber plantations instead. To restart coffee plantations, the CCC distributed new crop varieties with a yielding capacity of 3.5 tonnes per ha. By focusing on robusta coffee for North Africa, we expect to produce 200,000 tonnes by 2020, and a farm-gate minimum of CFA620 (€0.93) per kg was established.



Youval Rasin

Local product, local issues

OBG talks to Youval Rasin, CEO, DekelOil

What can be done to increase palm oil processing?

RASIN: Traditionally, in the palm business five years are required before yielding starts, and then a mill can be built. It needs between six and seven years before you see the first revenue on a palm oil project. Yet, in Côte d'Ivoire, fruits can be collected from local producers, so investors do not necessarily need to plant before processing. A few years ago, there was a lack of processing capacity, but investors quickly understood that the country was sitting on huge potential, in terms of palm oil production. Compared to its neighbouring countries, Côte d'Ivoire offers many advantages to palm oil processing: 1 ha costs €1500, while in Liberia it can be as high as €3710. Additionally, Côte d'Ivoire has functioning infrastructure, such as its road network, and if machinery is needed, it can be rented locally.

Still, it is challenging to find large plots of land. It is possible to find a limited number of 300-3000-ha plots, but those larger than 10,000 ha are rare. In Côte d'Ivoire, there will not be the traditional huge estate, endless plantations one can find in Southeast Asian countries. This is a disadvantage; investors must work on a small-scale level. It would be very hard for large firms like Sime Darby or Felda to look for 100,000 ha in Côte d'Ivoire.

Agro-businesses have to be built on a smaller area here, but the market potential remains vast. ECOWAS experiences a shortage of 800,000 tonnes of palm oil per year and Côte d'Ivoire is the only West African nation exporting palm oil within the region, about 100,030 tonnes per year. Malaysian and Indonesian imports cover the market demand now, but there is great regional potential in palm oil production. In the long term, Africa should generate enough palm oil to cover its consumption and it should be exporting.

How can small-scale village plantations be better integrated into palm oil industrial activities?

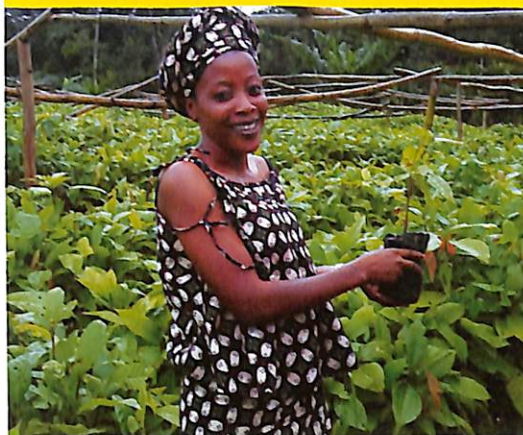
RASIN: The organisational structure in Côte d'Ivoire is well-suited to support small farmers. There are cooperatives and research institutes, as well as subsidies that

are provided. However, farmers' yields still remain low – only 5 tonnes or 6 tonnes per ha.

The fastest approach to increase yields is to provide fertilisers to farmers, but the question is how. The massive small holders loan system requires government support. In absence of such support, industrials created a bonus system that is working but has limited resources. This will not support the massive needs of the small holders. In order for industrials to have a closer relationship with landowners, they should become partners in the plantation. Industrials would not pay for the land, but landowners would get an additional benefit coming from the plantation. This can even provide jobs to villagers and it basically reduces the risks that agribusinesses will have land issues to zero. The biggest challenges facing our industry are issues related to land ownership – especially in places like Côte d'Ivoire where land titles are unclear.

Is sustainable palm oil investment a priority?

RASIN: Standards which were set in Asia are not necessarily the right ones for Africa. These are two different continents with their own market specificities. For instance, in Malaysia, plantations of less than 5000 ha do not need certification, but in Côte d'Ivoire most of plantations are smaller than that. Hence, standards are now being established to accommodate Africa's needs. Côte d'Ivoire is in the process of creating a national interpretation of the Roundtable on Sustainable Palm Oil (RSPO) – setting the principles that companies should follow. The RSPO is about making practical the principles of sustainability. This is a challenge, though deforestation is not a concern in Côte d'Ivoire. Instead, the country is mostly concerned with the fallow land palm oil plantations occupy. In Malaysia, deforestation is a massive problem. Thus, large-scale Asian firms are now looking to Africa. They do not suddenly like Africa, but are adapting to land reserve issues in Asia. For instance, KLK recently bought Equatorial Palm Oil in Liberia and four years ago Wilmar bought a sizable stake in SIFCA.



Côte d'Ivoire is the world's second-largest cocoa grinding hub

Bearing fruit

Policy changes create new difficulties for small-scale cocoa grinders

Côte d'Ivoire is the world's second-largest cocoa grinding hub after the Netherlands, and it produced 520,000 tonnes of processed cocoa in the 2013/14 growing year, or 12% of world cocoa processing. With a current grinding capacity of 550,000-600,000 tonnes, the government and the newly created sector regulator, the Coffee-Cocoa Council (Conseil du Café-Cacao, CCC) are seeking to boost local processing output from 30% of production to 50% by 2015.

POLICY CHANGE: In the early 1990s the government introduced a number of financial incentives to encourage investors to establish processing plants in Côte d'Ivoire. Designed to create a local industry that could compete with American and European processors, a tax break was granted whereby grinders were taxed on the weight of exported products rather than on the weight of the beans utilised to create the products. Known as the *Droit Unique de Sortie* (DUS), this system effectively decreased processors' tax rate by 25%, and was only meant to enable processors to regain their capital investment costs over a period of five years, but sector mismanagement perpetuated the policy for 20 years. Processors also benefitted from an "indicative" farm gate price that was not respected, enabling firms to purchase beans at inexpensive rates.

Low bean prices and the tax break created fierce competition between raw bean exporters and processors in the purchase of cocoa. Additionally, under the DUS system, processors can use their export benefits to overpay at the source, which creates unfair competition for raw bean exporters by paying CFA15-25 (€0.02-0.04) more per kg than exporters can afford to pay.

As part of sector reforms, the CCC revised the DUS system to apply to the weight of raw bean purchases to create a level playing field between exporters and processors. However, unlike exporters who are able to sell their cocoa with relatively low infrastructure costs, grinders lose an estimated 23% of their beans during processing while having to pay for expensive machinery. In theory, given Côte d'Ivoire's processing capaci-

ty of over 500,000 tonnes, the country could process all of the cocoa produced locally. It could even become a cocoa importer and process more than is local production. However, without incentives, processors are not currently willing to expand their capacities because they have determined it is not economically viable.

Another reason cited by processors for a tax incentive is the lack of a local market for chocolate, necessitating a heavy reliance on the export industry. "In West Africa there is a low level of consumption for chocolate because it is a luxury. There needs to be research and development into cocoa products that fit African tastes, the climate and incomes. Once Côte d'Ivoire starts to develop domestic demand for cocoa, it will have a more viable sector that will not be as dependent on tax incentives," Edward George, head of research at Ecobank, told OBG.

NEW VERSUS OLD: The recalculation of the DUS has particularly disadvantaged newly established processors. Grinders that constructed processing units in the 1990s and 2000s enjoyed several years of the DUS tax break that enabled them to earn back their capital investments. However, processors that opened factories in the last couple of years no longer have the means to recoup costs in an environment increasingly competitive in terms of bean prices and operating costs. Newly established units include Olam International's new factory in San Pedro with a capacity of 70,000 tonnes.

LARGE VERSUS SMALL: Several aspects of the reforms specifically disadvantage large grinders. One issue is the new way in which the CCC calculates the DUS on products, where a multiplier of 1.25 is used to evaluate the equivalent bean weight used to make different cocoa products. The multiplier is based on what the CCC considers as the industry standard ratio of 80 tonnes of cocoa products to 100 tonnes of beans; however, this ratio does not necessarily reflect the ratio used by all domestic grinders. Due to different processing techniques, bean qualities and productivity gains, many grinders' ratios often vary between 82-84 tonnes of

The *Droit Unique de Sortie* system was introduced to encourage investment in cocoa processing facilities by effectively decreasing processors' tax rate by 25%.

In West Africa there is very little domestic demand for chocolate, and this has limited the growth potential of the cocoa industry.

Côte d'Ivoire's cotton industry has suffered over a decade of neglect due to low international prices and local unrest. Nevertheless, higher world prices and state provision of fertiliser and pesticides since the end of the war have encouraged the steady recovery of domestic production.

In January 2014 at a seminar to inform local players about cashew processing, the Ivorian minister of industry and mines, Jean-Claude Brou, announced that credit would be made available to promote processing. Financing is accessible through the Ivorian government (CFA22bn, €33m), the West African Development Bank (CFA7bn, €10.5m) and the World Bank, which will provide regulatory assistance and a line of credit worth CFA15bn (€22.5m).

Côte d'Ivoire has few cashew processors at present, the largest of which is Olam, with two units and a total capacity of 40,000 tonnes. The company established the continent's largest cashew processing facility in February 2012 in Bouake, with an annual capacity of 30,000 tonnes, worth CFA17bn (€25.5m).

Despite increased access to credit, the government has a number of other issues to consider in order to realise its goal. "The country is starting from scratch – it needs a marketing strategy, processing facilities, new warehouses and tax incentives to compete with India and Vietnam, who have the comparative advantage in terms of labour, economies of scale and other processing costs, such as the cost of electricity," Edward George, head of research at Ecobank, told OBG. "There is no consumption of cashews locally; therefore, fiscal incentives are needed to support the domestic industry," he added.

A NEW BEGINNING FOR COTTON: Once a leading producer in the sub-region, Côte d'Ivoire's cotton industry has suffered over a decade of neglect due to low international prices and local unrest. Nevertheless, higher world prices and state provision of fertiliser and pesticides since the end of the war have encouraged the steady recovery of domestic production. In 2015 the state anticipates that production will reach 400,000 tonnes, surpassing pre-conflict levels. A lack of access to fertilisers, pesticides, seeds and inadequate farming practices have been identified as one of the largest impediments to increased output; government support will thus continue in order to double annual production by 2016 to 600,000 tonnes.

"Thus far, government efforts to boost production have been very effective, and output has risen dramatically as a result in the last two seasons. A total of 600,000 tonnes may be ambitious, but cotton has a bright outlook and production will likely catch up with regional leaders," said George.

Many farmers also receive farming support from major ginners like Olam, which provides resources like seeds, pesticides and technical training to enhance productivity. "Farmers have no access to finance in this country; therefore, we pre-finance close to 99% of farmers' crop and provide support throughout the supply chain to ensure that producers meet their targets," Augustin Apetey, general manager of Strategic Investments at Olam, told OBG.

The Interprofessional Fund for Agricultural Research and Council is responsible for evaluating the quality of extension support offered by private companies and competitively ranks programmes, facilitating continued improvements in support programmes. Public and private assistance will be crucial to achieving state production objectives in light of low average yields, which remain around 1000 kg per ha relative to competing cotton producers, who produce as much as double the Ivorian average.

Côte d'Ivoire was once home to a profitable cotton processing industry that included cotton crushing, threading and textile production, but the collapse of local production led to the crash of the processing sector. "All of the country's cotton is being exported raw. There are no longer any real value-added activities here. The irony is that Ivorian lint is being exported to China, turned into t-shirts, re-exported to Côte d'Ivoire and worn by Ivorian farmers," said George. The CCA hopes to rejuvenate domestic processing activities; however, the re-establishment of a local industry will require not only support in the form of fiscal incentives, but also improvements in electricity. "Until electricity improves, the processing industry is a no-go. Otherwise, companies need to import fuel and generators, which is unviable," George said.

Si c'est bon, c'est:



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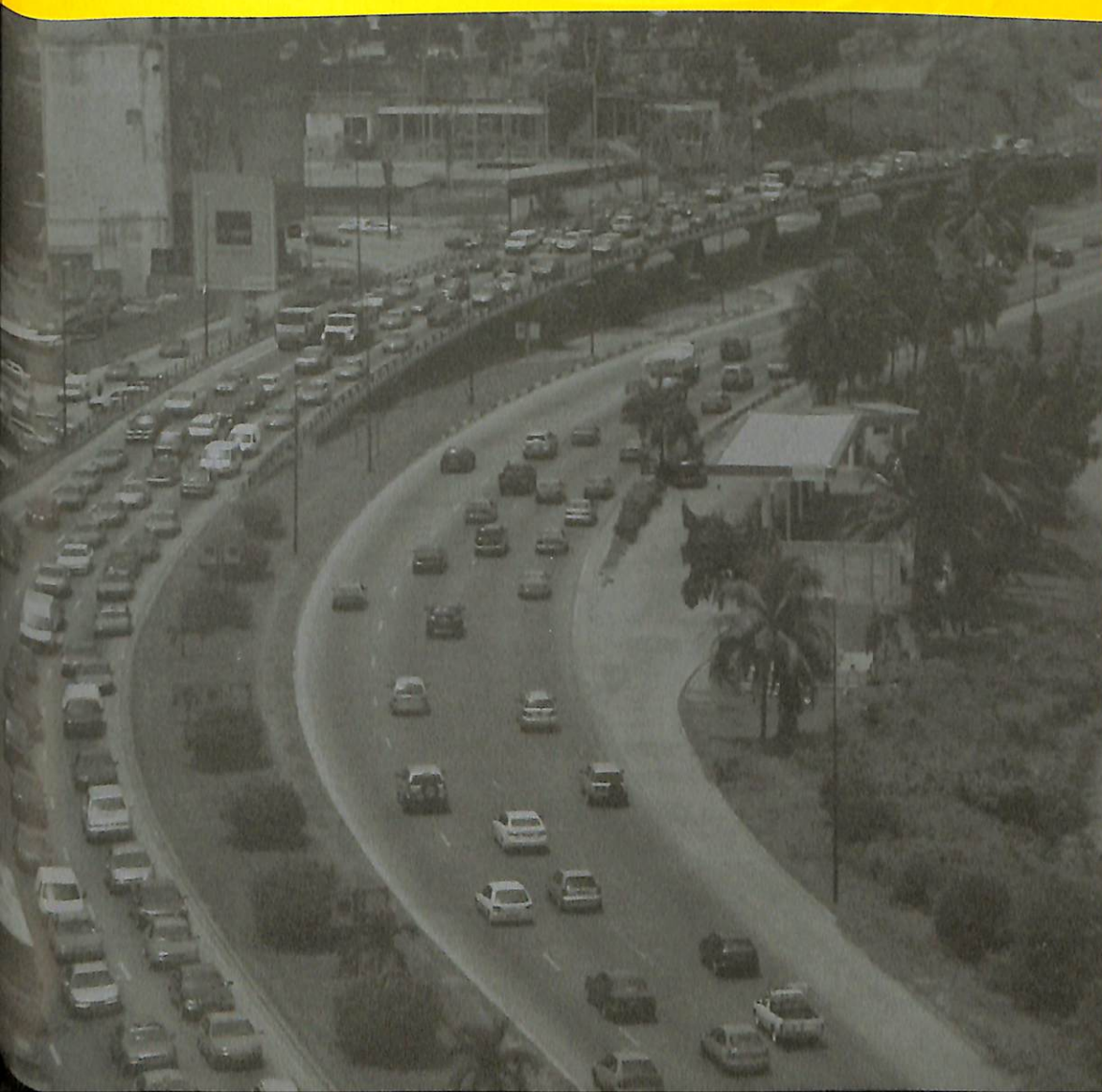
Transport

Regional traffic lost during unrest begins to shift back

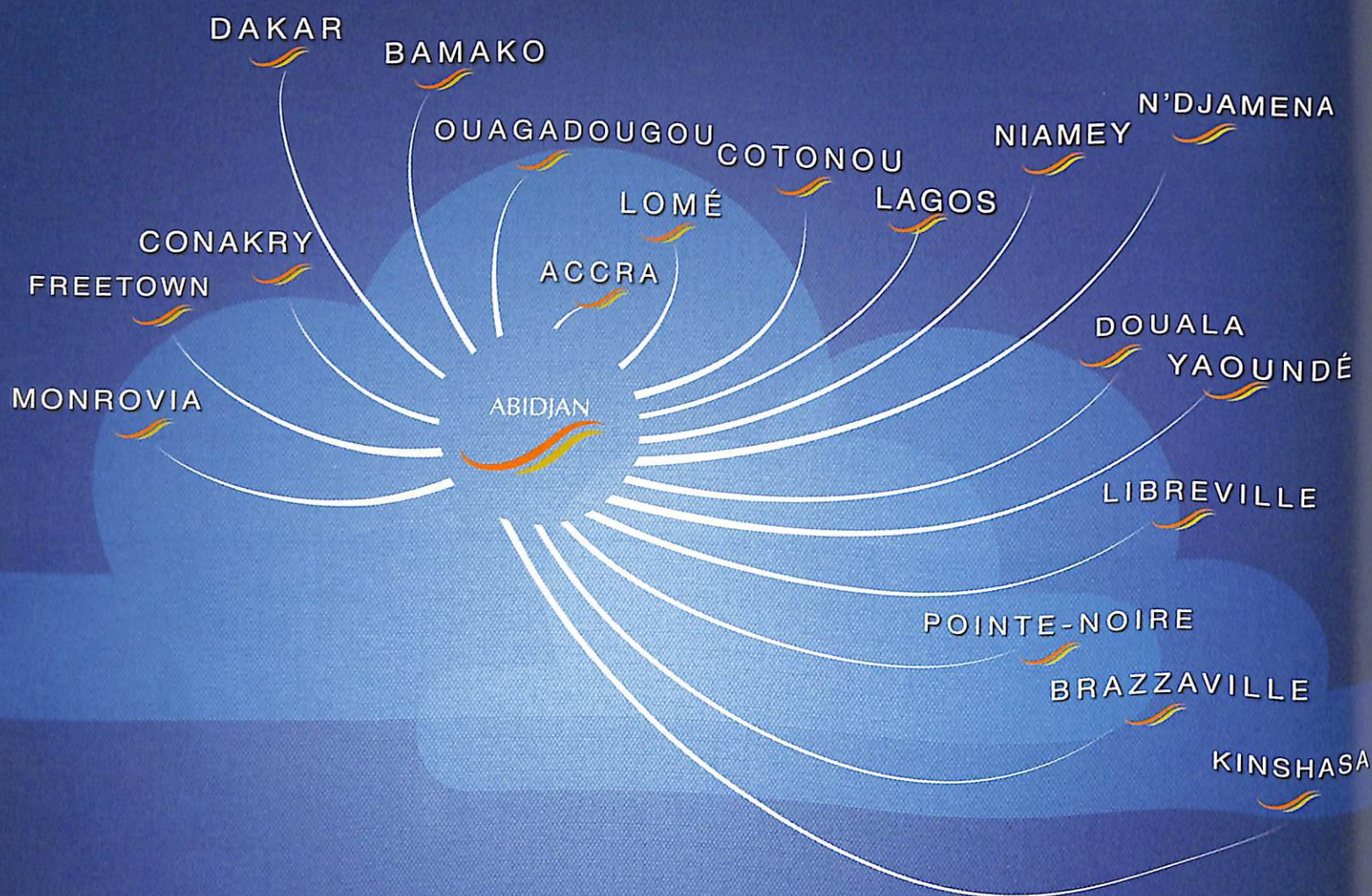
Two important highway projects completed in 2014

A \$30m expansion of cargo terminal at Abidjan airport

Upgrades at ports to facilitate increasing trade traffic



AU DÉPART DU HUB D'ABIDJAN, REJOIGNEZ PLUS DE 18 CAPITALES AFRICAINES EN UN TEMPS DE VOYAGE TRÈS COURT



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Merci de votre fidélité et à bientôt dans vos agences de voyage.



The road system is one of the largest and densest in West Africa

Broad-based boost

Upgrades and extensions will push infrastructure into a new phase

In the decades following independence in 1960, Côte d'Ivoire led West Africa in terms of transport infrastructure. Today, although several years of civil unrest have taken their toll, it still has one of the largest road networks in the region, as well as relatively competitive aviation and maritime port infrastructure.

In the World Bank's Logistics Performance Index 2014, which analyses transport data on 160 countries, Côte d'Ivoire scores 2.62 out of 5, above the average for sub-Saharan Africa (2.41) and lower-middle-income countries (2.56). Among West African countries, it ranks second highest at 79th, behind Nigeria's 75th. As the government pushes to attain emerging country status by 2020, the nation's transport networks are set for a boost in public funding: out of the CFA11trn (€16.5bn) budgeted in the 2012-15 National Development Plan (Plan National de Développement, PND), the state has allocated 25.5% to projects in transport infrastructure.

ROADS: As in many African markets, the bulk of domestic trade is transported via roads. Just as crucial given Côte d'Ivoire's role as a regional transit point, however, is the road network's role in channelling goods from the country's landlocked neighbours to its seaports.

Heavy investment in infrastructure up to the 1980s has made the nation's road system one of the largest and densest in West Africa. According to the Road Management Agency (Agence de Gestion des Routes, Ageroute), the network comprises some 6514 km of paved roads and 75,482 km of unpaved ones. With a density of 25 km of road for each 100 sq km of land, it makes up about half of all roads in the West African Economic and Monetary Union, and plays key role in facilitating regional trade.

While its size is a key advantage, the network is badly in disrepair due to decades of insufficient maintenance. For this reason, the PND puts special emphasis on refurbishing and extending the road system, committing CFA2.8trn (€4.2bn) to transport over four years.

MAINTENANCE: Two entities, Ageroute and the Road Maintenance Fund (Fonds d'Entretien Routier, FER),

are jointly responsible for the upkeep of the road network. Ageroute is charged with monitoring road quality and implementing repairs, while the FER's role is to manage and disburse funds for maintenance.

Lack of coordination between the two agencies, however, has resulted in poor follow-through on road projects, as well as difficulty in paying contractors. According to Ageroute, an estimated 75% of the paved road network currently exceeds its 15-year intended lifespan, with some routes as old as 35 years. Fully 20% of the country's 27,482 km of dirt roads have deteriorated to the point of being unusable, while another 26% are thought to be severely degraded, limiting drivers' average speed to 35 km per hour.

Long-term neglect of the road network is mainly due to the perennial underfunding of the FER. In theory, the fund receives a portion of the CFA25 (€0.04) tax per litre of petrol; in practice, however, other state priorities – such as the wage bill and, more recently, investments in social housing and health care – often absorb much of these revenues, leaving little for road maintenance. Allocations to the FER are not mandated by law and thus subject to the fluctuating availability of funds.

FUNDING: To supplement the FER's income, the government introduced a toll system on the newly extended sections of the highway network, notably the stretch between Abidjan and Yamoussoukro. Introduction initially faced delays, but eventually launched in May 2014.

While the FER was awaiting the contributions of the toll system, and in order to make up for any budget shortfalls, it has also made use of credit. To fund the state's large-scale road refurbishment strategy, the FER has secured loans totalling CFA130bn (€195m) from an array of banks, including Ecobank, the United Bank for Africa, Société Générale, Bank of Africa, Attijariwafa Group - Société Ivoirienne de Banque, BNP Paribas and BGFI. To pay back this debt, the FER is counting on future revenues from fuel taxes and tolls. This may prove difficult if its budget remains at the current level and if the implementation of future toll systems face delays.

The World Bank's Logistics Performance Index 2014 ranked Côte d'Ivoire 79th out of 160 countries, the second highest in West Africa after Nigeria.

The road management agency estimates that 75% of the country's paved road network currently exceeds its 15-year intended lifespan, with some routes as old as 35 years.



Shipping firms are gradually shifting regional traffic back to Abidjan after the downturn of 2010-11

Additional funding comes from a debt reduction contract the government has signed with the French Development Agency in the amount of €152m. The government has also signed a memorandum with the National Highway Company of Morocco for technical support on the 1500 km of planned construction.

HIGHWAY PROJECTS: Built around the Ebré lagoon, the country's economic capital of Abidjan is spread across several peninsulas and islands. For a long time, there were only two bridges linking "Le Plateau", the central business district, to its southern neighbourhoods (and the airport) across the lagoon.

One of Abidjan's most visible infrastructure projects of recent years has been a 6.4-km urban highway linking the city's northern and southern halves via a third bridge over the lagoon. The new Henri Konan Bédié Bridge, which opened to traffic in December 2014, connects the northern suburb of Riviera to the bustling central neighbourhood of Marcory and provides a long-overdue alternative route for crossing the city. A 30-year concession to operate the bridge was awarded to Socoprim, a consortium led by the French company Bouygues (49%) in which the Ivorian state is a minority shareholder (18.65%). The 1.5-km bridge, which cost an estimated €192m, has been set up to generate revenues via a toll system. Also part of the urban highway project is the new Valéry Giscard d'Estaing interchange in Marcory, likewise completed in December 2014.

Plans are also under way to rehabilitate the principal arteries that join Abidjan to Liberia, Ghana and Burkina Faso – including the southern highway, which also links the country's two ports. The western road, which connects Côte d'Ivoire's second port city of San Pédro to Man and Odiénne, is to be refurbished and extended to the border with Mali. With this complete, San Pédro's port would be a prime candidate for handling and exporting goods from the Malian capital of Bamako and Guinea's Forest Region. This initiative complements the San Pédro port expansions and would help develop a second pole of commercial activity in the west.

A third bridge over the Ebré lagoon in Abidjan opened to traffic in December 2014 as part of a 6.4-km urban highway project linking the city's northern and southern halves.

To the north, extension of the highway connecting Abidjan to the political capital of Yamoussoukro was finished in late 2013. The price tag for the four-lane highway, which reduced travel time between the two cities to a few hours, was CFA136bn (€204m), funded 42% by the Ivorian state, 15% by private investors, and 43% by a donor consortium composed of the Arab Bank for Economic Development in Africa, the Islamic Development Bank, the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development and the OPEC Fund for International Development.

FREIGHT TRANSPORT: Reform of the freight sector is also essential to enhancing the country's logistics. As in most of Africa, the country's land transport sector is fragmented and largely informal. Small operations compete at rock-bottom prices, regularly overloading their trucks to squeeze out a marginal profit. Such practices have arisen in an environment where the costs of non-tariff barriers, congestion and poor infrastructure can be high. Routine disregard for per-axle weight limits also causes roads to deteriorate prematurely. As most operators barely earn enough to cover basic operating costs, they are unable to invest in maintaining their fleet, upgrading equipment or training staff.

"As a general rule, companies in Côte d'Ivoire, even in the industrial sector, integrate transport into their business; it's not something that is contracted out," Olivier Delsuc, director of operations at transport firm Les Centaures Routiers, told OBG. "For most transporters, logistics is not a profession so much as a means of transporting their own products." It is similar for fully-fledged firms. "Even for a freight company with a parking lot, on-the-books employees and a well-maintained fleet, the market in Côte d'Ivoire is still very limited," Delsuc said. "There is no hub system: when we invoice a client for transport, we bill the round trip because we know the truck will return empty. There isn't enough merchandise in circulation, which keeps prices high."

Given the low level of formal organisation, transporters have a hard time obtaining credit. Attempts to organise into a professional association, of the kind that might enable collective action, have been unsuccessful. To bring small companies into the formal sector, overhauling the transport code will be essential, and rules on maximum truckloads must be better enforced. The government is making efforts in this area, having announced a penalty structure for overloaded trucks in tandem with the introduction of a highway toll system. The move has, however, met strong resistance from transporters, making implementation difficult.

REGIONAL RAIL: To alleviate road congestion, reduce shipping costs and raise trade volumes, work is under way to rehabilitate the regional rail network. One project is set to refurbish and extend the 1260-km rail connection between Abidjan and the capital of Burkina Faso, Ouagadougou. With the first stretch running to Kaya, this line will later be extended to Tambao, near the borders with Mali and Niger – the site of a lucrative manganese mine. Construction of the line and operation of the manganese shipments will be managed by a consortium made up of Pan African Minerals (55%), the

French company Bolloré (25%) and the governments of Burkina Faso and Côte d'Ivoire (10% each). Bolloré currently operates the existing Abidjan-Ouagadougou line via its subsidiary, Sitarail.

A second planned project is to build a 737-km rail link between San Pédro and the inland city of Man, thus joining the country's mineral-rich western hinterland with its coastal ports. At an estimated cost of CFA870bn (€1.3bn), the rail link would help develop inter-regional trade, especially for nickel, iron and manganese ore as the country pushes to raise the contribution of mining from 1.5% of GDP to 10% by 2020.

MARITIME PORTS: Following the downturn in transit and trans-shipment activity during the civil unrest of 2010-11, the state-run Autonomous Port of Abidjan (Port Autonome d'Abidjan, PAA) is regaining its place as one of West Africa's principal maritime centres. Thanks to Côte d'Ivoire's broader economic recovery – and as Abidjan's main competitor, Ghana's Tema port, faces significant capacity challenges – shipping firms are gradually shifting regional traffic back to PAA (see analysis). Though the port's overall traffic fell by 1% from 2012 to 2013, this may be explained primarily by a reduction in petroleum imports: general merchandise traffic rose by 4% over that period.

To attract more traffic, the PAA has signed a 21-year concession with a consortium – made up of APM Terminals (a part of Maersk Group), Bolloré Africa Logistics and Bouygues – to build and operate a second

container terminal, adding to the existing one it operates. A related project to expand the Vridi Canal, the port's sole access point, will allow larger vessels to enter by raising the maximum draught to 15 metres.

In the west, a similar spate of activity has been launched at the Autonomous Port of San Pédro (Port Autonome de San Pédro, PASP). With roughly 2.9m tonnes of trans-shipment traffic in 2013, PASP has served as the chief port for Côte d'Ivoire's crucial agricultural exports, and has long been one of the world's largest ports for cocoa. In recent years, it has also sought to tap into the expansion of Côte d'Ivoire's upstream oil and mineral sectors, having launched a range of investments to build new terminals for refined fuel and minerals (see analysis). These new units will enable PASP to serve the growing offshore oil and gas industry, aid the exploitation of iron and nickel reserves in western Côte d'Ivoire, and benefit from the manganese boom in Burkina Faso and Mali.

AVIATION: In the aviation sector, Côte d'Ivoire's central location and recovering economy once again make Félix Houphouët-Boigny Airport a strong contender for West Africa's primary aviation centre, a position it held securely during the 1960s and 1970s. Having lost nearly half of its annual passenger traffic during the years of unrest, Abidjan's airport has made a rapid recovery, with traffic jumping from 647,000 passengers in 2011 to 1.2m in 2013. While airport traffic is predominantly business travellers, the summer months of

A planned project to link the coastal city of San Pédro and the inland city of Man would help develop inter-regional trade, especially for nickel and iron in the country's western hinterland and manganese mines in Burkina Faso and Mali.

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Expansion of regional rail links is designed to support minerals trade

A \$30m expansion and upgrade to the cargo terminal at Abidjan's international airport is scheduled for completion in 2015.

2013 also saw an uptick in flights from deals marketed to the Ivorian diaspora, indicating potential for a future tourist market. Passenger flows are expected to reach 1.4m for 2014, surpassing their pre-conflict peak.

TAKING OFF: The airport is not without regional competition. While the largest volume of passengers in West Africa is handled by Nigeria's Lagos Murtala Mohammed Airport, Abidjan's chief competitor is Ghana's airport in Accra, which picked up much of the market share Abidjan lost during the civil crisis. In 2014, Abidjan served 1.3m international passengers, which although lower than the 1.4m predicted, is still considered good performance given the Ebola outbreak in West Africa and a major strike by Air France.

By increasing demand, the brightening outlook for economic growth will help provide a broad-based boost for the domestic aviation industry. Specific events could also have an outsized impact: the planned return of the African Development Bank (AfDB) to Abidjan, for example, is likely to draw in more regional and continental

flights to the city. "The AfDB today has roughly 3500 associates, and these are individuals who travel a significant amount all over the continent, as well as to Europe and the US," Jean-François Cotel, administrative and financial director of Aéria, the airport concessionaire, told OBG. "Additionally, the AfDB is a centre of interest in itself, which will draw air traffic to Abidjan as people come to do business with the bank."

INFRASTRUCTURE: Following a renovation in 2001, Abidjan's airport infrastructure is fairly well developed. Managed since 1996 by Aéria, a subsidiary of the French firm Egis, the airport is currently receiving upgrades to better accommodate 516-seat Airbus A380s. Air France flew its first A380 flight from Paris to Abidjan in January 2014 and has been running three flights a week between the two cities since October. Paris-Abidjan airline traffic grew 8% in 2014, to more than 269,000, which is comparable to the peak years of 2006-09, according to industry news portal RoutesOnline.

A \$30m expansion and upgrade to the cargo terminal, financed by the Islamic Development Bank and being carried out by Egypt's Arab Contractors, is scheduled for completion in 2015. This should attract new investment in the air freight sector, which grew 6.7% in 2013. While Abidjan currently hosts the country's only international airport, plans are also under way to upgrade the domestic air infrastructure, including rehabilitation of airports in Yamoussoukro and Bouaké.

AIRPORT SECURITY: Sector authorities are aiming to get the airport certified by both the US Transportation Security Administration and the UN's International Civil Aviation Organisation (ICAO), according to Sinaly Silué, director-general of the National Authority for Civil Aviation. This would allow direct flights to destinations such as Washington, D.C. "Complying with ICAO standards and best practices is a prerequisite for any airport seeking global recognition, and here the Abidjan airport has done a fairly good job," Silué told OBG. "In terms of efficient in Africa. The authorities have put in a lot of effort in recent years to reach international standards."

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NATIONAL AIRLINE: National carrier Air Côte d'Ivoire (ACI) – launched in 2012 as a replacement for Air Ivoire, which went bankrupt after the post-electoral crisis – grew steadily during its first year of operation, with a turnover of CFA28bn (€42m) in 2013, and occupancy rates reaching 70% near the end of that year. Though data were unavailable for 2014, ACI had set targets of 450,000 passengers and CFA52bn (€78m) in revenues. Owned by the Ivorian state (65%), Air France (20%) and private investors (15%), the airline accounts for more than a quarter of passenger traffic at Abidjan's airport.

According to its managing director, René Decurey, ACI's strategy is to increase direct flights to regional cities to transform Abidjan into a regional hub. Its main competitor in this regard – Asky, based out of Lomé, in Togo – currently flies to 20 countries in West and Central Africa. ACI's current fleet consists of three Airbus A319s and an Embraer 170 for regional flights, and two new Bombardier Q400s for domestic routes. The Q400s were purchased in 2014 for \$120m, financed by a \$114m loan from Cairo-based African Export-Import Bank, and have allowed the airline to increase its routes to cities such as Bouaké, Korhogo and San Pédro.

ACI plans to continue building its regional network, which now serves 17 cities in West and Central Africa. To support its expansion, the airline will need strong capital reserves and partnerships with other carriers: it plans to boost its capital by raising CFA20bn (€30m) in 2015, and to increase code-sharing with other airlines, which it began doing with Air Burkina in late 2013. "The aviation business is such a capital-intensive industry that African airlines need to think in terms of partnerships and code-sharing in order to lower operational costs and enhance revenues," Decurey told OBG.

FEES & PRICING: Operators at Abidjan airport continue to face high fees, a common problem throughout West Africa. Though fuel costs have gone down in recent years – caused by the drop in crude prices and improved productivity from the country's refinery – airlines' operating costs are partially elevated by high taxes. Much of the cost burden is thus passed on to consumers in the form of higher ticket prices. "Airport fees, such as services provided to the airliner, are displayed on passenger tickets as taxes, which is not quite fair," Gilles Darriau, managing director of Aéria, told OBG. Another reason for high prices is consumer behaviour. Most tickets for flights through Abidjan are sold close to – even on – the day of travel. Advance-purchase pricing schemes have little effect in the Ivorian market, which is dominated by business travellers who are less price-sensitive. Nonetheless, downward pressure on fares is expected to continue as more carriers set up shop in Abidjan, boosting competition.

AÉROCITÉ: One part of the government's strategy to turn Abidjan into a regional hub for aviation is Aérocity, a \$2bn mixed-use development to be built on 3700 ha next to the airport. Slated to include hotels, shops, office space, warehouses, equipment facilities and an exposition centre, Aérocity is modelled on similar initiatives, such as South Africa's Aerotropolis, that aim to raise freight and passenger volumes by clustering activ-



Maintenance of the road network is overseen by two agencies, but funding and coordination are issues

ity around the airport. A delayed first phase of 80 ha, initially set to begin in 2013, had yet to get off the ground as of early 2015.

COMMUTER TRAIN: Congestion is a growing problem in Abidjan, a city of 4.2m as of 2011, resulting from long neglect of the urban infrastructure and accelerated migration to the city from Ivorians fleeing political unrest and poverty in the interior. To ease traffic on Abidjan's crowded streets, the government has launched plans for a light rail commuter train. In February 2014 a French-Korean consortium of Bouygues, Hyundai and Dongsan Engineering was chosen to build and operate the line. The terms are still under discussion, but the government hopes soon to secure full private financing for the project, at an estimated cost of up to €1bn.

Expected to carry 300,000 passengers a day, the commuter train will follow 37.5 km of existing rail lines and share platforms with Sitarail. An initial north-south line will connect the northern suburbs of Anyama and Abobo to the business and commercial districts of Adjamé, Plateau and Treichville, before terminating at the airport. A later east-west line is expected to run from Youpougou (Bingerville) to Adjamé.

OUTLOOK: Côte d'Ivoire's reinvestment in its long-neglected transport infrastructure comes just in time to keep pace with the demands of a growing population and an expanding economy. The benefits of road, rail and port projects will reinforce each other, cementing the country's role as a gateway for its land-locked neighbours. Sustaining the funding levels needed to maintain these networks will pose challenges, but strong investment from the private sector and a high level of public-private collaboration bode well for the sector.

Meanwhile, ongoing efforts to increase air connections and improve airport infrastructure promise to facilitate higher tourist and business visitor numbers from both the region and further abroad. The Aérocity project is also set to boost air traffic by clustering relevant industries, such as hotels, meeting space and cargo handling operations, near to the main airport.

The national airline increased its fleet in 2014 with the purchase of two Bombardier Q400s for \$120m, helping expand its services to domestic cities such as Bouaké, Korhogo and San Pédro.



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Abidjan's port is one of West Africa's largest by overall traffic

Port of call

Expansion at the two main ports should boost transit traffic

The central location, large infrastructural capacity, and extensive road and rail connections of Côte d'Ivoire make it a natural gateway for trade to and from its landlocked neighbours: Niger, Burkina Faso and Mali. A decade of unrest, however, has weakened the country's role as a transit gateway to the region and has seen the ports of Dakar (Senegal), Tema (Ghana), and Lomé (Togo) increase their share of the West African transit market.

Yet with the return of stability and sizeable expansion projects in the works – both in Abidjan and the western Port of San Pédro, the country's primary gate for commodities and a portal to Liberia and Guinea – the medium-term outlook is encouraging.

CHIEF PORT: The port at the economic capital of Abidjan remains one of the largest in West Africa by overall traffic, with a throughput of 21.5m tonnes in 2013, down 1% on 2012, according to the Autonomous Port of Abidjan (Port Autonome de Abidjan, PAA). The bulk of this is general merchandise, which at 13.7m tonnes made up 68% of total traffic in 2013, with the rest being shipments of oil and gas. While the general goods figure represents a fall of 6.4% over 2012, this was largely offset by an increase of petroleum products, which rose 10% to 7.7m tonnes (including 1m tonnes of offshore crude) in 2013, the latest for which data were available. Transit traffic grew by 13.3% to 1.8m tonnes, most of it coming from Mali and Burkina Faso.

NEW CONTAINER TERMINAL: Although the PAA has a potential annual container capacity of 1.1m twenty-foot equivalent units (TEUs), maintenance and productivity constraints limit its actual capacity to 800,000 TEUs, according to a study commissioned by the French Development Agency. A further limitation to throughput is the access point through the Vridi Canal, which is relatively shallow and narrow, permitting the port to accommodate only feeder ships and smaller vessels with a maximum draft of 11.5 metres and a maximum length of 250 metres.

With the aim of addressing these challenges and attracting more transit traffic, the PAA has launched a multifaceted expansion project, including the construction of a second container terminal and the widening and deepening of the Vridi Canal.

After a lengthy and heavily contested tendering process, the concession to build and operate the second container terminal for a period of 21 years was awarded in December 2013 to a consortium of APM Terminals (a part of Maersk Group), Bolloré Africa Logistics and Bouygues. The consortium, which runs the port's existing terminal, has agreed to an initial investment of €120m and a fixed annual revenues payment of €22m. It plans to invest more than €400m in upgrades and new equipment, including six ship-to-shore gantry cranes and 15 yard cranes, according to Bolloré Africa. Scheduled to begin operations in 2018, the new terminal will boost the port's annual container capacity by 1.5m TEUs, more than double its current potential capacity and nearly triple today's actual handling capabilities.

The PAA, for its part, will be responsible for building 1100 metres of quay alongside the 37.5-ha shipyard and for the expansion of the Vridi Canal, the port's only entrance point. The China Harbour Engineering Company has been chosen to carry out the large-scale construction component for the canal work at an estimated cost of €2bn, with partial financing from the China's Eximbank.

LOWERING COSTS: Costs at the port are high, in part due to the requirements of its certification by the International Ship and Port Facility Security (ISPS). Yet these are set to decrease with better coordination between port entities. "The post-electoral crisis caused the suspension of certain exports and reduced calls at port for several months in 2011, which caused prices to climb as service providers sought to compensate for lost revenues," Jean-Marc Yacé, director-general of shipping firm Eolis and president of the shipper's union Syndinavi, told OBG.

Out of the 21.5m tonnes of throughput at the Port of Abidjan in 2013, some 68% was general merchandise, with the rest being shipments of oil and gas products.

To attract more transit traffic, the Port of Abidjan awarded a tender to build a second terminal with an initial investment of €120m. The winning consortium also plans to invest more than €400m in systems upgrades and new equipment.



Implementation of an online single window portal is expected to reduce turnaround times and costs

"Previously, shippers' representatives had to deal separately with Customs, the police department, health inspectors, and so on, causing delays in turnaround times. But we are in the process of implementing an online single window portal to make administrative fees more transparent, to render the system more efficient and reduce costs," he added.

Growing congestion on the port's access roads, as well as the persistent problem of bribery on its highways, which increases the operational costs for transit traffic, pose other challenges for the port's operators. Addressing these should unlock further growth potential for the PAA.

OIL & GAS: Significant deep-water oil and gas reserves are believed to exist off of Côte d'Ivoire's eastern coast, with studies intensifying. As this begins to draw investors' attention in the energy industry (see Energy chapter), it will also open up extensive opportunities for maritime shipping. Petrol products currently represent a third of all traffic through the PAA, and oil companies are starting to show interest in further exploration.

Abidjan already hosts the Carena shipyard, a large-scale maritime repair shop specialising in offshore oil and gas vessels. "Our position is strategic because we are geographically situated in the heart of offshore oil and gas operations, and 60% of our clients are in that sector," Cynthia Ouattara, chief financial officer of Carena, told OBG. "The volume of demand is very high; there are lots of petroleum vessels, lots of oil rigs, and the numbers are increasing."

SECOND PORT: The country's second-largest port, the Autonomous Port of San Pédro (Port Autonome de San Pédro, PASP) about 350 km west of Abidjan, saw roughly 250,000 tonnes of imports, 1.1m tonnes of exports and 2.9m tonnes of total trans-shipment traffic in 2013, this last a rise of 52.6% on 2012.

Anticipating a boom in oil and gas exploration, the PASP has announced plans to build a modern refined fuel terminal. With National Petroleum Com-

pany of Côte d'Ivoire as its main partner, the project will require an investment of \$60m and take three years to complete, starting sometime in 2015. The new terminal will have a storage capacity of 50,000 tonnes, and will serve as a stocking and transit point for petrol products shipped from Abidjan facilities of the Ivorian Refining Company before they are transported to inland markets.

The project is a key component of San Pédro's drive to diversify away from its primary exports of cocoa and coffee. The port has long been one of the world's largest handlers of cocoa, of which Côte d'Ivoire grows roughly 40% of global supply. Yet with production of the bean set to slow in the years ahead – output in the 2014/15 season is forecast to fall by 3.5% year-on-year, according to market research – PASP is looking to capitalise on the raft of new activity expected in the extractive sectors.

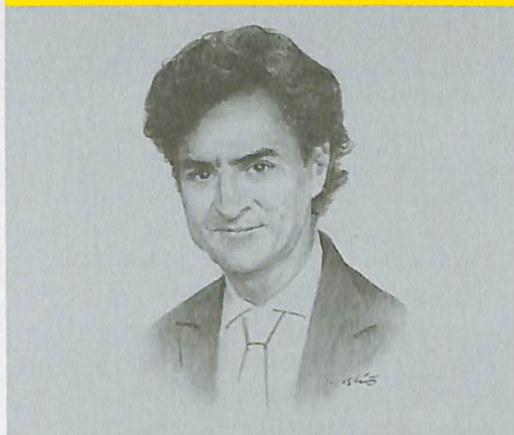
REGIONAL PRESENCE: San Pédro is also well placed geographically to serve the export markets in neighbouring Liberia, Guinea and Mali. Current highway and rail extension projects in western Côte d'Ivoire will furnish the necessary overland network to facilitate rising traffic (see overview). Besides enabling PASP to tap into regional export markets, the new terminal will expand the port's role as the economic nexus for western Côte d'Ivoire, where domestic fuel consumption has grown to 3m tonnes a year.

The strengthening links between San Pédro and neighbouring markets will enhance Côte d'Ivoire's status as a regional gateway. Planned rehabilitation of the 1260-km rail connection between Abidjan and Ouagadougou, for example, will be a key factor in developing the country's transit traffic. The container terminal at Ghana's Tema port is constrained geographically and has limited potential for expansion in the near term; Abidjan's increased capacity will thus make it highly attractive by comparison, particularly in turnaround times. All of the projects currently on the books are capital-intensive, yet if they are fully realised, their impact will be significant.



A terminal for refined fuel is being built at the Port of San Pédro

Oil and gas exploration off of the country's eastern coast will open up extensive opportunities for maritime shipping. Petrol products currently represent a third of all traffic through the Port of Abidjan.



Dominique Lafont

Trading hub

OBG talks to Dominique Lafont, CEO, Bolloré Africa Logistics

How can south-south trade benefit from transport infrastructure development?

LAFONT: The African continent has achieved an average growth rate of 5% for nearly a decade, while emerging countries such as China and India have intensified their investment in sub-Saharan Africa. However, while France has lost ground in terms of its relative share, it still remains the biggest foreign direct investor.

Better transport infrastructure would help boost productive investment in sectors like agro-industry, ICT and manufacturing. Côte d'Ivoire is well positioned to accommodate agro-industrial clusters for commodities such as cocoa, cashew, coffee and cotton. According to demographic trends, the continent's population is expected to reach 2bn by 2050. To meet the needs of this population, Africa needs to further diversify its trade partners as well as nourish intra-African trade.

How efficient is intermodal transportation?

LAFONT: Côte d'Ivoire's strategically important location can serve as a gateway for its landlocked neighbours. On the maritime side, Abidjan Terminal has invested massively – CFA80bn (€1.22bn) – to ensure that the port's terminal remains competitive and attractive. Currently, the container terminal has six Panamax gantry cranes, 16 gantry parks and two mobile cranes.

The country can also rely on its rail infrastructure, a unique link in West Africa, which stretches for 1155 km between Abidjan and Ouagadougou. Coupled with strong security measures and low greenhouse gas emissions, this railway is a real advantage for multimodal transportation purposes. In a joint effort, Côte d'Ivoire and Burkina Faso have also called for the rehabilitation of the line between Abidjan and Kaya.

In what ways will the second container terminal ensure a competitive pricing structure?

LAFONT: The concession of the second container terminal was granted on four criteria, among which was port tariff. As part of the call for tender, Côte d'Ivoire

set a maximum tariff, and our proposal included the lowest offer – 25% lower than the cap. Additionally, the opening of new shipping lines with Asia should also help to lower freight rates. The construction of the 18-metre-deep second container terminal will allow the Port of Abidjan to have an efficient trans-shipment platform. By 2017, vessels with a capacity of up to 8500 containers will be able to dock at the port. Overall terminal productivity will increase with higher technical standards, a 1.1-km dock, an embankment spanning a 37.5-ha area, storage capacity for 2m containers, and the deepening of the channel. Over €400m will be invested in handling equipment, including six gantry cranes, 15 gantry parks and information systems.

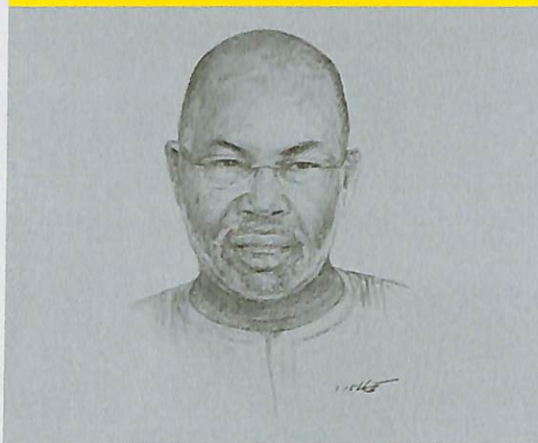
To what extent can public-private partnerships (PPPs) be beneficial in boosting economic growth?

LAFONT: A number of West and Central African States have granted concessions in sectors like water, electricity and transport infrastructure. Côte d'Ivoire was a pioneer when it chose to create a PPP with its Burkinabé counterparts to establish a transnational railway.

More recently, Ivorian authorities strengthened regulations for PPPs by establishing several institutions to supervise those concessions. To some extent, PPPs weigh in the balance of economic success and contribute to Côte d'Ivoire's attractiveness to investors.

What are the challenges when it comes to soft infrastructure improvements?

LAFONT: The role of Customs in control procedures and clearance makes it important for streamlining port and logistics activities. However, if procedures are not respected or do not match global market trends, Customs can also hinder the growth of trade by becoming a disincentive to increased imports and exports. Côte d'Ivoire has begun to ease procedures, notably with the dematerialisation of documents. This should help secure the government's revenues and send a strong signal of confidence to international and local private investors.



Gervais Koffi Djondo

Tackling issues

OBG talks to Gervais Koffi Djondo, Chairman, Askyl

How can intra-African air transport be facilitated?

DJONDO: This is a crucial issue. Intra-African air transport will only become a reality the day we understand the importance of consolidation, and decide to regroup and partner with one another. For instance, in West Africa – excluding Nigeria – one regional airline would be enough to cover market needs. If that were to happen, that airline would have significant resources, with high quality human capital, which could help to create a credible and safe airline industry. It is also important to remain 100% private, and have significant financial resources to purchase aircraft in order to increase flight frequencies and routes, as well as other more reasonable prices. Air transport is a sector that requires a significant amount of funding before it can reach a profitable and sustainable financial position.

How would you characterise the major challenges to the liberalisation of aviation in West Africa?

DJONDO: According to the framework of the Yamoussoukro Decision, it is up to our governments to roll out the liberalisation of air transport in West Africa. For instance, there needs to be a more level playing field between foreign and local airlines. Currently, some African countries favour European and Middle Eastern airlines because they promise technical support and high passenger traffic, and they account for 80% of inter-continental routes departing from Africa. Equal treatment between African and European airlines should therefore be a priority for the aviation sector.

The current level of competition does not significantly influence airline ticket prices. However, the heavy tax burden on flight tickets in West and Central Africa far exceeds the usual rates in East Africa. Taxes can account for more than 50% of ticket costs. Indeed, airport fees in West Africa, including landing fees and fuel, are among the highest in the world. For all these reasons, it has become imperative for regional airlines to work and cooperate closely together, towards the objective of reducing these costs to a more reasonable level.

What can be done to improve the financial viability of airlines within Africa for the future?

DJONDO: First of all, African airlines face governance and management issues. With a few exceptions, most of the current larger African airlines are 99% state-owned companies. One could even question the rigour of their approaches to management. Similarly, insufficient capital means that these companies cannot buy reliable aircraft, while at the same time, aircraft maintenance is very expensive, not to mention renting costs.

Therefore, before creating an airline, meticulous feasibility studies must be carried out, and if the project reaches fruition, the companies must be managed by highly competent professionals who have come from the private sector. Partnerships can be beneficial, but everybody needs outside financing at some point, even partners, and ultimately, investors want returns.

To what extent can local technical skills cover the maintenance needs of African airlines?

DJONDO: Apart from Ethiopian Airlines, South African Airways, Royal Air Maroc, Tunis Air, Air Algeria and Kenya Airways, only a few airlines in Africa have highly equipped maintenance centres. Such facilities not only require human resources, but also investment. It is only by consolidating and regrouping airlines that we could pool the technical resources required to create more competitive centres for aircraft maintenance.

In what ways can commercial aviation security be strengthened over the coming years?

DJONDO: In order to improve their security records, African airlines need to give a greater focus to respecting maintenance schedules. In July 2012, the Abuja Declaration on Aviation Safety adopted a plan of action aiming at strengthening regulatory oversight. It also aims to gradually decrease the rate of accidents and reach the global average by 2015. Unfortunately, African countries suffer from a negative perception, to which the European Union blacklist contributes greatly.

Construction & Real Estate

Significant public spending earmarked for added capacity

Expansion of road network attracts new investment

Greater transparency sought in PPP procurement process

Demand for housing prompts activity beyond the capital

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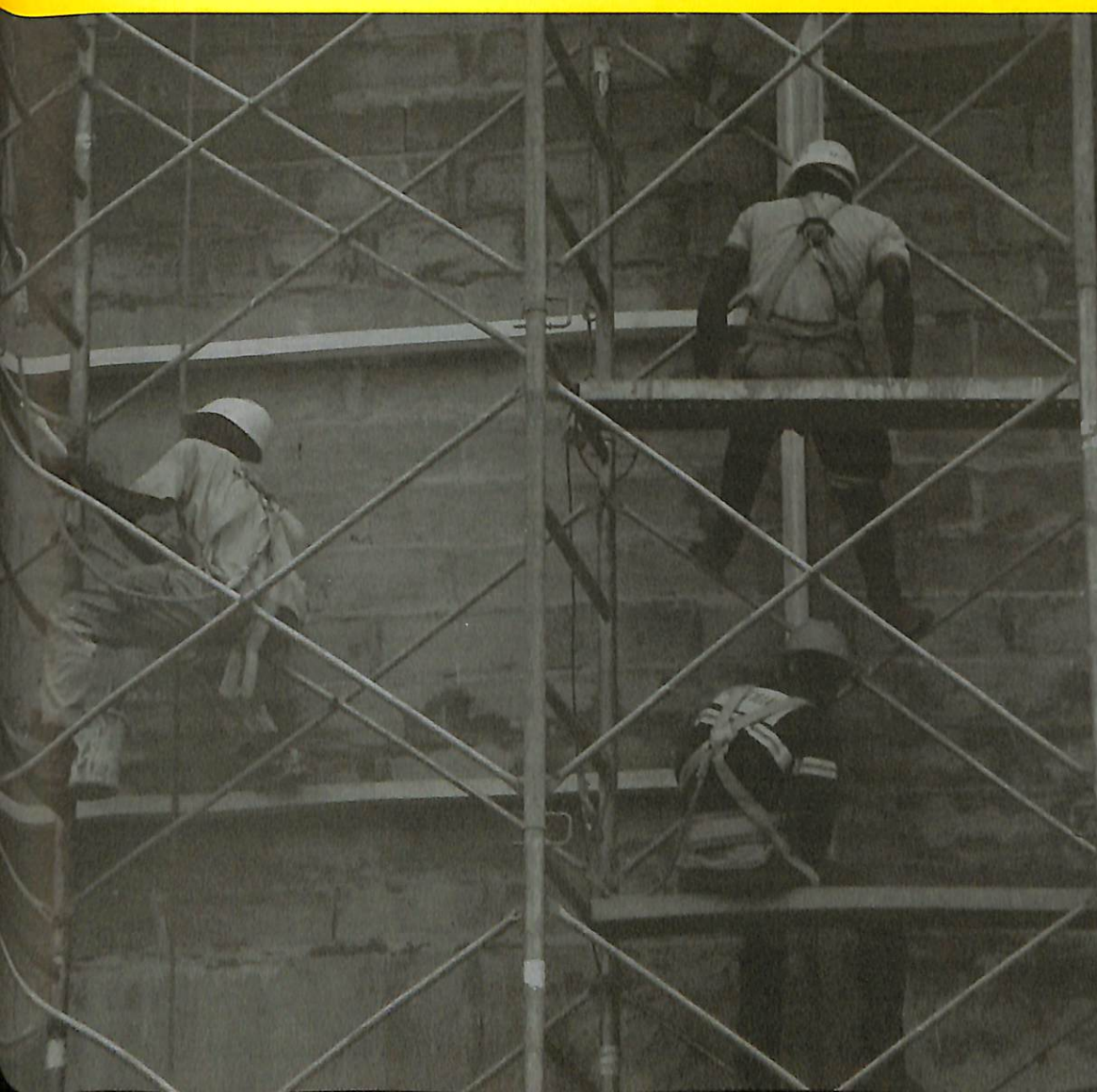
Greater transparency sought in PPP procurement process

Demand for housing prompts activity beyond the capital

Significant public spending earmarked for added capacity

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Construction activity has rebounded in recent years

Playing catch-up

Significant housing demand and a slew of public projects fuel growth

The sector grew significantly in 2013, expanding by 25.3%. The contribution of building and civil works to GDP also rose from 6% in 2011 to 7.5% in 2013.

After a decade of under-investment, Côte d'Ivoire's construction sector has sustained double-digit growth over the past three years as private reconstruction and public investment continue to rise sharply. With a strong portfolio of public projects, particularly in transport infrastructure and low- to middle-income housing, the demand for construction materials is set to grow further. However, new domestic capacity to produce key construction materials will be required to curb the impact on the country's current import bill.

Driven by major public works, the construction sector grew by 25.3% in 2013, according to the African Economic Outlook. Building and civil works accounted for 7.5% of GDP in 2013, up from 6% in 2011, and as a result of the increased construction activity, the secondary sector expanded by 13.3% in 2013.

PLANNING AHEAD: After more than a decade of armed conflict, investment in construction had until 2012 largely stalled. Yet, with the return to stability and strengthening economic recovery, activity has picked up again in earnest. The main impetus comes from public spending, with CFA565.2bn (€847.8m) earmarked for housing and urban development under the 2012-15 National Development Plan (Plan Nationale de Développement, PND). However, the PND estimates another CFA11trn (€16.5bn) is required to meet infrastructure and transport targets, and while the private sector is playing an increasing role in rolling out new infrastructure, a large proportion of financing is expected to come from foreign donors. Following a convention in Paris 2012 of the Consultative Group to Assist the Poor, a global partnership including the World Bank, international donors committed \$8.75bn, with several projects, including the construction of roads and bridges, already the recipients of donor financing.

MARKET STRUCTURE: From real estate to large public works, global construction firms are active in all segments. Traditionally dominated by French and Lebanese investors, the construction sector has seen significant diversification in terms of both sources of capital and

contractors themselves. In the residential real estate segment, Côte d'Ivoire has seen the entrance of several international firms, including Moroccan groups Addoha and Alliances, both of which have a presence in the affordable housing segment (see Real Estate overview). Further, Chinese contractors, such as the state-owned engineering company Sinohydro, have also made inroads, building the Soubré hydroelectric dam in the south-west of the country. "We have benefitted from globalisation and have diversified our trading partners, including among emerging countries," Prime Minister Daniel Kablan Duncan told OBG. "China is investing massively in Africa – including in Côte d'Ivoire – and we look forward to seeing more of that."

Notwithstanding this diversification, major French firms retain a large footprint in terms of civil engineering and public works projects. Under its subsidiaries Bouygues Construction Concessions, Colas, SOCOPRIM, DTP Terrassement and Foxtrot, French conglomerate Bouygues is one of the main investors in the country, while Vinci, through its subsidiary Sogea-Satom, and Razel-Bec are also active in building port infrastructure and rehabilitating the nation's roads.

LOCAL CONTENT: Domestic firms have a relatively minimal presence in the large and more technically demanding projects, in part due to the difficulties faced by smaller and non-blue-chip firms in accessing capital, although the government is hoping to change this (see Economy chapter). A new mobile collateral registry backed by the World Bank could help improve the ability of Côte d'Ivoire's smaller contractors to tap into larger projects (See Banking Chapter).

"Local construction firms face chronic difficulties in accessing to finance, and it therefore affects their ability to win tenders," Sédjougou Coulibaly, general manager of local building firm Banibah, told OBG. "At best, international firms outsource some of their work and call for local firms' expertise," he said.

CASH FLOW: Another challenge for contractors has been the government's arrears in payment, which can

Although the 2012-15 National Development Plan has allocated €847.8m to housing and urban development, another €16.5bn is required to meet wider infrastructure and transport targets.

often drag into a year, thereby pressuring the balance sheets of small and medium-sized enterprises (SMEs). Public procurement contracts officially apply a 90-day payment deadline for public authorities, whereas only 45 to 60 days are required in Europe, for instance. And while the payment deadline is a contractual obligation, it is not consistently enforced, according to the Confederation of Businesses of Côte d'Ivoire. "Local SMEs find it difficult to finance construction projects, hence the country's over-reliance on international companies," Badou Yao Kouadio, director-general of *Entreprise Nationale du Bâtiment et des Travaux Publics*, told OBG.

To ease constraints on SMEs in construction and boost their participation in public tenders, the government has been working on a classification system to allow preferential procurement.

The goal is to better include SMEs in public projects using performance criteria on their assets, facilities, human resources and technical capacities. Each SME will be classed into one of three groups: building, public works or consulting. As of early 2015, the project had yet to be finalised. "As local SMEs can hardly compete with international firms, categorising tenders according to companies' size is crucial for the future well-being of Ivorian companies," El Hadj Drame Youssef, director-general of GECOB-CI, told OBG.

NEW PPP INITIATIVES: The government has been proactive about restarting construction activity on infrastructure and housing projects, not only to address existing deficits but also to stimulate job creation. However, Côte d'Ivoire has limited fiscal space for manoeuvre, and while foreign donors have already made sizeable commitments to help underwrite a spate of new projects, the private sector is also expected to finance around 60% of the PND budget through various public-private partnerships (PPPs).

One of the most visible examples of this is a 6.7-km urban highway that includes the 1.5-km Henri Konan Bédié toll bridge – the third bridge through Abidjan connecting Marcory to Riviera – which opened in December 2014. Designed as a build-operate-transfer (BOT) scheme over 30 years, the flagship PPP was awarded to *Société Concessionnaire du Pont Riviera-Marcory*, known as Socoprim, in a non-competitive tender.

The special-purpose vehicle Socoprim is owned 49% by French conglomerate Bouygues, 22.03% by the Pan-African Infrastructure Development Fund at the African Development Bank (AfDB), 18.65% by the Ivorian government, and 3.78% by French oil major Total. The €192m project raised €28.8m in equity from the Ivorian government, Bouygues, Total, Banque Nationale d'Investissement and South African fund-manager Harith; and €125.5m in senior syndicated debt from the AfDB, the Dutch development bank (FMO), the ECOWAS Investment Bank, the African Finance Corporation (AFC), Morocco's BMCE Bank and the West African Development Bank (BOAD); and €40m in subordinated debt from Bouygues, FMO, AFC and Harith.

Besides the construction of the third bridge in Abidjan, other bridge projects have been launched outside of the economic capital. Roughly 40 km west Abidjan,



Public-private partnerships are playing a key role in the government's development plans

the Jacquerville Bridge will connect Jacquerville Island to the mainland by road for the first time. Initially planned to open by December 2013, the project was postponed for technical reasons and is still under construction. A pool of international donors, including the BOAD, the Arab Bank for Economic Development in Africa, the OPEC Fund for International Development and the Ivorian government, is financing the CFA18.58bn (€27.9m) project. Awarded to Egyptian state-owned group Arab Contractors, the project started in July 2009 and is slated for completion by February 2015.

PORT PROJECT: Another PPP in the pipeline is the construction of a second container terminal, TC2, at the Port of Abidjan. After a heavily contested tendering process, a consortium comprising Netherlands-based APM Terminals, French firm Bolloré Africa Logistics and Bouygues won the bid to build and manage the terminal in December 2013. Based on a BOT scheme, the consortium plans to invest CFA300bn (€450m) over the 21-year concession, and will pay the government an annual concession fee of CFA14.5bn (€21.8m). Complementing TC2, the port authority will build a 1.1-km dock alongside an embankment spanning a 37.5-ha area and deepen the channel. The work is scheduled to be completed by 2018 (see Transport chapter).

ROAD NETWORK: Among the major segments that are driving construction activity are housing (see Real Estate overview) and road works. With an 82,000-km road network, of which about 6500 km is paved and 230 km is high-speed motorway, Côte d'Ivoire has the most extended road network in the West African Economic and Monetary Union. Nonetheless, as the network is ageing fast, much rehabilitation needs to be done. According to the Road Management Agency (*Agence Nationale de Gestion des Routes, Ageroute*), which is responsible for public road works, around 75% of paved roads (4875 km) were built between 15 and 35 years ago, hence the ongoing need for maintenance and rehabilitation. On the basis that 1 km costs about CFA150m (€225,000) to rehabilitate, a total of CFA731bn

A number of projects are currently under way to rehabilitate and expand the country's 82,000 km of roads, 75% of which were built more than 15 years ago. Refurbishing the entire network is estimated to cost €1.97bn.

Local cement production reached 2.5m tonnes in 2013. Demand continues to outpace supply, however, as imports rose by 371.6% from 2012 to 2013.

(€1.97bn) would be required to refurbish the entire network, according to Ageroute (see Transport chapter).

The Road Maintenance Fund (Fond d'Entretien Routier, FER), which was set up in 2001, is the body in charge of financing Ageroute's projects. Hampered by years of political unrest, neither Ageroute nor the fund has been able to ensure full maintenance of the country's road network. However, with the return to stability in recent years, private financial institutions as well as international donors seem willing to jump-start road maintenance and construction activity.

FUNDING IMPROVEMENTS: In early 2014 the FER had raised a total of CFA130bn (€195m) from a consortium of seven banks. To accommodate the fund, loan was structured in two tranches – one short term and one medium term. While one-third of the CFA130bn (€195m) total will be reimbursed over a two-year period, at a rate of 7%, the remaining two-thirds is payable over five years at a rate of 8%. The fund will use its own resources, which includes transport licences, a tax on petroleum products and car tax discs, to pay the debt.

In June 2014 the BOAD extended a credit line of CFA34bn (€51m) to the Ivorian government, CFA24bn (€36m) of which allocated to FER to build 855 km of bitumen roads, and roughly 4200 km of dirt roads. The other CFA10bn (€15m) is part of a co-financed project between the state and donors, including the BOAD and ECOWAS Investment and Development Bank, to build the Tiébissou-Didiévi road in the centre of the country. The road project aims to better integrate central regions by connecting them to large road axes and, in the process, boost internal trade.

Also supporting trade is an agreement between the Ministry of Agriculture and Ageroute signed in June 2014 to develop and maintain 3332 km of farm tracks to facilitate the supply of crops, especially cocoa, from farmers to processors and exporters, (see Agriculture chapter). Designed with the support of the World Bank's Agriculture Sector Support Project and the French Development Agency, the Debt Relief and Development Contract will release financing of CFA8.57bn (€12.9m) to help upgrade the farm-track network.

CONSTRUCTION MATERIALS: The uptick in activity has seen a subsequent jump in demand for construction materials. According to the IMF, as of June 2013, sales of construction materials had increased sharply. In addition to a strong demand for bitumen and cement, concrete sales rose by 69.4%, sheet metals by 42.7% and gravel by 23.7% in 2013. While growing demand for construction materials is a key indicator of the sector's expansion, new investment in the production of those materials is central to meet the country's needs.

PAVING THE WAY: Driven by road rehabilitation and construction projects, demand for bitumen rose sharply in 2013. According to the 2013 annual report by Société Multinationale de Bitumes (SMB), the country's sole supplier and a major exporter, annual sales of bitumen in Côte d'Ivoire rose 72%, from 26,600 tonnes in 2012 to 45,700 tonnes in 2013, for a turnover of CFA19.06bn (€28.6m). Bitumen prices are highly dependent on oil price volatility; in 2013 the price of a barrel of crude

Brent declined sharply, by \$22 from February to April, and then jumped by \$3 between April and August, to finally stabilise at around \$110 per barrel at the end of the fourth quarter 2013, according to SMB.

With an annual production capacity of 450,000 tonnes, SMB, which is 72% owned by the state's Ivorian Refining Company and 28% owned by private investors, supplies the entire Ivorian market. Operating the only large-scale bitumen plant in sub-Saharan Africa, excluding South Africa, SMB exports between 70% and 80% of its output to the continent, including to Nigeria and Ghana, among others. While its bitumen output fell in 2013, due to the refinery's turnaround maintenance in the first quarter, this had no noticeable consequences for local building companies as SMB gave domestic clients priority over exports, which contracted from 189,900 tonnes in 2012 to 97,100 tonnes in 2013. Based on OBG surveys, local demand for bitumen weakened in the first quarter of 2014 due to delayed payments by the state, although SMB intended to supply the market with 60,000 tonnes in 2014.

CEMENT: According to data from Ecobank Research, the most available at the time of writing, Côte d'Ivoire's cement production reached 2.5m tonnes in 2013. While still far behind the continent's top producers, namely Nigeria (28.3m tonnes) and South Africa (19m tonnes), capacity has increased considerably, though the country still relies largely on imports. According to the IMF, cement imports surged by 371.6% from 2012 to 2013.

Cement prices, which are a factor behind rising competition in the sector, stood at CFA97,545 (€146) per tonne for artificial Portland cement and CFA79,560 (€119) per tonne for compound Portland cement, as of August 2014. Traditionally dominated by Société Ivoirienne de Ciments et Matériaux and Société des Ciments d'Abidjan, competition in the cement market has grown with the arrival of foreign investors. After commencing operations in Côte d'Ivoire in June 2013, cement producer Ciments de l'Afrique, a subsidiary of Moroccan property developer Addoha, expanded its grinding facility from 500,000 tonnes to 1m tonnes by year-end 2014, to supply the group's low-cost housing development needs. In early 2014 the company invest-

Sub-Saharan cement production, 2013 (m tonnes)

Country	Production
Nigeria	28.3
South Africa	19
Ethiopia	12.6
Angola	8
Kenya	7.4
Ghana	6.7
Senegal	6.5
Tanzania	3.7
Uganda	2.6
Côte d'Ivoire	2.5
Benin	2.1
Others	16.4
TOTAL	115.8

SOURCE: Ecobank

Demand for bitumen increased markedly during 2013, with annual sales in the country, driven in large part by road works, jumping by 72% from 26,600 to 45,700 tonnes.

ed CFA8bn (€12m) in a cement-packing plant at the Yopougon Industrial Zone. With a capacity to pack 80m bags, the group aims to supply all of its cement facilities in West and Central Africa.

In addition to building a cement import terminal at the Port of Abidjan with capacity to package and bag 1m tonnes of cement per year, Nigerian heavyweight Dangote is building a 1.5m-tonne-per-year grinding facility, which is expected to be operational by the second quarter of 2015. "The cement business is driven by massive construction projects throughout the country, notably with the government's housing construction programme," Guy Camara, general-manager at Dangote Côte d'Ivoire, told OBG.

In August 2014 Turkish industrial group Limak and Ivorian Afrikbat established the joint-venture Limak Africa, and plan to invest \$50m in the development of an industrial complex to produce cement and concrete. The facility will have an annual production capacity of 1m tonnes of cement and a concrete plant with a capacity of 1m cu metres per year.

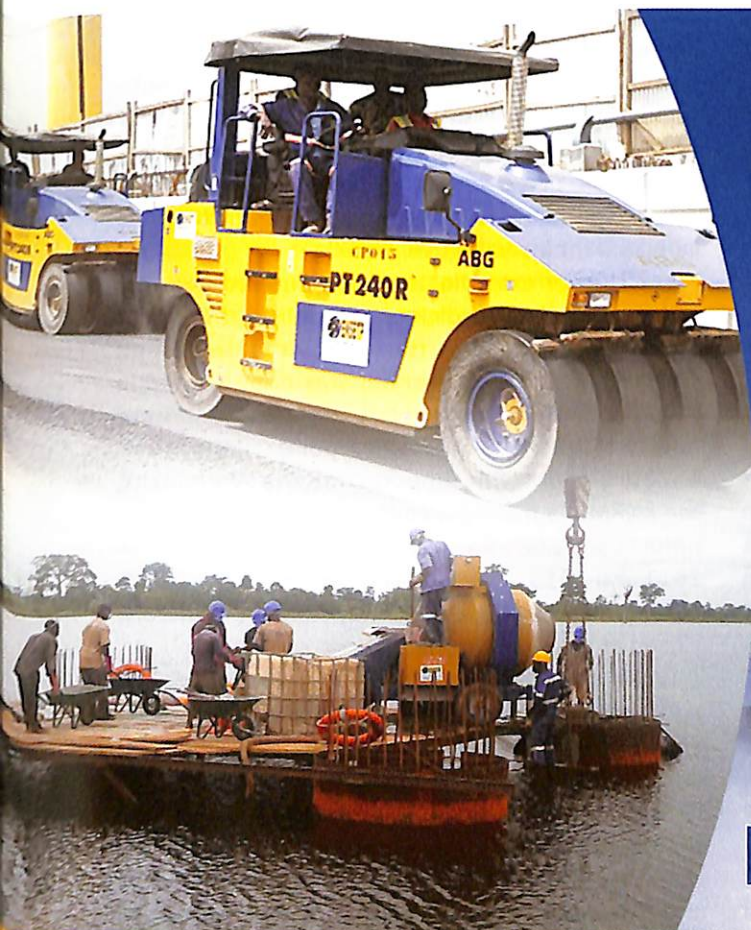
STEEL PRODUCTS: Created in 1978, the Société de Tubes d'Acier et Aluminium en Côte d'Ivoire (SOTACI), a subsidiary of locally based company Eurofind Participation, is – along with its sister company Les Aciéries de Côte d'Ivoire – the largest steel producer in the country, and one of the largest in the West Africa region.

SOTACI's CFA17bn (€25.5m) steel mill had an original production capacity of 70,000 tonnes, but a capi-

tal injection of CFA3bn (€4.5m) in 2014 expanded that to 95,000 tonnes. Thanks to this new investment, the company aims to begin producing cast iron, according Adham El Khalil, CEO of Eurofind Participation. Already equipped with laminating machines, the company produces rebar, supplying major projects such as Abidjan's third bridge (the Henri Konan Bédié toll bridge) and the Soubre hydroelectric dam. "The building and major works sector has been a key driver of growth for the sales of steel products". El Khalil told OBG. "We have also recorded an increasing demand for steel products like rebar from real estate developers in recent years." Competition is also expected to increase following the entrance to the market in 2012 of SOTRALCI, a subsidiary of industrial conglomerate Yeshi Group, which processes steel and aluminium to produce finished products such as rebar and welded mesh.

OUTLOOK: Making up for lost time after a decade-long crisis, the country is now making genuine progress towards rebuilding the necessary infrastructure to support its development and future growth, creating a strong pipeline of projects for contractors. Substantially supported by international donors, Côte d'Ivoire has opened its doors to global construction firms and has diversified investments sources. However, further support for local SMEs is needed to sustain long-term growth, while the development of the country's construction material manufacturing industry will be critical to controlling input prices and limiting imports.

A number of new players have entered the cement and steel markets to take advantage of growing demand from the country's building and public works projects



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The government has used no-bid contracts to jump-start activity

Targeting transparency

Authorities take steps to build a more robust tendering regime

Public contracts amounting to the value of €1.03bn were awarded by the government in 2013, with 56% awarded through no-bid contracts.

After a decade-long crisis, Côte d'Ivoire was in urgent need investment to both maintain and expand its infrastructure networks. To accelerate the economy's recovery and jump-start activity, the government awarded a number of no-bid contracts to expedite the tendering process, stating that priority projects needed to be fast-tracked, as happened with the Henri Konan Bédié toll bridge in Abidjan, which was awarded to outside competitive tendering.

Yet this lack of competition in public procurement has sparked concerns of transparency and unequal bidding practices. This has in turn prompted the government to look to build a more robust and accountable regulatory system, in part to ensure fairness in all tendering procedures and compliance with international standards and best practice.

TRENDS: The government awarded public contracts to the value of CFA687.69bn (€1.03bn) in 2013. Approximately 56% of the total sum, or CFA387.33bn (€581m), was awarded via no-bid contracts. This represents a significant jump of 138.4% on 2012 figures, according to the National Public Procurement Regulation Authority (Autorité Nationale de Régulation Marchés Publics, ANRMP). Contracts awarded in a discretionary manner have become larger in value: while the total value of no-bid contracts increased, the number of projects fell from 1148 in 2012 to 1090 in 2013. The greater value in 2013 may in part be due to projects left over from 2012, as government officials have claimed in the local press.

MOVE TO IMPROVE: In its June 2014 report, the IMF urged Côte d'Ivoire to reduce the amount of no-bid contracts it awarded to clamp down on corruption and bid-rigging. At a time when the country is turning to international markets to finance its large-scale public infrastructure projects, no-bid contracts are viewed as constraining overall competition and resulting in inflated project costs.

"Efforts are made to pay and better manage the country's internal debt," Georgine Codo Adja, man-

aging-director at BNI Finances, told OBG. "But we need to watch out for the increasing amount of no-bid contracts, and make sure they are not over-valued and do not inflate debt," she added.

PROCUREMENT CODE: Côte d'Ivoire boasts a relatively strong legal framework for public procurement, even if compliance has been limited. A new procurement code was adopted on August 6, 2009, which included key amendments such as the creation of the ANRMP to serve as the government watchdog for public procurement processes.

In charge of monitoring good governance in public procurement, ANRMP has the authority to apply sanctions and cancel contracts that do not comply with public procurement regulations. Hence, the ANRMP has launched a series of audits through its independent investigative branch.

In 2013, for example, the body audited the purchasing system of medicines by public entities, and concluded that given the number of recorded instances of fraud, the tender was not awarded in accordance with the regulations (sanctions were not disclosed in the auditor's report).

More broadly, with support from the World Bank, the ANRMP launched a comprehensive audit of all no-bid contracts awarded by six ministries between 2011 and 2013. Although the results were expected to be released in 2014, they had yet to be disclosed at the time of publication.

While the significant effort by Côte d'Ivoire's authorities to expedite major infrastructure projects is laudable, the quality of the spending is as important as the values involved, and more recently the authorities have undertaken greater steps to tighten up the transparency and accountability of public tendering mechanisms.

As Côte d'Ivoire moves to broaden the sources of foreign direct investment and tap into international debt markets, the ability to ensure clear procurement procedures over the coming years is crucial.



Charles Paradis

Building bridges

OBG talks to Charles Paradis, CEO, Bouygues Construction Concessions

What types of public-private partnerships (PPPs) lend themselves to investors in the construction sector, and what measures might encourage these?

PARADIS: All types of PPPs – also called partnership agreements or concession projects – are of interest to potential investors in Côte d'Ivoire's construction industry. Currently, the need for these is especially acute in the road, railway and port segments.

That said, there are two important measures that would be conducive to these types of projects. First, given the country's history of instability, the government should provide guarantees of minimum revenues to encourage and reinforce investors' confidence in the country. Second, a modernisation of corporate law, as encouraged by the Organisation for the Harmonisation of Business Law in Africa, would be helpful in facilitating the presence of both Ivorian and international partners in project companies, which most of the time are rigid in their management, especially when it comes to boards of directors. As an example of financial incentives, the Henri Konan Bédié toll bridge project, Abidjan's third bridge, has benefited from some tax and Customs exemptions. Such a situation is common for this type of project and is not unique to Côte d'Ivoire. Tax and Customs exemptions are part of the financial assistance terms that a state can make within a PPP. Those terms allow a country to limit its financial contribution to a project and avoid unnecessary subsidies.

What will be the fees charged for using the new toll bridge, and how will this be determined?

PARADIS: At the opening of the third bridge, after a detailed discussion, the government has decided to set the toll level at CFA500 (€0.75) for tourism vehicles (Class 1), CFA 1500 (€2.25) for transport vehicles (Class 2) and CFA3000 (€4.50) for heavy vehicles (Class 3). As data is collected over time, authorities also plan to adjust prices according to usage frequency on the bridge. In the early years of opening, we expect that traffic will quickly reach around 70,000 vehicles per day.

How can the quality of the road network in Côte d'Ivoire be enhanced and maintained?

PARADIS: The state of Côte d'Ivoire's road network depends on two state-owned companies: the Roads Management Agency and the Road Maintenance Fund. The quality of the network therefore depends highly on the funds allocated to these public institutions. As for the Henri Konan Bédié toll bridge, its pavement design meets the highest international standards and the project was audited during the financial closing process. In addition, the financial model used takes into account the maintenance costs that will be needed throughout the duration of the concession.

To what extent are multilateral institutions involved in financing infrastructure projects in Côte d'Ivoire?

PARADIS: This can be summed up quite simply: no multilateral institutions, no projects. They are an essential component of infrastructure projects in Côte d'Ivoire, and have a prominent and leading role in conducting and obtaining financial close. Since the end of the political crisis of 2011, such institutions and backers have shown a renewed appetite for assisting Côte d'Ivoire.

How can Ivorian subcontractors improve their involvement in large-scale construction projects?

PARADIS: Due to political instability over the past decade, the Ivorian industrial subcontracting sector has suffered greatly. This caused, among other things, a significant loss of trained and qualified personnel. Today, many training courses have been established to bring local workers up to a sufficient level of expertise and to ensure quality project delivery. Not only do Ivorian subcontractors have a limited workforce, they also have limited financial capacity to invest in projects, and these capital constraints have an undeniable influence on their ability to win bids for large-scale projects. Therefore, it is something of a social responsibility that foreign construction companies are active in knowledge transfer and outsource some of their work locally.



By 2012 the urbanisation rate was estimated to have reached 60%

Great expectations

Despite the allure of new projects, resolving land issues is a priority

The housing gap currently stands at around 600,000 units, with annual demand for new residences estimated to number about 40,000 units.

As citizens have begun rebuilding and expatriates have started returning to Abidjan, Côte d'Ivoire's property market has grown rapidly since 2011. With private initiatives flourishing and public spending on the rise, the market is witnessing genuine developments, but much more will be needed to close a housing gap exacerbated by a decade of civil unrest.

Housing and urban development has been allocated CFA565.2bn (€847.8m) under the 2012-15 National Development Plan (Plan Nationale de Développement, PND), a proportion of which will be used to bridging the housing gap. Of this total, the private sector is expected to contribute 60%. Growth over the next two to three years is set to be concentrated in Abidjan and, to a lesser extent, in other large urban areas, rather than in new-build greenfield projects. Côte d'Ivoire is estimated to have reached an urbanisation rate of 60% by 2012, partly due to Abidjan's expansion, while outlying cities such as Bingerville and Grand-Bassam are fast becoming developers' newest frontiers, with many large residential projects under development.

DEMAND: As is the case across West Africa, housing demand is outstripping supply, with a cumulative and growing gap of more than 600,000 units, according to the PND. Annual demand for new residences is 40,000 units, with the shortfall fuelling inflation in both housing prices and rents in denser areas such as Abidjan.

"Since 2011, real estate professionals estimate that rental prices increased by roughly 10% every year," Mariam Mahama, sales director at local real estate agency Kalimba, told OBG. "Out of 10 requests for residential properties, we may be able to satisfy only two or three clients because of the current deficit," she added.

Unmet demand is also driving growth in informal housing and unplanned settlements in Abidjan's poorest neighbourhoods, in particular Washington and Gobelet in Cocody district. At the same time, there is also a gap in the high-end segment, including luxury apartments and villas in Deux Plateaux and Riviera 3, among other areas, brought about through the gradual return

of multinational corporations and international organisations, such as the African Development Bank (AfDB), which had temporarily moved its headquarters to Tunis in 2003, and their high-income employees.

SUPPLY: In an effort to reduce the housing deficit, as laid out under the PND, the government plans to build a total of 60,000 homes by 2015, with a budget of CFA428bn (€642m). The aim is to boost access to housing priced from CFA5m (€7500) to CFA15m (€22,500), above which units are no longer categorised as low cost. In addition, the scheme will target lower mid-market units priced up to CFA20m (€30,000), for a market of lower-income earners with monthly revenue of less than CFA400,000 (€600). Moroccan property developer Addoha will lead a public-private partnership (PPP) agreement to build 10,000 units by 2020, for an investment of Dh2.2bn (€202.6m), with construction at the Locodjoro and Koumassi sites in Abidjan having begun in early 2014. Another Moroccan developer, Alliances, has invested Dh2bn (€184.2m) in the construction of 7800 houses at Anyama, located about 20 km north of Abidjan, 1580 of which are financed by local group Banque Atlantique, part-owned by Groupe Banque Centrale Populaire du Maroc (GBCP).

FUNDING CONSTRUCTION: The 80% state-owned Ivorian Company of Construction and Real Estate Management (Société Ivoirienne de Construction et de Gestion Immobilière, SICOI) is responsible for building a quarter of the 60,000 units outlined under the PND. Such is the demand that the first phase of SICOI's allocation process for low-income units saw 58,000 applications, of which 20% were ineligible. Construction had only started on 5000 units by June 2014, according to SICOI's director-general. One of the reasons for the delay is that SICOI does not benefit from any additional government funding to build low-cost housing, but rather relies on commercial banks for financing.

"Having been stripped of public funding in the 1980s, it has been challenging to meet our production objectives," Camara Loukimane, CEO of SICOI, told OBG.

The government has budgeted €642m to build 60,000 homes by 2015. Increasing the availability of low-cost housing within the price range of €7500-22,500 is a priority.

"On the other hand, it leaves greater opportunities to the private sector," he said.

In order to access new funds, the company has been linking up with foreign partners to help underwrite building campaigns. In early 2014, for example, Megatron Federal, a subsidiary of South Africa's Ellies Holding, signed a partnership with SICOGL to build 3000 social houses. The company has also invested CFA6bn (€9m) in a new brick factory for 2015. SICOGL plans to tap into this market and increase its margins by 3%, which will provide greater finances to invest in real estate projects. It is also meant to supply SICOGL's partners and accelerate project execution while cutting down on logistics costs associated with imported materials.

PERMITS: A major constraint to improving housing supply and reducing costs comes from land availability, with land disputes in both urban and rural areas an ongoing challenge. According to the World Bank's 2015 "Doing Business" report, Côte d'Ivoire ranked 124th out of 189 countries for registering property. The prevalence of informal and "fake" titles hampers property developments, with just 30% of landowners holding property titles. This limits the scope of lending to developers, as well as providing mortgages.

The government has sought to streamline the permitting process. According to the World Bank, it takes around 30 days to complete the six steps needed register a property, with costs of up to 9.6% of a property's value. By establishing a one-stop shop – le Service du Guichet Unique du Foncier et de l'Habitat – to award property titles and proof of ownership, as well as plan certificates and building permits, the country improved its ranking by 14 places over 2014 levels. According to the Investment Promotion Centre, between 2013 and 2014 the time it takes to obtain a building permit fell by more than 75%, from 364 days to 87 days.

FINANCING DEMAND: Ensuring that prospective homeowners, particularly first-time buyers, have access to funds is also a government priority. Under the aegis of the state-owned Banque Nationale d'Investissement (BNI), the Mobilisation Account for Housing scheme is a national fund providing subsidised mortgages. With maturities of between 11 and 15 years at rates of 9% for properties valued under CFA20m (€30,000), the initiative assists households with annual incomes of below CFA800,000 (€1200) to enter the housing market.

In addition, as part of enhancing access to housing throughout the Union Economique et Monétaire Ouest-Africaine (UEMOA) region, the Caisse Régionale de Refinancement Hypothécaire de l'UEMOA (CRRH-UEMOA) was set up in 2010. As of February 2014, the fund counted 49 financial institutions as shareholders, with equity of CFA5.32bn (€8m). Majority shareholders are the West Africa Development Bank (14.1%), the ECOWAS Bank for Investment and Development (9.4%) and housing finance institution Shelter Afrique (8.7%). The remaining 67.8% equity is held by minority shareholders, including 46 commercial banks in the UEMOA.

The fund aims to refinance mortgage loans made by its shareholders as part of raising the volume and maturity of mortgages, and lowering interest rates. Over a



The time it takes to obtain a building permit has been improving, but continues to be a challenge

period of 15 months – from July 2012 to October 2013, the CRRH-UEMOA issued a total of CFA51.8bn (€77.7m) in three bond issuances, with an annual interest rate of 6%, and maturities of 10 and 12 years, to refinance mortgages loans made by 23 banks. According to the CRRH-UEMOA, the first two bond issuances mobilised a total of CFA31.66bn (€47.5m): CFA12.5bn (€18.8m) for the first issue and CFA19.16bn (€28.7m) for the second issue, thus allowing the fund to refinance loans made by 18 banks in seven UEMOA countries.

For the first two bond issuances, Côte d'Ivoire's most active banks using the mechanism were Ecobank, BIAO, Banque Atlantique Côte d'Ivoire and Bank of Africa. Banque Atlantique Côte d'Ivoire, a subsidiary of GBCP, has also been active in financing residential projects, especially social housing by Moroccan developers.

INDUSTRIAL ZONES: The residential sector is far from the only one experiencing a shortfall of supply. Industrial land in Abidjan is becoming scarce, putting on hold a number of industrial projects. "There are currently 60 unprocessed demands for industrial land from large companies looking for a place to settle," Jean-Marie Ackah, president of the Union des Grandes Entreprises Industrielles de Côte d'Ivoire, told OBG.

The three industrial zones – Koumassi, Vridi and Yopougon – all located in Abidjan, are fully occupied, forcing industrial newcomers to look beyond the traditional commercial capital. "Some industrial companies are moving to Yamoussoukro, where land is more readily available," said Ackah. "However this negatively affects their competitiveness, in logistics costs particularly." A highway linking Yamoussoukro, 243 km from Abidjan, to the closest port was completed in 2013, yet trucking costs to the economic capital remain higher.

Nonetheless, the lower costs of being located outside of Zone A (Abidjan and its suburbs) could offset higher transport costs. In Zone B, which comprises Yamoussoukro, Bouake, Korhogo and San Pédro, the industrial lease price is CFA2000 (€3) per sq metre, some 50% cheaper than the Koumassi and Vridi zones.

The government is working to address issues related to property titles and land ownership. Initiatives such as a one-stop shop have reduced the amount of time it takes to register a property and obtain a building permit.



The new bridge in Abidjan is set to reshape real estate dynamics

The government is planning to build a 940-ha PPP special economic zone 24 km north of Abidjan, which it hopes will attract industrial processing and value-added activities.

Industrial lease prices rapidly increased in early 2014, a reflection of growing land scarcity in the commercial capital. For many years, square-metre prices were low compared to other countries in the region, leading to congestion in industrial zones. Prices were as low as CFA65 (€0.10) per sq metre in Koumassi, CFA100 (€0.15) per sq metre in Vridi and CFA100-165 (€0.15-0.25) per sq metre in Yopougon. Hence, the government has restructured its fee structure for industrial land as of January 2015. New industrial lease prices are as follows: CFA4000 (€6) per sq metre in Koumassi, CFA4000 (€6) per sq metre in Vridi and CFA3500 (€5.25) per sq metre in Yopougon. The new price structure is a better reflection of regional and international trends.

Taking advantage of the new highway, the government is also planning a PPP special economic zone, Zone Economique Spéciale PK24, located on the northern highway at kilometre 24. Covering approximately 940 ha, it is hoped the zone will attract industrial processing and value-added activities (See Industry chapter).

OFFICE SPACE: Abidjan's Plateau still hosts most financial firms and public administrations, though other businesses have since moved out to Zone 4 and Deux Plateaux, on either side. Given the lack of space, a growing number of firms with low employee overheads have converted homes into offices in suburban areas. "Non-governmental organisations, mining, and oil and gas companies usually prefer to settle in villas in Deux Plateaux and Zone 4," Mariam Mahama, sales director at local real estate agency Kalimba, told OBG.

The opening of Abidjan's third bridge should make Cocody and Deux Plateaux more attractive, linking it directly to Zone 4 and the airport beyond. Luxembourg's serviced-offices provider Regus, for instance, entered the Ivorian market in September 2011, offering physical and virtual offices just 15 km from the international airport. Rental spaces quickly reached a high occupancy rate, prompting the company to expand to Zone 3, with new offices opening in September 2014.

RETAIL: Although Côte d'Ivoire does not yet host large-scale shopping mall developments, such as in Ghana or Nigeria, a number of mid-sized commercial spaces have been developed by Lebanese and French investors. For many years, the retail segment was a duopolistic market, dominated by Compagnie de distribution de Côte d'Ivoire and Prosuma (see Industry chapter), but the sector is now expanding. Construction permits for the first Carrefour branded store in sub-Saharan Africa were obtained in early 2014. Due to open on the Boulevard Valéry Giscard d'Estaing in Abidjan's Marcory district in 2015, the 20,000-sq metre hypermarket will also host several global-branded stores.

OUTLOOK: Despite challenges in land access, the government has made strides in streamlining a complex administrative system. While private investors are focusing on gaps in the middle and upper segments of the residential market, the government's social housing programme should drive low-cost developments in the coming years. As foreign investment expands in industry and services, however, new solutions are needed to address land problems that could constrain growth.



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Telecoms & IT

Digitalisation to pave way for e-government platform

New fibre-optic cable project to extend internet access

Operators upgrade infrastructure for better services

Greater legislation for more regulation and protection

Country proving to be a strong option for BPO providers

The industry is expected to be a major driver of growth in the country's economy, according to a report by the International Telecommunications Union (ITU) and the World Economic Forum (WEF). The report, titled 'The Future of the Internet', highlights the importance of digital infrastructure in driving economic growth and creating jobs.

The report also notes that the country's government has taken significant steps to improve its digital infrastructure, including the launch of a new fibre-optic cable project and the implementation of a new regulatory framework for the telecommunications sector.

These efforts are expected to lead to a significant increase in internet access and the growth of the digital economy, which is seen as a key driver of long-term economic development.

The report also highlights the importance of digital skills training and the need for a strong regulatory framework to ensure that the digital economy is inclusive and sustainable.

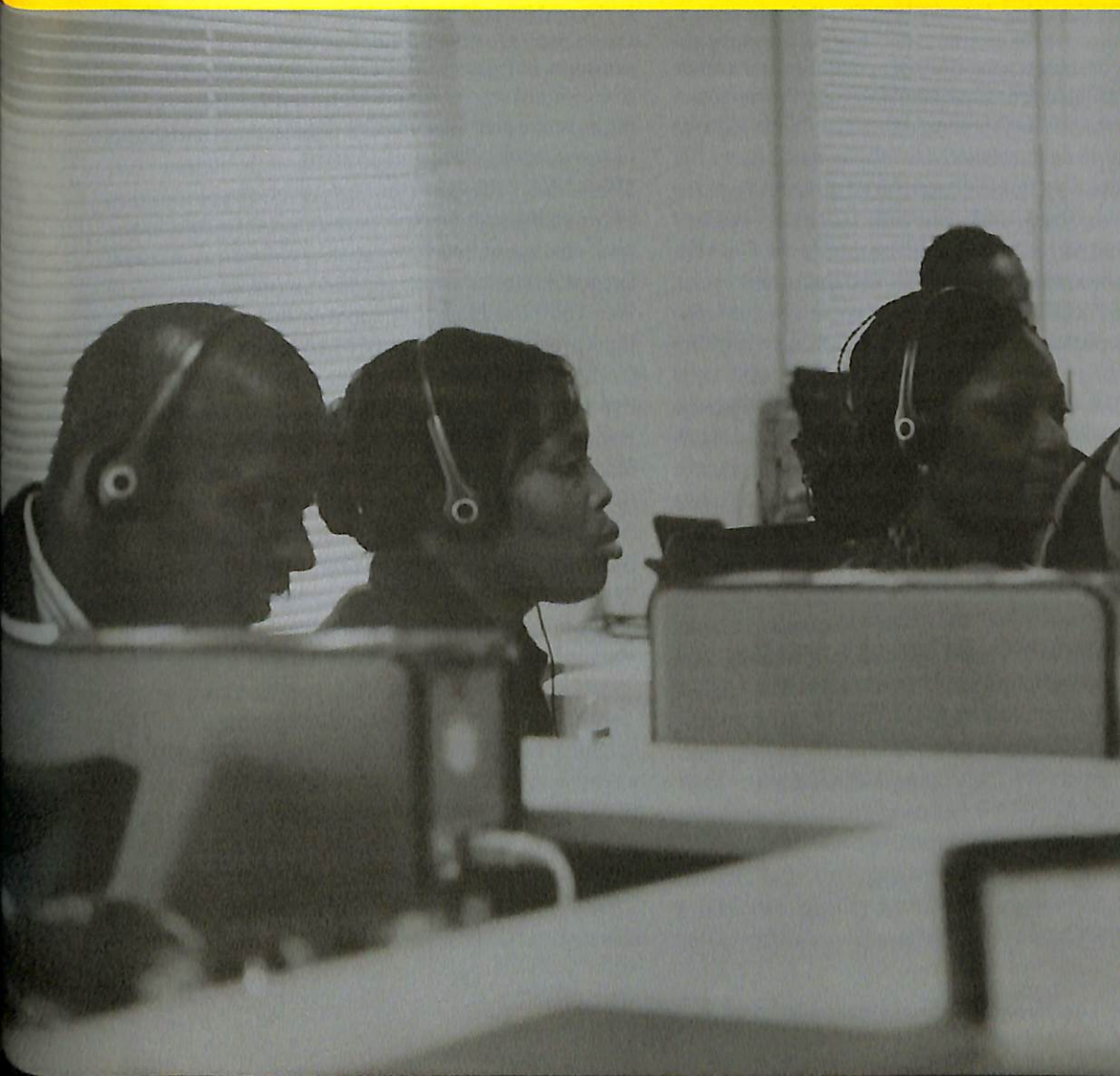
Overall, the report is optimistic about the future of the country's telecommunications and digital infrastructure, and sees it as a strong foundation for economic growth and development.

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The government has intervened to boost network service quality

Getting connected

Steps are being taken to improve quality standards

Following the privatisation of the telecoms sector, the number of active SIM card holders soared, reaching 7.46m by 2007 and 19.4m in 2013, the majority of which are prepaid subscribers.

With no less than six operators in a market of close to 20m inhabitants, Côte d'Ivoire's telecommunications industry is competitive. However, with limited data usage, the scope for growth in revenues is sizeable. Demand for voice services may be plateauing, but with 3G technologies deployed by the country's biggest players, the short- and medium-term outlook is bright. On top of mobile broadband developments, fixed line connections are also seeing new dynamism with a slate of initiatives aimed at reinvigorating the segment.

The scope for growth is not unbridled, and regulatory constraints have affected operators' fiscal burden. According to the sector's regulator, the Telecommunications/ICT Regulation Authority of Côte d'Ivoire (Autorité de Regulation des Telecommunications/TIC de Côte d'Ivoire, ARTCI), combined revenues from the mobile, fixed and internet segments reached CFA994.9bn (€1.49bn) in 2014, double the 2009 figure, and contributed up to 7% to the economy.

SUBSCRIBERS: Following privatisations in 1995, the number of active SIM-cards rose rapidly, reaching 7.5m in 2007 before nearly tripling to 22.1m as of the end of 2014, according to ARTCI, a 97.5% penetration rate. Nearly all of these accounts were prepaid. Local media put subscriberships closer to 24m, since many people have more than one account. Strip multiple accounts from the data, and ARTCI reckons the penetration rate is more like 50%. Thus, while overall growth may be slowing, operators still have room to expand their client base. Revenues from mobile telecoms reached CFA782bn (€1.17bn) in 2014, up 5.4% on 2013, with voice-related income making up close to 90%. Average monthly revenues were CFA62.7bn (€94m) in the first quarter of 2014, the latest for which data were available, up from CFA60bn (€90m) in the first half of 2013.

MOBILE SEGMENT: Out of the five main operators present in the market, the mobile segment is dominated by three players which together made up 92.1% of subscribership and 95.8% of revenues as of the end of 2014, according to ARTCI. French provider Orange led

with a 39.7% share of subscribers and 48.7% of revenues. South Africa's MTN comes second, with 36.1% of SIM cards and 34.6% of revenues. Both firms have competed head-to-head over the past few years, growing at similar speed from a subscriber base of just over 400,000 each in 2007 to 8.8m and 8m respectively at present. Over the course of 2014, Orange saw a larger expansion of its client base, with its market share gaining three points while MTN's stayed flat. Alongside their presence in the mobile segment, both operators have a stake in the country's fixed-line telephony and internet service providers (ISPs), as will be considered below. The sector's third main provider, UAE-based Etisalat, operating its Moov brand, had 16.3% of SIM cards and 12.5% of revenues as of the end of 2014.

SPLITTING THE PIE: The high level of competition between the three main operators is reflected in the total amount of investments they rolled out in 2014. Orange disbursed some CFA45.5bn (€68m) on top of the CFA50.7bn (€76m) it spent in 2013, while MTN's outlay reached CFA50bn (€76m), up from CFA41bn (€61.5m) in 2013. In both cases, the 2014 investment figures represented a large portion of their mobile revenues: 12.3% for Orange and 18.1% for MTN. For its part, Moov allocated 21.4% of its mobile revenues to investment in 2013 and another 8.6% in 2014.

The remainder of the market is divided between Lebanese firm Comium's KoZ brand; GreenN, controlled by Libyan investment fund Libya Africa Portfolio; and locally owned Niamoutié Telecom, which entered the market in 2012 under its Café Mobile brand. These operators have subscriber shares of 4%, 3.8% and 0.1%, respectively, and revenue shares of 2.8% and 1.4%.

Over the course of 2014, Orange and MTN saw strong increases in their subscriber bases, as did GreenN albeit from a low base, while Moov's and Comium's declined partly due to lower intra-network tariffs. Comium's subscribership dropped from more than 1.5m in 2012 to 820,000 in 2013, according to ARTCI, yet much of this was due to the firm's annulment of inactive lines, as

Three players dominate Côte d'Ivoire's mobile phone segment, sharing 95% of the market, with none having a clear majority.

illustrated by growth in its average revenue per user (ARPU) from CFA20,000 (€30) in 2012 to CFA33,000 (€49.50) in 2013. In 2014, ARPU roughly correlated with market share: Orange led with CFA42,121 (€63.18), followed by MTN with CFA34,573 (€51.86), Moov with CFA29,169 (€43.75), Comium with CFA24,357 (€36.54) and GreenN with CFA11,139 (€16.71).

TARIFFS: With call rates at the bottom end of the industry, tariffs have fallen from CFA800 (€1.20) in 1997 to CFA70 (€0.11) in recent years, limiting providers' ability to offset losses from shrinking subscriber bases. "Our presence in the market has led to a downward trend in call rates, but we have reached a point below which we risk damaging our own margins as well as those of the industry," Michel Hebert, managing director at Comium, told OBG. This sentiment is shared by Moov and GreenN, whose calling rates stayed flat in 2013.

Data usage is growing rapidly following delayed introduction of 3G licences in 2012. Supported by the three biggest operators, coverage has reached nearly 90% and mobile broadband services have found their way into a range of cities including Abidjan, Yamoussoukro, San Pédro, Bouake and Bassam.

Despite low ARPU levels of around \$4-6 per month, operators are keen to launch 4G services. In April 2014, Swiss-owned YooMee tested 4G in Abidjan, followed by a pilot launch by Orange in June. However, as of early 2015 the regulator had not issued authorisation for its commercial use. The current 3G licences are up for renewal in 2016, and expectations are that the issuance of 4G mobile permits will be held off until then.

On the regulatory side, some work remains before the sector can make a full migration to new-generation technologies, especially regarding spectrum availability. "With every new mobile technology generation, the number of required frequencies typically doubles and, as it stands, ample capacity cannot be guaranteed," Alpin Verlet, CEO of Alcatel-Lucent's West and Central Africa operations, told OBG. Still, the potential for rapid adoption of broadband internet is evident. "4G would open the door to value-adding services like high-definition voice and triple play, not only widening the scope for users, but also creating incremental value and jobs for Côte d'Ivoire," Hebert said.

POTENTIAL MARKET MOVEMENTS: In recent years, the government has taken a tougher stance towards operators to improve access and quality of networks. In line with such policies, in 2014 the government expressed a preference for consolidation among the sector's three smallest players. At the end of May 2014, Bruno Nabagné Koné, minister of post, information



Mobile broadband coverage is around 90%, with the service available in most major cities

technology and communication, openly requested a merger of Comium, GreenN and Café Mobile, but so far the government has stopped short of taking a more direct involvement in the matter, including providing leniency to the smaller operators. As André Apete, the ministry's cabinet director, told OBG, "Ongoing defaults on government fees or quality standards may leave the authorities no other option than to suspend activity. Operators are urged to take responsibility." Aside from a possible merger, the interest for acquisition by external players drives potential consolidation.

FIXED: With just under 210,000 subscribers, the fixed-line segment is marginal compared to mobile. It is also gradually declining, having cancelled more than 12,000 lines in 2009-13 and another wave in 2014. As of the second quarter of 2014, Côte d'Ivoire Telecom (CIT), majority-held by Orange, served 94.5% of these customers, while MTN's Arobase Telecom held the rest. The downtrend is mirrored in the declining investments into the segment: in 2013, the two providers spent a total of CFA14.7bn (€22m), down sharply from CFA27.2bn (€40.8m) in 2011, though this rose slightly in 2014 to CFA15.5bn (€23.2m). Bilé Diéméléou, ART-CI's director-general, told OBG, "As more customers use mobile devices, the fixed-line market is declining. However, 3G devices remain expensive for the average user, hence the slow growth in data consumption."

Despite a drop in clientele, CIT saw a rise in turnover in each of the last three years, reaching 99% of the segment's revenues as of end-2014. This is largely thanks to income from non-core services like terminal sales and infrastructure rental, which drive half the segment's receipts (call rates draw 28%). Other market movements may be triggered by the partial sale of the state's 48% share in CIT. In December 2013 the government announced it would divest its stakes in 15 formerly state-owned enterprises in line with its plans to raise competition and cut public debt. As part of the strategy, it is seeking buyers for 28% of its share in the telecoms firm at an estimated value of CFA4.3bn

Though the fixed telecoms segment is experiencing a decline in subscribers, turnover for the two providers rose in 2012 and 2013 thanks to revenues from non-core services such as terminal sales and infrastructure rentals.

Average revenue per user, 2013-14 (CFA)

	2013	2014	Annual change (%)
Orange	45,845	42,141	-8.12
MTN	39,141	34,573	-11.67
Moov	26,732	29,169	9.12
Comium	33,346	24,357	-26.96
GreenN	16,929	11,139	-34.20

SOURCE: ARTCI

The government has been vocal in encouraging smaller mobile providers to merge in an effort to increase network quality and improve access overall.



New legislation governing the sector was passed in 2012

The National Broadband Project aims to help raise internet penetration levels, currently at 2.5%, by laying close to 7000 km of fibre-optic cables across the country, reaching some 1000 communities.

(€6.45m). However, as of January 2015, further details on the state's divestment had yet to be announced.

INTERNET: At around 0.5%, internet penetration rates are much lower than those in neighbouring countries. Nigeria scores 32%, Senegal 19% and Ghana 16%, according to World Bank figures in 2012. Reasons include delayed uptake of operator investment plans following the 2010-11 conflict and a lack of competition in bandwidth provision. Presently, there is a variety of public and private plans to raise usage levels.

One example is the National Broadband Project, which is currently close to halfway to meeting its objective to roll-out close to 7000 km of fibre-optics across the nation. Following western, eastern and central axes, the project will see instalment of a broadband connection between some 1000 communities. In line with the ongoing roll-out of the country's e-government strategy, public offices and social services will benefit from the advanced high-speed connections, while a private operator will supervise its commercial exploitation.

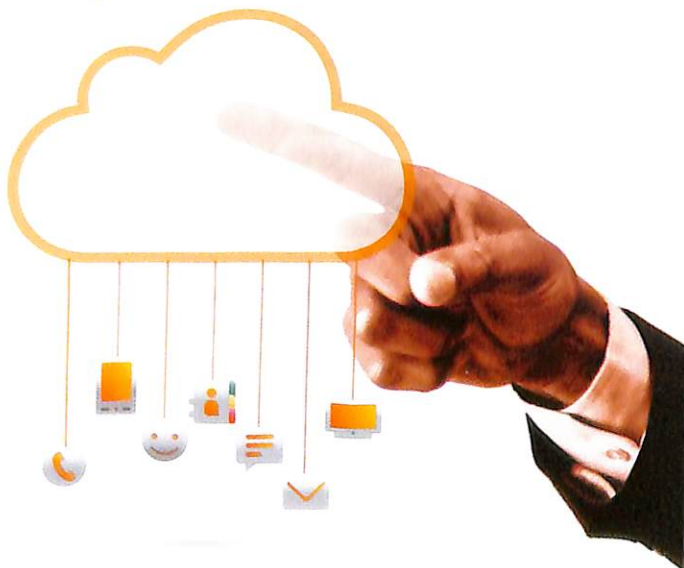
Another boon for the sector will come from the roll-out of 4G, following the issue of permits to Swiss-based YooMee, a newcomer in Côte d'Ivoire, and VIPNet, which currently holds a market share of 2.5%. Launching the region's first time-division long-term evolution (TD-LTE) service, both players are entering a market predominantly held by Orange's Aviso and MTN's Afnet, which held the majority of the market in 2013. The existing offering largely caters to the corporate market supported by ADSL, in the case of Aviso, and WiMAX, in the case of Afnet. In addition, domestic player IZINET recently joined the sector and officially started the promotion of ADSL and VSAT technologies in 2013.

REGULATIONS: After its introduction in 2012, the impact of Côte d'Ivoire's new telecommunications law was tested over the course of 2013. The law overhauled the previous code from 1995. In addition to better incorporating modern technologies, the law has put in place a series of checks and balances on operators' quality standards. Following a decade of unrest, telecoms infrastructure is damaged and underdeveloped, which has led to a degradation of call quality.

A key objective of the new law is to monitor operators' commitment to agreed investment plans and their respect for minimum quality standards. Fines for non-abiding operators and ongoing quality audits have become the norm under the new regulations. Although not often used, both ARTCI and the Ministry of Post and Information and Communications Technology have the power to issue financial penalties of a maximum of 3% of annual turnover to pressure operators to accelerate network upgrades and expansion.

Penalties are linked to ongoing audits, conducted by ARTCI, and will likely become a more common tool to encourage infrastructure investment. Audit results will also be published so users can track operators' performance and choose preferred providers. According to Diéméléou, in 2014 ARTCI installed equipment across the country that allowed for monitoring of quality standards. For any shortcomings found, penalties are issued. A demonstration of this renewed regulatory oversight

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came in June 2014 when ARTCI issued fines to all six operators for a combined value close to CFA3bn (€4.5m) due to network performance below quality standards.

MOBILE MONEY: Mobile money programmes face an uphill battle in most African countries, with the notable exception of Safaricom's M-PESA project in Kenya, which by some estimates handles annual transactions worth as much as one-third of the country's GDP.

However, the operating environment in Côte d'Ivoire bodes well for the adoption of mobile money services. Its comparatively large population, high GDP per capita and low financial sector penetration make mobile transactions a viable way to increase financial inclusion. In 2006 the Central Bank of West African States was among Africa's first to issue regulations on electronic money for non-banks. Since, five firms have introduced mobile money services in Côte d'Ivoire, including Orange, MTN and Moov, as well as two independent e-money institutions, CelPaid and Qash Services.

The post-electoral crisis delayed preparations for the first e-money products, not only due to the unrest, but also due to subsequent liquidity shortages as commercial banks temporarily shut down, affecting consumer confidence in the financial system. Since stability has returned, mobile money has shown steady growth. From 2m registered accounts in December 2011, 22% of which were active, the five operators have grown their market to 5m in June 2013, of which 35% were active.

In recent years, operators have adopted mobile money in the core of their commercial strategies either designating it as a stand-alone business units, in the case of Orange, or attracting a specialised third party for its management, such as MTN does, in a bid to optimise development and attention towards its distribution agent network. Meanwhile, Orange invested in a network of ATMs allowing for cash withdrawals without agent intervention. Aside from direct sales, partnerships with established local companies on money transfers and billing have become the norm. For example, Orange has teamed up with the Compagnie Ivoirienne d'Electricite and the Société de Distribution d'Eau de la Côte d'Ivoire, the national electricity and water suppliers, to provide bill payments.

TOWER SHARING: In line with outsourcing trends across the continent, Côte d'Ivoire's telecoms sector has recently seen the entrance of mobile tower management firms. Infrastructure sharing is becoming more prevalent in West Africa, with operators including American Tower Corporation and UK-based Eaton Towers already present in Ghana.

In late 2012 UK-based IHS Towers entered the market through the acquisition of the majority of MTN's towers, followed by a management contract on those of Orange for a period of 15 years. The firm's intentions to expand its footprint via acquisition of Moov's towers has reportedly been delayed by Etisalat's acquisition of a majority share of Maroc Telecom, signed in May 2014 and finalised in January of 2015, as part of a sale of its West African operations to the Moroccan firm. This may, in turn, affect the UK company's regional strategy. "Tower sharing in Côte d'Ivoire is a recent



Mobile money platforms in Côte d'Ivoire are on the rise, reaching 5m accounts in June 2013

development and will remain attractive in years to come," Amihai Revah, business development manager of Société de Télécommunication Africaine, told OBG.

Infrastructure sharing greatly reduces fixed costs from operators' balance sheets. According to Revah, the costs for tower construction in Côte d'Ivoire range between \$100,000 to \$150,000 per asset in urban areas, and \$70,000 to \$80,000 in rural areas.

"Infrastructure sharing is not really helping to bring down end-users costs, but it is a convenient way for operators to outsource technical work and maintenance linked to infrastructures," Yves Mao, director-general of Orange Global Services, told OBG. Rather than add new towers, the outsourced parties focus on reinforcing installed capacity and can mount new equipment to support the roll-out of technology solutions.

OUTLOOK: Mobile voice is by far the biggest generator of revenues in Côte d'Ivoire's telecoms sector, representing close to 75% of revenues in 2013. Significant potential therefore remains in the sector to complement call tariffs, particularly in fixed-line and mobile internet segments. Despite high access costs, internet usage rates are gradually rising and the National Broadband Project should help further raise connection levels while at the same time putting downward pressure on tariffs. Growth in data will require localisation and adaptation of content. Sound growth fundamentals of the mobile money segment are testament to the potential popularity of e-services in the market and bode well for those with an appetite to deepen it.

Meanwhile, fiscal and regulatory pressures aimed at optimising service standards are expected to become a more regular feature of the market, especially in light of the upcoming presidential elections in 2105 and the public drive to raise funding to complete ongoing, large-scale infrastructure projects. While this is likely to affect operating margins to some extent, efficiencies in other areas should help operators to mitigate its impact. The trend in tower sharing, for example, should facilitate both better coverage and lower costs.

Infrastructure sharing is helping to develop the local telecoms industry by enabling providers to share the cost of operating towers, which can reach up to \$150,000 in urban areas.



Efforts to prepare for 4G network roll-out are under way

Going online

New technologies and infrastructure will boost connectivity

Low internet penetration rates in Côte d'Ivoire are attributed to a number of factors, including the setbacks experienced as a result of the 2010-11 conflict, as well as high access costs to international bandwidth.

While the current level of internet provision is surprisingly modest, the scope for growth in terms of getting Côte d'Ivoire's population online is immense. According to World Bank's calculations, the country's internet penetration rate reached 2.5% in 2012, significantly lower than those in neighbouring countries such as Nigeria (32%), Senegal (19%), Ghana (16%) and Liberia (4%). The difference is particularly notable in the fixed-line internet segment, where the total subscriber base reached 133,556 individuals in 2013, representing a marginal penetration rate of 0.6%, according to figures from the Telecommunications/ICT Regulation Authority of Côte d'Ivoire, which regulates the sector.

The primary reasons for this are two-fold. First, investors' confidence was affected by the unrest caused by the 2010-11 post electoral crisis and subsequent infrastructure damage. Aside from physical degradation to network infrastructure, which took time to repair, consumer demand did not begin to significantly increase until 2012, while the delayed issuance of 3G licences left Côte d'Ivoire playing catch-up for much of the past 24 months.

CABLES: Another constraint that previously limited penetration was stubbornly high cost of access to international bandwidth, caused by a lack of competition between wholesalers serving the country. While four international connections dock in the Gulf of Guinea – WACS, ACE, GLO1 and MAIN-ONE – Côte d'Ivoire is thus far only served by the two former. "Studies on the extension of GLO1 and MAIN-ONE are ongoing, but the terrestrial links from [Ghana's capital] Accra, which have proven more cost efficient than submarine branches, bring about a range of bureaucratic issues that affect the speed of roll-out," Alpin Verlet, CEO of Alcatel-Lucent's West and Central Africa operations, told OBG.

Mobile operators MTN and Orange are shareholders in the WCS and ACE cables, respectively. Both firms follow an integrated business model serving

wholesale and retail markets at the same time. In recent years, both firms have acquired controlling stakes in the country's largest internet service providers (ISPs); Aviso, controlled by Orange, and Afnet, held by MTN, represent market shares of 58% and 40%, respectively. Therefore, the incentive to lower access fees for ISPs and, consequently, open the door to incoming competitors is largely absent.

BROADBAND: Nevertheless, a slate of private and public initiatives are likely to increase the level of dynamism among operators, lower access fees and, consequently, deepen penetration. One such example is the National Broadband Project, under way since 2008, with finalisation expected for the end of 2015. In total, close to 7000 km of fibre-optic cables are being installed along the country's south, east and western axes. At the time of writing, Chinese telecoms engineering companies Huawei and CITCC were nearing completion of a 1200-km axis from the south-western port city of San Pédro to Ferkessedougou in the central north and a 600-km leg connecting Abidjan to Grand-Bassam, on the eastern coast, and Bouna in the country's north-east.

CONNECTING THE DOTS: The remaining 5000 km, which will link the central regions and was due to be contracted out by public tender. By early May 2014, a total of seven proposals from companies of varying countries had been received. The National Agency of the Universal Service of Telecommunications (Agence Nationale du Service Universel des Télécommunications, ANSUT), the state agency in charge of the project, will also oversee handover of the network's management to private operators. As of early 2015, bids were still being solicited for construction of the remaining cables, which are set to link some 1000 localities by the end of 2015.

As the remaining sections come on-line, ANSUT will decide if they will be awarded to the same operator, or if they will be managed separately. "One of

Public and private initiatives are helping to raise internet access levels and reduce the high barrier costs, with the National Broadband Project leading the way with the layout of 7000 km of fibre-optic cables

the primary objectives of the national fibre backbone is to lower the price of accessing the internet; ensuring adequate competition of the network's management may fall within that line of thinking," André Apete, cabinet director of the Ministry of Post and Information Communication Technology, told OBG.

Financial requirements of the project, estimated at some CFA117bn (€175.5m), are partly met through the National Telecommunications Fund, also managed by ANSUT, and generated through a 2.5% tax on annual turnover figures of the nation's telecoms and IT operators. Based on current turnover figures, this will raise an estimated total between CFA17bn (€25.6m) and CFA20bn (€30m), far off the required amount, but enough to provide the government with a means to cover the cost of external financing.

"We are calling on foreign development agencies and private sector firms to help finance our ambitious plans," Apete told OBG.

A STEP FURTHER: As for private sector initiatives, inroads into 4G technologies have recently been made. In June 2014 Switzerland-based provider YooMee entered the market with the region's first time-division long-term evolution (TD-LTE) service. High access fees have limited roll-out of the service to Abidjan's government, corporate and high-end residential segments, but growth is expected. "SMEs and households very much remain on our radar, and will be implemented as soon as wholesale connection fees permit it," Yann Le Guen, YooMee's managing director, told OBG. In May 2014 VIPNet, already active in the market, announced that it was preparing the introduction of a TD-LTE service of its own, scheduled for the end of the year.

This is a significant step to get Côte d'Ivoire in line with other parts of the continent. For example, Ethio Telecom — Ethiopia's state-run mobile operator — recently partnered with China-based Huawei at the end of 2013 to roll out 4G services in the country. Meanwhile, Sweden-based Ericsson partnered with Nigeria's incoming fixed-line 4G provider Smile Communications. Similarly, Rwanda recently signed a deal with Korea Telecom to embark on a nationwide roll-out of the technology over the next three years.

INCLUSIVE COVERAGE: Higher competition and faster technology will also support efforts to expand internet penetration rates, bringing them closer to the regional norm. The national backbone, for one, will constitute a significant support to bridging the rural divide and increase penetration rates nationwide. In particular, the project will contribute to the government's ongoing efforts to digitalise public administration at the national, regional and local levels. The often modest IT infrastructure of public offices across the country is currently being integrated through a combination of satellite and wireless technologies, which are either costly or facing capacity constraints. Connecting through the fibre network will help to secure ample capacity for years to come and will set the foundation for more localised virtual solutions such as cloud-based applications.



Current 3G mobile operator licences are up for renewal in 2016, at which time 4G licensing is expected

Outside of the public offices, deployment of code division multiple access (CDMA) technology at a number of landing points across the network, a key component of the project, will help secure mobile broadband to more than 1000 communities that currently fall outside of the scope of the commercial offering. "The initiative will connect parts of the country where commercial operators do not find justifiable returns," Apete said. In addition, the ongoing roll-out of the e-government strategy (see IT chapter), particularly in key focus sectors such as agriculture, health and education, will see a rise in access among farmers, schools and hospitals.

INTERNET ON THE GO: Low penetration levels are expected to be given an additional boost by ongoing developments in the mobile internet space, following the launch of 3G services two years ago. Orange, MTN and Moov, the three primary mobile operators that own the only issued licences, have widespread national coverage, exceeding 90% in most cases. This allows for rapid deployment to users in a wide range of cities, including Abidjan, Yamoussoukro, San Pédro, Bouaké and Bassam.

While low data usage has kept average revenue per user down, the 4G announcements of ISPs YooMee and VIPNet have raised the question on when mobile telecoms operators will follow suit. With the current 3G licences up for renewal in 2016, press reports indicate that the introduction of 4G mobile permits are likely to come out around that time. "I am expecting an early push for 4G to stay ahead of the game," Verlet told OBG.

Despite its lag compared to regional counterparts, a variety of privately and publicly initiated projects will help Côte d'Ivoire to catch up on both recent technology standards and internet penetration rates. According to the government, the latter will increase 10-fold within the coming five years. While this is certainly ambitious, if the current pace of project execution is maintained, it may just become a reality.

Efforts to improve internet penetration and service provision will help support the e-government initiative, improving the currently limited and constrained internet capacities of public offices.

Alongside the initiatives promoting greater digitalisation in both the public and private sectors, new legislation is being introduced for the sector, including laws covering privacy rights and electronic transactions.

years. The first axis concerns legal and institutional reforms to pave the way for laws regulating electronic transactions, protection of personal data and cyber security. Second, a government-wide intranet is being installed targeting the interconnection of all national, regional and local public offices, digitalisation of archives, videoconferencing and integration of administrative systems. The third axis will see extension of connections to education and medical facilities as well as introduction of IT infrastructure in schools and hospitals.

ENABLING ENVIRONMENT: In late 2013 a number of legal proposals were prioritised and have either been passed through the government or are in the final approval stages. One such example is a law on the protection of personal data, introduced in September 2013. Although its actual application is yet to be defined and approved, the law will establish guidelines on the privacy rights of individual users, which is likely to boost behaviour on social media and e-commerce platforms.

A second regulatory item is the proposed introduction of a law on electronic transactions, including the validity of a digital signature, which is a key requirement to facilitate the conversion towards a fully fledged digitalised administration and will also encourage the viability of electronic platforms. Legislation has also been proposed to tackle cyber-security breaches. According to Boukary Ouédraogo, general manager of IT service provider Bull, the cost of cybercrime, including preventative measures, to the private sector is estimated at

CFA20bn-50bn (€30m-75m) per year. This is particularly prominent in the financial sector where most players rely on investment-intensive satellite connections, which are considered to be more secure. "Demand for security services is growing rapidly as companies are more and more concerned about data protection and identity management," Ouédraogo told OBG. In an initial bid to curb rising number of incidents, the government set up a dedicated task force called the Platform for Fighting Cybercrime, the first of its kind in Africa. Since its establishment in 2012, the agency has registered close to 12,000 declarations of cybercrime and prosecuted some 150 individuals.

GOVERNMENT CLIENTS: As regards the second axis, interconnected public offices, progress can be observed at the ministerial and presidential levels. "After a slow start, we have seen a remarkable uptake of centralised IT systems in the country's highest levels of government," Nongolougo Soro, CEO of SNDI, told OBG. Implementation at other levels has also begun. "Despite some resistance in the early stages, the rollout is now very much demand driven," Soro said.

With over 140,000 officials on the public payroll, the task is no easy feat. Aside from physical infrastructure, end-user training constitutes a critical component in the plan's roll-out. "Training programmes range from basic literacy requirements to more sophisticated, customised applications in areas of public procurement processes and public financial administration," N'goran

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said. The structured roll-out of the new framework is meant to help make modules more marketable to donor financiers whose involvement is critical to keep pace behind the project, worth some CFA300bn (€450m), according to government estimations.

As Oumar Konaté, the national coordinator of the e-government project, recently told local media, the new framework is more optimally adapted to market requirements, particularly regarding the financial needs. "We have put in place in a financing committee as well as single window system that allows to bid for, track and evaluate separate modules," Konaté said.

LOCAL RESOURCES: Expanding broadband infrastructure, a growing market for adapted software and strong growth in the mobile space is demonstrating a pressing need for local IT solution providers. Efforts to expand the labour pool are currently under way, with the African School of Information and Communication Technologies (Ecole Supérieure Africaine des Technologies de l'Information et de la Communication, ESATIC), offering Bachelor and Master-level degrees in a range of IT-related disciplines. The overhaul of the university in 2012 has led to new relationships with both domestic and international IT players, including the Group of ITC Sector Operators (Groupement des Opérateurs du Secteur des Technologies de l'Information et de la Communication, GOTIC), the industry association that represents IT operators, and the Microsoft IT Academy.

Nevertheless, current growth prospects indicate the need for more efforts. "Provided demand and supply mechanisms stay as they are, we expect to face a deficit of 15,000 to 20,000 professionals," Patrick M'Bengue, chairman of GOTIC, told OBG. Faced with the challenge and the drive to accelerate stalled projects, public initiatives have increasingly relied on foreign suppliers.

One such example is the engineering of the national fibre backbone, which has thus far been contracted to Chinese firms, much to the frustration of domestic players. "Local participation in public projects is the most optimal manner to foster the quantity and quality of our country's IT professionals, but thus far we have seen little commitment from the government to support that objective," M'Bengue said.

PROGRESS: Among its various priorities, the establishment of a dedicated agency attached to the prime minister's office to oversee contracting of IT projects to the private sector ranks high on GOTIC's agenda. This has led to some progress, notably by the establishment of regular consultation between private and public entities on upcoming projects. In addition, GOTIC is pushing for regulatory amendments to lower barriers for local firms to participate in public tenders. At present, criteria such as capitalisation and project track record often rule out local players from applying, but unfairly so, according to GOTIC. "A restructure of large-scale public projects into smaller modules would allow qualification of many of our members," M'Bengue said.

ATTRACTING INVESTMENT: As is the case in a number of sectors, the state is taking up a pole position in the IT sector as an investor, with a hefty public spending campaign driving the expansion of e-government,



Training the workforce to keep pace with IT developments is key

broadband and mobile data projects. In addition, the government has introduced a telecoms infrastructure fund generated by a contribution of 2.5% on the turnover of telecoms operators. With turnover of the sector as a whole expected to be in line with forecasts for 2014, the fund will reach between CFA17bn (€25.5m) and CFA20bn (€30m) per year. Although far from the amount required to finance the project, the fund will help to cater for the costs of external long-term financing.

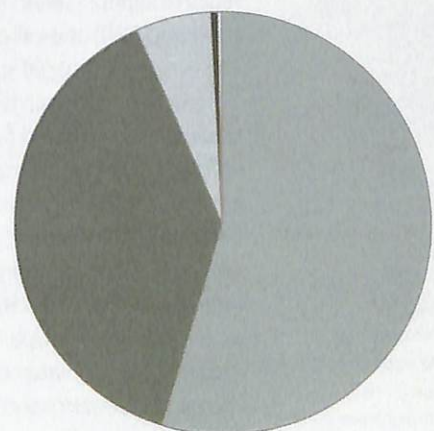
The private sector is also seeing an uptick in participation as well. To help accelerate this, a public-private partnership is working on an IT-dedicated free zone near Grand-Bassam, 30 km west of Abidjan. The zone is run by the Village des Technologies d'Information et de la Biotechnologie, (VITIB), a dedicated management company whose ownership comprises shareholders from the Ivorian government, mobile operators MTN and Etisalat, and a consortium of Indian companies.

Initially launched in 2010, the project gained new impetus in late 2013 when one of its donors, India's Eximbank, reactivated a loan of CFA10bn (€15m). These funds have been complemented by support from the

Contributions of 2.5% of the turnover from telecoms operators will help fund infrastructure developments, primarily by helping to facilitate long-term financing by external sources.

Market share by turnover, 2014 (%)

AFNET	54.76
AVISO	38.66
VIPNET	5.79
ALINK	0.65
IZINET	0.14



SOURCE: ARTCI

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Tourism

A rich diversity of natural and cultural attractions

Business travel remains dominant over leisure

A range of new hotel projects are under way

New legal code creates sector's institutional framework

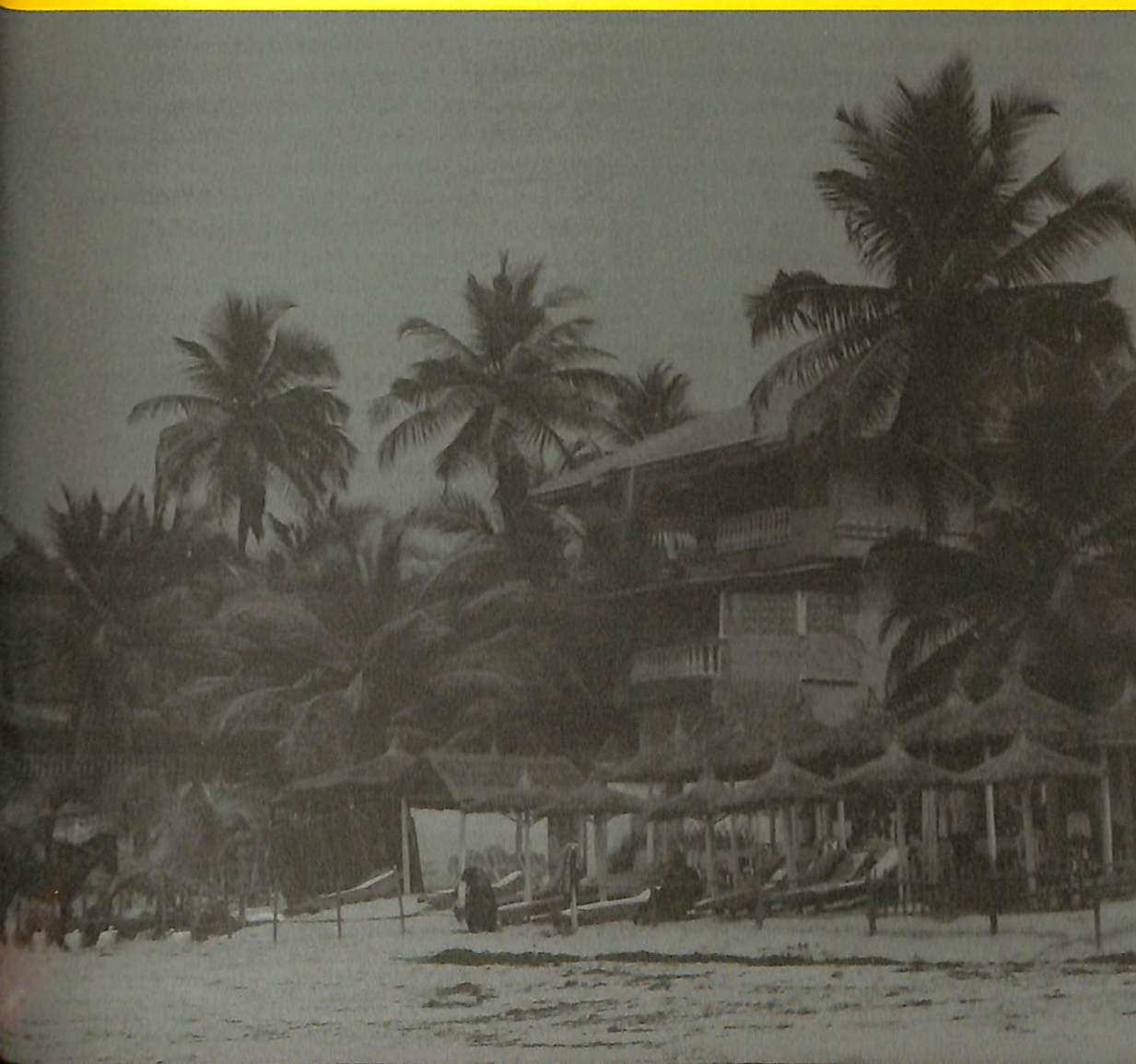
A priority of government plans has thus been to establish a regulatory framework to lay the foundations of the tourism industry.

Cultural diversity and historical sites are also major attractions. The "Tomb of West Africa" and the country's numerous prehistoric ruins, which date back to the 10th century, are among the most important.

The country's rich natural resources, including its diverse flora and fauna, are also a major attraction. The country's diverse landscape, with its mountains, rivers, and lakes, is a major attraction. The country's diverse landscape, with its mountains, rivers, and lakes, is a major attraction.

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Landscapes vary from beaches to savannahs and tropical forests

On the horizon

Numerous attractions look set to draw new arrivals and revenues

Travel and tourism directly contributed around 2.4% of GDP in 2013, or €476.7m. However, when the sector's indirect effects are accounted for, the figure doubles to 4.8%.

After years of neglect due to political instability, the tourism industry in Côte d'Ivoire is expected to enjoy a steady recovery as government efforts lead the rejuvenation process for the country's hotel, transport and national attractions infrastructure. According to the World Travel and Tourism Council (WTTC), travel and tourism directly contributed around 2.4% of GDP in 2013, or CFA317.8bn (€476.7m). The WTTC forecast this figure to rise by 8.8% for 2014 and by a further 5% annually through 2024, to reach some CFA563bn (€844.5m) at constant 2013 prices.

ECONOMIC CONTRIBUTION: The sector's full impact, however, is much greater than this. Separate WTTC data that include indirect or "induced" effects – such as investment in new hotels, state outlays on promotion and security, and tourism-related domestic spending – show the sector's total contribution at 4.8% of GDP in 2013, or CFA627.9bn (€941.9m). This is set to rise by 9% for 2014 and about 4.9% a year over the next decade, reaching CFA1.1trn (€1.7bn) in 2024. Out of total sector expenditure in 2013, just over half was direct spending, with the rest either indirect (31.3%) or induced (18.1%).

Data on the labour market paint a similar picture. In 2013 travel and tourism directly contributed about 104,000 jobs, or 2.1% of total employment, according to the WTTC. Add to this all positions indirectly supported by the industry, and the figure roughly doubles, to 211,500 jobs and 4.2% of the country's workforce. The number of direct jobs was expected to rise by 3.8% for 2014 and 2% a year to 2024, compared to 4.2% and 1.9%, respectively, for total industry-supported jobs, according to WTTC estimations.

BUSINESS OVER PLEASURE: Strong trends in business tourism in 2014 are expected to sustain its dominance over leisure travel in the future. The country's economic resurgence has enhanced the appeal of investment opportunities, drawing many businessmen to the economic capital of Abidjan. Infrastructure for leisure tourism, however, has yet to be

fully restored following the decade-long civil war and has therefore experienced a slower recovery, though plans exist to revive national capacity (see analysis). According to the WTTC, business travel spending (inbound and domestic) accounted for 59.2% of direct travel and tourism in 2013, or CFA428.1bn (€642.2m), compared with 40.8% for leisure travel, or CFA295.5bn (€443.3m). Though statistics for 2014 were unavailable at the time of press, the WTTC projected that business travel spending would rise by 7.4% that year to CFA459.7bn (€690m) and then grow by 5.1% annually until 2024, when it will reach CFA756.7bn (€1.14bn). Due partly to its relatively slow recovery in 2012, leisure travel spending was expected to enjoy a stronger growth rate of 7.8% in 2014, amounting to CFA318.6bn (€477.9m), before slowing to an average 5.2% per year to reach CFA529.1bn (€793.7m) in 2024.

LOCAL ATTRACTIONS: With landscapes varying from savannahs and tropical forests to beaches and mountains, Côte d'Ivoire is renowned for its rich diversity of natural habitats and offers impressive local assets for numerous tourism niches. In the country's eight national parks, visitors can view an assortment of animals ranging from elephants, lions and buffalos at Comoé National Park to chimpanzees famous for their use of tools to make their food at Tai National Park. The 3300-sq-km Tai National Park, a UNESCO World Heritage site containing 1300 plant species and more big mammal species than South America's tropical forests, is expected to be a centrepiece of Côte d'Ivoire's tourism industry. To promote the sustainability of the park, tourist visits are currently limited to around 1500 per year.

Cultural tourism is another of the country's potential assets for attracting travellers. Côte d'Ivoire is home to more than 60 different language groups, many of whose musical, culinary, religious and artistic customs are found solely within its borders. "Côte d'Ivoire will never be a mass tourism attraction like

Business tourism, which accounted for 59.2% of direct revenues in 2013, is expected to maintain its dominance over leisure tourism in the future.

some of its other African neighbours, but the beauty of its cultural tourism is extraordinary," said Monique Philippe, director-general of Ivoire Tourisme Voyages, a local travel agency. "This mosaic of ethnic and cultural differences is an experience that we can present as a unique way to discover Africa."

The importance of agriculture to the economy provides opportunities for a niche market in ecotourism, enabling visitors to explore the plantations of key exports such as coffee, bananas, cocoa, rubber and palm oil. Indeed, Roger Kacou, the minister of tourism since 2012, aspires to establish the cocoa sector at the heart of the nation's tourism industry. A priority in government plans has thus been to rehabilitate rural transport infrastructure, to lay the groundwork for the ecotourism industry.

Côte d'Ivoire's urban and historical sites are also major attractions. Abidjan, the "Paris of West Africa" and the country's economic capital, boasts a wide variety of food, musical and cultural entertainment. In Yamoussoukro, the nation's political and administrative centre, a replica of St Peter's basilica in Rome remains an important site for religious visitors. Those eager to explore the country's history can visit Grand Bassam, the French colonial capital during the late 1800s and a World Heritage site.

IMPACT OF INSTABILITY: Côte d'Ivoire was once a major West African tourist attraction due to its economic prosperity and unique cultural and physical diversity. Europeans in particular were drawn to the country, and by 1998, Côte d'Ivoire catered to 301,039 tourists annually, more than 73,000 of them from France alone. Following the eruption of the civil war soon after, however, tourism figures experienced a significant drop – particularly among French visitors during violent anti-French protests in 2004 – hitting a low of 182,000 in 2007.

After a decade of conflict, the country held presidential elections in 2010. Aspirations to rejuvenate the tourism sector were high, and officials envisioned proposals to establish tourist zones with tax breaks for foreign investors. An electoral dispute, however, led to a renewed outbreak of unrest, and plans for the tourism industry were once again put on hold. More than 10 years of fighting destroyed many of the country's hotels, damaged roads and bridges, and degraded key attractions such as Grand Bassam. The conflict also hurt the viability of local tourism promoters; between 2010 and 2012 alone, many agencies left the sector, while prominent players such as the Société des Palaces de Cocody, the public organisation that oversees state-run hotels, suffered a 30-40% decline in revenues.

GOVERNMENT ASPIRATIONS: Under the guidance of the country's tourism minister, Côte d'Ivoire hopes to increase visitor arrivals from below 300,000 tourists in 2012 to 500,000 in 2015 and 1m by 2020. Some sector observers question the industry's ability to attract half a million visitors by 2015, citing the inefficient system of counting the number of tourists. Currently, tourists are defined as individuals who



Given its mosaic of ethnicities, Côte d'Ivoire has strong potential to develop cultural tourism

arrive at a national airport and remain in the country for over 48 hours, whether or not they stay in hotels, visit local sites or eat in restaurants. The number of annual tourists is therefore disputed; although the state tourism agency estimated there were 289,191 such visitors in 2012, several local agencies remain sceptical whether even 200,000 arrived during that year. The WTTC later forecast that arrivals would reach 393,000 for 2014.

Whatever the true figure, sector participants are confident in the growth potential of tourism. "We are optimistic about the future," said Marie-Reine Koné, CEO of Afric Voyages, a local tour agency. "Even if we may not get 500,000 tourists by 2015, we must be ambitious, because this allows us to advance. We will reach this goal eventually, and even if we get 400,000 visitors, this would be progress."

STATE INITIATIVES: Efforts to attract tourists will be bolstered by the introduction of a new visa system. In the past, visas have been a key obstacle for visitors, who had to apply at Ivorian consulates and pay a €110 fee. The new rules have cut the visa fee by half and allow visitors to apply online and receive their visa upon arrival at Abidjan's international airport. "We are very happy with the new changes for the visa," Koné told OBG. "Tourists no longer have to go to a city where there is an Ivorian embassy, and the system is efficient and more affordable. Although we think it would be best not to have a visa at all, the new system will facilitate tourists coming instead of being a possible deterrent."

SECTOR ORGANISATION: Tourism is largely dominated by eight to 10 travel agencies that account for approximately 80% of industry sales. Within this category, major companies that coordinate with Air France include Afric Voyages, Ivoire Tourisme Voyages and SDV Voyages, while CTE Voyages et Tourisme and Capitale Voyages work with other airlines. Travel agencies associated with Air France generally serve multinational corporate clients, while those

A new visa system has cut the tourist entry fee by half from €110, and allows visitors to apply online instead of at an Ivorian consulate, receiving their visas on arrival at Abidjan.

Though the number of annual arrivals is currently disputed, the government is working to attract 500,000 tourists to the country in 2015 and 1m by 2020, up from fewer than 300,000 in 2012.

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operating with other airlines usually cater to domestic business clients, hence competition in the formal sector is limited within each client type. Overall, around 40 travel agencies have been certified to sell airline tickets by the International Air Transport Association (IATA), which accredits travel agencies.

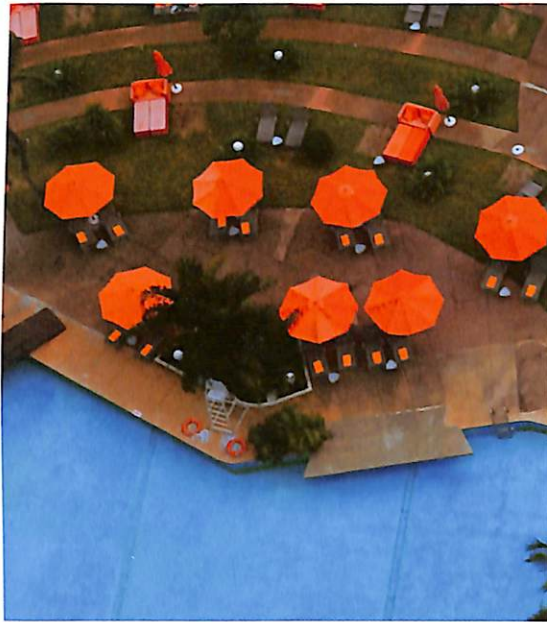
To receive an IATA licence, companies must comply with a number of requirements, including the provision of a bank guarantee. Yet many operators are circumventing regulations and obtaining certifications illegally, an issue that agencies say has worsened since 2013. A lack of diligence on the part of IATA and other involved tourism organisations, they say, generates competition that is unfair to formal, tax-paying tourist outfits. Operators may, for example, illegally sell plane tickets – the chief source of income for formal agencies – or provide car rentals and small-scale sightseeing excursions without paying taxes, notably the 18% value-added tax on tourist activities. “For a country like Côte d’Ivoire that lost everything in terms of tourism on the international market, it is essential that we present the best image possible to visitors during the relaunch of our industry,” Philippe told OBG. “To do this we need competent, professional agencies representing us, because otherwise, tourists will form a bad impression and will not come, delaying our progress.”

NEW TOURISM CODE: The recent adoption of a new legal code for tourism, a process that has been under way since 2013, is set to address problems related to informal activities by defining the status of legal versus illegal operators. Approved unanimously by the Committee on Economic and Financial Affairs in early 2014, the code is the first of its kind to be implemented since independence in August 1960, and will create a legal and institutional framework to support the industry’s expansion. At the time of writing, corrections were being added before the text was to be presented to industry players, with the new code expected to go into effect in 2015.

“At the moment, people do not seem to understand the basics of the tourism industry – what it offers, whom it employs and where government investments are going,” Pascal Mahan, former director of local travel agency Lagoon Tours, told OBG. “The new code will educate people and show them that the tourism sector can offer a lot to the country in terms of sustainable and environmentally friendly economic growth and job opportunities.”

APPEALING TO NEW MARKETS: Of all spending on travel and tourism in the country during 2013, 84.1% came from domestic travel and 15.9% from foreign visitors, according to the WTTC. Receipts from international travellers are set to rise by 9.3% to CFA125.4bn (€188.1m) in 2014, averaging 4.7% growth over the next 10 years to reach CFA199bn (€298.5m) in 2024. Domestic travel spending, despite slower growth of 5.2% for 2014, is set to rise by a stronger 5.2% over the decade to CFA1.1trn (€1.6bn).

These figures highlight a major untapped market in the national tourism strategy – namely, the poten-



Rising purchasing power is expected to support domestic tourism

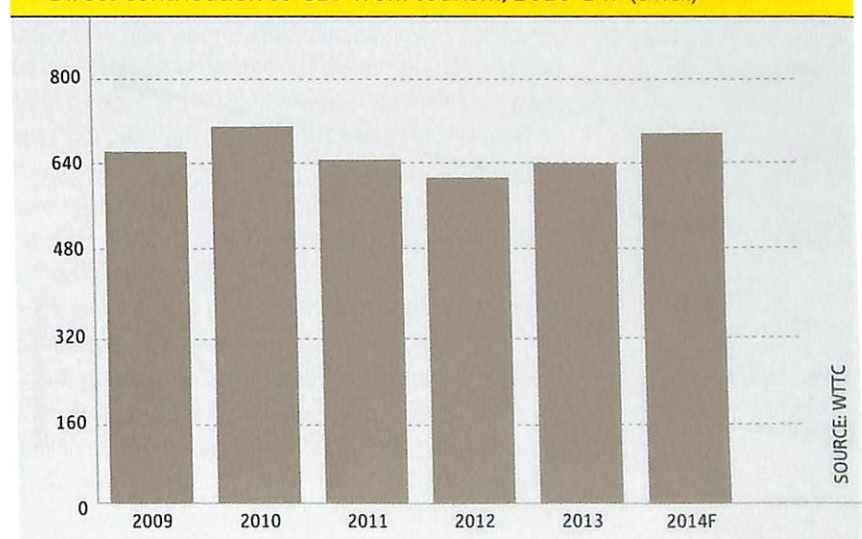
tial of local and regional tourists. In a country where more than 40% of the population lived under the national poverty line as of 2008, the latest year from which data was available from the World Bank, tourism still remains beyond the means of most Ivorians. But with expected increases in purchasing power, domestic tourism could play an ever-larger role in the industry’s expansion. “Tourism can only develop with the establishment of a real local tourism market, whether it’s Ivorians visiting other parts of the country or people from the region,” said Koné. “Currently, most Ivorians prefer to travel to Europe for vacation – particularly France – but as we educate the population about local attractions, we will be able to realise our potential.”

Other major markets with potential are China and Japan, particularly for business tourism, as well as regional and “south-to-south” tourism between Africa and Latin American countries, notably Brazil.

TRANSPORT: Improvements in transport infrastructure are under way to facilitate travel to major tourist destinations. A number of road projects have been

A new legal code for the tourism industry was adopted unanimously in early 2014, and will create a legal and institutional framework to support the industry’s expansion once it goes into effect in 2015.

Direct contribution to GDP from tourism, 2010-14F (CFA bn)





Expansions are under way at the international airport in Abidjan

Authorities are discussing the benefits of liberalising Ivorian air space to allow new airlines into the market, as this would create the competition needed to lower ticket prices.

completed, including a 140-km highway connecting the south to Yamoussoukro.

Also finished in December 2014 was the construction of a third bridge over the Ebrié Lagoon in Abidjan's Cocody district, easing traffic circulation through the city and to hotels in Cocody. "Progress has certainly been made since 2013; roads that were once impassable are now much more accessible," said Philippe. "What would be great is to establish circuits throughout parts of our territory for tourists, from the south to the north, or perhaps from the central-north of the country to the east." Though big strides have been made in re-establishing law and order across the territory, instability continues along certain routes in the western regions, and travel is not recommended past 8pm.

UP IN THE AIR: Expansions are also scheduled for the international airport in Abidjan, including a new business class lounge (see Transport chapter). The city's airport has been identified as one of the most expensive in the world for airline operators due partly to high airport taxes. Negotiations are ongoing

between transport officials and ministers to re-examine taxes on air travel in order to make Abidjan more competitive for air traffic, though details were not available at the time of writing. "Côte d'Ivoire must look at the policies of major tourist destinations like Morocco, Senegal and South Africa and consider how they implement taxes on air travel," Mahan told OBG. "We want to make Abidjan a regional hub and there is great potential for this as the country reclaims its economic standing in the region, but air travel must become cheaper and more flexible. After a review of the taxes in place, tickets will become much more accessible for travellers."

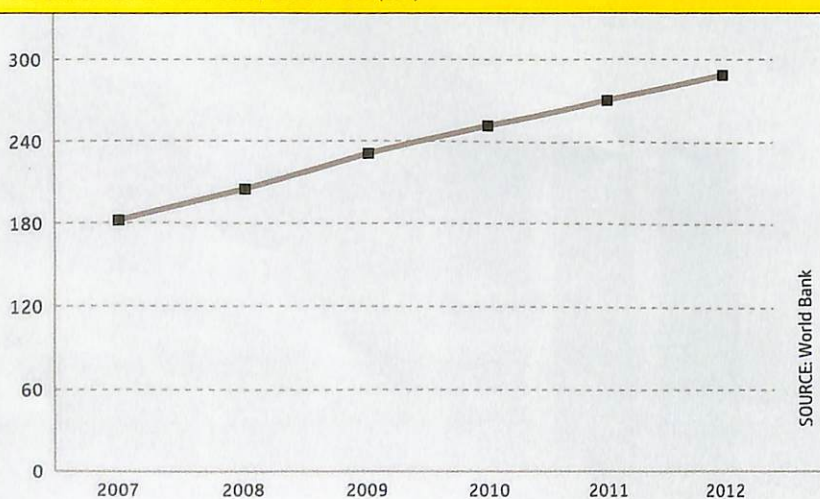
Authorities are also discussing the benefits of liberalising Ivorian air space to allow new airlines into the market. Improved infrastructure and renewed interest in business and leisure tourism has already enticed a number of new carriers to set up operations in Côte d'Ivoire. This is expected to create more of the competition needed in the aviation sector to lower the prices of plane tickets. Recent arrivals include Turkish Airlines and Brussels Airlines, while other popular air operators with a longer history in the market include Air France and Royal Air Maroc.

During the years of political unrest, Air France held a monopoly over the air travel market and was able to dictate airfares. However, the arrival of Corsair, France's second-largest carrier, has considerably improved the affordability of tickets by obliging Air France to reconsider its pricing strategy.

POLITICAL UNCERTAINTY: Although important gains have been made to improve security in remote regions of the country, operators remain concerned about the potential for renewed strife in the run-up to the 2015 presidential elections. State efforts at reconciliation continue, but many fear they are not proceeding at the pace needed to facilitate a peaceful transition. "Things have been getting better in tourism, but the elections are still setting everyone on edge," said Philippe. "As a result, despite the renewed interest of tour operators in Côte d'Ivoire, investors are wary of funding projects."

OUTLOOK: Despite concerns about its political future, Côte d'Ivoire is laying the foundations for a healthy recovery in the tourism industry. Numerous transport and hotel projects currently under way are expected to boost national capacity and help connect travellers to attractions throughout the country (see analysis). Meanwhile, the introduction of the new tourism code in 2015 will strengthen the position of formal travel agencies and reduce the operations of informal entities. "The actual context of development is positive," said Koné. "With the new structures to be adopted by the Ministry of Tourism, the industry will now move out of the informal realm into a sector that is both well structured and well educated in the needs and norms of a successful tourism industry." In terms of boosting visitor arrivals, the significant reduction in the price for tourist visas is likely to have a positive effect, as is the shift to the online visa application system.

International arrivals, 2007-12 (000)



SOURCE: World Bank



Public and private sector hotel projects are set to expand capacity

Room and boards

Projects to build hotel and conference facilities take shape

Supported by state efforts to expand tourism to every region, Côte d'Ivoire's hotel infrastructure once extended throughout its territory, reaching 11,374 beds and 7786 rooms in 1997. During the civil war, however, the national hotel capacity dwindled with the destruction of many tourist buildings. After the conflict ended, estimates varied widely, ranging from 3000 beds to 10,000. Today, most hotels are located in Abidjan, and in 2013 an estimated 2000-3000 beds were available from hotels managed by both local and foreign firms, including the Golf Hotel, Hotel Pullman, Tiama and Novotel.

Since the return of political stability, the hotel industry has enjoyed a rapid recovery, partly due to rising business tourism. Speaking to local media in 2013, Maférima Diarrassouba, CEO of Société des Palaces de Cocody (SPDC), the public entity that oversees state-run hotels, said, "During the crisis, occupancy rates plummeted and large groups such as Intercontinental left the country. Occupancy at Hotel Ivoire was barely 20%. Today, we cannot meet the demand."

NEW BEGINNINGS: In early 2014 Sofitel reopened the Hotel Ivoire in the capital city's district of Cocody. Acquired in July 2011 by Sofitel for €4m, the five-star hotel was launched under their brand following 18 months of renovation to meet the company's standards. The hotel is set to cater to the new class of businessmen coming to Côte d'Ivoire, with 209 rooms, four modern conference rooms and two restaurants. In 2015 a second phase of construction will begin, adding another 217 rooms (including 31 serviced apartments and 84 suites), two restaurants, a bar, business centre and additional meeting rooms, shopping facilities, as well as a spa, casino and cinema.

Other major projects include the construction of a CFA26bn (€39m) Radisson Blu near Abidjan's Port Bouet Airport, under the aegis of the Rezidor Hotel Group. Expected to open in 2015, the hotel will offer 252 rooms, seminar and conference rooms, a business-class lounge and retail stores. Azalai Hotel Group, a West African chain, will open its own CFA14bn

(€21m) hotel in 2015, one of several to be built across the region for a total investment of \$165m. Construction is under way for another two hotels, the Café de Rome in the Plateau and the Palm Club in Cocody, which would provide at least 150 additional rooms in the city, though plans stalled in 2011 and no new opening date has since been announced. By the end of 2015, the SPDC expects another 500 rooms to be available.

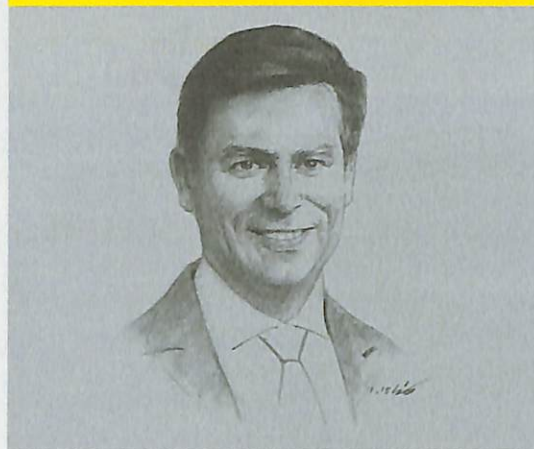
HIT THE BEACH: The country is also seeking to unlock the tourism potential of its coasts. "We are optimistic because Abidjan's hotel projects are advancing very well, but what we're waiting for are projects like beach resorts that will allow us to diversify our activities and relaunch our leisure tourism attractions," said Marie-Reine Koné, CEO of Afric Voyages, a local tourism agency. To this end, the government is encouraging the rebirth of beach tourism. In early 2014 the state entered into a partnership with La Campagne Tropicana Beach Resort, at Ikegun Village in Lagos's Ibeju Lekki, to establish 20 resorts. Though information on the value of the projects was unavailable at the time of writing, locations for the resorts had been selected and construction is set to begin in 2015.

OPPORTUNITIES FOR GROWTH: Many operators agree that the nation's hotel capacity will be sufficient to meet tourist arrivals when the various private and public sector hotels are finished. However, new projects will be needed to address the country's underdeveloped capacity for large-scale gatherings. Already business travellers account for nearly 60% of the tourism market, and the potential for conferences offers further scope for future growth.

"With the return of the African Development Bank to Abidjan, the need for hotels that can hold 4000-5000 people will be critical," said Monique Philippe, director-general of local travel agency Ivoire Tourisme Voyages. "As Abidjan retakes its place as a regional political and economic hub, there will be many different conferences and seminars, and at the moment, we don't have anywhere to put 5000 visitors at once."

Most hotels serving the country are currently located in Abidjan. In 2013 an estimated 2000-3000 beds were available at hotels managed by both local and foreign operators.

The sector is expected to require facilities to host large groups of people for conferences and events as Abidjan regains its reputation as a regional political and economic centre.



Wolfgang M Neumann

Tourism take-off

OBG talks to Wolfgang M Neumann, President and CEO, the Rezidor Hotel Group

How has demand for higher-end hotels changed in sub-Saharan Africa?

NEUMANN: The entire African continent is considered one of the fastest growing continents thanks to its economic fundamentals, abundance of natural resources, favourable demographics and improving infrastructure development. As the World Bank said, "Africa is poised for a growth take-off, much as India was 20 years ago and China was 30 years ago." When it comes to hotels, most regions of Africa lack internationally branded hotel rooms or offer a rather outdated portfolio. There is an imbalance of supply and demand, which offers considerable development potential for international hotel operators. The demand is not only related to the upper upscale brands, but also to mid-market offers. Today, key markets for international hotel operators are countries like Nigeria and South Africa.

When investing in the hospitality industry, what is the balance between risk and reward?

NEUMANN: International hotel groups often operate asset-light businesses; they usually do not invest in hotel infrastructure, and are not involved in real estate development. However, it is true that some assistance can be provided to hotel owners with quasi-equity instruments like mezzanine financing. For instance, Afrinord – a fund investing in hotels in Africa – is set to co-finance hotel projects with subordinated loans. However, a number of variables have to be taken into account with these projects. Africa still faces a range of challenges, such as the continent's dependence on natural resources, political instability and a complex trading environment.

What sort of potential is there for West African countries to diversify into leisure segments?

NEUMANN: Many countries in West Africa such as Nigeria and Ghana are primarily driven by business travel due to their important oil and gas, minerals

and agriculture sectors. Development of the leisure sector will also depend on the safety and security situation. For instance, in Nigeria we are monitoring this development closely and are confident that the country will be able to consolidate in close cooperation with international governments and institutions. In the years to come other West African countries will certainly focus more on their leisure segments. For example, Senegal and Côte d'Ivoire have outstanding coastal areas, where resort developments can be accelerated to support development.

In the past decade we have seen an impressive development of infrastructure and improvement of airline connections across Africa. Such structural changes will continue to play a crucial role in the growth of both leisure and business tourism in Africa.

How can worker qualifications be improved to ensure quality of services?

NEUMANN: Africa's workforce is growing at a fast pace – by 2050 the continent will feature 25% of the world's total workforce. Furthermore, according to recent data, 70% of Africa's population is below the age of 30; the continent's workforce is thus enormous. Also, at Rezidor we hire local staff, along with a few expats. In the hospitality business we hire based on attitude and then give training to develop workers' skills. It is also worth mentioning that the hospitality industry is one of the leading job creators in many African countries.

How can large hotel groups maintain international corporate standards in Africa?

NEUMANN: By pursuing quality leads and following efficient business structures, challenges can be minimised from the start of a project. Regional presence and knowledge is crucial, and it is also important to achieve the right balance between international brand standards, that have to be applied and respected, and local adaptation if and when necessary.

Health & Education

Universal health care to be introduced in phases

Demand for pharmaceuticals is increasing

Boosting education funding and expanding access

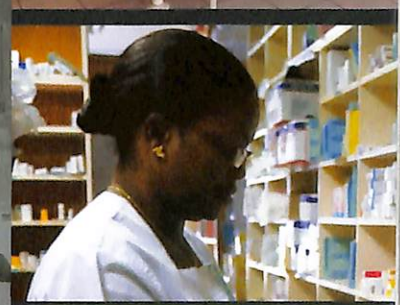
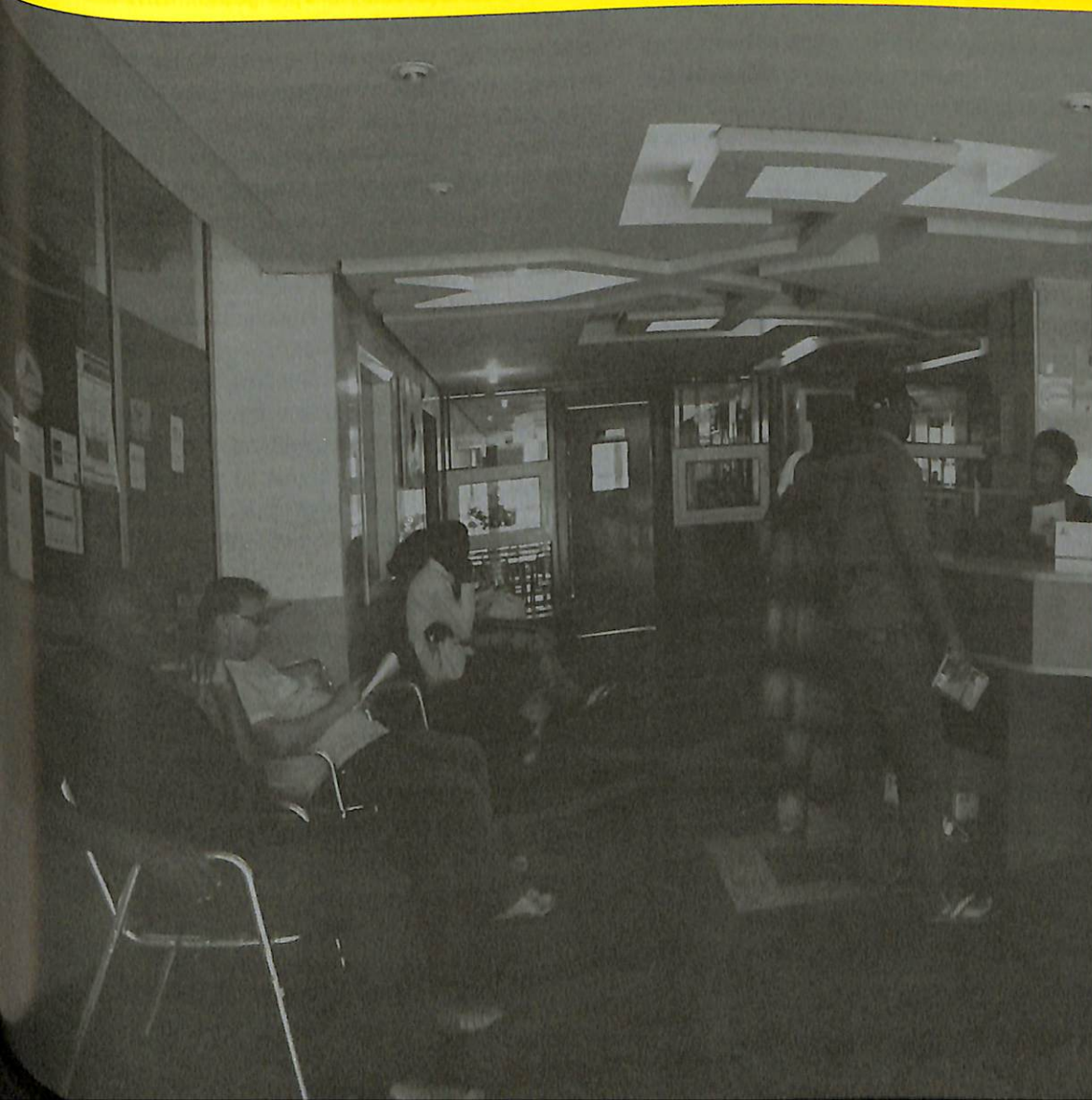
Transitioning into a three-tier degree system

Kenya's health sector has received 20% of total government spending over the 2012-2015 period. The health of Kenya's population is at a critical juncture. The government has vowed to increase the MoU, which is a commitment to the health sector, to 25% of the total government budget by 2015.

The health sector is a key pillar of the Kenyan economy. It is a sector that has received significant attention from the government and the private sector. The health sector is a key pillar of the Kenyan economy. It is a sector that has received significant attention from the government and the private sector.

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International organisations play a significant role in the sector

Renewed focus

Addressing challenges and improving coverage with the introduction of a universal health care law

After over a decade of political instability and armed conflict, Côte d'Ivoire is beginning to rebuild its public health sector. A recent vote for a 29% increase in the budget of the Ministry of Health and the Fight against AIDS (Ministère de la Santé et de la Lutte Contre le SIDA, MSLS) and large donor contributions for basic services signal a good start. According to the World Bank, total per capita health spending was \$88 in 2012, up from \$33 in 2002. This is primarily due to private sector growth, which stems largely from the spread of unlicensed providers; reining in the private sector through better regulation and training will enable it to serve as a sustainable engine for growth.

STRUCTURE: Whereas the public sector provides a majority of health services, the private sector accounts for a majority of health facilities. The MSLS estimates that in 2011 private health establishments numbered 2036, whereas the public health infrastructure consisted of 1910 first-contact health clinics, 83 general and regional hospitals, five specialised national institutes, and four university teaching hospitals. In addition to being largely insufficient for a population that the World Bank estimated at 19.84m in 2012, the public health infrastructure is in generally poor condition due to underinvestment. World Health Organisation (WHO) data reveal that 24.5% of expenditure on health in 2011 came from the public sector, significantly below the lower-middle-income country average of 37.1% for the same year. The proportion of the population covered by a system of health protection is limited.

According to local news reports, 95% of the population is not covered. Beneficiaries are mostly civil servants and members of certain collective associations in the agricultural sector. Per WHO data, 77% of private health expenditure was out-of-pocket as of 2012.

REGIONAL DISPARITIES: Significant regional disparities are a persistent feature of the health landscape. According to the 2012-15 National Development Plan for Health (Plan National de Développement Sanitaire PNDS), 90% of Abidjan residents live within 5 km of a

health facility, whereas the figure is less than 50% in six of Côte d'Ivoire's western and northern regions. This imbalance has a significant impact on maternal and infant mortality rates. The years of political crisis were a major contributor to regional inequalities in services. "Teachers, nurses, doctors and professors are primarily public servants, assigned to different regions of the country. During the political-military crisis of 2002, the country was separated into a pro-government zone and a CNO (centre, north, west) zone under the control of the rebels. These public servants left the areas occupied by the rebels, causing, in certain areas, an interruption, even a complete discontinuation of health services for the population," explained Aïda A N'Diaye, manager coordinator and manager for investing in people at the National Committee for the Eligibility of Côte d'Ivoire to the Millennium Challenge Corporation.

GOVERNMENT STRATEGY: In response to the acute health crisis, the government launched a free health care initiative, which ran from mid-2011 until January 2012, when overburdened facilities, supply shortages and spiralling costs forced the government to restrict the programme to pregnant women and children under five. Expanding health care access to more women, children and other vulnerable groups is the core objective of the health strategy, for which CFA594bn (€891m) has been allocated in the 2012-15 National Development Plan (5.36% of the plan's budget). Like its West African neighbours, Côte d'Ivoire has one of the highest maternal and child mortality rates in the world. In 2013 the maternal mortality ratio was 720 per 100,000 live births, representing the eighth highest in the world, according to the WHO. Child mortality stood at 108 per 1000 live births for children under five in 2012. While the country is unlikely to achieve its Millennium Development Goals for improving maternal health indicators and reducing infant mortality by 2015, the figures will likely continue to improve given their prioritisation.

Poverty remains the most significant barrier to improving health. The UN Development Programme's 2012

A free health care scheme was introduced in mid-2011, though overburdened facilities, supply shortage and rising costs forced the government to restrict the programme to pregnant women and children under five from January 2012.

Human Development Index ranked Côte d'Ivoire at 168 out of 187 countries, placing it in the middle of the pack in terms of the West Africa region, but significantly below the sub-region's other strong economies of Nigeria (153) and Ghana (135). The PNDS reports that in 2008, the poverty level stood at 48.9% nationally, and as high as 62.5% in rural areas. Cutting this rate in half is one of the five principal objectives of the National Development Plan 2012-15. A key component of the plan to expand health care access is the universal health coverage legislation (see analysis).

PUBLIC SPENDING: WHO figures indicate that public expenditure on health in 2011 was just 6.8% of total government spending, well below the 2001 African Union Heads of State pledge of at least 15%. For 2014, the government has voted to increase the MSLS's budget to CFA245.5bn (€368.3m), representing an increase over the 2013 budget of CFA190bn (€285m), though the increase is still low, at 5.78%, relative to the growing national budget. The PNDS targets health spending at 10% of the government budget by 2015.

PRIVATE SECTOR: The private health sector has grown substantially in the past decade, driven primarily by the rising demand of an expanding population. In the 1980s budgetary constraints led the government to curtail its investment in public health services and cap the number of medical professionals. Facing competition for limited public sector jobs, many medical school graduates opted instead to open their own private clinics. Periods of armed conflict in the 2000s further weakened the public health sector, prompting rapid and relatively unregulated growth in the private sector.

"During the war, lots of doctors left the war zones and went to Abidjan. This posed a big problem because in the absence of legitimate health facilities, many illegal health clinics were opened which do not meet minimum health standards, and where unqualified people are practising medicine without a medical licence," said Joseph Boguifo, president of the Association of Private Clinics of Côte d'Ivoire. The PNDS estimates that of the 2036 private health establishments operating in 2011, nearly three-quarters (73%) were non-authorised.

WORKFORCE: As is true for much of sub-Saharan Africa, Côte d'Ivoire's health workforce deficit is substantial. Whereas the WHO recommends a minimum density of 2.3 health workers per 1000 people, Côte d'Ivoire's ratio as of 2010 was 0.14 physicians and 0.48 nurses and midwives. According to the PNDS, nearly 40% of health professionals are concentrated in Abidjan, although the city is home to 24% of the population.

PHARMACEUTICALS: The pharmaceuticals market is characterised by heavy reliance on imported drugs. "As of today, 94% of the total medicines consumed on the local market are imported, mainly from France where most of the central purchasing offices are. The remaining 6% are produced locally, and is mainly generics," Ibrahima Diawara, managing director of domestic producer Cipharm, told OBG. While locally manufactured drugs compete at prices similar to those imported from Europe, both are undercut by cheaper imports from Asia. Counterfeiting and falsification of ingredients is a wide-



The private health sector has grown substantially in the past decade

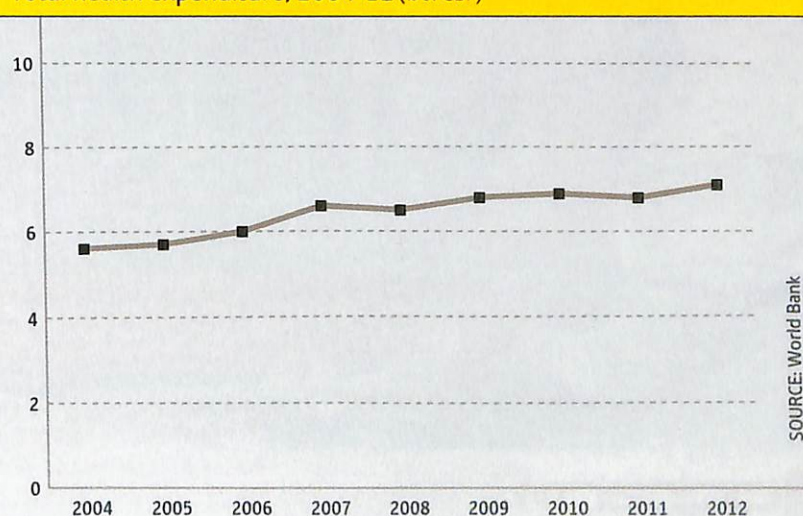
spread problem, which has grown in recent years as regulatory crackdowns in the US and Europe have led counterfeiters to take advantage of the less-policed African market. "At the moment, the government is not very active in supporting the local pharmaceuticals industry. However, local production is recognised at the level of the WHO, the UN Industrial Development Organisation and the African Union as a strategy for combating counterfeit and substandard drugs, because when drugs are produced locally there is a measure of operational oversight and traceability of inputs that isn't possible for drugs coming from China and India," Assane Coulibaly, president of the Association of Pharmaceutical Producers of Côte d'Ivoire, told OBG.

Recognising the need to boost domestic production, the government has granted authorisation to Moroccan pharmaceuticals firm Cooper Pharma Maroc to open a plant in Côte d'Ivoire.

A NEW PRODUCT: Though small, the domestic pharmaceuticals industry shows signs of growth. Two local producers are now expanding into the market for infusion products (intravenous fluids) of which there are

The pharmaceuticals market is characterised by a heavy reliance on imported drugs; around 94% of medicines consumed in the country are produced elsewhere.

Total health expenditure, 2004-12 (% of GDP)





Pharmaceuticals consumption has been growing at a rate of 5-6%

International partners and donor organisations play a significant role in the sector in collaboration with the government and private sector actors. Foreign participation is divided into three categories: laboratories and research, treatment funding and health facilities.

frequent shortages. With the help of a CFA2.5bn (€3.8m) loan from the West African Development Bank, local producer Pharmivoire Nouvelle is expanding and modernising its infusions production facility, while Cipharm will use CFA2bn (€3m) in financing from capital investment outfit Cauris Management and loans from local banks to add infusions to its product base. "Infusion products are often imported in Côte d'Ivoire, but with the new production plants, we will be able to satisfy most of the local demand. Infusion products are not easily imported because they are liquids, and therefore heavy, making them expensive to import, which in turn drives up the price on the local market," said Coulibaly.

CONSUMER MARKET: The consumer market for pharmaceuticals is substantial and growing. The pharmaceuticals distributor, Distribution Pharmaceutique de Côte d'Ivoire (DPCI), owned by the Coopérative Française d'Exploitation de Récupération Pharmaceutique, achieved a turnover of CFA27bn (€40.5m) in 2013, representing a 22% increase over 2012. DPCI also dou-

bled its storage capacity and launched a website where pharmacists can place orders and process payments electronically. The firm told OBG it expects to increase its product listing from the current 7000 to meet the general trend of 5-6% annual growth in consumption, which has been driven mainly by anti-malarial drugs.

INTERNATIONAL PARTICIPATION: International partners and donor organisations play a significant role in the sector in collaboration with the government and private sector actors. Foreign participation falls into three categories: laboratories and research, the funding of treatment, and the establishment of hospitals and clinics. The Institut Pasteur of Côte d'Ivoire serves as the national reference laboratory for tuberculosis, while the US Centres for Disease Control operates the Retrovirus Côte d'Ivoire project, a laboratory combating HIV/AIDS. In the area of treatment, the US President's Plan for Emergency AIDS Relief is the largest donor to the health sector with a budget of \$140m focused on funding antiretroviral treatment. The government has also signed an €18m debt re-financing deal with France and the European Commission that will enable the funding of maternal and child health care for three years. The African Development Bank provided \$863,000 in financing for the rehabilitation of the Séguéla Regional Hospital Centre in north-western Côte d'Ivoire. The renovations were completed in 2013. The initiative comes as part of the larger ongoing Post-Crisis Multi-Sector Institutional Support Project to restore public health services in the central, western and northern regions of the country.

OUTLOOK: Côte d'Ivoire's health sector challenges cut across multiple areas: staffing, infrastructure, training, regulation, national coverage and funding. Improving the quality and equity of care will require sustained interventions in all areas, in particular expansion of access to basic services and better regulation of the private sector. The adoption of the universal health care law and renewed prioritisation of maternal and child health indicate the government's recognition of health challenges and its willingness to address them.



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By 2021 the government aims to cover 11m people under the CMU

Expanding access

Rolling out universal health cover

Like many of its West African neighbours, Côte d'Ivoire suffers from an underdeveloped and overburdened public health infrastructure. To address the country's public health challenges, the government has adopted a strategy focusing on expanding access to basic care, in particular for women and children.

MATERNAL & CHILD HEALTH CARE: In April 2011 the Ivorian government responded to the post-conflict health crisis by rolling out a programme of free health care. However, mounting expenses, resulting from poor oversight and mismanagement of resources, forced the government to abandon the initiative by January 2012. Nonetheless, with the aid of international donors, free health care for pregnant women and children under five has remained in effect. While the re-focused programme has largely been viewed as a success, a remaining challenge is the cost of medicines, which many patients must purchase out-of-pocket from private clinics due to shortages at the public facilities.

To support financing of services, the government signed an €18m debt-reduction contract with France and the European Commission in December 2012. The deal allows for debt-refinancing through development grants that will fund the maternal and child health initiative for three years. The programme targets 270 health centres and 17 health districts and is expected to benefit 1m women and children. The partnership is intended to help bridge the gap in basic health services until public programmes are able to fill that role.

TOWARD UNIVERSAL COVERAGE: In March 2014 the National Assembly voted to adopt universal health coverage (couverture maladie universelle, CMU) legislation, representing Côte d'Ivoire's first nationwide health risk protection initiative. The CMU's dual-enrolment structure will entail monthly premiums of CFA1000 (€1.50) and co-pays for regular members, who will have access to public and private providers, while the poor will be eligible for premium-free enrolment and no co-pay, with the stipulation that care may be obtained solely from public providers. The uniform list of cov-

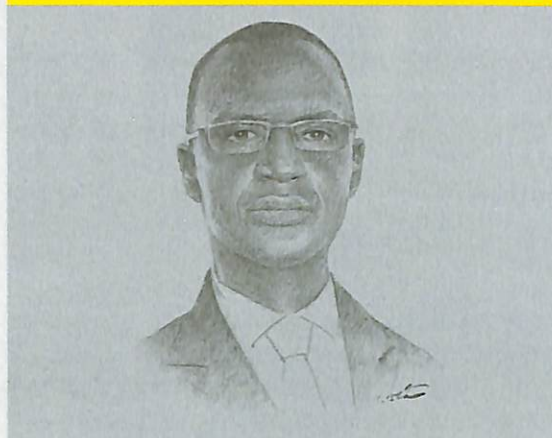
ered services is expected to focus on basic care. The first phase of the CMU, scheduled for January 2015, will incorporate 4m civil servants, state pensioners, and palm oil and shea butter farmers, who benefit from pre-existing organisations and administrative mechanisms that will facilitate their inclusion in the programme. Remaining sectors of the population will be incorporated in successive tranches, with the goal of covering 39% of the population (11m individuals) by 2021.

CONTROLLING COSTS: The success of the government's health strategy will hinge on its ability to control costs. In this regard, a coherent approach will include agreement with the pharmaceuticals industry on generic drug pricing. "Medications alone represent more than 60% of health care expenses, which means that in terms of daily expenses, in the context of health care coverage, medicines and the cost of medicines will play a very important role," said Assane Coulibaly, president of the Association of Pharmaceutical Producers of Côte d'Ivoire. As the CMU is gradually implemented, a parallel focus on developing local pharmaceuticals production would help bring down the price of medicines while buffering the sector from fluctuations in the global market. The proper integration and regulation of private health care providers will also prove essential to the long-term viability of the system.

Adequate oversight and accountability will be essential factors in controlling costs, by preventing the mismanagement and waste that undermined the free health care initiative of 2011. Streamlined data management systems, for example, will be needed to limit the scope for fraud and abuse. Maimouna Diop Ly, principal health analyst with the African Development Bank, said that, "In implementing the CMU, it will be necessary to ensure the autonomy of the managing structures. The institutional mechanisms of implementation must ensure transparency and traceability in terms of government spending, with a regular, independently conducted audit of the funding channels and measures of accountability for each piece of the programme."

In March 2014 the National Assembly voted to adopt universal health coverage. The list of covered services is expected to focus on basic care, with the first phase scheduled for roll out in January 2015.

Regular members will pay a €1.50 monthly subscription as well as a co-pay for treatment by public or private providers. The programme will also enrol low-income groups for free and will not require a co-pay, though care will be limited to public facilities.



Oumar Kébé

Access, price and standards

OBG talks to Oumar Kébé, General Manager for West Africa, GlaxoSmithKline (GSK)

What are your expectations for the roll-out of universal health coverage in Côte d'Ivoire?

KÉBÉ: The hope is that, with this new scheme, access to health care and medicines will increase and a larger share of the population will be able to get the treatments they need. However, the question of funding still remains. Who is going to pay for the health care system? The state can help jump-start the process but should not be involved in the long run, otherwise it will be unsustainable. A system based on solidarity, with a monthly contribution, would most likely be an effective solution. Solidarity is key because some people will never be able to pay their contribution and have access to decent treatments unless society takes care of them.

How can the consumption of generics be increased?

KÉBÉ: While general access to medicines is increasing, a large share of the population is still left behind, with limited access to basic treatments. Not only is purchasing power low, but geographical remoteness makes supplying drugs a challenge. Given poverty levels, manufacturers must supply cheaper medicines, yet at the same quality as branded medicines. Hence there is no choice but to use generics, especially for chronic diseases like cancer, diabetes and hypertension. Though infectious diseases are prevalent, chronic diseases are rising fast in sub-Saharan Africa, and will likely surpass infectious ones in the next 10 years. This means that many people will need to take medication for the rest of their lives. Drug-makers need to adapt to these new pathologies and supply products accordingly.

In terms of consumption, francophone African countries usually prefer branded medicines to generics. In Côte d'Ivoire, for instance, generics make up only 30% of medicine consumption. Although generics are of equal quality to branded medicines – using the same molecules – they suffer from a perception problem due to a lack of information. Some health professionals and patients have doubts about generics, but more and more people see them as a reliable alternative.

To what extent do counterfeit drugs impact the pharmaceutical industry?

KÉBÉ: As with many underground activities, it is hard to quantify the impact this has on the real economy. Some health professionals claim that counterfeit medicines make up 20-30% of total consumption. I find those estimates to be too high. One needs to distinguish between counterfeit drugs and illegal importation of real ones – another scourge in West Africa.

With this distinction in mind, an estimate of 10% would be more appropriate. Counterfeit drugs are a serious public health issue as they can be harmful to consumers. When damage is caused, it also hurts the credibility of health professionals, and people start losing faith in certain treatments. All the same, in francophone Africa it is hard to find counterfeit products in pharmacies – the network and distribution channels are well-regulated, and it is hard to find a breach. Illegal importations are another challenge: from the moment the distribution channel is unregulated, there is no traceability. To address this, in Côte d'Ivoire every medicine must be registered in order to be sold.

What more can be done to prevent the outbreak of highly contagious diseases in French West Africa?

KÉBÉ: Governments are working with the World Health Organisation to harmonise health policies within ECOWAS. Greater convergence is needed, but one cannot deny the improved harmonisation of pharmaceutical laws and regulations. If a country has an unreliable system that is not convergent with others, it not only weakens itself but affects all of its neighbouring countries. In the long term, additional and better health infrastructure will be needed to help prevent diseases like Ebola, which can quickly become pandemic. In terms of infrastructure, Côte d'Ivoire hosts a large amount of unregistered clinics; further controls should be put in place to make sure that standards are respected. Illegal imports are another challenge. The distribution channel is illegal and to address that only registered medicines should be sold.



A three-tier degree system of higher education is being introduced

High priority

The government is taking steps to reform the system

Investment in public education has stalled over the past several decades, impeded first by the debt crisis of the 1980s and then by the outbreak of civil war. As Koffi N'Guessan, head of studies for the directorate of planning, evaluation and statistics at the Ministry of National Education and Technical Training (Ministère de l'Éducation Nationale et de l'Enseignement Technique, MENET), explained, "During the 1980s, and continuing into the 1990s, the government had to re-direct spending to manage the debt burden. As a result, the state did not have the resources to invest in social services such as education. With the coup d'état in 1999 and the military crisis that followed, state resources for education were even scarcer. Now that stability has returned, the government is able to focus on rebuilding the education sector." During more than a decade of political turmoil, school buildings were damaged and supplies pillaged. Many schools closed down, largely due to the absence of students, but also for lack of supplies lost to looting. As political stability has been restored, the government is prioritising public education, but significant investment will be required to meet the educational needs of the growing population.

REGIONAL DISPARITIES: The post-electoral crisis of 2011 further disrupted education services and widened regional disparities in the public sector. According to the 2012-14 Education Sector Medium-Term Action Plan (Plan d'Actions à Moyen Terme, PAMT), a joint strategy document of the three education ministries, the western region bore the brunt of school closures, accounting for 91%. Likewise, of the at least 1899 school cafeterias that closed due to a lack of provisions, 46% were in the west and central-west regions, while 38% were in the north. At the height of the crisis, the PAMT estimates that as many as 1m children were displaced from school, along with thousands of teachers.

STRATEGY: The education sector is jointly administered by the MENET, the Ministry of Higher Education and Scientific Research (Ministère de l'Enseignement Supérieur et de la Recherche Scientifique, MESRS),

and the Ministry of Employment, Social Affairs and Vocational Training (Ministère de l'Emploi, des Affaires Sociales, et de la Formation Professionnelle, MEASFP).

While expanding access to public education at the primary and secondary levels is the core of the government's education strategy, efforts are also being made in the areas of vocational training and youth employment. To shore up the infrastructural deficit in the public education sector, the government plans to rehabilitate 30,000 damaged classrooms and construct 25,000 classrooms at the preschool and primary levels. To address the staffing shortages, the government aims to recruit 25,000 new primary school teachers and 4,000 new secondary school teachers. Efforts in this regard are well under way; according to N'Guessan, "The government has conducted several rounds of entrance exams in recent months to recruit new teachers. There is a strong willingness on the part of the government to respond to basic education needs."

According to the Global Partnership for Education, the government continued its policy of free primary education during the 2012/13 school year, and also distributed school kits to primary school students. To fund infrastructure and hiring initiatives, the National Assembly has voted to boost the MENET budget from CFA501.87bn (€752.8m) in 2013 to CFA564.82bn (€847.2m) in 2014, a 12.5% rise.

PRIMARY EDUCATION: While the public sector remains dominant in primary education provision, a statistical analysis published by the MENET indicates that the private sector has grown in recent decades to absorb 13% of the market. According to UNESCO, girls represent 45% of enrolled students, revealing a gender disparity somewhat more pronounced than the sub-Saharan African average of 48%, and among the lowest level in West Africa. The private sector does a slightly better job of enrolling girls, at 47.9%. As in sub-Saharan Africa generally, gross-to-net enrolment ratios are high for both boys (96%/67%) and girls (80%/56%), indicating that many students enter school late and remain in primary

After decades of instability and underinvestment, the government is now prioritising rebuilding the public education system, with plans to rehabilitate 30,000 classrooms and construct a further 25,000 at the preschool and primary levels.

To fund infrastructure and hiring initiatives, the National Assembly voted to raise the budget allocated to the Ministry of National Education and Technical Training from €752.8m in 2013 to €847.2m in 2014, an increase of 12.5%.



The private sector educates 48% of students at the secondary level

In comparison to its neighbours, Côte d'Ivoire has a large number of both public and private sector universities and specialised colleges.

school well beyond the normal age range, according to the UNESCO Institute for Statistics. Once in school, Ivorian students have a much higher risk of repeating a grade than their counterparts in the region, according to UNESCO's 2013 figures.

Although Côte d'Ivoire is not on track to achieve the Millennium Development Goal of universal primary education, it has made notable progress in completion rates of primary school pupils in recent years. According to the MENET, the primary school completion rate for boys in the 2012/13 school year was 58% (52% for girls), nearly 10 percentage points higher than that of the 2008/09 academic year, at 48.5% (41% for girls).

SECONDARY: Weak government investment in education is particularly visible at the secondary level, where according to the MENET, the private sector educates 48% of all students, over three times the sub-Saharan African average, which according to UNESCO statistics stands at 15.6%. Underinvestment has led to a pronounced infrastructural deficit in the public sector.

While public schools educate slightly more than half of the student population, they represent only 26% of all secondary schools and 37.8% of all secondary school classrooms, resulting in an average public sector ratio of 81 students per classroom, according to the MENET. By comparison, the private sector student-to-classroom ratio is 46. Gender parity in secondary education is low, in line with acute gender inequalities throughout the West Africa region. MENET statistics show that 40% of all secondary students are girls.

HIGHER EDUCATION: Relative to its neighbours in the region, Côte d'Ivoire has a large number of universities and specialised colleges, spanning both the public and private sectors. Abidjan is home to two public universities, Félix Houphouët-Boigny University and Nangui Abrogoua University, as well as specialised colleges. Bouaké, Korhogo and Daoua each also host a public university. The largest Ivorian university is Félix Houphouët-Boigny University, formerly Cocody University, which currently enrolls some 60,000 students.

During the 2011 conflict, the public universities in Abidjan suffered extensive infrastructural damage and looting, and Félix Houphouët-Boigny University (then Cocody University) was the site of violent clashes. The universities were rapidly rebuilt, and re-named, in time to open in September 2012, but the post-conflict resumption of classes posed numerous challenges. Chief among them was the loss of academic records and the size of the cohort to be enrolled. While regular classes have since been re-established, student riots at Félix Houphouët-Boigny University in early 2014 reveal lingering frustration with the quality of university infrastructure and services.

THREE-TIER SYSTEM: Taking advantage of the opportunity to combine reform with reconstruction, the government has mandated the transition to the three-tier degree system of higher education.

Currently under way, the transition will bring Côte d'Ivoire's university structure in line with international standards and increase the mobility and competitiveness of its graduates. "The traditional system ensured

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a general education whereas the licence-master-doctorate (LMD) system emphasises practical learning and professionalisation one year after obtaining the secondary school baccalaureate. The traditional system put graduates on the market that the market could not immediately absorb," said Soulaymane Soumahoro, director of studies at the Ecole de Commerce et de Gestion-ECG in Abidjan. Regarding the improved opportunities for Ivorian students to pursue education and career paths internationally, Soumahoro said, "The LMD system is more dynamic than the traditional education system in which the degree equivalency certification had become a business opportunity for some schools and a handicap for the students."

FINDING WORK: As a consequence of years of civil war and instability, Côte d'Ivoire is burdened with both high unemployment and underemployment, particularly among its youth population. According to the African Development Bank (AfDB), half of Côte d'Ivoire's 772,000 unemployed youth (ages 15-34) lack qualifications. Even among those with a tertiary degree, unemployment is 38%. Professionally trained youth fare better, but still face an unemployment rate of 23%. While the 9.1% economic growth rate forecast by the World Bank for 2014 will contribute to expanded employment opportunities, sustaining high growth rates and reducing unemployment and underemployment will ultimately depend on bringing the skills and training of the labour force into alignment with market demands.

According to the AfDB, 27% of Ivorian businesses believe that the shortage of good quality labour limits their competitiveness – a figure considerably higher than the average for the West African Economic and Monetary Union. In recognition of the problem, and in collaboration with international partners, the government has launched initiatives to provide youth with the skills they need to enter the labour force. The World Bank-funded Emergency Youth Employment and Skills Development Project runs until mid-2015 and aims to provide unskilled or under-skilled youths their first job or training opportunity. Under the project's labour-



Significant investment will be required to meet the educational needs of the growing population

intensive public works component, 12,500 young Ivoirians are hired on six-month contracts to work on road maintenance in 16 cities across the country. The recruits also receive training to help them transition to sustainable employment. Another initiative, the Youth Employability and Insertion Support Programme, is the focus of an AfDB loan agreement for \$21.34m, together with a \$7.56m grant, which was approved by the bank's board of directors in December 2013. The programme seeks to improve the employability of those with qualifications from professional training and higher education, as well as the integration of unemployed young people into the economy.

VOCATIONAL TRAINING: Further reforms to vocational education are also expected to help tackle the twin problems of youth unemployment and underemployment. In a system that is unique within the West Africa region, Côte d'Ivoire uses public funds to subsidise the mostly private vocational education system. This arrangement has created a lack of accountability in terms of vocational programmes preparing graduates for the labour market. Because vocational institutions are state-subsidised, they have little impetus to work closely with private sector employers to align their training programmes with hiring needs. Very few institutions have mechanisms in place to track the success of their graduates. This is set to change: "The government is set to put a greater focus on training and vocational programmes in order to answer the needs of the job market," Saliou Touré, president of the International University of Grand-Bassam, told OBG.

The vocational training certificate (brevet de technicien supérieur, BTS) includes a mandatory element of practical training in the form of a professional internship. However, many students are unable to complete this requirement because for certain specialisations the demand for internships outstrips available opportunities. At the same time, the system disadvantages employers in underserved sectors, mostly technical, such as carpentry, electrical work and mechanics, as

In collaboration with international partners, the government has launched a number of initiatives to provide its youth population with the skills needed to enter the labour force.



The country's vocational institutions are subsidised by the state

Côte d'Ivoire's scientific research sector comprises 30 institutes and centres of research. The country also participates in research partnerships with France, Switzerland, Italy, the UK, the US, Canada and Burkina Faso.

the vocational training offered is skewed toward professions such as human resources, communications and clerical professions. "To offer a true technical training, an institute must first invest in a workshop, high-quality machinery and equipment, but, the means for investment are often limited," Séraphin Kati-Coulibaly, managing director of scientific research and technological innovation at the MESRS, told OBG. But things are beginning to change, said Kati-Coulibaly. "We realised that there was a serious misalignment between vocational education and employment that was affecting the employability of young graduates. So, the BTS system was reorganised such that specialisations with a low degree of employability were eliminated in favour of specialisations for which there was a high market demand but few graduates." Before this BTS reform, there were around 60 specialisations, and now there are about 30, which respond better to market needs.

SCIENTIFIC RESEARCH: Comprising 30 institutes and centres of research, Côte d'Ivoire's scientific research sector is diverse and highly collaborative. While France is Côte d'Ivoire's most frequent partner for scientific collaboration, others include Switzerland, Italy, the UK, the US and Canada, as well as Burkina Faso.

The MESRS relies heavily on private sector investment and joint ventures with other state and non-state organisations to implement projects. One example is an EU-funded agribusiness research project for which Félix Houphouët-Boigny University is collaborating with a net-

work of other African universities. At the national level, the country has signed accords with the governments of the Congo and Algeria, among others, to promote student exchanges, while other countries, notably Japan and Korea, offer scholarship programmes for Ivorian students. Scholarships offered under the Strategic Support Programme for Scientific Research, financed by the Ivoro-Swiss Fund for Economic and Social Development, offer grants of up to CFA15m (€22,500) to 100 doctoral students annually.

Côte d'Ivoire is also participating in an initiative of UNESCO's Science Policy Information Network to review and reinforce the laws, financing mechanisms and the institutional framework underpinning scientific research in order to further support the field.

OUTLOOK: If Côte d'Ivoire is to harness the development potential of its impressive growth rate, it will need to further extend access to basic education to ensure the enrolment of rural children and girls. Free public primary schooling, the construction of classrooms, and the hiring of teachers reveal the government's commitment to improving the sector, but long-term gains will require sustained prioritisation and a greater allocation of public finances. The reorganisation of the BTS system is a positive sign for youth employment levels; if coupled with increased oversight of the vocational sector and more collaboration between employers and trainers, the system could go a long way toward aligning supply and demand in the labour market.



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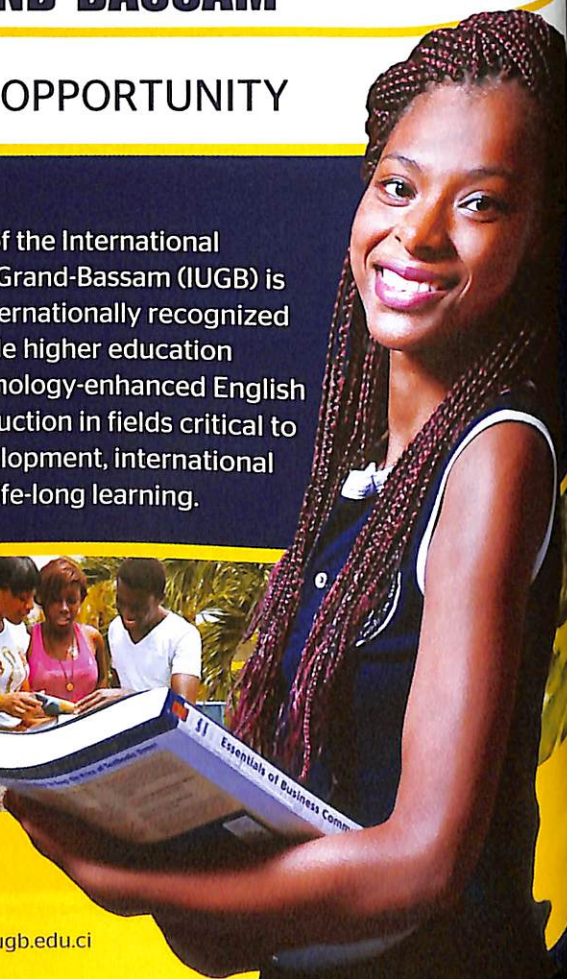
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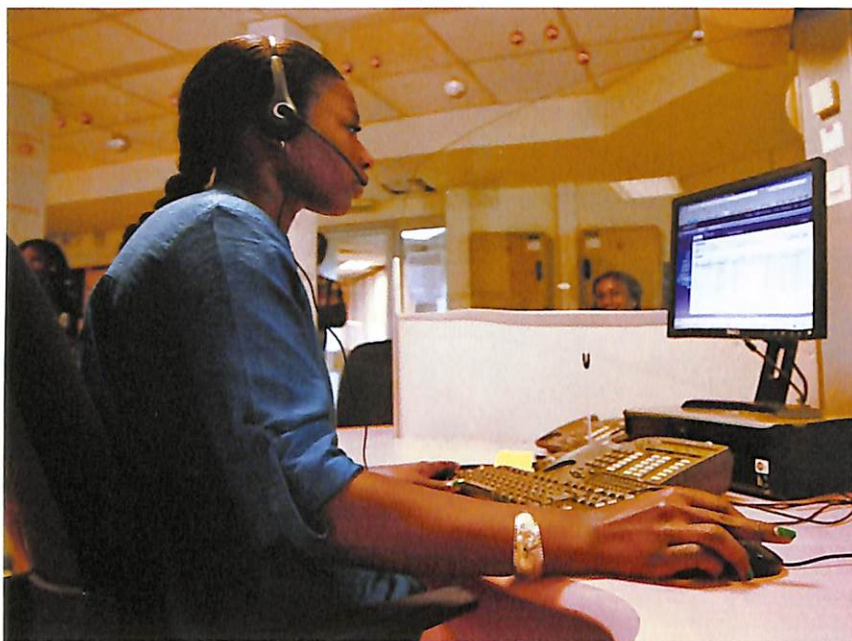
Liberalisation in the TV segment expected in 2015

Advertising firms seek growth through partnerships

Print media remains a dominant player, despite declines

Internet penetration expected to grow from low base





According to a 2013 study, some 77% of people in Africa regard the radio as their primary news source

National TV broadcast coverage for the state operator is estimated at about 80%, with programming primarily offered in French.

publication, a weekly title dedicated to youth entrepreneurship. Print runs for *La Tribune* are 5000 copies each, and range from 5000-10,000 for the magazine. Other business publications are predominantly multinational titles, like *Jeune Afrique* and *African Business*.

RADIO: According to CNP records, the radio market is served by a diverse group of more than 90 broadcasters. In addition to the state broadcaster, Radiodiffusion Television Ivoirienne (RTI), there are some 64 community stations, eight rural stations, seven religious broadcasters, as well as a handful of commercial and international broadcasters.

While TV enjoys greater popularity in areas where it is accessible, radio has a much wider audience. This is consistent with trends reported by AfroBarometer for the continent overall. A 2013 study by the free speech advocacy group found that 77% of African respondents reported the radio as their main news source. This is especially true in rural areas, where unreliable electrical power and the high cost of TV limit viewership. Instead, battery-powered, hand-held radios give farmers the chance to tune in while working. Another contributing factor is the high penetration rate of mobile phones (85%, according to a 2013 study by Twinpine), many of which are radio-enabled.

BROADCASTERS: RTI broadcasts three terrestrial TV channels and three radio stations, with each format featuring a channel for national news, an Abidjan-area channel and a Bouaké-based channel. During the violence in 2011, many of RTI's transmitters and studios were very badly damaged, forcing them to suspend broadcasting to areas outside of Abidjan for four months. Now almost fully rehabilitated, RTI estimates that its national programming infrastructure covers up to 80% of the country. Except for a next-day news synthesis delivered in each of the national languages, which RTI offers as part of its public service mandate, programming is exclusively in French.

Major private sector players include the popular commercial stations Radio Nostalgie, offering music

and international and local news, and Radio Jam, whose entertainment and music programming is geared toward a youth audience. ONUCI FM is run by the UN peacekeeping mission to Côte d'Ivoire and airs content aimed at fostering national cohesion. Meanwhile, foreign stations like Radio France Internationale, the BBC, Voice of America and the Gabon-based Africa N01 also have a strong presence. Religious stations like Radio Nationale Catholique, Radio Espoir (Catholic), Radio Fréquence Vie (Evangelical) and Radio Al Bayanne, the main Muslim station, are popular as well.

TELEVISION: In contrast to the diversity of the radio market, televised media is consolidated under the state-owned RTI, the sole broadcaster, though consumers also have access to satellite stations via Canal-Sat. Liberalisation of the AV sector is planned for 2015. The AV regulator, the High Authority for AV Communications (Haute Autorité de la Communication Audiovisuelle, HACA), has postponed liberalisation to coincide with the transition to digital TV in June 2015. Digitisation of TV will allow broadcasters to air multiple channels on one transmitter, enabling new market entrants to achieve greater returns on investment and reducing the cost of expansion.

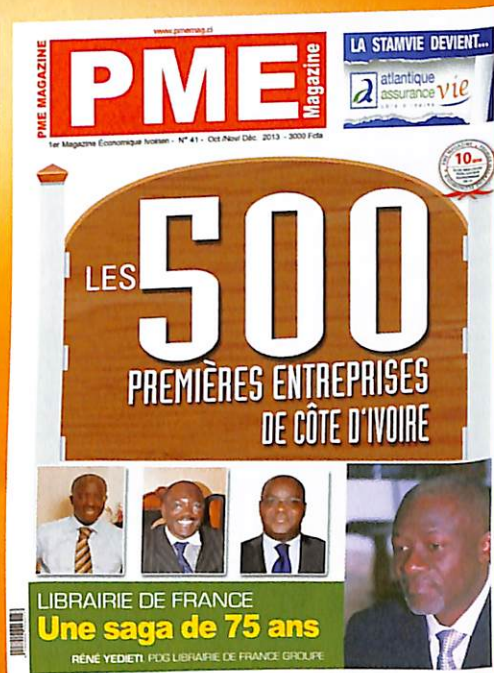
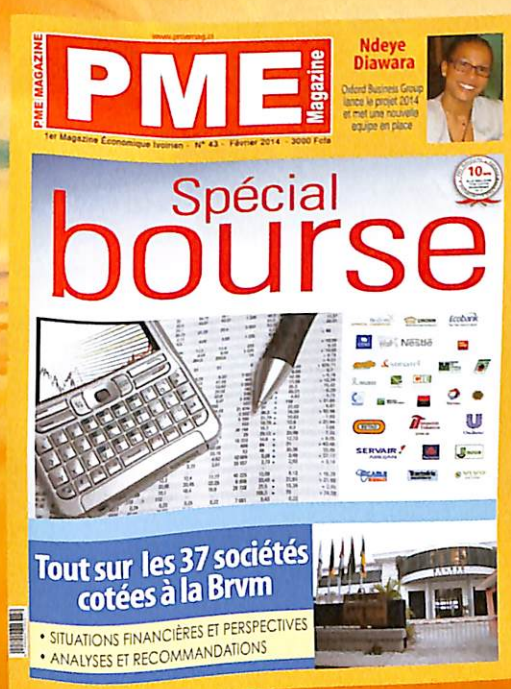
For consumers, the dual transition will mean more viewing options, as all broadcasters will have the technical capacity to diversify their offerings. The pivotal factor for a successful transition to digital TV will be consumers' ability to receive the new signals, either by purchasing decoder boxes or upgrading their TV sets. It is unclear to what extent Ivorian households will be prepared for the transition, but a 2014 report by London-based Digital TV Research indicates that sub-Saharan Africa is embracing digital TV rapidly. The report estimates that more than half of all TV-owning households in the region will soon be digital TV households, and that near full conversion will be achieved by 2020. However, the report also forecasts that by 2020 only 38.4% of households will have a TV.

ONLINE MEDIA: Similar to the rest of the region, the market for online media remains limited due to the low rate of internet penetration. The World Bank estimates that in 2012 only 2.4% of the population were internet users. Nonetheless, many newspapers, magazines and radio stations maintain an online presence. The largest outlet in terms of visitors for web media is Abidjan.net, a continually updated content aggregator for Ivorian and regional print media, which receives on average about 1m visits per week. The portal also serves as a point of sale for 30 newspapers and periodicals, processing online payments and offering customers the option to download their purchase.

OUTLOOK: While high costs and demographic factors in the Ivorian market continue to pose a challenge to the profitability of the nation's print media in the short-to-medium term, strong overall economic growth and a large youth population hold promise for the future of web media. By comparison, opportunities in the AV sector are larger. The move to AV liberalisation, plus the shift to digital TV, should create new opportunities for investment in the near future.

The World Bank estimates that only 2.4% of the country's population are regular internet users. Nonetheless, many newspapers, magazines and radio stations maintain an online presence.

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Efforts are under way to help formalise the advertising industry

Going local

Reaching the domestic market requires an insider's approach

Historically, Côte d'Ivoire served as the francophone regional headquarters for a number of international advertising firms. When the political unrest broke out in the early 2000s, the decampment of multinational advertising agencies to Dakar or Accra created the space for the emergence of an indigenous advertising industry, which is now well into its second decade of development.

Growing in both size and sophistication, Côte d'Ivoire's homegrown advertising firms are among the most mature in West Africa and are beginning to expand into the sub-region. The domestic client market is diversifying as well. "There has been a lot more interest in advertising. Since the 2010 presidential elections, in which candidates hired advertising agencies to manage their campaigns," Paul Ledjou, the agency director of Voodoo Communications, told OBG. "The idea that advertising can have an impact has become much more widespread."

While more companies are turning to professional ad firms to market their products, advertising budgets remain relatively limited and price is often a decisive factor. "Clients are becoming more demanding, in terms of performance criteria," Ledjou told OBG. "Now, when we chose a media format for a campaign, we have to be able to justify the choice." Although 2013 was a difficult year for the industry in terms of revenue generation, an expanding client market and strong overall economic growth were positive signs for the advertising sector.

SECTOR ORGANISATION: A small but relatively strong cadre of Ivorian agencies shares the market with a few multinational firms such as McCann Erickson and Océan Ogilvy. One of the largest indigenous firms is Voodoo Communications, a veteran Ivorian firm founded in 1999 that now operates regionally. The Voodoo Group publishes two magazines and has departments in event planning and business consulting, though advertising — with accounts ranging from telecoms company Orange to the 2010

campaign for Côte d'Ivoire's current president Alasane Outtara — comprise the bulk of its business.

The sector is also characterised by a significant degree of informal competition. While 26 agencies are legally accredited by the High Council of Advertising (Conseil Supérieur de la Publicité, CSP), it is estimated that at least twice that many operate in the market. However, as more agencies focus on developing a durable client base rather than depending on a single account, the sector is professionalising. As Sandrine Travé, director of the ad agency Reverso explained, "Some years ago the market was divided between just three or four big agencies; now, there are more and more professionals in the sector, which increases competition."

REGULATORY PUSH: The CSP has recently announced a new enforcement initiative, requiring all advertising campaigns to carry the signature of an accredited firm. The Association of Marketing Consulting Agencies of Côte d'Ivoire, a professional organisation comprising 22 of the 26 accredited agencies, is actively supporting this new initiative.

Additionally, a law that would give the CSP extended powers of enforcement was also being discussed, as of the end of 2014. Though it will take time, a sustained effort at enforcement would support the further growth and professionalisation of the sector.

CLIENT SECTORS: Prior to the mid-1990s, big advertisers were food and beverage producers like Nestlé and Coca-Cola, but as is true elsewhere in West Africa, the telecoms sector has surged and now represents a large share of the market.

A 2013 survey by Twinpine, an advertising network specifically focused on the mobile ad niche, reported that Côte d'Ivoire's mobile penetration rate was 85.43%, higher than those of Nigeria (83.3%) and Ghana (84%). In light of increased consumer spending following the nation's economic recovery, more recent growth sectors have included car companies, cosmetics, banks and also insurance companies.

There are 26 legal, CSP-accredited advertising firms in the country, though it is estimated that there are twice as many operating in the market.

Côte d'Ivoire's mobile penetration rate reached 85.43% in 2013, higher than the rates for Nigeria, at 83.3%, and Ghana, at 84%.



The billboard occupancy rate is typically above 80% and space must often be reserved well in advance

MEDIA: The ability of advertising companies to conduct market research remains limited, largely due to the lack of statistics on various media audiences, particularly for TV and radio. TV ads generate the most revenues for advertisers, but represent the most expensive medium for advertising and only the biggest corporate budgets can afford them.

Billboards also account for significant revenue, in part because market saturation drives up the cost of billboard advertising space. According to the Outdoor Advertisers Guild, the billboard occupancy rate in Abidjan is between 80% and 100%, and space must often be reserved up to six months in advance. Billboard saturation is partly the result of a government freeze on the issuance of new billboard permits. This, combined with a recent crackdown on illegally erected outdoor advertising structures.

Commercial and community radio spots are popular for advertising to a broader audience, particularly in less urban areas. Due to the low internet user rate, estimated by the World Bank at 2.4% in 2012, advertising on mobile devices such as smartphones and tablets has not yet taken off.

NON-MEDIA MARKETING: A major growth area is event marketing, including campaigns for galas, political speaking engagements, concerts, and promotional and cultural events. With the return of stability in the country, demand for leisure and social venues is growing, and hotels, bars and restaurants are responding by creating new concepts such as after work events and brunch specials.

The overlapping segment of institutional marketing has also seen recent growth, driven by the surge in government and international development activity. Public awareness campaigns for government development projects and advertising for international conferences and official inaugurations account for roughly a third of ad firm Reverso's business; the agency also serves as the public relations consultant agency for the Ministry of Petrol and Energy.

Marketing for events, such as high-end galas, political engagements, concerts and promotional affairs, is expected to be a driving source of revenue for the advertising sector in coming years.

HUMAN CAPITAL: The major challenge facing the advertising industry is the current deficit in human resources. Although there are a number of schools offering basic marketing degrees, there remains a lack of quality training in graphic design. Some universities have recently launched digital design programmes, but these are still new to the country and there are insufficient numbers of local professionals who possess the necessary expertise in the field and ability to teach. Côte d'Ivoire is not alone in this regard; in a September 2013 press interview, Ogilvy Africa's regional creative director, Alan Edgar observed that the advertising sector in Africa was "alive and vibrant, but in dire need of world-class tertiary training institutions to tap into that potential... The raw talent is there," he said, "it just needs help with training." In the meantime, Ivorian agencies bridge the gap by recruiting abroad or hiring foreign-educated members of the returning diaspora.

LOCAL EDGE: At both a regional and country level, localisation is a fundamental component of successful advertising. "In order to enter an African market," said Travé, "it is essential to have a local approach and knowledge of the local context. Because access to statistics is limited, it is not possible to base a campaign on market research alone. However, the lack of statistical data can be replaced, to an extent, with knowledge of the local terrain, which is why local partnerships can be very useful."

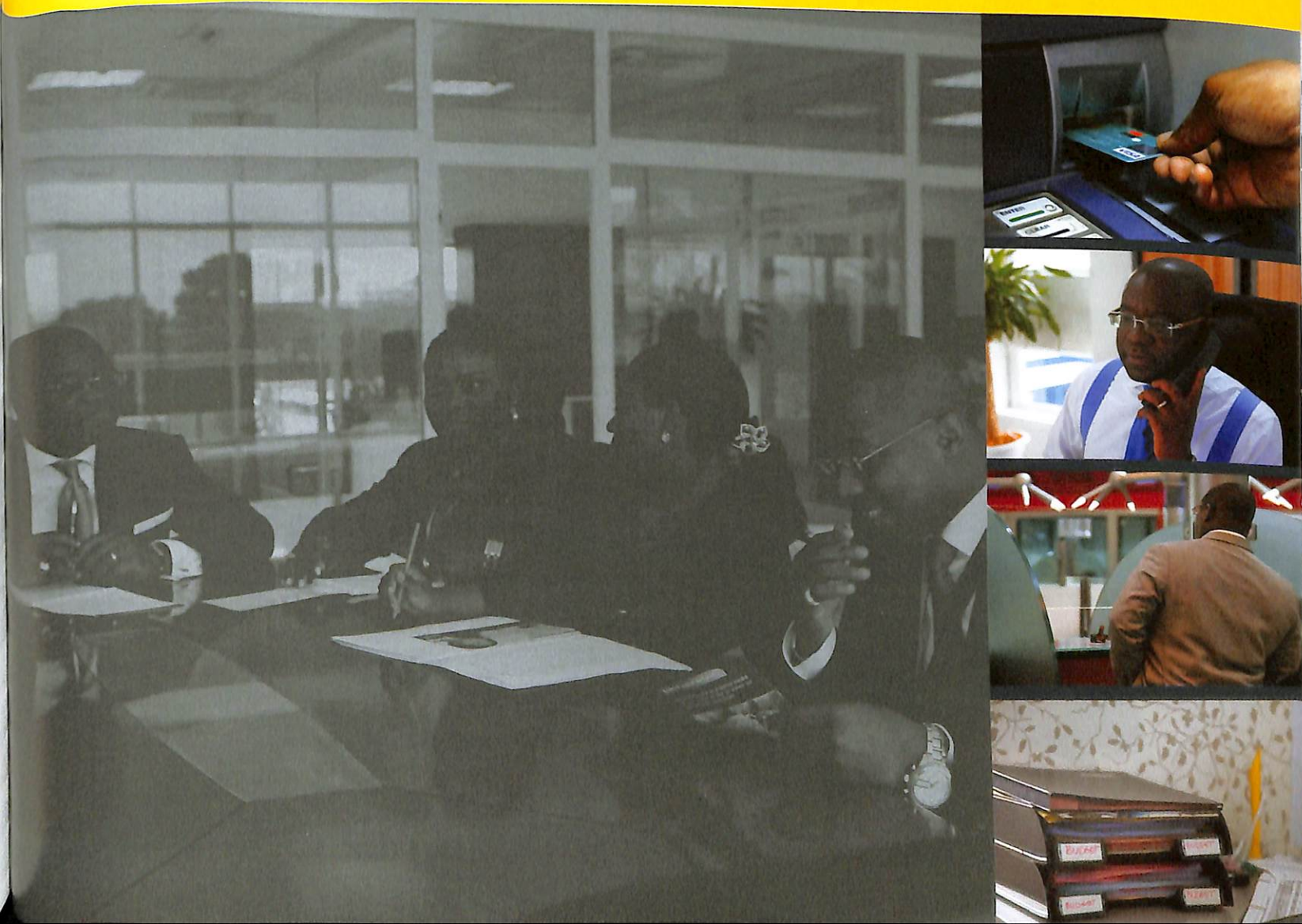
As access to credit remains a challenge for the industry, many Ivorian advertising agencies seek to partner with a well-established multinational firm, providing targeted local expertise in exchange for capital and growth opportunities. As an increasingly sophisticated Ivorian advertising industry expands into the sub-region, there is significant potential for these partnerships. Growth in event marketing is expected to continue, while the transition to digital TV and expected liberalisation of the audio-visual sector is expected to create new opportunities for advertising while reducing the cost of televised ad spots.



The advertising industry is facing a shortage of graphic designers

Tax

Investment Code provides incentives to businesses
Benefits and exemptions offered by the tax-free zone
Collection system comprises four different schemes
Tax treaties signed with more than a dozen partners





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The country uses dynamic taxation measures to boost investment

In the business

Investment incentives and tax-free zone advantages persist

The tax system in Côte d'Ivoire is based upon the legislation that existed at the time of the country's independence in 1960. It has since undergone several amendments intended to take into account the country's economic and social evolution and budgetary constraints. A powerful and qualified tax authority enforces taxpayers' obligations.

The tax system is declaratory, thereby allowing each taxpayer to determine for herself the various types of taxation applicable to her. Côte d'Ivoire uses very dynamic taxation measures in order to boost investment, including the Investment Code and legislation relating to the tax-free zone of Grand Bassam. Additionally, a number of tax treaties have been signed with other countries.

STRUCTURE: The Ivorian tax system includes four tax schemes: the direct tax scheme, the simplified tax, the combined tax and the flat-rate tax scheme for small businesses. Turnover is the criterion that distinguishes each scheme. The direct tax scheme is applied to taxpayers selling goods with a turnover exceeding CFA150m (€225,000), all taxes included, and to taxpayers providing services with revenue exceeding CFA75m (€112,500), all taxes included. The simplified tax scheme is applied to turnovers between CFA50m (€75,000) and CFA150m (€225,000), all taxes included, and to taxpayers providing services with a turnover between CFA25m (€37,500) and CFA75m (€112,500).

The combined tax is applied to individual taxpayers selling goods with a turnover lower than or equal to CFA50m (€75,000), and to individual taxpayers providing service with a turnover lower than or equal to CFA25m (€37,500). The taxpayers subject to the combined tax scheme are exempted from paying the licence tax, the tax on industrial and business profits, and the value-added tax (VAT). Legal entities are excluded from the combined tax scheme.

The flat-rate tax scheme is applied to individual taxpayers selling goods or service providers with a

turnover not exceeding CFA5m (€7500), all taxes included. These taxpayers are under the responsibility of municipal authorities.

BUSINESS TAXATION: Companies in Côte d'Ivoire are subject to the following main taxes and duties, which can be summarised as follows:

BIC Tax: A tax on industrial and business profits is levied on the profits of companies operating industrial or commercial activities in Côte d'Ivoire. The taxable profit refers to the net profit estimated according to the overall performance relating to operations of any kind undertaken by companies, including in particular the sale of any asset, either held for sale or to be sold at the end.

The tax rate on industrial and commercial profits stands at 20% for individual entities, at 25% for legal entities and at 30% for telecommunication companies. It is also necessary to indicate the existence of a minimum tax rate (IMF) payable when:

- The taxable income value is zero;
- The taxable income is negative; or
- The tax rate applied to the taxable income is lower than the IMF amount.

The IMF amount payable under a financial year equals 0.5% of the turnover, inclusive of all taxes, during this financial year. The minimum amount set for the IMF collection is CFA3m (€4500) and the maximum amount set for collection is CFA35m (€52,500). The rate of IMF for taxpayers under the simplified tax scheme is 2% and the minimum amount is CFA 500 000 (€763). The income tax and the IMF have to be paid immediately, via three equal payments on April 20, June 20 and September 20 of each year.

BNC TAX: The tax on non-commercial profits is levied on profits relating to liberal professions; functions and offices occupied by persons who are not traders; and all occupations, and lucrative and profit-generating activities not included in another category of profits or incomes. The tax rate applied on non-commercial profits stands at 20% for individual entities



Tax incentives to attract investments are recorded in the Investment Code, which includes two tax regimes

and 25% for legal entities. The IMF is levied at 5% on gross earnings, all-inclusive of tax. The IMF is also known as the tax on non-commercial profits and should be paid, in equal amounts, on April 20, on July 20 and on October 20 at the latest, each year.

Withholding Tax on BNC: The withholding tax on BNC is a withholding tax relating to taxes on industrial and commercial profits, remunerations, sums, commissions and fees paid to individual entities holding certain positions.

Moreover, this withholding tax is levied on remunerations paid to service providers not operating activities in Côte d'Ivoire and to persons holding certain positions. In the case of persons not operating activities in Côte d'Ivoire, the tax rate stands at 20%, in the absence of a tax treaty. However in the presence of a tax treaty, the tax rate applied is the same as provided by the treaty. The fees paid to persons not engaged in commercial professions can be subject to a withholding at a rate of 7.5%.

Tax on salaries and wages: Salaries and wages are taxable in Côte d'Ivoire in the following cases:

- The beneficiary is domiciled in Côte d'Ivoire while the remunerated activity is exercised outside the country or the employer is domiciled or has set up his business outside the country;
- The beneficiary is domiciled out of Côte d'Ivoire and the remunerated activity is exercised on the state territory;
- The salaries and wages concerned are cash wages and benefits in kind.

The tax on salaries consists of:

- The tax on salaries and wages (IS);
- The national contribution (CN);
- The general income tax (GR) and
- The employer's contribution (CE).

Property income tax: The property income tax is applied to built properties such as houses, workshops and factories. The property income tax is calculated on the basis of the rental value of these

properties during the previous year. The rental value is the price received by the owner for his leased buildings, or if these buildings are used by the owner, the price received in case of rent.

The tax rate on property income stands at 4% of the rental value of income-generating buildings.

Tax on landholding assets: The tax base relating to the property income tax is the same for the landholding assets. The tax rate on landholding assets stands at 11% of the rental value.

Instalment on rental income: Companies subject to the direct tax scheme, as well as embassies and international agencies, are obliged to levy 15% on the rental amount of all leased buildings, except for buildings rented by real estate agencies, building management agents, property managers and property holding companies.

IRVM Tax: The tax on income derived from securities is applied to all profits or proceeds that are not set aside or incorporated into the capital and to all sums or values made available to associates, shareholders or unit holders and not levied on profits.

The tax rate applied is variable and is set as follows:

- 10% for the dividends regularly paid by companies quoted on the regional stock exchange;
- 15% for bonds;
- 2% for all proceeds, lots and bond redemption premiums to the holders of bonds issued in Côte d'Ivoire and redeemable in at least five years;
- 15% for all taxable proceeds and sums relating to the tax on income derived from securities not already mentioned.

The rate applied on profit exempted from the tax on industrial and commercial profits or not actually subject to this tax increases from 10% to 15%.

Tax on debt proceeds: The income tax on debts is applied to the interests, arrears and all proceeds of mortgage-backed securities, be they preferential and unsecured, excluding all commercial credit operations not having the legal status of a loan. The income tax rate on debt fund proceeds amounts to 18% of the gross amount of paid interest.

Licence tax: The licence tax is applied to any individual entity or legal entity originating from Côte d'Ivoire or a foreign country, running a business, an industry or exercising a profession in Côte d'Ivoire, not included in the exemptions. The licence tax consists of a tax on the turnover and a tax on the rental value of business premises.

The tax on rental value is calculated on the basis of the rental value of offices, stores, shops, factories, workshops, sheds, depots, building sites, garages, disposal areas and other premises and sites being used for the purposes of the profession, as well as infrastructure of any kind subject to property tax. The tax on rental value is payable even when the occupied premises are granted for free. This is set at 18.5% of the rental value. This rate is lowered to 16% for premises not located in a municipal area.

Value-added tax (VAT): The supply of goods and services for remuneration by a taxable person that

is acting as such, excluding paid and agribusiness activities, is subject to VAT, applied at a rate of 18% on the price of the supply of goods or services.

VAT for a third party: The beneficiary of services provided by a person not having a business premises or a tax representative in Côte d'Ivoire has an obligation to submit a VAT return on behalf of this person. The VAT rate is set at 18%.

Registration Fee: The registration fee is levied *inter alia* on leases and on sales of business as well as on companies' memoranda of association. The registration fee base for leases, subleases and lease extensions for movable property, goodwill and buildings consists of the effective annual price taking into account the charges imposed to the lessee. The rate stands at 2.5% when the duration of the lease is limited. The rate stands at 10% for the leases of buildings under an unlimited duration.

Transfers of ownership relating to goodwill or customers for consideration are subject to a tax of 10%. This tax is levied on the sale price of goodwill, the transfer of lease right and movable objects, or else used for the purpose of funds operation, excluding new goods.

Special Equipment Tax (TSE): The TSE is levied at a rate of 0.1% on the net turnover of companies subject to the direct tax scheme. This tax is levied under the same conditions, procedures, penalties and guarantees as for the VAT.

TAX INCENTIVES FOR INVESTMENTS: Tax incentives to attract investments are recorded in the Investment Code under the supervision of the Investment Promotion Agency of Côte d'Ivoire (CEPICI).

I. Advantages of the Investment Code: The activities eligible to benefit from the code are: creation; extension; modernisation; reorganisation; diversification; and development. Eligible sectors include: agriculture, stock breeding and fishing; extractive industries and oil production; manufacturing industry; cultural production and industries; health; tourism; education; and other select sectors. Excluded activities are: buildings and public works; trade; transport; and financial and banking services. The Investment Code includes two tax regimes: the Tax Reporting Regime and the Investment Approval Regime.

II. Tax Reporting Regime: Any investor who requests to be subject to the regime shall file four copies of the relevant application form with the CEPICI.

Conditions: The advantages provided for in the Investment Code are subordinated to:

- On-site visit of the actual implementation of the investment;
- Keeping of regular accounting records in accordance with the OHADA Accounting Law;
- Submission to a simplified or direct tax scheme;
- Compliance with environmental standards in accordance with current legislation; and
- Compliance with social, environmental and tax obligations in accordance with the current legislation.



The duration of tax exemptions varies, from 8-15 years, according to the investment zone

Advantages granted to the tax reporting regime: The benefits are exclusively related to the operational phase and differ by investment zone. They apply to:

(I) Zone A:

- BIC or BNC tax exemption; and
- Licence tax and licence exemption.

These two exemptions are reduced to 50% and 25% of the amounts actually payable, respectively, during the last year for the aforesaid advantages.

(II) Zone B:

- BIC or BNC tax exemption;
- Licence tax and licence exemption; and
- 80% reduction on the employer's contributions, excluding the FDFP Tax.

(III) Zone C:

- BIC or BNC tax exemption;
- Licence tax and licence exemption;
- 80% reduction on the employer's contribution, excluding the FDFP Tax;
- Property tax exemption; and
- Registration fee exemption in case of a capital increase.

Duration of advantages: The accredited investors benefit from exemptions according to the investment zones for a period of eight years for Zone A, 12 years for Zone B and 15 years for Zone C.

III. Investment Approval Regime: Any investor who requests to be subject to the Investment Approval Regime shall file 10 copies of the relevant application form with the CEPICI.

Requirements: The requirements to be eligible for the Investment Approval Regime are identical to those of the Tax Reporting Regime.

Advantages Granted to the Investment Approval Regime: The granted benefits differ according to the thresholds of investment and the place where the investment project is implemented.

Approved companies benefit from the following advantages in each of the investment zones: 50% reduction in Customs duties payable on equipment



SMEs with investments equal to at least €105,000 are eligible for the Investment Approval Regime

and materials and the first batch of spare parts, representing an amount below CFA 1bn (€1.5m); and a 40% reduction in Customs duties payable on equipment and materials and the first batch of spare parts for an amount of CFA1bn (€1.5m) or greater.

SPECIAL PROVISIONS FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES): SMEs with an amount of investments equal to at least CFA70m (€105,000) or exceeding CFA200m (€300,000) are eligible for the Investment Approval Regime.

Duration of benefits:

- Zone A: Seven years;
- Zone B: 11 years; and
- Zone C: 15 years.

Moreover, the approved SMEs benefit from the following additional advantages;

- Registration fee exemption for all deeds subject to registration;
- Land necessary for the implementation of investment projects is provided by the state; and
- Payment at preferential rates of utilities bills, such as water and electricity, and of new technology services, subject to an investment in a raw material processing unit.

TAX-FREE ZONE ADVANTAGES: The Zone Franche de la Biotechnologie et des Technologies de l'Information (ZBTIC) is subject to specific rules. Any business covered by this zone benefits from a certain number of tax, Customs and social advantages, considered as an exemption from ordinary law. Companies under the ZBTIC regime are exempted from the taxes paid by the employer on wages and salaries received by their staff.

Currencies/Transfers: The Ivorian government shall ensure the free transfer of the funds made available by businesses under the ZBTIC regime in the event of discontinuance of business and after the full payment of all kinds of debts incurred in Côte d'Ivoire. **Company Taxation:** A business subject to the Tax Free Zone Regime is exempted from all taxes and

duties during its activities. However, any business under the Tax Free Zone Regime is subject to a final withholding tax and royalty in compensation for these tax exemptions.

Final withholding tax is payable on the gross annual turnover and amounts to:

- 0% during the initial five years, and 1% starting from the sixth year for user companies; and
- 0% during the first 15 years and 1% starting from the 16th year for the Agency of Promotion and Operation (EPE).

The royalty is payable on the gross annual turnover and amounts to 2.5% for user companies at the beginning of operation. At this point, the forecast turnover mentioned in the approval documents is taken into account. It must be specified that this royalty could be subject to an adjustment at fiscal year-end, on the basis of the actual turnover achieved.

The royalty is divided amongst the EPE, the Municipal Council, village communities and the General Council or the District of the Free Zone. Any business subject to the Tax-Free Zone benefits from a tax reduction regarding the recruitment of Ivorian nationals. This reduction consists of an abatement of 20% on the final withholding tax base if the business employs a quota of Ivorian nationals representing 75% of its staff, as covered under the tax credit for new investment.

This reduction is also applied to investments in the construction and/or extension of buildings for professional use, associated with the recruitment of Ivorian nationals with at least a 50% quota of potential staff. Production factors such as water, power, telephone, fuel and lubricants, as well as services provided for businesses subject to the Tax-Free Zone Regime, are charged inclusive of tax.

Customs regime: Businesses subject to the Tax-Free Zone Regime shall report their import-export operations in accordance with the applicable Customs procedures of the ZBTIC. These businesses are exempted from import duties and taxes.

The only restriction applied to the transactions in goods and services of businesses subject to the Tax-Free Zone Regime is related to the respect of good moral standards, public order, public safety, hygiene standards and compliance with international conventions on the protection of patents, trademarks, copyrights or reproduction rights and intellectual property rights.

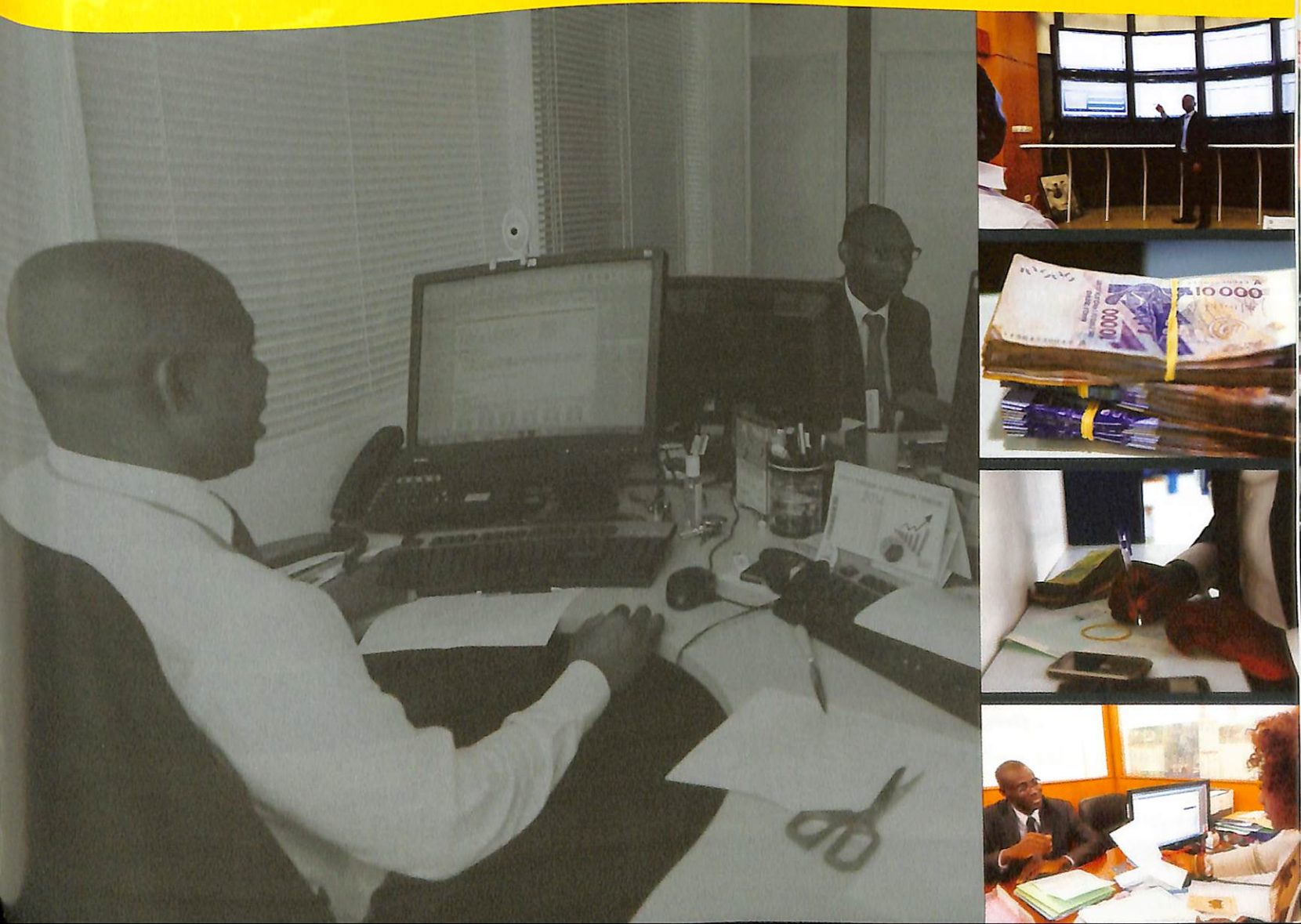
Land and Building Property: The lands in the Free Zone can be either the property of an individual entity or a legal entity governed by private law, subject to the respect of the applicable laws' provisions concerning land and land property matters.

TAX TREATIES: Côte d'Ivoire has signed tax treaties with 13 countries/organisations: Belgium, Canada, CEAO, France, Germany, Italy, Lebanon, Norway, OCAM, Switzerland, Tunisia, the UEMOA and the UK.

OBG would like to thank KPMG for its contribution to
THE REPORT Côte d'Ivoire 2015

Legal Framework

New Labour Code set to be released in near future
 Process for business creation has been streamlined
 Legal regulations remain open to foreign investment
 Revised Mining Code in the process of being drafted





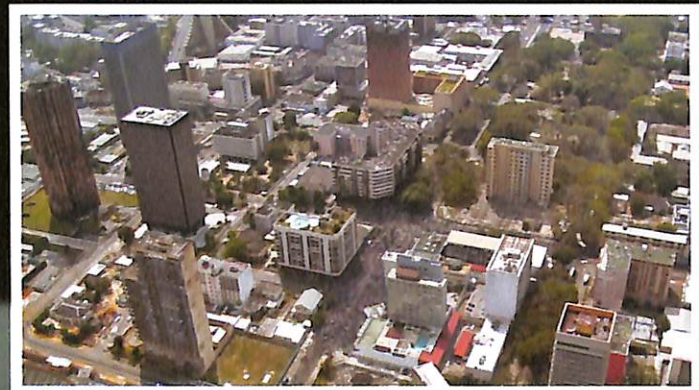
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The country has a civil law system, whereby codes establish legality

Big picture

Regulatory environment remains open to commerce and investment

I. GENERAL LEGAL ENVIRONMENT:

A. Sources of Law: Côte d'Ivoire has a civil law system where laws are compiled in codes and establish what is legal and what is illegal. The higher law is the version of the Constitution adopted by referendum on July 23, 2000. The Constitution includes laws that are adopted by the National Assembly, ordinances and decrees issued by the President, and, at the bottom, ministerial decrees and orders.

Due to its membership in regional organisations, mainly the West African Economic and Monetary Union (L'Union Economique et Monétaire Ouest Africaine, UEMOA), the Economic Community of West African States, the Organisation for the Harmonisation of Business Law in Africa (OHADA), the African Intellectual Property Organisation, and the Inter-African Conference on Insurance Markets, Côte d'Ivoire benefits from a modern and competitive set of laws that are directly applicable or are duplicated in the country's legal system.

These laws regulate sectors that include:

- Competition;
- Banking;
- Companies;
- Securities;
- Insurance;
- Insolvency;
- Arbitration; and
- Foreign exchange.

Côte d'Ivoire is also a member of a number of international organisations promoting international investments such as the World Trade Organisation, as well as the International Centre for Settlement of Investment Disputes.

B. Judicial System: The judicial system is made up of the Constitutional Court, the civil courts and the commercial courts. The Constitutional Court has exclusive jurisdiction over constitutional issues, mainly the constitutionality of laws, the interpretation of the Constitution and even presidential

elections disputes. The jurisdiction of civil courts includes but is not limited to criminal cases, labour and employment disputes, family law and land disputes. These courts are under the authority of the Supreme Court, which decides on their rulings as a last resort. For certain categories of cases, as in some administrative proceedings, the Supreme Court decides in first and last resort.

It should be noted that all matters that imply the interpretation or application of any OHADA uniform act shall be referred in last resort to the OHADA Community Court of Justice and Arbitration instead of the Supreme Court.

Commercial courts are the newest category of courts created in Côte d'Ivoire on January 11, 2012 to speed up the settlement of commercial and corporate disputes. They decide on first instance and shall render their decisions within three months. The first commercial court has now been created in Abidjan and more shall be created covering the entire country in the future.

C. Arbitration System: Arbitration is a recognised way of dispute resolution in Côte d'Ivoire. The parties may refer their disputes to local or foreign arbitration centres. Côte d'Ivoire is a signatory of the New York Convention and arbitral awards shall become fully enforceable in the country through the exequatur procedure.

II. COMMERCIAL COMPANIES LAW: In Côte d'Ivoire, commercial companies are governed by the OHADA Uniform Act on Commercial Companies and the Economic Interest Group, which has been applicable since January 1, 1998.

Most Commonly Used Forms of Structures:

i. The Private Limited Liability Company (Société à Responsabilité Limitée, SARL)

The Private Limited Liability Company is the simplest and most common form of business structure in the country. Its mandatory share capital must amount to at least CFA1m (€1500), divided



Reforms were undertaken in part to encourage informal entrepreneurs to join the formal economy

into member shares (*parts sociales*) of a nominal value of at least CFA5000 (€7.5) each. Moreover, the modalities for the transfer of shares are provided for by the articles of association.

The SARL is formed by one or more partners who are liable for the company's debts up to the limit of their capital contributions. One or more natural persons, who may or may not be partners, whether appointed in the articles of association or by a collective decision of the partners, assume responsibility for the management of the SARL.

The dismissal of the manager (*gérant*) is decided by the partners representing the majority of the share capital. The manager is vested with the widest powers to act with third parties on behalf of the SARL, even with respect to matters falling outside the scope of the corporate purpose.

Collective decisions are taken at a general meeting by an absolute or a simple majority of the votes. Extraordinary decisions are taken by a three-quarters majority of the votes.

ii. The Public Limited Liability Company (*Société Anonyme, SA*)

The minimum share capital for an SA is CFA10m (€15,000), divided into shares (*actions*) of a nominal value of at least CFA10,000 (€15). At least one-quarter of the nominal value of the shares subscribed in cash must be paid up during capital subscription. The partners are liable for the company's debts up to the limit of their capital contributions. The OHADA Uniform Act on Commercial Companies and the Economic Interest Group provides the possibility to form an SA with one partner, who may be a natural or a legal person.

Moreover, an SA may be formed with or without a Board of Directors consisting of at least three members and 12 members maximum.

In the first case, a chairman or managing director of the board of directors (*président directeur général*), or a managing director (*directeur*

général), assumes responsibility for the general management of the company, while in the second case a general manager (*administrateur général*) takes on this responsibility.

Furthermore, the managers are vested with the widest powers to act in all circumstances with third parties on behalf of the SA.

Other Available Forms of Structures: The OHADA Uniform Act on Commercial Companies and the Economic Interest Group provides as well the possibility to form other types of commercial companies, including:

i. The General Partnership Company (*Société en Nom Collectif, SNC*), in which all the partners are traders and have unlimited liability for the company's debts. The management has the most extensive powers to manage the company;

ii. The Limited Partnership (*Société en Commandite Simple*), in which there are one or more general partners having unlimited liability for the debts of the partnership and one or more limited partners whose exposure to the debts of the partnership is limited to the contribution each has made to the partnership.

Ongoing Reforms:

i. The OHADA Uniform Act on Commercial Companies and the Economic Interest Group is currently being revised to offer investors a larger choice of structures.

ii. Two amended Uniform Acts relating respectively to Secured Transactions and to the General Commercial Law and a new Uniform Act relating to Cooperatives were adopted on December 15, 2010 and entered in force on May 16, 2011.

The major innovations of the reform resulting from the amended Uniform Act relating to Secured Transactions may be summarised as follows:

- Security may be granted over any asset whether present or future and may secure any present, future or conditional obligation;
- New security mechanisms allowing transfer of cash by way of security and simplified assignment of receivables by way of security in favour of banks;
- Creation, perfection and enforcement of security interests have been simplified;
- It is possible to appoint a security agent for the creation, perfection, management and enforcement of any security interests; and
- Creation of non-possessory pledges on tangible assets.

The major innovations of the reform resulting from the amended Uniform Act relating to the General Commercial Law may be summarised as follows:

- Introduction of the status of *entrepreneur* for small businesses to encourage informal entrepreneurs to join the formal economy; and
- Creation of a three-tiered computerised Registry of Companies and Secured Transactions, where companies and secured transactions are recorded.

iii. Furthermore, it should be noted that the business creation process in Côte d'Ivoire was streamlined recently through the implementation of a single window bureau (Guichet Unique des Formalités d'Entreprises, GUFÉ).

The GUFÉ is comprised of all relevant administrative bodies involved in the business creation process, which include the tax administration, company registry, and Ministry of Commerce, as well as the National Social Security Fund.

It aims to allow carrying out all the formalities for starting a business within 48 hours.

III. FOREIGN EXCHANGE CONTROLS: Côte d'Ivoire is a member of the UEMOA, which has a common Central Bank of West African States and a uniform exchange regulation. In Côte d'Ivoire, foreign exchange control and related issues are governed by Regulation No. 09/2010/CM/UEMOA of October 2010 and its annexes.

Under Regulation No. 09/2010/CM/UEMOA, the transfer of funds between UEMOA member countries is free and not subjected to any restrictions under the free movement of funds within the monetary union. Similarly, transfer of funds between UEMOA member countries and other countries are free, without any restrictions as regards funds reception within the union.

However, transfer of funds between UEMOA member countries and other countries is regulated according to the function of the underlying transaction (whether it is a current transaction or an investment transaction), as regards sending funds outside the union.

Regarding current transactions, transfer of funds to other countries for common operations is free with a justification of the fund provenance. Concerning investment transactions, transfer of funds from the UEMOA to non-member countries in relation to investment transactions requires the prior approval of the Ministry of Finance.

The CFA agreement with France guarantees the availability of foreign exchange and the unlimited convertibility of the CFA franc with the euro at a fixed rate, thus providing substantial monetary stability and simplifying international transactions.

IV. CONTROLLED BANKING SYSTEMS: Banking regulations derive from UEMOA regulations, which are updated from time to time to reflect new banking authorisation and constraints.

No banking activity is allowed if it is not supplied by a commercial bank approved and controlled by the UEMOA Banking Commission.

V. FINANCIAL MARKET REGULATIONS: Abidjan has been appointed to accommodate the UEMOA Stock Exchange.

Financial regulations have been enacted by the UEMOA and the UEMOA authority for regulation of financial markets, the Regional Council for Public Saving and Financial Markets, in order to authorise, in particular, listings of companies and bonds, including both state-owned and private companies.



The country adopted a new investment code in 2012, replacing the previous version from 1995

VI. INVESTMENT CODE: Since June 7, 2012 Côte d'Ivoire has instigated a new investment code, which was adopted by the presidential Ordinance 2012-487 of the same date.

This code in effect replaces the investment code of 1995 and is intended to encourage and stimulate productive, green and socially responsible investments in the country.

The Code provides a number of rights available in the same terms for national or foreign investors in all sectors except non-industrial housing, commerce, finance and banking.

General rights afforded include the protection of the property be it movable, immovable or intellectual, the free access to raw materials, the free transfer of profits, and the right to a prior and just compensation in case of expropriation.

Two investment regimes are available to investors with specific rights attached to them:

- The declaration regime whereby an investor benefits from tax exemptions for investments made in relation to the creation of a new activity. The country has been divided in 3 investment zones (A, B and C), and the exemptions rates, as well as their duration, depend on the zone of the country where the investments are realised. Finally, the benefits are granted upon presentation of the evidence of the investments realised.
- The approval regime whereby an investor receives for a certain period of time tax exemptions for investments to be made in connection with the creation or the development of an activity in any zone of the country. The benefits are granted upon presentation of an investment programme to the national agency in charge of the investment promotion.

Apart from this general legal framework for investments, additional legal incentives also exist in the context of specific laws, particularly with regard to certain types of activities and transactions.



The new investment code contains specific provisions aimed at helping small and medium-sized enterprises

VII. LEGISLATION AFFECTING SMALL AND MEDIUM-SIZED ENTERPRISES (SMES): The new investment code contains a number of specific provisions intended to help SMEs, with incentives including:

- Exemption from corporate income tax from seven to 15 years;
- State's granting of lands; and
- Preferential tariffs on electricity, water and new technologies services.

VIII. UPSTREAM HYDROCARBONS: Ordinance No. 12-369 of April 18, 2012 modifying Law No. 96-669 of August 29, 1996 relative to a Petroleum Code, regulates the industry.

The ordinance provides that the state of Côte d'Ivoire remains the owner of its natural resources, but that an exploration and production-sharing contract may be negotiated between oil operators and the state.

IX. MINING: The mining legislation in force results from Law No. 95-553 of July 18, 1995 relative to a Mining Code. The Code sets two distinct mining schemes:

- The title scheme: relates to exploration and/or exploitation activities carried out on an industrial scale and requires the issuing of a permit; and
- The authorisation scheme: the Mining Code has defined the prospecting and searching activities and distinguished them from exploration.

The government is in the process of drafting a revised Mining Code to replace the current version.

X. EMPLOYMENT LAW: The sources of employment law are the Labour Code adopted on January 12, 1995; its implementing decrees; and the professional collective agreements negotiated between employers and employees.

In addition, a new Labour Code is currently under discussion and shall be submitted to the Parliament in a few months. Different types of employment contracts may be offered to employees: unlimited

term contracts, fixed-term contracts or part-time contracts. Moreover, according to the law, fixed-term contracts have a maximum cumulative duration of no more than two years.

The length of a standard working day is eight hours. Overtime is legally allowed with an increase of the pay. There are prescribed premiums payable depending on whether the overtime takes place during the day, the night or on official holidays. Wages of employees must not be lower than the local minimum salary (on a monthly basis).

An employee is entitled to paid annual leave after one year of working for an employer. Each employee is entitled to 2.2 working days per month of working, equivalent to 26.4 working days (1 month) annually. The law grants additional paid leave for foreign employees or employees who have reached a specific length of service.

A foreign national must hold a work permit before being able to render services locally. A foreign employee may only be recruited by a company if there is a genuine need for the employee and there is no suitable domestic candidate.

A fine equivalent to three months' salary of the employee recruited may be imposed on any employer that has unlawfully employed foreign nationals without complying with the relevant statutory requirements. With regard to fixed-term employment contracts, these are terminated without any notice or compensation at the term.

The termination of unlimited-term contracts should be motivated by real and serious grounds that can be personal grounds to the employee or economic motives. The employment contract can be terminated by alternative amicable means such as resignation of the employee or amicable termination agreements signed by both parties.

XI. LAND OWNERSHIP: Côte d'Ivoire laws for private and commercial property do not provide for any restrictions on nationality for the possession and ownership of a property in Côte d'Ivoire except for traditional village lands.

Furthermore, any foreigner desiring to lease or acquire property for private or commercial needs may freely do so according to the law.

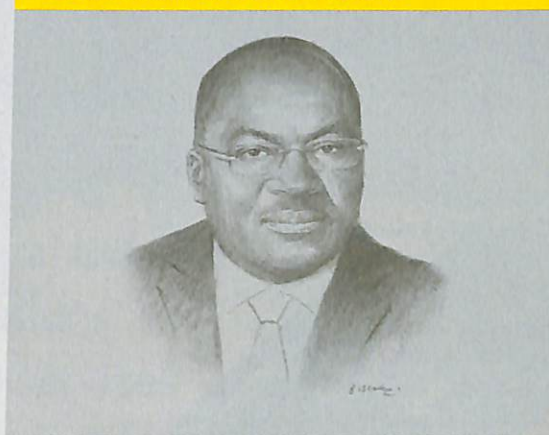
XII. PROCUREMENT CONTRACTS REGULATION: Procurement contracts are regulated in Côte d'Ivoire by a decree adopted on August 6, 2009 in line with UEMOA directives 4/2005 and 5/2005 on procurement contracts.

Pursuant to this decree, Côte d'Ivoire has created by a decree 2009-260 of August 6, 2009 a National Authority Regulating Procurement Contracts, which has the power to settle disputes in relation to the granting or execution of a procurement contract. Furthermore, the decree also has the power to impose sanctions on applicants or contractors of a procurement contract for fraud.

OBG would like to thank *Bilé-Aka, Brizoua-Bi & Associés* for its contribution to THE REPORT Côte d'Ivoire 2015



Michel K Brizoua-Bi



Joachim Bilé-Aka

Improving conditions

OBG talks to Michel K Brizoua-Bi and Joachim Bilé-Aka, Founders, Bilé-Aka, Brizoua-Bi & Associés

How has the one-stop shop helped the business climate in Côte d'Ivoire?

BRIZOUA-BI: Beyond the need for financial, tax and legal advisors, the implementation of a one-stop shop system for company incorporation procedures facilitates both local and foreign investors' engagement in the market. All administrative procedures are centralised in one place, thus addressing all investors' needs. Processes are streamlined and simplified. In terms of timing, we have witnessed massive improvements – not only are delays now almost nonexistent, but it also takes just 48 hours or so to establish a business. In the past, investors and businessmen faced recurrent delays in file processing; but the Investment Promotion Agency of Côte d'Ivoire addressed the issue with the establishment of its one-stop shop, and thus drastically reduced delays. For entrepreneurs, it is a key element in doing business. It is a major improvement, and places Côte d'Ivoire very well on the international scene in terms of the ease of doing business. As a result, there has been an increase in the number of companies created.

How will the cancellation of minimum capital requirements enhance entrepreneurship?

BRIZOUA-BI: The financial viability of a company is often measured by its initial level of capital; however, in Côte d'Ivoire, this is precisely what small and medium-sized enterprises are lacking. In an effort to not hinder entrepreneurial creativity and business creation, the cancellation of the minimum capital requirement for those companies is welcome. Being undercapitalised, however, can be tricky when it comes to investing in innovation or even getting a line of credit. At least barriers are lifted now, and this should allow investors and entrepreneurs with few resources to materialise ideas.

How can access to land titles and building permits in Côte d'Ivoire be facilitated?

BILÉ-AKA: The question of land in Côte d'Ivoire remains an issue. There is strong will from the government to

clarify and computerise procedures to avoid litigation risks. There are also measures in the pipeline to improve transparency and efficiency in land acquisition. For instance, to simplify the procedure the Final Concession Decree document was been issued, smoothing decisions on land ownership. In terms of access to industrial land, there is a growing demand, and indeed, the demand is higher than the supply. Today, there are only three industrial zones, but projects are starting to flourish in Abidjan and its suburban areas.

What effect has the creation of commercial courts had on the business community?

BILÉ-AKA: This relatively new institution lives up to its promises, notably in terms of processing times and clarity. The efforts made towards transparency and the quality of the decisions taken are also to be mentioned. In most cases, these are good decisions. Some decisions are not satisfactory enough, but it is the case in every country in the world. So, everything the system used to be blamed for – slow and biased process, integrity issues and lack of technical skills – is no longer valid. The country should be proud to have such a credible and transparent legal tool. Obviously, nothing is perfect, and hopefully the institution will not be victim of its success and will keep its impartial status. Overall, it is a strong and positive signal for the private sector.

How can greater transparency in public procurement be ensured?

BRIZOUA-BI: In terms of public procurement, there are not that many companies that go to litigation because they do not want to be blacklisted. However, as a means to improve transparency, we have a regulatory authority for public procurement that is really rigorous. Of course, the number of single tendering procurements is worrying – however, the reality is that many projects were urgent and had to be jump started. Currently, the regulatory authority has launched several investigations on past single-tendering procurement projects.



AFRIQUE DU SUD, ALGÉRIE, ARABIE SAOUDITE, BAHRÉÏN, BRUNÉI DARUSSALAM, COLOMBIE, **CÔTE D'IVOIRE** EAU: ABU DHABI, EAU: DUBAÏ, EAU: RAS AL KHAIMAH, ÉGYPTÉ, GABON, GHANA, INDONÉSIE, JORDANIE, KOWEÏT, MALAYSIE, MAROC, MEXIQUE, MONGOLIE, MYANMAR, NIGÉRIA, OMAN, PANAMA, PAPOUASIE NOUVELLE GUINÉE, PÉROU, PHILIPPINES, QATAR, THAÏLANDE, TRINIDAD ET TOBAGO, TUNISIE, TURQUIE

Au-delà de la surface

Pour anticiper l'avenir, vous devez avoir une vision approfondie des choses.

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*« Le guide de référence
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économique actuellement
sur le marché. » – Newsweek*



THE INSIDE EDGE
www.oxfordbusinessgroup.com
cotedivoire@oxfordbusinessgroup.com

The Guide

Information on hotels in several localities

Phone listings for foreign missions

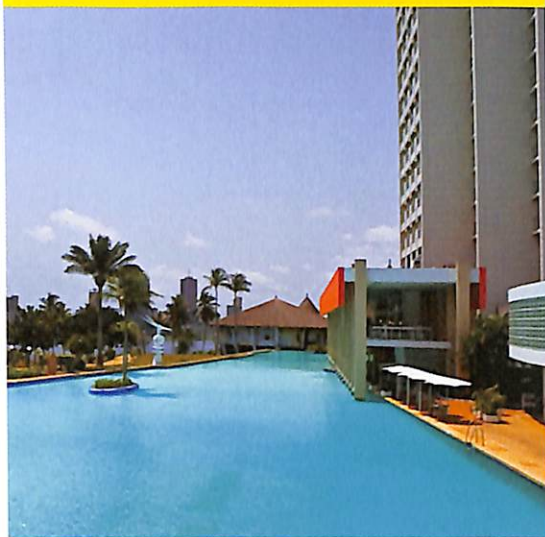
Contact information for local services

Useful tips for first time and returning visitors

HOTEL DES AMBASSADES
 2 Boulevard Avenue Plateau 04 BP 1180
 00229 20 30 14 00 / 20 30 14 04
 00229 20 30 14 04
www.hotel-des-ambassades.com
 00732 000 000 000

Hotel 192
 Located in the heart of the city, Hotel 192 is a modern and comfortable accommodation. It offers a wide range of services and facilities, including a swimming pool, a gym, and a restaurant. The hotel is also known for its excellent customer service and its prime location in the center of the city.





Sofitel Abidjan Hotel Ivoire

Home away from home



Hotel Tiama

ABIDJAN

SOFITEL ABIDJAN HOTEL IVOIRE

Boulevard Hassan II, 08 BP 01 Abidjan,
Abidjan 08

T: (0225) 22 48 26 26

F: (0225) 22 44 65 18

www.sofitel.com

Rooms: 209

Conference Facilities: Conference, seminar and banquet rooms with a capacity for 10 to 1650 people.

Health & Leisure Facilities: Skating rink, gym, swimming pool, tennis courts.

Guest Services: Wi-Fi in public areas and rooms, business centre (with fax, photocopier and printer), babysitting and cribs on request.

Wining & Dining: Le Toit d'Abidjan, Le Pili-Pili, Le Bar du Lac.

HOTEL TIAMA

Boulevard de la République, Plateau 04 BP 643

T: (0225) 20 31 33 33

F: (0225) 20 31 31 31 / 20 31 32 32

www.hoteltiama.ci

reservation.tiama@gmail.com

Rooms: 139

Conference Facilities: Meeting room with capacity for 80 people, conference room for 30 to 150.

Health & Leisure Facilities: Fitness centre.

Guest Services: Room service, massage.

Wining & Dining: 2 bars and 1 restaurant.

HOTEL PULLMAN ABIDJAN

Rue Abdoulaye Fadiga 01 BP 2185

T: (0225) 20 30 20 20 / 20 30 20 15

F: (0225) 20 21 20 28

www.pullmanhotels.com / Abidjan

h1146@accor.com

Rooms: 209

Conference Facilities: Five meeting rooms are available for seminars and can accommodate up to 300.

Health & Leisure Facilities: Outdoor swimming pool.

Guest Services: Wi-Fi, car hire, dry-cleaning, currency exchange, pets allowed, hairdresser and stylist, newspaper kiosk and gift shops, parking available.

Wining & Dining: French and African cuisine; snacks are available at the bar.

HOTEL NOVOTEL ABIDJAN

10 Avenue du Général De Gaulle, Plateau 01 BP 3718

T: (0225) 20 31 80 00

F: (0225) 20 31 80 20

www.novotel.com

H0481@accor.com

Rooms: 201

Conference Facilities: Seven conference rooms.

Health & Leisure Facilities: Fitness centre and pool.

Guest Services: Wi-Fi, gift shops, newspaper kiosks, art gallery, currency exchange, ATM, dry-cleaning and ironing, pets allowed.

Wining & Dining: International cuisine.

GOLF HOTEL

Riviera 1 08 BP 18

T: (0225) 22 43 10 44 / 22 43 74 00

F: (0225) 22 43 05 44

www.golfhotel-ci.com

golfhotel@golfhotel-ci.com

Rooms: 306

Conference Facilities: Conference room with capacity for 650 people.

Health & Leisure Facilities: Sports grounds, pool, tennis, football pitch, golf course and a view of the lagoon.

Guest Services: Garden capacity for up to 2000.

Wining & Dining: European and Asian cuisine, and a bar with a view of the Ebrié Lagoon.



Hotel Pullman Abidjan



Golf Hotel

IVOTEL

Rue Gourgas, Plateau 1336 BP 01
 T: (0225) 20 25 66 66
 F: (0225) 20 25 66 67
www.ivotel.com
ivotel@ivotel.com

Rooms: 121

Conference Facilities: Five rooms for 10 to 300.
 Health & Leisure Facilities: Fitness centre.
 Guest Services: Hammam spa, jacuzzi, salon.
 Wining & Dining: Lebanese, European and African fare.

HOTEL IBIS ABIDJAN PLATEAU

7, Boulevard Roume, Plateau 04 BP 1185
 T: (0225) 20 30 16 00 / 20 30 16 04
 F: (0225) 20 30 16 04
www.ibishotel.com
H0732@accor.com

Rooms: 182

Conference Facilities: 8 large conference rooms.
 Guest Services: Wi-Fi, free parking, free airport shuttle service, car hire
 Wining & Dining: Bar open from 7:00AM to 11:00PM.

HOTEL IBIS ABIDJAN MARCORY

Boulevard Valéry Giscard d'Estaing, 15 BP 594
 T: (0225) 21 75 63 00
 F: (0225) 21 35 89 10
www.ibishotel.com
h0667@accor.com

Rooms: 135

Conference Facilities: Three conference rooms.
 Guest Services: Wi-Fi, parking, outdoor pool, business centre, pets allowed.
 Wining & Dining: Restaurant (regional food, open for lunch & dinner) and bar.

HOTEL ONOMO ABIDJAN AIRPORT

Boulevard de l'Aéroport FHB, 07 BP 435, Abidjan 07
 T: (0225) 21 21 21 91
www.onomohotel.com
reservation.abidjan@onomohotel.com

Rooms: 118

Conference Facilities: 2 meeting rooms for 25.
 Guest Services: Free airport shuttle from 8:00AM to 6:00PM, porters and a business corner.
 Wining & Dining: 24-hour bar and restaurant.

GRAND BASSAM**HOTEL RESIDENCE ETOILE DU SUD**

BP 167 Grand Bassam
 T: (0225) 21 30 29 39 / 21 30 29 32
 F: (0225) 21 30 29 20
www.hoteletoiledusud.info
info@etoiledusud.ci

Rooms: 42

Conference Facilities: One room for 40, three for 15.
 Health & Leisure Facilities: Beach, pool and Jacuzzi.
 Wining & Dining: Restaurant and air-conditioned bar.

NSA HOTEL

T: (0225) 21 31 28 00
 F: (0225) 21 30 13 52
www.nsahotel.ci
Info@nsahotel.com / reservation.nh@aviso.ci

Rooms: 104

Health & Leisure Facilities: Swimming pool.
 Guest Services: Room service.
 Wining & Dining: African and European cuisine.

YAMOUSSOUKRO**HOTEL PRÉSIDENT**

T: (0225) 30 64 64 64 / 30 64 15 81
 F: (0225) 30 64 05 77
www.hotelpresident.ci
reservation@hotelpresident.ci

Rooms: 285

Conference Facilities: 20-to 800-person capacity.
 Health & Leisure Facilities: Pool, tennis, golf course, jogging trails.
 Guest Services: Laundry, catering, shops.
 Wining & Dining: Two restaurants, five bars, a night-club and a movie theatre.

HOTEL DES PARLEMENTAIRES

T: (0225) 30 64 68 00 / 07 01 96 01
 F: (0225) 30 64 68 10
www.hoteldesparlementaires.com
info@hoteldesparlementaires.com

Rooms: 300

Health & Leisure Facilities: Gym and swimming pool.
 Guest Services: Room service, game room, shopping gallery, laundry and business centre.
 Wining & Dining: Two restaurants, snack bar and club.

SAN-PÉDRO**HOTEL SOPHIA**

Quartier Balmer, Front de mer BI de la Corniche
 01 BP 179, San Pédro 01
 T: (0225) 34 71 92 90 / 07 08 72 73
 F: (0225) 34 71 37 37
www.hotelsophia.net
sophia@avison.ci

Rooms: 75

Conference Facilities: Conference room.
 Health & Leisure Facilities: Beach, pool, fishing, golf, tennis nearby.
 Guest Services: Room service, currency exchange, laundry, dry-cleaning and event catering.
 Wining & Dining: Restaurant, piano bar and café.



Ivotel



Hotel Ibis Abidjan Marcory



Hotel Onomo Abidjan Airport



Business etiquette is similar to that in France: handshakes are appropriate for men and women on the first meeting, while three kisses on the cheek are appropriate when meeting a woman again. Discuss family, health or the weather prior to business conversation.



Taxis are easy to flag down during the day and are sometimes shared with other passengers (in the case of yellow cabs) or rented for a solo ride (red cabs). Rates vary from €0.75 for a short journey to €7.50 for a long, night-time itinerary that crosses the city.

MINISTRIES

Prime Minister's Office
(0225) 20 31 50 00
Ministry of Agriculture
(0225) 20 21 43 03
Ministry of Commerce,
Craft and Small and
Medium-Sized
Enterprise Promotion
(0225) 20 22 95 28
Ministry of Post,
Information Technology
and Communication
(0225) 20 34 73 49
Ministry of Industry and
Mining
(0225) 20 21 64 73
Ministry of Transport
(0225) 20 34 48 57
Ministry of Tourism
(0225) 20 25 16 03
Ministry of Employment,
Social Affairs and
Vocational Training
(0225) 20 22 39 24
Ministry of Foreign
Affairs
(0225) 20 32 08 88
Ministry of Defense
(0225) 20 21 26 74
Ministry of Interior
(0225) 20 25 87 8

OTHER PUBLIC INSTITUTIONS

National Assembly
(0225) 20 20 82 00
Economic and
Social Council
(0225) 20 25 02 00

Coffee Cocoa Council
(0225) 20 25 69 69
National Public
Procurement Regulation
Authority
(0225) 22 40 00 40

EMBASSIES

Benin
(225) 22 41 44 13
Brazil
(225) 20 22 23 41
Burkina Faso
(225) 20 21 15 01
Cameroon
(225) 20 21 20 86
Canada
(225) 20 30 07 00
China
(225) 22 44 59 00
Congo
(225) 21 24 69 09
France
(225) 20 20 04 04
Germany
(225) 22 44 20 30
Gabon
(225) 22 44 51 54
Ghana
(225) 22 41 02 88
Guinea
(225) 20 32 04 27
India
(225) 22 42 70 79
Iran
(225) 22 48 01 90
Israel
(225) 20 21 31 78
Italy
(225) 22 44 61 70

Japan
(225) 20 21 28 63
Lebanon
(225) 20 33 28 24
Mali
(225) 20 31 15 70
Netherlands
(225) 20 21 31 10
Nigeria
(225) 20 21 19 82
Russia
(225) 22 43 09 59
Saudi Arabia
(225) 22 44 24 91
Senegal
(225) 20 33 28 76
South Korea
(225) 22 48 67 03
South Africa
(225) 22 44 59 63
Switzerland
(225) 20 21 30 02
US
(225) 20 21 09 79

CHAMBERS OF COMMERCE

Chamber of Commerce
and Industry Côte d'Ivoire
(225) 20 33 16 00
American Chamber
of Commerce
(225) 20 30 66 30
European Chamber
of Commerce
(225) 20 32 81 00

HEALTH CARE

CHU Cocody
(225) 22 44 91 00

CHU Treichville
(225) 21 24 91 22
Clinique Avicennes
(225) 21 21 13 00
CMC de Biétry
(225) 21 25 25 60
Croix Rouge
(225) 20 32 13 35
Hôtel Dieu
(225) 21 25 79 19
PISAM
(225) 22 48 31 31
Polyclinique II Plateaux
(225) 22 41 33 34
Polyclinique Internationale
Indénié
(225) 20 21 53 53

FINANCIAL INSTITUTIONS

Banque Atlantique
(225) 20 31 59 50
BIAO CI
(225) 20 20 07 20
BICICI
(225) 20 20 16 00
BOA
(225) 20 30 34 00
Citibank
(225) 20 21 46 10
Ecobank
(225) 20 21 10 41
Standard Chartered
(225) 20 30 32 00

AIRLINES

Air France
(225) 20 20 24 24
Corsair
(225) 20 32 15 00

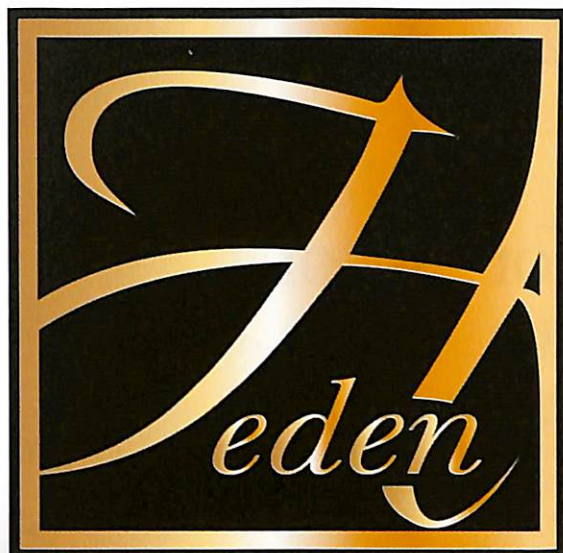
Royal Air Maroc
(225) 20 21 20 38
Turkish Airlines
(225) 21 27 60 45
Emirates
(225) 20 25 62 50
Egypt Air
(225) 20 32 57 13
Air Burkina
(225) 20 32 89 19
South Africa
Airways
(225) 20 21 82 50
Askys
(225) 20 32 70 44
Senegal Airlines
(225) 20 32 30 04
Kenya Airways
(225) 20 30 31 11
Air Côte d'Ivoire
(225) 20 25 10 30
Corporate Elite
Group
(225) 20 22 05 67

ACCOUNTANCY & LEGAL SERVICES

Bilé-Aka, Brizoua-Bi &
Associés
(225) 22 40 64 30
KPMG
(225) 20 21 42 97

USEFUL LINKS

www.abidjan.net
www.fratmat.info
www.pmemag.ci
www.gouv.ci
www.pmemag.ci
www.gouv.ci



Hotels & Resorts



Golf Hotel
A b i d j a n



Facts for visitors

Useful tips for business and leisure travelers

ETIQUETTE: Business etiquette is similar to that in France. A handshake is appropriate for both men and women upon first meeting someone new. Once a woman meets someone for the second time, three kisses on the cheek, just as in some regions in France, are an appropriate greeting. Before discussing business, it is considered polite to break the ice by discussing family, health or the weather.

HEALTH: In public hospitals, waiting times can be long, but there are many to choose from in Abidjan, though complicated surgical procedures are best carried out outside of Côte d'Ivoire if possible. There are also a few private clinics in Abidjan that provide health care that meets international standards.

RELIGION: Muslims make up roughly 39% of the population, while Christians (mostly Roman Catholics) comprise around 33%. The remaining people follow indigenous religions (12%) or have no religion (7%).

CURRENCY: Côte d'Ivoire has used the West African Communauté Financière d'Afrique (CFA) franc since 1945, with the CFA franc (code: XOF) linked directly to the French Treasury. Through this mechanism the CFA franc is pegged to the euro at the fixed rate of €1:CFA655.957.

ELECTRICITY: Côte d'Ivoire uses a 220-volt, 50-Hz electricity network. European two-pin plugs without a ground pin are widely used. Modern buildings are equipped with European three-pin plugs.

SECURITY: Travellers should take necessary precautions, especially at night. Abidjan is the most secure part of the country and movement during daylight hours is safe and checkpoints are rare. Travelling between different cities by car can be very dangerous at night and is not recommended.

For destinations far from Abidjan, it is advised to travel in a convoy by day, though closer locations, such as Assinie, Grand Bassam and Yamoussoukro, can be reached in relative safety in a single car during the day and evening hours. The only challenge later at night is the scarcity of cars on the road.

COMMUNICATIONS: The international dialling code for Côte d'Ivoire is 225. The country currently has six mobile operators, and prices have fallen in recent years, though the current quality of the network leaves room for improvement. 3G services became available in 2012 and wireless connections are mostly only available in hotels. 4G services are currently being tested and will soon be available.

BUSINESS HOURS: Côte d'Ivoire follows a "continuous working day" policy, which means that business hours run from around 8:00AM to 4:00PM. Lunch is generally eaten between noon and 2:00PM. The private sector follows regular European hours with later closing times, especially for foreign firms. Friday afternoons are usually calm within public entities.

VISITOR VISAS: Since January 2014, most visitors to the country can obtain a visa upon arrival provided that they have pre-enrolled online. Business visas require an invitation from a Côte d'Ivoire-based entity and in some cases proof of employment is also necessary. Business visas are generally multi-entry and have a duration of 90 days, but they can be granted for a one-year period. Foreigners residing in the country typically have a residence permit obtained through their employer.

TRANSPORT: People generally get around with privately owned cars, but taxis are ubiquitous throughout the day and, in some neighbourhoods, late at night. They are easy to flag down and can either be shared with other passengers, as is the case with yellow cabs, or rented for an individual ride, as with the red cars. Rates vary between CFA500 (€0.75) for a short journey, to CFA5000 (€7.50) for a long nighttime itinerary crossing much of the city.

Private taxis can generally be found at the high-end hotels, and minibus services are available for the intrepid traveller. Intercity transportation is mostly done by train, plane, or car. Buses are available for those willing to rough it, though this is not recommended given the security situation in some areas.

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