

## COTE D'IVOIRE

OCTOBER 2011

### CREDIT GUARANTEE COUNTRY PROFILE:

IES/02: ATTACHMENT N

Country rating	<u>S/T business cycle indicator</u>	<u>S/T political indicator</u>	<u>Debt recovery</u>
ZZ	↓	→	Suggested use of a collection agent

Country rating key - political risks: 1=low, 2=medium, 3=high  
Commercial risks: A=low, B=medium, C=high

#### Credit Guarantee experience

- This is not a claims free market.

#### Recent Political Highlights

- The Chief of state since the Presidential inauguration in May 2011 has been President Alassane Ouattara. The President is elected for a five-year term and is eligible for a second term. The next election is scheduled for 2015.
- The political environment in Côte d'Ivoire has seen intensified levels of conflict since the October 2010 elections which resulted in Alassane Ouattara officially winning against former President Laurent Gbagbo. Laurent Gbagbo refused to step down until mid-April this year when he was ousted from power following extensive military action; currently he and his wife are under house arrest. Ban Ki-Moon, the Secretary General of the United Nations recently released a report on the UN operation in Côte d'Ivoire which highlights the existing challenge of restoring peace and stability in a country that has experienced 4 months of conflict and two weeks of civil war. Ban Ki-Moon goes on further to say, that there is a high risk of return to conflict.

#### Recent Economic Highlights

- Côte d'Ivoire has a population of 21.5 million with an estimated growth rate of 2% percent in 2011. It is a member of the West African Economic and Monetary Union, and The Economic Community of West African States (ECOWAS). The country was one of the most prosperous West African states as a result of the development of cocoa for export, but it is currently experiencing a crisis in its economy because of the unrest that recently occurred. It was once the most powerful economy in West Africa, but the economy has suffered recently.
- About 68% of the population is involved in the agricultural and related sectors. Cocoa, oil and coffee are the country's top revenue earners. Côte d'Ivoire is the world's largest supplier of cocoa beans and cashew nuts. The country's cocoa industry accounts for approximately 40% of global production. Government plans to improve current strategies in the agricultural industry are materializing, and President Ouattara in his election campaign stated that his plans are to create two regulatory state agencies to manage coffee, cocoa, cotton and cashew nut exports. The cocoa and coffee industries currently have a low transformation rate but change seems to be on the horizon. The country's Industry Minister, Moussa Dosso said that "only 25% of cocoa is processed into semi-finished products for export and less than 1.5 % of the total cocoa output is processed into finished products locally." This gap potentially presents opportunities for investors to actively participate in increasing this rate, as the country plans to create a new investment code which will promote the birth of a finished goods industry. The Minister added that this new investment code will provide tax incentives for potential investors who participate in the local processing of goods for export purposes.
- In April this year, the European Union removed restrictions on Côte d'Ivoire's cocoa exporting ports Abidjan and San Pedro. Subsequently, sanctions imposed by the European Union were lifted in June this year; the EU also lifted an asset freeze imposed on three businesses in the Ivory Coast inclusive of RTI which is the country's national broadcaster. The previously imposed sanctions had paralysed the economy, but a wave of economic recovery efforts have intensified with the government allocating \$13 million to compensate small and medium- sized businesses which were damaged during the post-election uprisings.
- An industry that will potentially experience high growth levels in the near future is the gold industry. Energy and mines minister Adama Toungara says that production capacity will nearly double to 13 tonnes a year by 2013. Currently, output stands at 7 tonnes. A bottleneck in gold production has been the inefficient process of obtaining mining permits. The minister pledged to shorten this process in the coming period. Further improvement on the cards are government plans to improve electricity generation. Between now and 2015, the government has planned to invest \$500 million in upgrading the main power station.

- During the recent political impasse, economic activity halted and banks in the country were closed for 10 weeks. This affected public sector salaries, the formal business sector and exporter's bank accounts. Since the end of April this year, banks have begun operations with the country's citizens queuing to receive delayed salaries. One of the major banks to re-open their doors was the West African Central Bank. The central bank ensured that all private banks in the country were supplied with sufficient bills to resume operations.
- Debt levels in the country are mounting, and Finance Minister Charles Koffi Diby says that for the next couple of years the aim will be to address the increasing debt. As a result, he is quoted as saying that public investment levels will be insignificant, furthermore, the government will continue to default on its external debt until 2012. Payments to holders of the country's bonds will begin next year following a new funding deal with the IMF. The economy only grew by an estimated 2.4% in 2010 with inflation ranging below 2%. President Ouattara said that in 2011 the economy will drop by 7%. He also noted that in the past 10 years, the only public investment spending that took place was spending on arms and ammunition which adversely affected development.

## Origin of GDP

(% real change)

■ = 2011

■ = 2012

Agriculture



Industry



Services



Source: Economist Intelligence Unit

- The SIR refinery, which supplies domestic fuel and also supplies West African countries, has recently experienced financial troubles. This refinery is one of the largest in sub-Saharan Africa and earlier this year it faced the prospect of closing down because of a shortage of crude oil which is needed to keep the refinery in operation. Subsequently, Afreximbank an export-import bank based in Egypt said that it would lend the refinery up to \$620 million to enable it to purchase crude; a group of West African banks have also loaned the refinery \$130 million for the same purposes
- The EU has launched five programmes targeting economic recovery valued at € 125 million. These projects are aimed at the transport sector, youth integration through vocational training, improvement of basic healthcare services, public finance management and the strengthening of civil society organisations. One of the major aims of the transport project is to fix the main road linking the Ivory Coast to Ghana, which will strengthen regional and national trade flows. The statistical and budget systems will also be improved to become "results-orientated". France has also pledged its support through offering the country financial aid to the value of € 400 million. The money will be used to reconstruct parts of the country that were affected by the election crisis, specifically public services and the economy as a whole.

### Latest Trade Developments

- ❑ Major exports: cocoa, coffee, timber, petroleum, cotton, bananas, pineapples, palm oil, fish.
- ❑ Major imports: fuel, capital equipment, foodstuffs.
- ❑ Main trading partners: Nigeria, Netherlands, France, China, US, Germany, Thailand, Ghana.
- ❑ SA exports to Côte d'Ivoire totaled R587.95m in 2008, R722.95m in 2009 and R837.34m in 2010.
- ❑ SA imports from Côte d'Ivoire totaled R346.68m in 2008, R224mn in 2009 and R631.39m in 2010.

*Researched and compiled by Nthabiseng Ntuli, economic services – Credit Guarantee Insurance*