Trade and Investment Opportunities In Africa

COTE D'IVOIRE

January 2020

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To provide export credit and investment insurance solutions in support of South African capital goods and services by applying best practice risk management principles.

Export Credit Insurance Corporation of South Africa SOC Ltd (ECIC)

Côte d'Ivoire:

Trade and Investment Opportunities

January 2020

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ACRONYMS

AfDB	African Development Bank
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest
CAGR	Compound Annual Growth Rate
CEPICI	Centre de Promotion des Investissements en Côte d'Ivoire
CFAF	Communauté Financière Africaine Franc
COP	Conference of the Parties
CST	Community Solidarity Tax
DFIs	Development Finance Institutions
ECOWAS	Economic Community of West Africa States
ECIC	Export Credit Insurance Corporation
FDI	Foreign Direct Investment
FPI	Front Populaire Ivorien
GOCI	Government of Côte d'Ivoire
GDP	Gross Domestic Product
GTC	General Tax Code
ICC	International Criminal Court
ICCO	International Cocoa Organisation
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
MCC	Millennium Challenge Corporation
NDP	National Development Plan
PDCI	Parti démocratique de Côte d'Ivoire
OHADA	Organisation for the Harmonisation of Corporate Law in Africa
RHDP	Rally of Houphouëtists for Democracy and Peace
SA	South Africa
the dti	Department of Trade, Industry and Competition
UEMOA	Union Economique et Monétaire Ouest Africaine
UNCTAD	United Nations Conference on Trade and Development
VAT	Value-added Tax
WTO	World Tourism Organization
WAEMU	West African Economic and Monetary Union
WB	World Bank
ZBTIC	Zones for Biotechnology, Information and Communication Technologies

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INTRODUCTION

INTRODUCTION

In 2015, the Export Credit Insurance Corporation of South Africa (ECIC) - a state owned entity - published a report that identified trade and investment opportunities for SA exporters and investors in Côte d'Ivoire.

The report gave insight into one of Africa's fastest growing economies, supported by a politically stable backdrop and the willingness by government to implement policies and reforms that had, and would continue to liberalise and open its economy to the rest of Africa, and the world.

As it stands, Côte d'Ivoire is the largest economy in the West African Economic and Monetary Union (WAEMU), accounting for approximately 40% of the 8-member bloc's GDP, while also being the third largest economy in the Economic Community of West African States (ECOWAS). The economy has benefitted largely from prudent fiscal policies, monetary stability, rising public spending (directed at uplifting the public sector) and structural reforms aimed at improving the business climate and encouraging public-private partnerships.

In 2018, Côte d'Ivoire marked a seventh year of consecutive GDP growth that exceeded 7%. This rate is estimated at 7.1% in 2019 and will likely remain between 6% and 7% in coming years, supported by external demand for agricultural and oil products, and stronger domestic demand resulting from major investment projects and household consumption.

Political stability has lent a hand to spurring on growth, anchoring itself into more efficient and well thought out economic policy, such as the country's 2016-2020 National Development Plan (NDP). Foreign investment inflows continue to stream into the country, with major interests in sectors such as: agriculture, mining, energy, construction, tourism, telecommunications, and financial services.

The business environment has also become more favourable since the 2015 report. Revisions to the country's investment code promoting friendlier business conditions, among them: tax incentives for companies that promote and foster beneficiation (in sectors such as agriculture and mining); or location of business operations in one of three economic trade zones or partnering with a local firm of similar business operations/ interests.

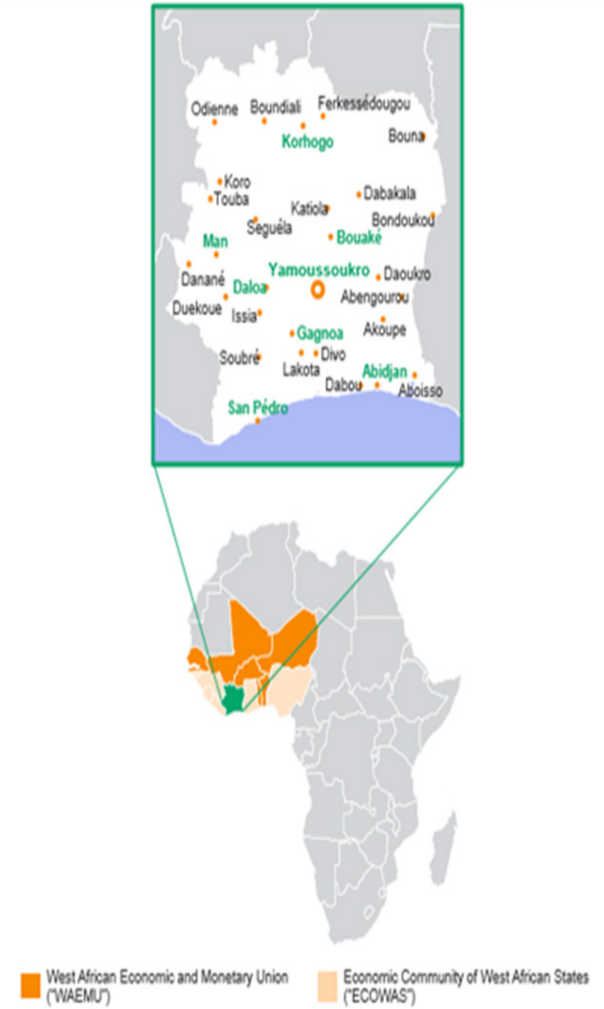
Considering the above mentioned and the significant contribution to economic development in West Africa, geographic location, and infrastructure network, ECIC considered that further research needed to be undertaken, to further explore the untapped potential for trade and investment opportunities in Côte d'Ivoire. As the current NDP draws to an end, SA exporters/contractors/investors need to be ahead of the curve in positioning themselves to take advantage of opportunities in the next NDP cycle of Côte d'Ivoire.

Figure 1: Overview of high-level country information on Cote d'Ivoire

Credit Ratings	Moodys: Ba3/stable Fitch: B+/stable
Area	322, 462km^2
Population	24.3 million (2017) Growth rate approx. 2.5%
Capital City	Yamoussoukro; Government administration in Abidjan
Currency	CFA Franc (to be renamed Eco) pegged to the EUR at 655.957
Nominal GDP	• CFAF: 23,892 billion (2018) • USD: 43.1 billion (2018)
GDP growth	7.4% (2018)
GDP per Capita	• US$1,715 (2018)
Political System	Cote d'Ivoire is a democratic republic based on the seperation and balance of the three powers: executive, legislative, and judicial
Land / Climate	• Climate ranges from tropical along the coast to semi-arid in the far north of the country • Mostly coastal plains transitioning into plateue and mountain ranges in the Northwest
Key Natural Resources	• Cocoa Beans, Coffee, Cotton, Palm Oil, Rubber, Timber, Cashew Nuts, Rice, Bananas & Plantanes • Gold, Diamonds, Manganese, Iron Ore, Bauxite, Phosphates • Petroleum, Natural Gas, Hydropower, Bio-mass

Source: AfDB (2017), IMF (2019), and ECIC

Largest Economy in WAEMU, 40% of the Regional GDP



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POLITICAL OVERVIEW

2. POLITICAL OVERVIEW

Political uncertainty has risen leading into the 2020 elections; however, the medium-term outlook remains positive.

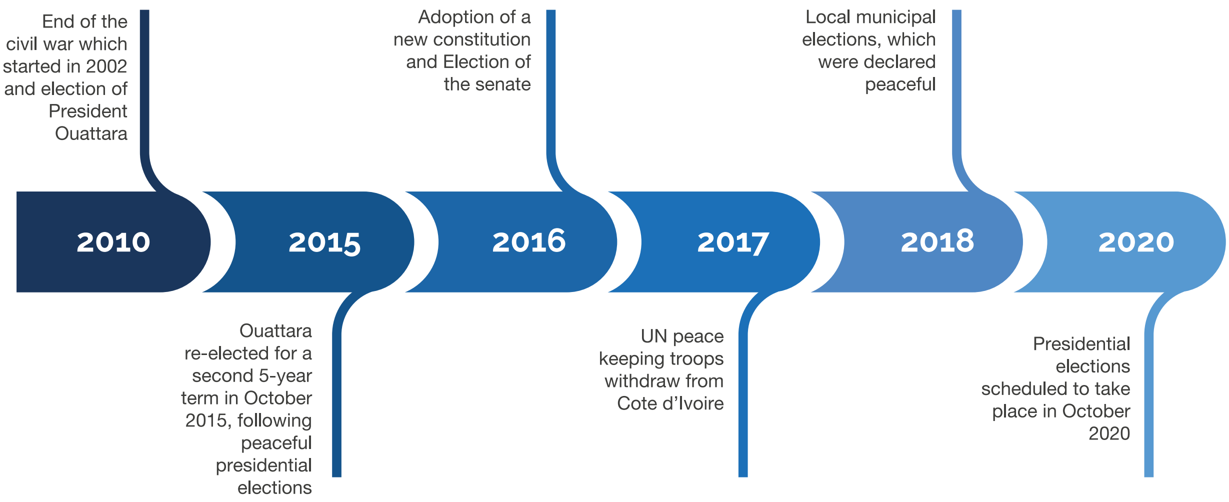
- *There is a high likelihood that no party will have an outright majority to rule, hence, alliances may need to be formed.*
- *Economic policy is predicted to remain unchanged, tracking objectives of the country's NDP under Côte d'Ivoire 2040.*

2.1 Côte d'Ivoire's political structure

The system of government in Côte d'Ivoire is a Presidential Representative Democratic Republic, universal suffrage with a 255-seat National Assembly. As the Head of State, the President also appoints the Prime Minister, and has power to demand their resignation or dismissal. Cabinet is appointed on the recommendation of the Prime Minister.

Côte d'Ivoire is divided into 31 regions and 58 administrative districts, whose senior officers are appointed by government administration. Constitutional amendments in 2016 created a senate, which was appointed in April 2018 and is jointly responsible for legislative functions with the National Assembly, and approves all laws, including those relating to the national budget.[1]

Figure 2: Brief timeline of major political events in Côte d'Ivoire



Source: IHSGlobalinsight (2019) and ECIC

Côte d'Ivoire's upcoming October 2020 presidential election will be an opportunity for the country's leadership to inspire confidence in terms of their ability to peacefully transition to a new generation of leaders. Although candidates have not yet been confirmed, the list is likely to be similar to that in 2010/ 2011, with President Ouattara of the Rally of Houphouëtists for Democracy and Peace (RHDP), Henri Konan Bédié of the Parti démocratique de Côte d'Ivoire (PDCI) and Laurent Gbagbo of the Ivorian Popular Front (FPI).

[1] IHSGlobalinsight & ECIC meetings with officials from the South African Embassy, September 2019, Abidjan

Even if the elections are disputed, there is a low likelihood of civil conflict or outright war. Rather, a higher probability of localized violence or instability. Given the political and economic progress since 2011, it will be a priority for government to maintain stability. The African and international community has been keeping a watchful eye on the country and risk of isolation has tended to be high for countries that violate human rights.

Key highlights from the reviewed constitution which was adopted in November 2016:

- Removal of the maximum age limit of 75 for the presidency;
- Creation of the role of vice-presidency replacing system whereby the speaker of the National Assembly was the president's constitutional successor;
- It introduced the creation of a senate;
- It maintained the restriction of two five-year terms for presidency from the amended Constitution of 2000;
- From 2020, the president and vice-president will run on a joint ticket at elections;
- If one candidate does not receive a simple majority of votes cast, a second round of voting takes place between the two leading candidates.
- Scrapping of the stipulation that both parents of presidential candidates must be born in Côte d'Ivoire. The requirement is that only one parent needs to be Ivorian (approximately 40% of the population in Côte d'Ivoire is of foreign descent).

The possibility of president Ouattara running again will be a test for the polity. Former president Gbagbo, who is on conditional release following his acquittal from the International Criminal Court (ICC), has yet to return to Côte d'Ivoire and face parallel charges laid against him. But this has not stopped him from trying to reassert authority over the ruling of the FPI party, as he still enjoys large support among the FPI base, which leads to him posing a threat to the ruling party's popularity, and ultimately, the outcome of next year's election.

Aiding Gbagbo's support is Guillaume Soro, the prominent former speaker of the National Assembly and rebel leader of the Forces Nouvelles, who is now standing as an independent after resignation from the RHDP party and is also reportedly in rapprochement talks with Gbagbo.

2.2 Risks to the political outlook

- An electoral commission which is currently considered to be biased, which can compromise public trust. There are also outstanding issues from 2010 which remain unresolved.
- Security risks due to Islamist militant groups which are destabilising neighbouring countries: Mali, Niger and Burkina Faso.
- Divisions along political and ethnic lines, with high unemployment and inequality. Compounding this with the violence in the wider Sahel region as a result of Islamist terrorism, political unity is a priority as cracks could be rapidly exploited by militants operating in the majority-Muslim north of the country.
- Given the significant Ivorian population of foreign descent, the issue of who counts as an Ivorian needs to be addressed as it will remain an issue of contention.
- The army, which proved volatile during the 2011 conflict, remains prone to breakouts of unrest. While former rebels have been integrated into the army, allegiance to different key players, financial gain and the likelihood of mutiny, increase security risks. This behavior is likely to be discouraged by more loses than gains from possible violence.

- Succession issues also need to be resolved to allow for continuity given that the process of demobilisation and disarming, has been slow. Peace building and reconciliation are a priority for the whole country.

2.3 Policy to continue as normal

Noting the above, it is in the interest of political leaders to create a conducive environment with the looming prospect of an alliance. Political stability is a priority for the country as it aims to attract investment in key sectors and to become a trans-shipment hub for landlocked neighbouring countries. Even if coalitions between political parties collapse, this is not expected to destabilise the country.

Now that Côte d'Ivoire has seen and experienced the benefits of a politically stable environment, after losses arising during the 2011/12 uprising, it is unlikely that citizens will support digression. The country is a significant economic power in the region and home to an increasing number of international companies and organizational headquarters, including the African Development Bank (AfDB) and political leaders would not compromise this position. In addition, the calibre of presidential candidates for 2020 take cognizance in the importance of maintaining a sound macroeconomic framework, in order to support current growth rates going forward. Hence, the country is likely to continue on its path of market liberalization and expansion through business-friendly reform and policies aimed at attracting foreign capital and businesses.

3

ECONOMIC OVERVIEW

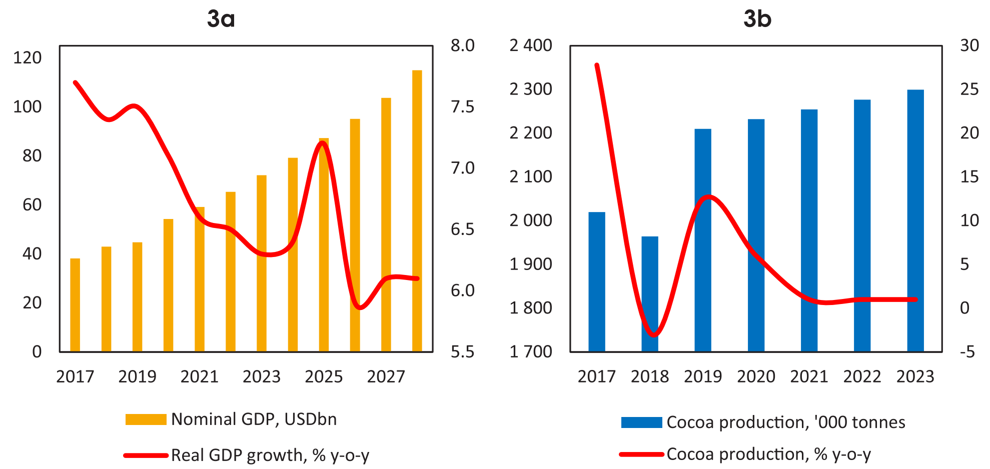
3. ECONOMIC OVERVIEW

- *International support for the government's economic agenda continues while sustained improvement in governance and the business environment, maintains the country's high growth rates.*
- *Strong economic performance continues (with growth rates around 7%) significantly supported by cocoa production. Construction and financial services are also bolstering growth.*
- *FDI inflows and greenfield projects continue to trickle in, owing to a more market friendly economy.*
- *Government debt will likely rise, but concern over the level remains low, given that expenditure is being driven into sectors such as infrastructure development, with high economic returns expected.*
- *Economic policy is expected to remain growth positive, independent of the 2020 election outcomes*

3.1 Booming economy

Growth will remain robust in Côte d'Ivoire with GDP growth forecast at 7.5% in 2019 and 7.1% in 2020[2] (*see Figure 3a*). Importantly, cocoa production remains a key driver of economic growth in Côte d'Ivoire – the country is the world's largest exporter of cocoa –cultivation and processing of cocoa are major contributors to agriculture and manufacturing, respectively. Consequently, the 12.5% rise in cocoa production forecast by the International Cocoa Organisation (ICCO) for 2019 (*see Figure 3b*) will help boost both agriculture and manufacturing while the 1.0% growth in 2020 will provide a further – if more modest – support to expansion in that year[3]. Growth is, however, expected to moderate below the 7% mark into 2021, on the back of concerns of weaker global growth and lower production of cocoa in the country. Though the governments of Ghana and Côte d'Ivoire have agreed to try to cooperate – by setting price support mechanisms and controlling production in an effort to to regulate prices – such measures will support the sector significantly in the long term.

Figure 3: Nominal GDP and real GDP growth & Cocoa production and growth (2017 – 2027).



Source: International Cocoa Organisation (2019) and BMI (2019)

A significant project pipeline in the construction sector will also support economic growth in the coming quarters, while over the long term several sectors should benefit from improved power supply and infrastructure. Côte d'Ivoire has several major projects either underway or scheduled to start in the coming quarters, including:

2 Growth to Accelerate in Cote d'Ivoire, Business Monitor International (2019)
3 International Cocoa Organisation, 2019

- Expansion of the Abidjan port facilities;
- Electrification of rural areas;
- Rehabilitation of power stations;
- Improvement of road and rail links both, domestically and with other parts of West Africa.

Infrastructure projects will boost output across many sectors – notably manufacturing, transport and storage – over the course of the next ten years. Additionally, whichever party wins the 2020 general election, large capital spending is likely to continue supporting infrastructure growth going forward.

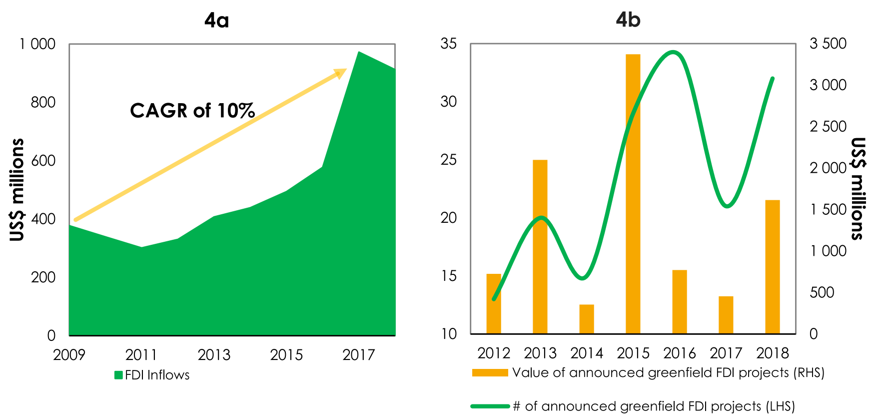
The population of Côte d'Ivoire will rise by 25% between 2019 and 2028[4], while the share of the population living in cities is set to increase from an estimated 51.3% in 2019 to 55.7% in 2028[5]. This will prop up consumer demand which will also help sustain robust average growth of between 6% - 7% over the period 2020 to 2028 (*see Figure 3a*). Given that people living in urban areas tend to have greater access to consumer goods and to financial institutions, these population trends will be supportive of elevated consumer demand, boosting the services sector. The currency peg will also help to keep inflation relatively limited, further supporting consumer demand, alongside improved credit access. Meanwhile, growth of cities will help to drive further demand for construction and infrastructure over our forecast period.

3.2 Foreign Direct Investment

The Ivorian economy remains a preferred destination for foreign investors in the West African region. In 2018, the country was able to attract nearly US$ 913 million in FDI inflow (*see Figure 4a*), even though it has slightly decreased compared to 2017 (US$ 973 million). Nonetheless, FDI inflows have posted an impressive 10% compound annual growth rate since 2009, with a strong pick-up in FDI inflows from the on-set of political stability in 2011/12. Estimated at US$ 10.2 billion in 2018, the total stock of FDI represents 23.8% of the country's GDP, showing just how important FDI inflows are to the country's productive capabilities[6].

Main investors in the country originate from the European Union (France being the largest) and Canada. Investments are mainly oriented towards extractive industries, construction and financial services, among others such as telecoms, tourism, and energy.

Figure 4: FDI Inflows and the number of greenfield projects (2012-2018)



Source: UNCTAD (2019) and ECIC calculations

[4] According to United Nations estimates, 2018
[5] According to World Bank estimates, 2018
[6] UNCTAD World Investment Report, 2019

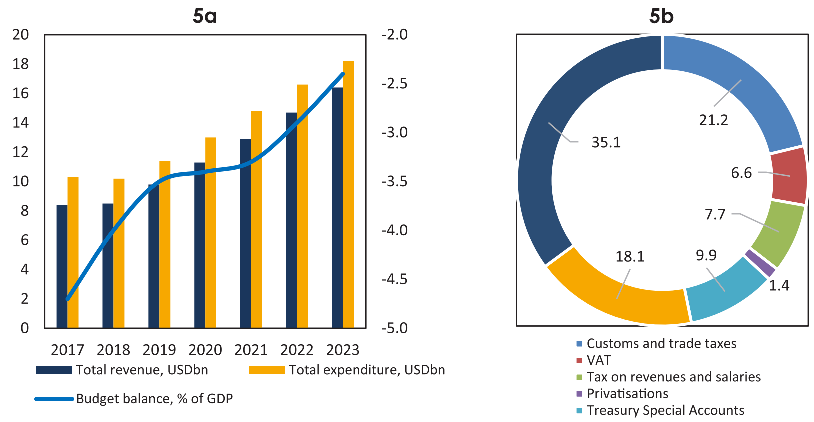
FDI inflows earmarked for greenfield projects have shown strong potential in recent years. Whilst these types of investments are not generally characterized by cyclical components, and rather unique industry factors, the general trend points to an uptick in new ventures/projects since 2012 (a total of 165 greenfield projects from 2012 to 2018 – *see Figure 4b*). This further highlights the approach of the Government of Côte d'Ivoire (GOCI), opening its economy to attract foreign capital flows, even at new venture stages, which are most capital intensive.

3.3 Government debt and revenue

Rising revenues, driven by accelerating economic output and an improved tax collection system, should drive broad fiscal consolidation going forward, with Côte d'Ivoire's fiscal deficit moderating from 4.0% of GDP in 2018 to 3.5% in 2019 and 3.4% in 2020 (*see figure 5a*). After gaining debt forgiveness status from the International Monetary Fund (IMF) and the World Bank (WB) in 2012, moving the country out of Heavily Indebted Poor Countries (HIPC) classification, the government has undertaken several fiscal reforms that are leading to substantial improvements in revenue collection.

These measures include reinstating a cocoa registration tax - scrapped when global cocoa prices collapsed in 2017 (which had already raised CFAF 80bn approximately US$138mn) in the first half of 2018 – and removing some VAT exemptions and tax exemptions for mining firms. Rising cocoa exports in 2019 should increase customs revenues and cocoa registration. There will be an additional windfall in 2019, with proceeds from privatising some government-owned services of around CFAF 102bn (US$174mn) (*see Figure 5b*).

Figure 5a and 5b: Côte d'Ivoire budget balance (2017-2023) and breakdown of revenue source (% of total government revenue, 2019)



Source: Business Monitor International (2019), IMF (2019) and ECIC calculations

Nonetheless, the pace of fiscal consolidation will be slowed by elevated spending. Côte d'Ivoire will continue to see relatively elevated capital spending amid government financing for several projects – with the 2019 budget forecasting a 4.9% annual increase.

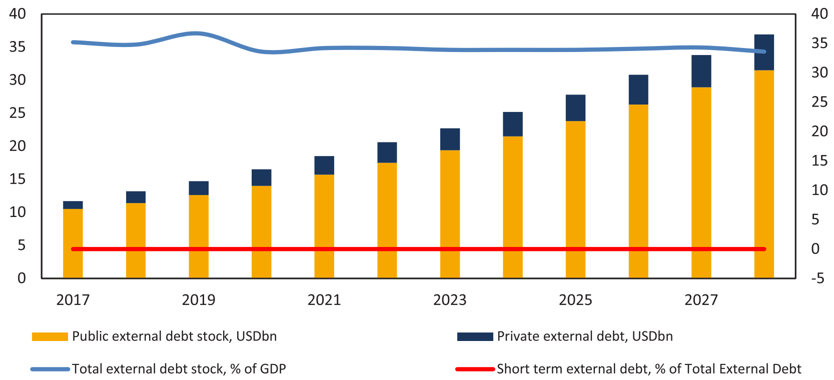
There remain some risks to broad fiscal consolidation stemming from elections and from an overreliance on customs revenues. The Ivorian general election is scheduled for October 2020 which may incentivise the government to offer some tax cuts and/or spending commitments to shore up support as the election campaign progresses. Around 21.2% of revenues are set to come from taxes on trade, with taxes on revenue and income making up only 7.8% of total government revenue (*see Figure 5b*).

This suggests that an unexpectedly sharp fall in cocoa prices or production (cocoa constituted 39% of Côte d'Ivoire's 2018 exports) could seriously impact on revenue, reversing fiscal consolidation gains.

Debt servicing costs are also elevated, with the debt-to-GDP ratio rising from 47.3% of GDP in 2014 to 52.6% in 2018, according to the IMF. Debt servicing costs rose 6.0% in 2018 and are set to rise by 17.7% in 2019 according to the GOCI. Indeed, debt servicing costs are set to be the highest share of expenditure in 2019, at 24.8% of total expenditure.

The Ivorian debt burden is growing and poses some risks, although a relatively long maturity profile and a currency peg contain the threat these risks pose. Côte d'Ivoire's government debt is relatively large at 52.6% of GDP. A significant proportion is denominated in foreign currency (68.8% of total government debt) with external debt accounting for 36.7% of GDP. These elements pose some fiscal risks evidenced by a rising cost of debt servicing weighing on recurrent spending. That said, the currency peg to the euro - minimises the impact of currency risk, while a relatively long weighted average maturity of 10.6 years keeps rollover risk contained.

Figure 6: Côte d'Ivoire's external debt dynamics, 2017-2027



Source: Business Monitor International (2019), IMF (2019) and ECIC

The higher debt levels are not cause for concern as most of the debt increase due to GOCI borrowing aimed at improving the country's infrastructure (*see Figure 6*). Some of this borrowing has been on international debt markets, where the country has benefitted from relatively low yields.

According to the IMF[7], to preserve debt sustainability, prudent management of public debt needs to continue, including limiting contingent liabilities. While Côte d'Ivoire's sound macroeconomic policies have opened access to international financial markets, it is important that the country taps into them with restraint. A moderate recourse to external market financing, including through a balanced mix of foreign and domestic currency sources in 2019 and over the medium-term, is critical to maintain a moderate risk of debt distress. Moreover, building on recent advances to monitor and contain fiscal risks, accelerating the pace of public financial management reforms would be key to contain net financing needs at the level of the budget deficit, including limiting below-the-line operations. Caution also needs to be applied when extending public guarantees.

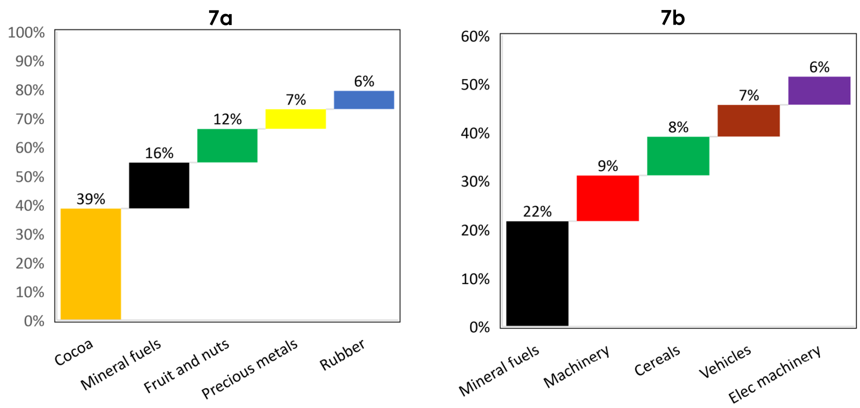
[7] Fifth review under the extended facility agreement, IMF Country Report July 2019, IMF

3.4. Trade

Côte d’Ivoire has traditionally run either a current account surplus or a very narrow deficit. However, deficits of between 2% and 3% of GDP will remain the norm over the long run, as the development of new industries necessitate high levels of capital goods imports. Rising consumer demand will also prompt high import demand, given the need to import most manufactured goods.

Nevertheless, Côte d’Ivoire’s vulnerability to external shocks is limited by its membership of the Union Economique et Monétaire Ouest Africaine (UEMOA) and the organisation’s shared currency, the West African franc, which is pegged to the euro. This protects the country from the currency-induced instability seen in many other Sub-Saharan African countries in 2015 and 2016.

Figure 7a and 7b: Top 5 exports and imports of Côte d’Ivoire (as a % of total exports and imports), 2018



Source: Trademap (2018) and ECIC calculations

On the external front, exports are expected to increase gradually owing to stable international market prices for its commodities, in line with WB and IMF projections. The support provided by government programs to several strategic sectors (cashew, cotton, and rubber) should lead to productivity gains. Imports are projected to increase on par with economic growth, and fluctuations linked to changes in the price of oil on international markets.

That said, almost 40% of Côte d’Ivoire’s export basket (*see Figure 7a*) was attributable to raw and, to some degree, processed cocoa, highlighting a relatively strong dependence on cocoa exports, in comparison to other goods exported. Mineral fuels (oil) and edible nuts (cashew) make up roughly a third of the country’s export basket, while precious metals (gold) and rubber round up the country’s top 5 exports which account for approximately 80% of total exports. Top 5 destinations for the country’s exports include: Netherlands, United States of America, Vietnam, Germany, and France.

In contrast to exports, the country’s import basket is a lot more diversified. Like many developed and developing countries, mineral fuels are the largest import of Côte d’Ivoire (*see Figure 7b*), while heavy and electrical machinery account for just over 15% of imports, owing to on-going industrialization and the need for capital equipment. Côte d’Ivoire also imports a lot of edibles (fruit and cereals), and finished goods, due to its low manufacturing capabilities. Vehicle imports, new and second hand, make up 6.6% of imports. Imports are sourced primarily from China, Nigeria, France, India, and Netherlands, in order of weighting.

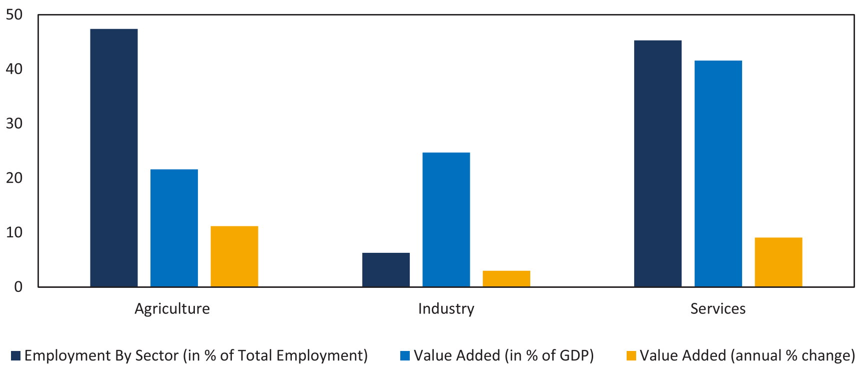
3.5 Main economic industries

As previously mentioned, Côte d'Ivoire is not only the world's largest producer and exporter of cocoa but is also one of the world's three largest producers and exporters of cashew nuts, and a major exporter of palm oil and coffee. The country's economy is mainly based on agriculture. The primary sector contributes more than 20% of GDP and employs almost half of the country's active population. In noting the value-add that can be captured across several value chains in the agriculture sector, the GOCI is trying to maximise the yield of its agricultural sector through the development of raw material processing units (agro-processing activities). The GOCI launched a 5-year (2018-2023) CFAF 107 billion plan funded by the WB, aimed at increasing the profitability of the cocoa and cashew sector through value-add activities.

The country is also a producer of rubber, with production having increased significantly in recent years. Meanwhile, the oil sector is gaining importance in the economy, with a steady growth rate and major investments. The country has some mining activities, particularly of precious minerals, such as gold and diamonds, and others like nickel.

The industrial sector also contributes almost a quarter of GDP, but only employs 6% of the population. The country's main industrial sectors are food-processing, textiles, construction materials, fertilisers, tuna canning and assembling motorbikes, vehicles and bicycles.

Figure 8: Employment and value-add by sector, 2018



Source: African Development Bank, 2018

As in many other African countries, the tertiary sector has been experiencing rapid growth in the last several years. The telecommunications and financial services sector are booming and are driving growth in services. Similarly, the services sector employs labour almost equivalent to the agriculture sector (*see Figure 8*).

3.6 Risks to the economic outlook

The outlook for the economy remains largely positive in the medium to long term, with a growth rate that should continue to be one of the highest in Africa. Moreover, the public deficit and external accounts are expected to improve and the Banque Centrale des États de l'Afrique de l'Ouest (BCEAO)'s prudent monetary policy should keep inflation in check. The drivers of the economy will continue to be agriculture and the service sectors, followed by industry, in particular as a result of the GOCI's efforts to improve the business climate, develop industrial zones, and promote agro-processing.

However, several downside risks to Côte d'Ivoire's economy remain, these being:

- Slowing global growth, in turn, translating into weakening demand for cocoa;
- Adverse weather/climate change that could disrupt cocoa production;
- The 2020 election, where one or more losing candidates may dispute the result, resulting in delaying economic policy implementation;
- Militant threats from the north of the country, and neighbouring countries.

4

BUSINESS ENVIROMENT

4. BUSINESS ENVIRONMENT

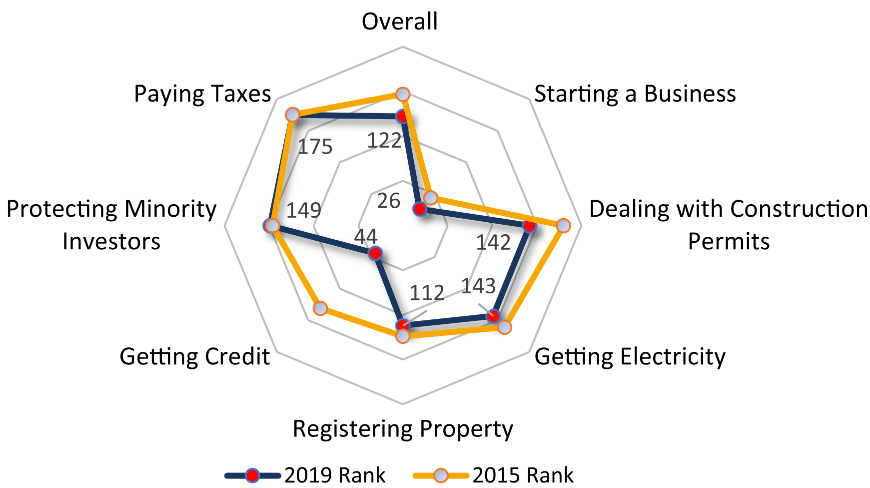
- *The GOCI has shown strong commitment to economic policies that attract and promote investment inflows and has enacted reforms that support high economic growth rates.*
- *Rankings in the ease of doing business have improved significantly over the past several years, according to WB data. Governance and corruption rankings have also improved.*
- *Revisions to the country's investment code in 2018 continue to make market entry easier and more favourable than before.*

4.1 Business Conditions

The GOCI has shown a long-term commitment in enhancing the business environment, embarking on several structural reforms aimed at attracting further private sector investments into the economy. Such commitments are in line with the country's current and future NDP which envisages private sector investment as a crucial contributor to sustained economic growth and attaining emerging market economy status.

Chief amongst reform initiatives enacted by the GOCI has been the revision and adoption of a new investment code in August 2018, which outlines a variety of improvements ranging from: the revitalization of the institutional framework; the reconfiguration of tax rules; specification of rights and obligations of investors and local content requirements; and incentives and transparent legal systems. Prospective investors are encouraged to familiarise themselves (and can do so through the Investment Promotion Center in Côte d'Ivoire – CEPICI) with this piece of legislation, both to take advantage of the incentives set out in the document and to protect their investments.

Figure 9: Indicators on Côte d'Ivoire's doing business ranking, 2018/19



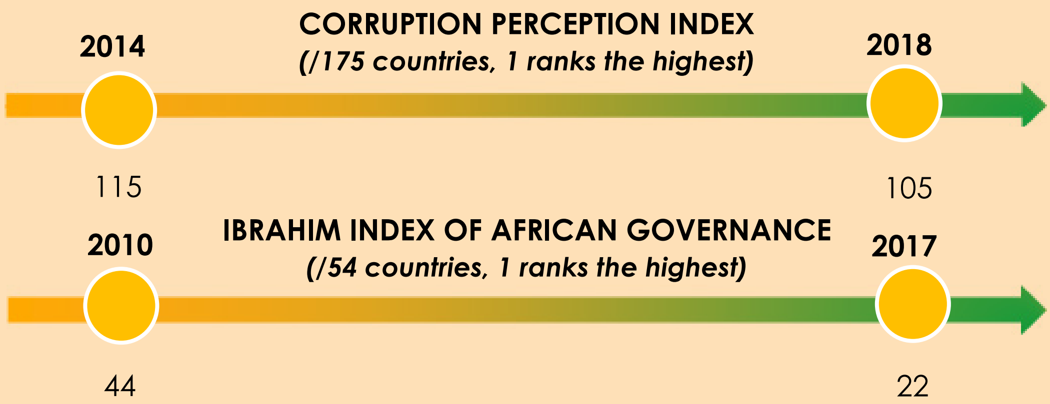
Source: World Bank Doing Business 2018/19 and ECIC

According to the World Bank (WB) Doing Business Report for 2018/19, Côte d'Ivoire's ranking has improved from the previous year of assessment, and even more so since ECIC's 2015 report. As it stands, the country's overall ranking is 122, compared to 147 in 2015. On specific measures (*see Figure 9*) such as: getting credit (improvement of 87 positions – with lending rates among the lowest in

West Africa); dealing with construction permits (improvement of 38 positions); starting a business and getting electricity (improvement of 18 positions) and starting a business (improvement by 12 positions), among others, Côte d'Ivoire has made significant strides in improving the operating environment for business. Structural reforms and efforts enacted by the GOCI are clearly paying dividends in the form of increasing business activity in the country.

Improved Governance

Cote d'Ivoire has frequently featured amongst the top reformers in several international business and governance reports. GOCI anti-corruption initiatives have proven effective and have improved the country's corruption perception amongst the international community resulting in Cote d'Ivoire moving up 10 positions in the ***Corruption Perception Index***. Moreover, in early 2019, Cote d'Ivoire was honoured with the Anticorruption award by the African Union (IMF, 2019). According to the latest ***Mo Ibrahim Index*** report which measures and monitors governance performance in African countries, Cote d'Ivoire has achieved the greatest improvement amongst all 54 countries and is the only country to improve in all four categories (Safety & Rule of Law, Participation & Human rights, Sustainable Economic Opportunity and Human Development). The 2018/19 ranking also makes Côte d'Ivoire number one among ***Organisation for the Harmonisation of Corporate Law in Africa*** (OHADA) countries and third among ECOWAS countries.



Source: Transparency International, Mo Ibrahim Index, 2018

4.2 Customs

Imported goods are subject to four duties and taxes: customs duty, statistical royalty, value added and community solidarity tax (CST). Customs duties are harmonised under the WAEMU regional policy and the customs rate varies from 0% to 35% depending on the nature of the products.

Statistical royalties are set at 1% of customs value of goods. Goods in transit are excluded from import duties and taxes due to international agreements. Donations are also exempt.

Value-added tax (VAT), which is 18% for locally sold goods and services, is levied by the customs authority according to the rate in which imported products fall. The VAT base consists of customs value of goods plus the customs duty and statistical tax. Finally, Community Solidarity Tax (CST) tax is 1% of the customs value of goods imported from third countries by member states of WAEMU.

4.3 Fiscal incentives for investment

The business environment in Côte d'Ivoire is supported by incentives drawn from provisions of the General Tax Code (GTC); namely two measures to promote investment:

- tax deductions on investment generated profits for a five-year period (Article 110 of the GTC);
- tax deductions on capital gains under conditions of reinvestment of retained earnings (Article 28 of the GTC).

Conditions:

- minimum investment of CFAF 10 million, with a maximum two-year implementation period;
- investment must relate to a new activity or development of an existing activity (diversification or innovation);
- investments which fall under Article 28 of the GTC and those carried out under the Mining Code's provisions are excluded from benefiting from the exemptions cited above;
- companies must keep accurate, and updated accounting records in order to benefit from the exemptions.

Incentives:

- 35% deduction on profits earned regarding corporate income liability for the region of Abidjan;
- 40% deduction on profits earned regarding corporate income liability for all other regions.

Article 28: Differed taxation of corporate income tax on capital gains from reinvestment of retained earnings[8] :

- prescribed reinvestment period of three years;
- capital gains must stem from a sale or transfer of fixed assets related to common business operations;
- acquisitions of shares of at least 30% capital of another company serves as a fixed asset for Article 28 purposes;
- sums invested must equal or surpass the capital gain amount plus the sales price and associated costs.

4.4 Investment Code

Summary of the New Investment Code 2018:

The investment code states the conditions, advantages and rules applicable to national and foreign investments made in Côte d'Ivoire.

The code is intended to promote:

- Sustainable development by producing socially responsible investments in Côte d'Ivoire;
- Local and regional development;
- Local content and;
- Competitiveness of companies/enterprises.

The Investment Code involves the formation of three investment zones referred to as *Zone A, Zone B and Zone C*, the composition of which is defined by the GOCI[9] .

The Investment Code includes two specific tax incentive regimes:

(i) The Investment Declaration Regime and

(ii) The Investment Approval Regime

8 Fiscal incentives in Côte d'Ivoire, Business Monitor International, 2018

9 Investment Code 2018. Ministry of Finance and Economy of Côte d'Ivoire

Both tax regimes are applicable to the business sectors listed below (*see Table 1*). However, investment related to the creation or the development of important shopping centres could qualify for exemptions if certain conditions are met.

The business sectors of activity eligible for the benefits of this code are categorized into two classes listed below:

Table 1: Investment code tax incentive regimes

Category 1	Category 2
Agriculture and agro-industries	All other economic sectors except those in category 1
Health and hospitality	Sectors of activity which are not expressly excluded by Article 6[10]
The hotel sector is eligible for category 1 when planned investments are at least: • CFAF 5 billion in Zone A and • CFAF 2 billion in Zone B and C	Business sectors of the hotel industry for investments below the fixed thresholds for category 1.

Source: Investment Code 2018. Ministry of Finance and Economy of Côte d'Ivoire, 2018

Investment Declaration Regime

Under the Investment Declaration Regime, the minimum investment thresholds are fixed as follows:

- For large companies: CFAF 200 million, excluding VAT and working capital;
- For SMEs: CFAF 50 million, excluding VAT and working capital;
- For large shopping centers: CFAF 10 billion for zone A and CFAF 5 billion for zones B and C.

For category 1 hospitality activities	For category 2 hospitality activities
Zone A: equal to or greater than CFAF 5 billion;	Zone A: CFAF 5 billion;
Zone B and C: equal to or greater than CFAF 2 billion	Zone B and C: less than CFAF 2 billion

For structuring projects:

- Zone A: CFAF 100 billion of investment;
- Zone B: CFAF 75 billion of investment;
- Zone C: CFAF 50 billion of investment.

Approved enterprises receive, in respect of the realization of their investment program relating to the creation or development activities, benefits in both the implementation and operational phases of their investments.

[10] Article 6: the following sectors are excluded from the benefits of this Code: Commerce sector, banking and financial sectors, building sectors for non-industrial use, liberal professions.

The advantages granted to companies during the implementation phase are as follows:

- Exemption from customs duties, except for statistical fees and community and continental levies;
- Temporary suspension of VAT on acquisitions of goods, services and works.

After the completion or operational phase of the investment, the approved enterprise benefits from several exemptions depending on the Category of activity and Zone of investment (*see Table 2*)

Table 2: Foreign investment tax credit

Zone	CATEGORY 1	CATEGORY 2
A	• For a period of 5 years, 75% & 50% exemptions for SME's and large enterprises respectively on: • Income tax; • Business licenses tax; • Real estate tax; • Employer contribution on national employee salaries.	• Tax credit of 37.5% & 25% for SME's and large enterprises respectively on: • Income Tax; • Business licenses tax; • Real estate tax; • Value added tax; • Employer contribution on national employee salaries.
B	• For a period of 10 years, 100% exemptions in the first 5 years for both SME's and large enterprises. There-after, 75% & 50% for SME's and large enterprises respectively on: • Income tax; • Business licenses tax; • Real estate tax; • Employer contribution on national employee salaries.	• Tax credit of 52.5% & 35% for SME's and large enterprises respectively on: • Income Tax; • Business licenses tax; • Real estate tax; • Value added tax; • Employer contribution on national employee salaries
C	• *For a period of 15 years, 100% exemption for SME's. Whilst for large enterprises 100% exemption for the first 10 years and 75% in the last 5 years:* • *Income tax;* • *Business licenses tax;* • *Real estate tax;* • *Employer contribution on national employee sal-aries;* • *Dividends tax.*	• *Tax credit of 75% & 50% for SME's and large enterprises respectively on:* • *Income Tax;* • *Business licenses tax;* • *Real estate tax;* • *Value added tax;* • *Employer contribution on national employee salaries*

Source: Adopted from various GOCI policy, 2019

Forex Repatriation

Investments in each sector, provided by the provisions of the investment code, are carried out freely in accordance with the laws and regulations in Côte d'Ivoire:

- Access to foreign currency is not limited. No restrictions may be placed on investors to obtain foreign currency necessary for their activities.

Investors, provided they comply with exchange regulations, have free access to foreign exchange, to:

- Ensure current payments;
- Finance their supplies and various services provided with physical and legal persons/entities.

Local employment

An additional tax credit of 2% is granted to a foreign investor with a workforce of managers and supervisory staff of Ivorian citizenship accounting for 80% of total staff.

Outsourcing

An additional tax credit of 2% is granted to foreign companies that outsource to domestic companies, the realization of infrastructure projects, software, manufacturing of parts spares or any other property intended to be incorporated into a final product in Côte d'Ivoire or abroad. Subcontracting also covers services and must accrue at least 25% to domestic investors.

Opening of capital to nationals

A credit of tax of 2% is granted to the investor who operates in the sectors of activities of which the list is defined by decree of the Cabinet of Ministers and opens its capital fifteen percent (15%) minimum to national investors.

4.5 Free trade zones

The Free Zone VITIB (its name in French) and its Technology Park Mahatma Gandhi are located in the city of Grand - Bassam. The zone was created under Article 8 of Act No. 2004-429 of 30 August 2004 establishing the regime of free Zones for Biotechnology, Information and Communication Technologies in Côte d'Ivoire (ZBTIC), with the benefits of the ZBTIC regime being subject to obtaining authorisation from the investing company. After such an approval, companies receive advantages including:

- 0% customs duty
- 0% tax for the first 5 years; 1% from the sixth year with possibility of a tax rebate
- 0% of taxes (VAT);
- freedom to transfer funds from salaries and dividends distributed;
- long-term visa and work permit for foreigners and their families;
- no limit on foreign and local investments.

Similarly, a regime for companies dedicated to fishery transformation products in Côte d'Ivoire realising at least 90% of their annual turnover abroad, was introduced in 2005. The benefits granted are:

- full exemption of taxes;
- full exemption of customs duty.

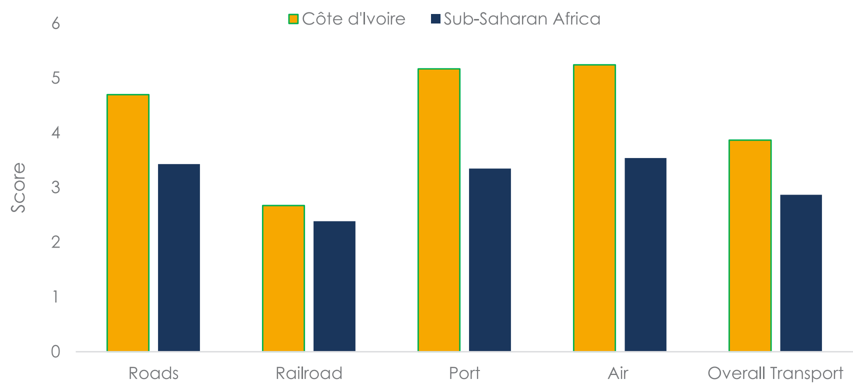
5

TRADE AND INVESTMENT OPPORTUNITIES

5. TRADE AND INVESTMENT OPPORTUNITIES

Cote d'Ivoire is one of the most urbanized countries in Sub-Saharan Africa. More than half of Côte d'Ivoire's population lives in urban centres, with urbanization growing at a steady rate of almost five percent per annum (World Bank, 2018). Despite experiencing civil unrest which would have curtailed any infrastructure development and maintenance, the quality of its transport infrastructure remains as one of the most competitive in the region (*see Figure 10*).

Figure 10: Quality of Logistic infrastructure,1(Extremely poor) – 7 (Extremely good)



Source: The Global Competitiveness Index Historical Dataset, 2018

This is primarily due to Cote d'Ivoire having access to international shipping routes via its two main ports, an extensive road network and one of the few cross-border rail connections available in the West African region[11].However, Côte d'Ivoire's rapidly growing economy, urbanization and international trade is exerting pressure on existing transport infrastructure thus necessitating increased investment to expand the transport capacity.

5.1 Road

Road infrastructure is the most important mode of Côte d'Ivoire's transport infrastructure, with almost the entire internal freight cargo transported via this mode of transport. Moreover, the Ivorian road network services its landlocked neighbours Burkina Faso, Mali and Niger. Côte d'Ivoire's road network is estimated to stretch over 80,000 km representing almost half of the regional network. However, only a tenth of the roads are paved. Côte d'Ivoire has established both a road maintenance (FER) and a road agency (AGEROUTE) tasked with the development and maintenance of roads.

According to AGEROUTE, the deterioration of roads is as a result of the aging state of the roadway and the damage caused by truck overloads. Furthermore, they estimate the resources needed for the maintenance of the road infrastructure at about CFAF 50 billion per year.

11 Fitch Solutions, Cote d'Ivoire country Risk Report Q3 2019

Table 3: Length and cost of road maintenance

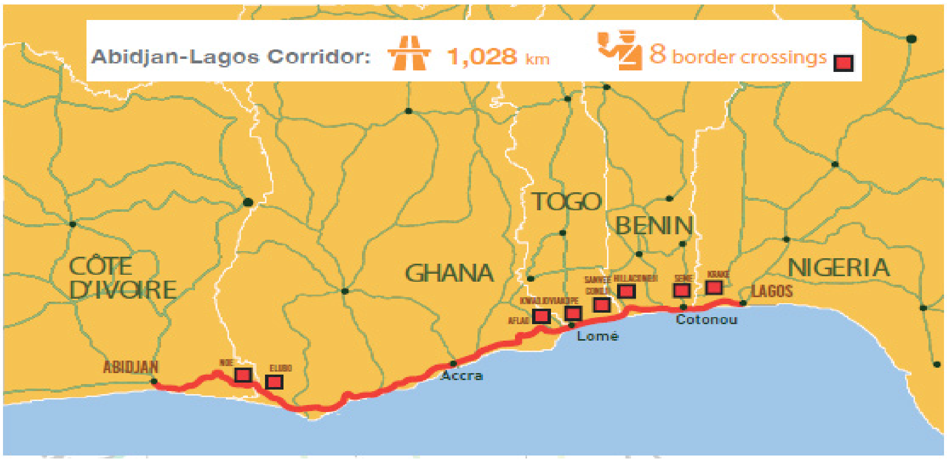
Road	Length (km)	Costs in billion CFAF
Yamoussoukro, Bouaké	96	14.4
Bouaké-Katiola-Ferké - Ouangolodougou	276	41.4
Toumodi - Oumé	65	9.75
Agnibilékro - Bondoukou	140	21
The coastal	480	72
Toumodi-Dimbokro	42	6.3
Ananda Bocanda	36	5.4

Source : Agence de gestion des routes de Côte d'Ivoire, 2019

The Abidjan – Ouagadougou/ Abidjan - Bamako road and rail corridor which connects the ports of Abidjan and San Pedro to Burkina Faso and parts of northern and central west Africa is one of the most active transport corridors in the region. The link extends over 1000 km with road transport accounting for the bulk of freight transport. Recently, there has been investments in the road renovation/upgrading of the Abidjan-Ouagadougou corridor with a focus on enhancing customs procedures at the border, cutting handling costs at the port of Abidjan, as well as a revamping of trucking business operations linking the two countries[12].

The proposed Abidjan-Lagos Corridor Highway is a six-lane highway, that stretches over 1,052 km, will connect some of the largest and most economically dynamic cities in Africa, (Abidjan, Accra, Cotonou, Lomé and Lagos) while covering a large proportion of West Africa's population (see *Figure 11*). It will also link seaports in West Africa to all the landlocked countries of the region, namely Burkina Faso, Mali and Niger. The construction of a highway and the establishment of a management system facilitating the borders will contribute to an increase in trade volumes, which already account for 75 percent of the commercial activity of the region. To date, intergovernmental agreements between all 5 member states have been signed and the EU and AfDB have contributed a total of USD 22.7million for the feasibility study.

Figure 11: Abidjan – Lagos Corridor One Road, One Vision



Source: PIDA, 2019

12 Oxford Business Croup (2017)

5.2 Rail

Côte d'Ivoire and Burkina Faso jointly own SITARAIL, a transnational railway. The line was one of the first in Africa to be awarded as a concession to the private sector in 1995 and is a key conduit for transport of bulk freight to and from landlocked Burkina Faso (Logistics Capacity Assessment, 2018).

Table 4: Key rail route information

Abidjan – Ouagadougou	
Track gauge	1 meter – rails of 26 and 30 kg.
Total track distance	1261 km Abidjan – Ouagadougou
Type of rail	The maximum axle load is 17 MT per axle.
Type of sleeper and fastenings	The rails are supported by concrete sleepers (no timber nor steel sleepers) The passing loops are modified to accommodate trains of up to 90 wagons.
Total track travel time	Average speed freight trains: 40 km/hour - Passenger trains: 60 km/hour
Maintenance (Good, marginal, bad)	Rail track is properly maintained. 3 rail track ballast rippers are operational. Maintenance of the track is programmed with dedicated gangs for each 75 km long track section.
Companies-consortiums operating on line	SITARAIL
Traffic frequency (monthly/ weekly/daily)	Annual carrying capacity of 960.000 MT both ways. Three freight trains a day in both directions with 40 to 45 wagons (cap. 1.250 MT). If need be the size of the trains can be increased with 2 locomotives or capacity 2.000 to 2.500 MT. Two passenger trains a week in both directions between Abidjan and Ouagadougou.

Source: Logistics Capacity Assessment, Côte d'Ivoire Railway Assessment, 2018

In July 2019, a bilateral agreement for the modernisation of the Abidjan – Ouagadougou – Kaya route and the construction of an extension to manganese deposits at Tambao near the borders of Niger and Mali was signed by the presidents of Côte d'Ivoire and Burkina Faso. Railway concessionaire Sitarail had planned the modernisation of the 1 260 km metre-gauge route between Abidjan and Ouagadougou[13]. However, work has been postponed due to challenges from competing companies and the Beninese authorities. The upgrade is expected to increase traffic between Burkina Faso and Côte d'Ivoire to 5 million tonnes of freight and 800 000 passengers/year, with passenger trains to be operated by rolling stock.

In total, the program - renovation of infrastructures and modernization of equipment - represents an investment of EUR 600 million, including nearly EUR 250 million in the first phase planned between 2019 and 2023.

13 https://www.railwaygazette.com/infrastructure/cote-divoire-burkina-faso-railway-upgrade-agreement/54339.article

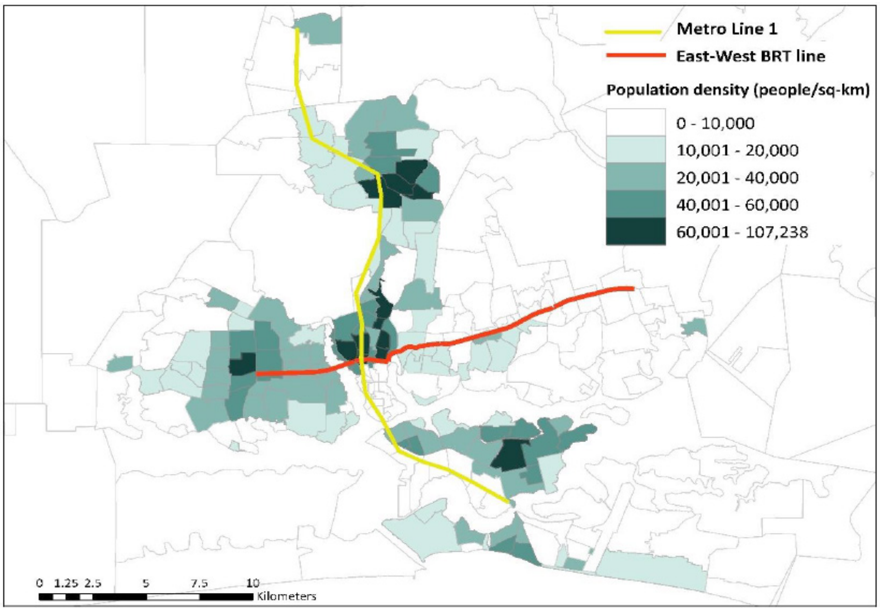
Travel Distance matrix

Country	Freight/Passenger Railway station	Distance from Abidjan (km)
Côte d'Ivoire	Abidjan - Treichville	-
Côte d'Ivoire	Dimbokro	186
Côte d'Ivoire	Bouaké	335
Côte d'Ivoire	Katiola	381
Côte d'Ivoire	Ferkessédougou	556
Côte d'Ivoire	Ouangolodougou	606
Burkina Faso	Niangoloko	660
Burkina Faso	Banfora	706
Burkina Faso	Bobo-dioulasso	806
Burkina Faso	Koudougou	1,055
Burkina Faso	Ouagadougou	1,055

Source: Logistics Capacity Assessment, Côte d'Ivoire Railway Assessment (2018)

Further developments include the construction of the Abidjan metro under the Urban Master Plan of Greater Abidjan (Schéma Directeur d'Urbanisme du Grand Abidjan, SDUGA), the largest transport project currently underway in the Côte d'Ivoire and will be a major driver of growth. The Metro Line 1 North-South project is financed by the French Treasury for EUR 1.5 billion (a first phase is expected to be launched in 2022 and the second and last in 2023); while various transport infrastructure in the city are receiving the support from Millennium Challenge Corporation (MCC) ($300 million), Japan International Cooperation Agency (JICA) and AfDB ($700 million).

Figure 12: Population density and planned mass transit line



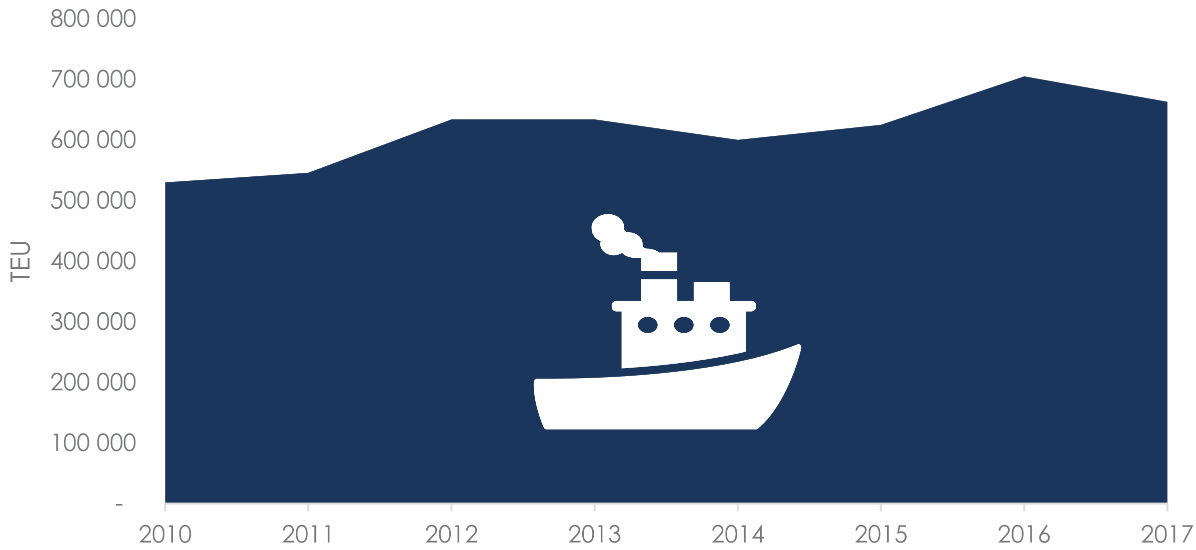
Source: World Bank, Abidjan Urban Mobility Project (2018)

5.3 Ports

Côte d'Ivoire has two world-class ports in Abidjan and San Pedro. The Autonomous Port of Abidjan (with one container terminal and another under construction) and the deep-sea port of San Pédro in the Western region of the country provide maritime transport for Côte d'Ivoire and landlocked countries such as Burkina Faso, Mali, and Niger. Abidjan's port is the country's main port, accommodating 90% of maritime traffic in the country. It handles larger freight volumes than most ports in West Africa and has a capacity of around 650,000 twenty-foot equivalent units per year. San Pédro port is mainly dedicated to the export of timber and agricultural products (primarily coffee and cocoa).

Port Statistics

Figure 13 : Cote d'Ivoire Container Throughput (Twenty-foot Equivalent Unit)



Source: UNCTAD, 2019

Table 4: Port call and performance statistics: West Africa

	Number of Arrivals	Median time in port (days)	Average container carrying capacity (TEU) per container ship	Maximum container carrying capacity (TEU) of container ships
Côte d'Ivoire	**2,149**	**1.91**	**3,388**	**5,762**
Benin	1,048	1.08	3,929	5,762
Ghana	2,569	1.52	3,421	5,400
Guinea-Bissau	101	2.87	1,206	2,503
Liberia	382	2.8	1,963	2,785
Nigeria	4,198	2.7	3,903	5,762
Senegal	2,129	1.47	3,248	5,762
Sierra Leone	324	1.05	2,006	3,650
Togo	1,296	1 .33	3,614	13,100

Source: UNCTAD, 2019

Measures should also be taken to improve the efficiency and reduce the cost of port operations by promoting competition among port services operators and streamlining the custom clearance process.

Table 5 : Cote d'Ivoire port infrastructure projets – Planning phase

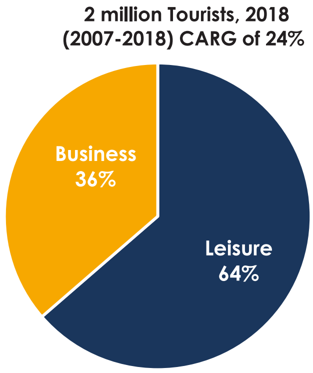
Project Name	Project type	Public/Private	Value (USD mn)
Abidjan Second Container Terminal Project, Abidjan	Port Expansion	Public	590
Dry Port Project, Ferkessedougou	New Port	Public	606
Abidjan Port Ore Terminal Project, Abidjan	Port Expansion	Public	109
Abidjan Port Grain Terminal Project, Abidjan	Port Expansion	Public	80
Vridi Oil Storage Terminal, Abidjan	Port Expansion	Public	790
San Pedro Container Terminal Expansion, Bas-Sassandra	Port Expansion	Public	516
Abidjan Port Mineral Terminal Extension and Modernization, Abidjan	Port Expansion	Public	n/a
San Pedro Port - Multipurpose Industrial Terminal	Port Expansion	Public	n/a

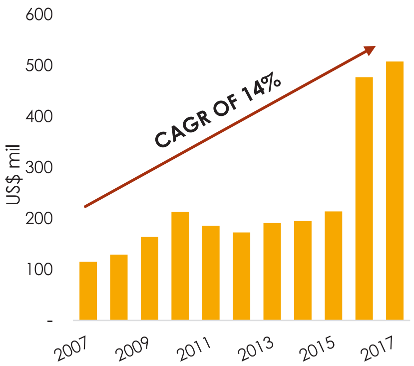
Source: BMI infrastructure database, 2019

5.4 Tourism Sector

The country's natural beauty, culture of hospitality and demographic youth bulge present significant tourism potential. The Ivorian government under the National Development Plan (2016-2020) has identified the tourism industry as one of the priority sectors with enormous potential in becoming a key contributor to the Ivorian economy and diversifying away from commodity dependence. According to Ministry of Tourism, in 2012, the tourism sector contributed 2.4% of the total GDP, doubling to 5.5% in 2016. Currently, the tourism sector's contribution to GDP is estimated at around 6.3%. Several global hotel groups have taken interest in Côte d'Ivoire, which has one the most exciting and diverse offering in the region.

Figure 14: International tourism (number of arrivals) and receipts (current US$)





Source: World Tourism Organization, Yearbook of Tourism Statistics, 2018

The tourism sector is experiencing strong growth in Côte d'Ivoire. According to World Tourism Organization (WTO) statistics, in 2018, Cote d'Ivoire welcomed almost 2 million travellers, a significant tourist influx as compared to 10 years ago, generating more than US$500 million. The main purpose for most of the inbound travellers has been for leisure and recreational activities whilst more than a third of inbound travellers has been for business activities. The primary source market of inbound international travellers has been from Europe and North America. According to the 2018 Hospitality Report Ivory Coast, the country's hotel capacity has grown from 2,041 hotels in 2016 to 2,531 in 2017 with an average occupancy rate of 54.55%. Most of the hotel infrastructure is concentrated in Abidjan (*see Table 6*).

Table 6: Accommodation capacity and occupancy rate by regional directorate

Region	No. of Hotels	Occupation rate, 2017
Abidjan	1220	70%
San Pedro	367	58%
Yamoussokro	181	60%
Man	145	50%
Bouake	133	50%
Daloa	129	51%
Grand Bassam	119	76%
Korhogo	115	52%
Abengourou	46	58%
Bondoukou	30	51%
Seguela	27	50%
Odienne	19	52%
Total	*2531*	*54%*

Source: Hospitality Report Ivory Coast, 2018

The persistent upward trend of tourist arrivals has brought with it opportunities for investments in the hotel industry, with many of the world's major hotel chains showing interests in investing in the country. According to the latest (2019) Hotel Chain Development Pipeline report in Africa, as many as 13 hotels and 2,160 rooms have been reported to be in the pipeline in Côte d'Ivoire, of which 78% are in the planning phase and the remaining 22% are in the construction phase.

National Tourism Development Strategy (2018/2025) and Flagship Projects

The GOCI has developed a detailed strategic plan "Sublime Côte d'Ivoire" with three overarching strategic goals of establishing tourism as growth engine for the Ivorian economy and increasing its revenue contribution to the government fiscus; job creation and promotion of regional development outside Abidjan. By 2025 Cote d'Ivoire envisions to be named amongst the top 5 African Tourist

Destinations, welcoming more than 4 million tourists, creating 375,000 new jobs and contributing about 8% to the Ivorian GDP.

The strategy entails 9 flagship projects supported by 9 ambitious reforms. The projects are diverse in content, location and cost, but all contribute to the goal of attracting more tourists, both domestic and international. Key reforms include strengthening of the tourism code, establishing additional tourist attractions with a land reserve of 6,000 hectares, the creation of a bank for tourism-sector projects and redesigning of a tourism 'one-stop shop'. The government also plans to strengthen security and health care, develop the aviation sector and increase airport passenger flow to 3 million, and train and certify 230,000 sector professionals.

The financing of the strategic plan is estimated at US$ 5.8 billion. The priority projects are expected to be concession agreement Public Private Partnership (PPP) projects, with private partner(s) expected to prepare profitability studies, development, construction and operation. Whilst the public partner (GOCI) will avail the land, ensure mandatory infrastructure (water, road, electricity) in place, prepare environmental and social impact studies (*see Table 7*).

Table 7: Ministry of Tourism Priority Projects

Description	Includes	Location
Construction or rehabilitation of luxury villas	A cultural zone, An exhibition park, tourist circuits, sports activities, Restaurants, equipment for security and remote monitoring	every regional capital
Development and revitalization of internal tourism to the discovery of tourist sites in the interior of the country	50 Rooms, conference room, Village Square, featuring miniature activities of a village in the region, equipment for security and remote monitoring	Each county town of region
Construction of hotel complexes	150 to 200 Rooms, Conference rooms, A spa, movie theatre, equipment for security and remote monitoring	San Pedro, Bouake, Korhogo & Yamoussoukro
Construction of a tourist resort	Commercial spaces, Shops, golf courses, museum, Residential homes, construction, 800 luxury villas, luxury apartments, Five (5) Hotels, restaurant area, Conference rooms, casino	Sassandra
Design, finance, construct, develop, operate, maintain, to develop and promote the Amusement Park Cote d'Ivoire with the attractions, services and facilities	A hypermarket, 4-star hotel (200 rooms), 3-star hotel (150 rooms), 2-star hotel (500 rooms), equipment for security and remote monitoring	Jacqueville

Description	Includes	Location
Construction of a five-star hotel	5-star hotel, animal park, 10 private lodges, museum, 15 VIP lodges, golf course, Mall, Residences (20 Villas), Conference room	Bingerville
Develop the coastline of Port-Bouët	Development of the seaside for pedestrian walks, Cycle roads, Catering areas, Leisure and sports areas, An installation of sports equipment.	Abidjan - Port-Bouët
Develop the edge of the lagoon	Development of lagoon bays for pedestrian walks, The construction of 5 pavilions, Leisure and sports areas.	Abidjan-Marcory, blvd de marseille
Create a water park in the seaside area	5 Star Hotel	Assinie

Source: Ministry of Tourism and Recreation, 2018

6

CHALLENGES FACED BY MARKET ENTRANTS

6. CHALLENGES FACED BY MARKET ENTRANTS

Some of the challenges that market entrants to Côte d'Ivoire should consider, above and beyond the business environment include the following:

6.1 Labour force

Skilled labour is required to support increasing FDI inflows to the country. In comparison to other nations with a similar level of development, Côte d'Ivoire still has a low level of education. However, improvement of education especially in rural areas is part of the government's priorities, with the support of different institutions such as the Global Partnership for Education. Given the country's fairly low skill base, activities that are skills intensive face a short supply of appropriate labour, and hence, upskilling of new workers comes at an additional cost and can delay a project. In September 2015, the National Assembly passed a bill making schooling compulsory for children aged 6 to 16, which will increase the completion rate of lower secondary school, mitigating future skilled labour costs/shortages.

6.2 Industrial land

90% of Côte d'Ivoire's industrial sector is in Abidjan. Industrial zones in Abidjan represent 885ha. With average industry growth of 8% per annum, the availability of land for large industrial operations is insufficient to satisfy increasing demand.

Consequently, the government increased the price per square metre to lease industrial land from less than US$0.20 to over US$8.00 in 2017. In Yamoussoukro, the administrative capital of Côte d'Ivoire, only two industrial zones are in operation. Moreover, transport costs are high, and the distribution network is inefficient.

6.3 Complexity of the fiscal framework

The complexity of Côte d'Ivoire's fiscal framework, specifically in the application and administration of its fiscal legislation, has impacted negatively on its ranking in doing business indicators. In 2016, Côte d'Ivoire had the highest number of tax payments per year in the WAEMU region, making tax administration reform one of the government's priorities.

The government is working on the digitalisation of the tax administration system with the objective to create a platform to facilitate payments and provide efficient procedures for firms to meet their fiscal obligations.

6.4 Environment and climate change

Regarding the environment and climate change, Côte d'Ivoire remains vulnerable with impacts at various levels. The country is suffering from hazards associated with increasing exploitation of its natural resources, a drastic reduction in forest cover leading to loss of biodiversity, as well as air, water and soil pollution by domestic, industrial, agricultural, mining and maritime activities. To remedy the situation, the Government has taken measures to restore and safeguard the environment. The Forestry and Environment Code laws have been amended to promote better environmental protection, promoting sustainable development and renewable energy. Furthermore, at Conference of the Parties (COP) 22, Côte d'Ivoire undertook to reduce its greenhouse gas emissions.

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EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LTD

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WHO WE ARE AND OUR EXPERIENCE IN THE COUNTRY

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7.1 Who we are

The ECIC is SA's official export credit agency, reporting to the Department of Trade, Industry and Competition (*the dti*). ECIC implements its mandate on behalf of the SA Government, to promote SA capital goods and services exports, by underwriting export credit loans and investments outside the borders of SA.

The ECIC provides insurance cover that enables SA exporters to offer their services and products on the international market, with a focus on emerging markets and developing economies, some of which are considered too risky for conventional insurers.

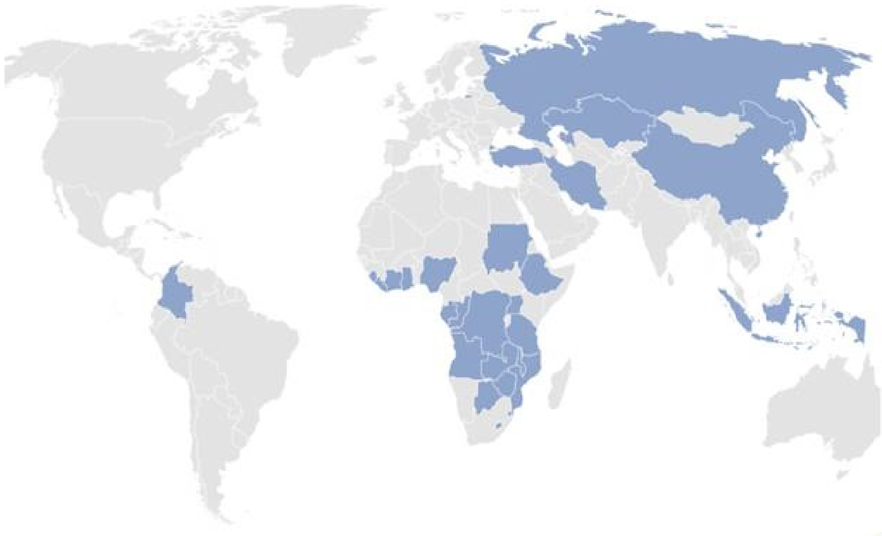
The ECIC's various insurance products are formulated to protect all parties involved in cross-border projects, from institutions that provide financing, to foreign buyers and exporters themselves. It is not uncommon for a single project to be linked to multiple ECIC policies covering both political risk and commercial risk.

Furthermore, ECIC has solid working relationships with many of SA's commercial banks such as: Investec Bank; Nedbank; Rand Merchant Bank; and Standard Bank, and Development Finance Institutions such as: Development Bank of Southern Africa (DBSA) and Industrial Development Corporation of SA (IDC), all which ECIC has underwritten loans extended to borrowers for various projects. Additionally, ECIC also has relationship with Afreximbank through their shareholding.

ECIC can also underwrite loans of foreign incorporated banks providing funding to a project, but this would be subject to approval by the SA Reserve Bank on a case-by-case basis. One of the primary qualifying criteria of ECIC support is that a project meets SA content requirements. This means that at least 70% SA content on the ECIC underwritten loan is achieved. However, for projects located in Africa, content may consist of at least 50% from SA and an additional 20% may consist of content from the host country of the project or any other country in Africa, making a total content requirement of 70%. For more info on what is classified as "content", please refer to ECIC website.

On this basis, ECIC has provided insurance cover to projects across and outside the African continent (*see Figure 14*).

Figure 14: Map of ECIC's current and historical exposure footprint[14]



Source: ECIC, 2019

7.2 Country experience

ECIC currently has exposure in Côte d'Ivoire in the transport sector, with an insured amount US$2.8 million. Noting the above, one of the primary reasons of this report was to further explore trade and investment opportunities in Côte d'Ivoire, and by so doing, promote and support SA exporters of capital goods and services into the country. In this regard, ECIC has a dedicated deal originator in the Business Development Unit, responsible for facilitating business transactions in francophone countries throughout Africa.

At this stage, ECIC has garnered interest for political and commercial risk cover in Côte d'Ivoire for projects in the mining and construction sectors, with further potential to grow the pipeline.

7.3 SA companies on the ground

There are several SA companies in Côte d'Ivoire, of which a few have been selected to highlight SA presence in the country.

Stanbic Bank (a subsidiary of Standard Bank SA)

Standard Bank opened a representative office in early 2014 and was awarded a banking license in 2016. One of the reasons for entering Côte d'Ivoire was the consideration of economic opportunities across sectors in WAEMU's largest economy.

Stanbic is focused on servicing multi-national corporations in sectors such as: mining; oil; gas, agribusiness; energy infrastructure; and real estate development, with plans to offer retail banking services at a later stage.

Overall, Stanbic Bank expressed optimism in the direction the country has and will continue to take, with strong economic growth prospects filtering into increased business investment in the country, across several sectors.

14 ECIC's footprint includes current and historical exposure. For more information or details on the projects in the highlighted geographies, visit www.ecic.co.za

MTN

MTN has been present in Côte d'Ivoire since 1996. The company is one of three mobile operators in Côte d'Ivoire's telecoms market.

In terms of telecommunications, the local subscriber base is growing. Infrastructure development was cited as a main source of economic activity, with telecom infrastructure playing a major role in connecting buyers and sellers, as well as facilitating remote banking and insurance services across the country. It should be noted, however, that a separate licence is needed to offer mobile banking services.

Accor Hotels

Accor is another large SA company operating in Côte d'Ivoire. The company has several hotels in Abidjan, ranging in service offering to accommodate both low to high end tourists, and business travellers alike. The local tourism industry in general, supported by business travellers too, has seen significant growth post the 2010/2011 civil unrest, which has boded well for filling bed space in Accor hotels. There's significant growth potential in the tourism sector supported by GOCI's 2018/2025 strategy to boost tourist numbers.

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KEY LESSONS FOR SA COMPANIES AND POLICY MAKERS

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The country scoping visit undertaken in September 2019 involved engaging with stakeholders across government, as well as policy makers, private sector operators, and sector bodies such as the Chamber of Commerce & Industry and the Business Law and Real Estate Chamber. These stakeholders provided first-hand information to assist in positioning SA companies and policy makers/government to take advantage of existing opportunities in the country. The key takeaways from these engagements can be summarised as follows:

8.1 SA companies

- Physical presence on a more regular basis, to allow company officials to scout and scope the country for trade and investment opportunities;
- Invest in adequate resources/services (such as business translation services) in order to submit tender documents on time and respond accordingly, as well as to communicate with relevant officials;
- Adjust to the culture of doing business in Côte d'Ivoire, which prioritises building relationships first;
- Have key personnel on project sites to mitigate construction and operational risks;
- Partner with a local entity to enable access to government incentives and to ease conditions of navigating the business environment.

8.2 SA policy makers

- Strengthen bilateral relations with Côte d'Ivoire to achieve preferential status – consider signing an MoU between both governments for selected projects that SA companies can exclusively bid for;
- Regular conferences/trade events held in SA and Côte d'Ivoire that promote the capabilities and product/service offerings of SA companies, in order to penetrate the Ivorian market;
- Appropriate matchmaking of SA companies (scale, technical knowledge, operational ability) to available opportunities/projects in Côte d'Ivoire;
- Ease travel requirements between the two countries – specifically government officials travelling to SA to identify SA companies/suppliers for potential opportunities/projects in Côte d'Ivoire;
- Implement a tax treaty agreement with Côte d'Ivoire to ease the cost of SA companies doing business in the country, and ultimately, the profits they repatriate to SA.

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CONCLUSION

9. CONCLUSION

ECIC opted to undertake a second country scoping exercise on Côte d'Ivoire in order to further highlight trade and investment opportunities in the country. This was done for reasons such as: increasing ECIC's exposure in the country, as significant untapped potential exists; Côte d'Ivoire is one of West Africa's fastest growing economies and has been for the last several years. Moreover, the country has made significant strides in improving its WB Doing Business ranking, from 147 in 2015 to 122 in 2018, with notable improvements in getting credit, the granting of construction permits, and starting a business, among others.

Côte d'Ivoire's political environment poses some short-term risk, as the 2020 presidential election draws closer. For now, there are no "official" candidates, however, there is a likelihood for the need of coalition government to rule, going forward. The current ruling party has succeeded in delivering the strategic objectives of the NDP which have resulted in significant positive economic outcomes, hence, policy continuity is expected, independent of which party wins elections.

The economy has evolved favourably over the past decade, with annual growth rates above 7%, and is expected to continue growing between 6% - 7% over the medium to long term. Growth has been supported by several factors, such as: record levels of cocoa production; strong public and private sector consumption; prudent fiscal policy management; on-going reforms to further liberalise the country's economy and business environment; upticks in construction, tourism, and financial services activity; and a national agenda that resonates through the public and private sector, achieving targets outlined in the 2016-2020 NDP and beyond.

In terms of the business environment, Côte d'Ivoire has implemented reforms to keep foreign direct investment inflows increase, while also easing business conditions for new market entrants and the expansion of existing companies.

Trade and investment opportunities in Côte d'Ivoire lie across several sectors. In the primary sector, opportunities lie in both industrial scale and artisanal mining equipment; agro-processing machinery to process raw crops such as cocoa and cashew. In secondary industries, development of infrastructure (port, rail, road, commercial real estate), while in the tertiary sector, opportunities lie in tourism; financial, and architectural services. Most notably, SA exporters/contractors/suppliers have a competitive advantage in infrastructure development.

Noting the trade and investment opportunities Côte d'Ivoire presents, there are some challenges to consider, such as: a low skilled labour force; diminishing supply of industrial land in city centers; a complex fiscal framework with opaque tax rules; and deforestation & climate change issues. Whilst these challenges pose additional costs or possible delays to doing business, government authorities have begun to enact policy aimed at redressing these issues over the mediumto long-term, allowing a smoother process going forward, for doing business in the country.

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10. SOURCES

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