

## AFRICA RISK CONSULTING

### Country briefing – Côte d'Ivoire

January 2013

## 1 Summary

*President Alassane Ouattara 'ADO' has solid backing from business and donors for the economic recovery – demonstrated by the launch of the **Projet de Renaissance des Infrastructures de Côte d'Ivoire (PRI-CI)**. His new cabinet formed on 22 November 2012 promotes economic specialists. However, there are concerns over Ouattara's health, as former rebel leader **Guillaume Soro** waits in the wings. Protection of Soro and former rebels who brought Ouattara to power - and prosecution of allies of ousted former president **Laurent Gbagbo** - draw accusations of victor's justice and derail the reconciliation process. Attacks against security forces and infrastructure in Abidjan have slowed in pace since October 2012. Infrastructure reconstruction, energy and mining are the key tenets of the impressive economic recovery. The outlook for growth and the debt position is better. The lack of discipline and coordination of the security forces is an ongoing concern for business.*

## 2 Political dynamics

### 2.1 Government focus is on the economy

President **Alassane Dramane Ouattara 'ADO' (2011 – present)** has the support of the business and donor community with his neo-liberal economic agenda to facilitate the post-conflict recovery. On 28 January the government launched the **Projet de Renaissance des Infrastructures de Côte d'Ivoire (PRI-CI)**, a 15-year US\$1.75 billion (CFA 850 billion) joint program with the **World Bank** focused on roads, water and electricity provision, healthcare and education in 14 cities and towns<sup>1</sup>. The government and World Bank will each contribute \$103m (CFA 50 billion) to a first phase running until 2016. Economic specialists dominate the reshuffled 28-member government formed on 22 November 2012. Notably Prime Minister **Daniel Kablan Duncan** takes on the finance and economy portfolio for Ouattara. He worked alongside Ouattara at the **International Monetary Fund (IMF)** and

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<sup>1</sup> L'intelligent d'Abidjan, 29 January 2013

served as finance minister under Ouattara's premiership in the administration of Côte d'Ivoire's first president **Félix Houphouët-Boigny (1960 – 1993)**<sup>2</sup>. Duncan is a political ally of Ouattara's governing partner, former President **Henri Konan Bédié (1993 -1999)**. He is described as "*financially competent.*"<sup>3</sup> He is "*well-liked by the French and has good relations with the **United States (US)**.*"<sup>4</sup>

## 2.2 ...although his health is a concern ...as Soro waits in the wings

There is some concern over the 71-year-old Ouattara's health. In late November 2012, a veteran francophone journalist source claimed Ouattara was "*flown to a military hospital in Toulon [France]...they think it might be a stroke.*" He allegedly has a pacemaker, and there are unverified rumours "*He has to make monthly visits to France for medical treatment for a heart condition.*"<sup>5</sup>

**Guillaume Soro**, former leader of the northern rebels **Forces Nouvelles (FN)** and current president of the **National Assembly**, is gearing up for the presidency<sup>6</sup>. He is the constitutional successor and holds sway with the new army, **Forces Républicaines de Côte d'Ivoire (FRCI)**. The FRCI predominately comprises former FN rebels from the north, which – with French forces – ousted former President **Laurent Gbagbo (2000 – 2010)** in April 2011. Gbagbo refused to leave office when he lost the 28 November 2010 elections to Ouattara, triggering a four month conflict. The appointment of Soro's confidante<sup>7</sup>, justice minister **Gnénéma Mamadou Coulibaly**, in the 22 November 2012 government is a move to protect Soro from **International Criminal Court (ICC)** prosecution for his role in massacres<sup>8</sup> committed by the FN during the 2011 conflict. "*Politically sharp and crude*", Soro continues to "*carve out his own political identity.*"<sup>9</sup>

## 2.3 .....while reconciliation and security issues hold back the recovery....

Protection from prosecution for Soro and FN rebels draws accusations of victor's justice against the government and derails the reconciliation process. Gbagbo awaits trial at the ICC in The Hague, while around 120 allies await trial under arrest. **Amnesty International (AI)** claims around 200 have been illegally detained and tortured. This fuels ongoing tensions between north and south communities in the country. "*ADO needs to show that justice is even handed, but this is difficult because it means sending some military guys... that brought him to power... to trial.*"<sup>10</sup>

<sup>2</sup> Ouattara was prime minister and appointed Duncan as finance minister, a position he held until 1993

<sup>3</sup> Source, longstanding investor in Côte d'Ivoire, UK

<sup>4</sup> Source, longstanding investor in Côte d'Ivoire, UK

<sup>5</sup> Source, longstanding investor in Côte d'Ivoire, UK

<sup>6</sup> Source, several

<sup>7</sup> africaconfidential.com

<sup>8</sup> Including in March 2011 at Duékoué in the south west of the country

<sup>9</sup> Source, political analyst, Côte d'Ivoire

<sup>10</sup> Source, political analyst, Côte d'Ivoire

On 17 January **Charles Blé Goudé**, former leader of the **Jeunes Patriotes** militia and Gbagbo's youth minister, was arrested in **Accra, Ghana**. In a "*slick operation*"<sup>11</sup> he was transferred to **Abidjan** the same day and charged with war crimes on 21 January<sup>12</sup>. The Ghanaian authorities "*fast-tracked his extradition to avoid giving him time to claim refugee status.*"<sup>13</sup> The lack of a violent response on the streets in Abidjan indicates Goudé's reduced influence. "*His former supporters betrayed him and are glad to see him removed.*"<sup>14</sup>

Progress is slow under the political dialogue process **Cadre Permanent du Dialogue (CPD)** to bring Gbagbo's weakened **Front Populaire Ivoirien (FPI)** back into the political fold. Thus, the government postponed the regional and municipal elections scheduled for 24 February until FPI agree to participate<sup>15</sup>. "*The FPI is demanding the release of former Gbagbo supporters and that exiles may return to reclaim their property...amnesty is the catchword.*"<sup>16</sup>

Attacks against security forces and infrastructure to destabilize the government are ongoing but have slowed in pace since October 2012. Since the conflict, pro-Gbagbo militias have launched sporadic cross border raids from bases in Ghana and **Liberia** in the unstable south-west cocoa region. The attacks spread to Abidjan in August 2012, targeting security forces' posts and infrastructure, such as **Globeleq's Azito** power plant in the **Yopougon** neighbourhood on 15 October<sup>17</sup>. The last attack occurred on 21 December, when militants launched coordinated attacks using rocket-propelled grenades (RPG)'s on a gendarmerie station in Yopougon, a military checkpoint in **Agbaou** and the Azito plant<sup>18</sup>.

### 3 Business dynamics

#### 3.1 Infrastructure, energy and mining drive

Ouattara strives to promote Côte d'Ivoire as open for business and to restore its position as the gateway to the franc zone. There is focus on "*steady economic stabilization, while setting out a strong vision.*"<sup>19</sup> The IMF head **Christine Lagarde** visited Abidjan on 6-9 January to express support for a "*second Ivoirian economic miracle*", in reference to the country's former dominant economy in the

<sup>11</sup> Source, longstanding investor in Côte d'Ivoire, UK

<sup>12</sup> Jeune Afrique, 22 January 2013

<sup>13</sup> Source, longstanding investor in Côte d'Ivoire, UK

<sup>14</sup> Source, longstanding investor in Côte d'Ivoire, UK

<sup>15</sup> L'expression, 25 January 2013

<sup>16</sup> Source, longstanding investor in Côte d'Ivoire, UK

<sup>17</sup> RFI, 15 October 2012

<sup>18</sup> Reuters, 21 December 2012

<sup>19</sup> Source, political analyst, Côte d'Ivoire

post-independence period (1960-70s)<sup>20</sup>. Ouattara's economic strategy starts with rehabilitation of infrastructure damaged or degraded after ten years of conflict and underinvestment under Gbagbo.

Energy and mining form the other tenets of the ambitious economic diversification program. The government plans to spend \$4 billion on energy infrastructure over the next six years to increase electricity production by 80%<sup>21</sup>. A 275 megawatt hydropower dam near the western town **Soubre** will start construction in February 2013 after the government received a \$500m low-interest loan from **China's Export-Import Bank (China EXIM Bank)**<sup>22</sup>. A similar size dam is under consideration for the **Louga** River to connect with grids in Liberia, **Guinea** and **Sierra Leone**. Offshore gas production to supply thermal electricity plants is moving ahead. **Foxtrot** secured a \$437m guarantee from the World Bank's **Multilateral Investment Guarantee Agency (MIGA)** for a \$1 billion project on 11 January<sup>23</sup>. The government expects 14 new oil production sharing agreements since the end of the conflict and new oil discoveries<sup>24</sup> to raise production to 200,000 barrels per day (bpd) from the current 32,000 bpd<sup>25</sup>. In mining, 16 new exploration licences were granted at the last cabinet meeting of 2012<sup>26</sup>. However, a proposed new 17-20%<sup>27</sup> windfall tax on gold is holding back mining investment<sup>28</sup>. The tax bill awaits presidential sign-off after parliament approved it on 13 December 2012.

### 3.2 ...and the debt position improves

The economic recovery was boosted when the IMF, World Bank and **Paris Club** cancelled \$10 billion of the country's \$12.5 billion external debt in 2012<sup>29</sup>. This freed the government of up to 40% of the budget designated to service debt. On 27 December 2012 the government passed the **2013 Budget** of \$7.9 billion (CFA 3.8 trillion), a 17% increase on the \$6.5 billion (CFA 3.2 billion) 2012 Budget<sup>30</sup>. The increased public and private investment drive in 2012 increased growth to 8.5% in 2012 from a 4.7% contraction due to the conflict in 2011<sup>31</sup>. The growth and fiscal outlook indicates the government will clear its debts with the private sector. Hence the holders of Eurobonds have not overreacted to the length of time the government is taking to repay its arrears.

<sup>20</sup> Jeune Afrique, 7 January 2013

<sup>21</sup> Bloomberg, 16 November 2012

<sup>22</sup> Reuters, 9 January 2013; China's Sinohydro will construct it and will take 56 months, the loan is over 20 years with a rate of 2% and a grace period of nine years

<sup>23</sup> Jeune Afrique, 11 January 2013

<sup>24</sup> Including Vanco Côte d'Ivoire on offshore block CI-401 in December 2012; and Tullow Oil on block CI-103 in June 2012

<sup>25</sup> Reuters, 3 January 2013

<sup>26</sup> Africa Mining Intelligence, 2 January 2013

<sup>27</sup> For gold prices between \$1,600 - \$1,800 per ounce, although the rate increases 1% for each \$50 increase in gold price up to a maximum rate of 50% for prices above this range. It falls by 1% per \$50 decrease for prices below \$1,600

<sup>28</sup> Reuters, 14 December 2012

<sup>29</sup> Reuters, 4 December 2012; Including \$3.87 billion from the World Bank and IMF in June 2012; and \$6.5 billion from the Paris Club in July 2012

<sup>30</sup> Agence de Presse Africaine, 24 January 2013

<sup>31</sup> IMF

*“The government resumed payments some time ago [servicing the bonds was suspended in the 2011 crisis]. They are realistic and accept the government is of goodwill and is able to stabilize the situation. They don’t like to wait, but the typical investor in Côte d’Ivoire is thinking long term.”<sup>32</sup>*

### **The presence of French forces reduces the threat of attacks escalating**

The lack of discipline and coordination of the security forces is an ongoing concern for business, particularly in Abidjan and west of the country where attacks continue (see above). The francophone press and several sources criticise the security forces’ organisation and response to a New Year’s Eve stampede in which 63 died. They claim gendarmes and soldiers blocked streets around the **Félix Houphouët-Boigny Stadium**, which triggered the stampede. The slow pace of the disarmament, demobilisation and re-integration of the former regime’s **Forces de Défense et de Sécurité (FDS)** compounds these concerns. *“Nothing is going on...there has never been any real attempt to integrate Gbagbo’s army. The FRCI is not recognised in the west [of the country].”<sup>33</sup>* There are an estimated 110,000 former combatants including various militia and organised former paramilitary units operating in the country<sup>34</sup>. However, the continued presence of French troops under a UN mandate should improve the organisation of the security forces and mitigate the threat of attacks escalating. In addition, on 17 December 2012 France and Côte d’Ivoire signed an agreement for the first phase of a defence treaty involving training of the army FRCI<sup>35</sup>.

### **3.3 Implications**

Sporadic attacks in Abidjan and the west will probably continue in the near term. The reconciliation process remains a potential trigger of insecurity – prosecution of Soro’s men will create friction between the military and Ouattara, but failure to do so will further increase tensions and prompt attacks by pro-Gbagbo militia. The trial of Gbagbo (unscheduled) and his allies may also trigger further attacks. However, with the government’s support from international partners – particularly France – and as economic opportunities become more visible, a trend of reduced security risk for business is anticipated. The government’s pro-business stance and international backing offer radically improved business conditions as compared to the Gbagbo years. The impressive policy platform and growth trajectory present good long term opportunities for business.

<sup>32</sup> Source, political analyst, Côte d’Ivoire

<sup>33</sup> Source, journalist, Côte d’Ivoire

<sup>34</sup> Economist Intelligence Unit

<sup>35</sup> RFI, 18 December 2012