

## AFRICA RISK CONSULTING

### Cote d'Ivoire Monthly Briefing February 2016

#### Cote d'Ivoire Summary 28 February 2016

*Former president Henri Konan Bédié (1993-1999) and current president Alassane Dramane Ouattara (2010-present) declare the Rassemblement des Houphouëtistes pour la Démocratie et la Paix (RHDP) coalition will unify as a single political party. The Syndicat National des Travailleurs des Entreprises Pétrolières de Cote d'Ivoire (SYNTEPCI) union members of state-owned Société Nationale d'Opérations Pétrolières de Côte d'Ivoire (PETROCI) declare a 72-hour strike. PETROCI announces the sale of its downstream distribution operations to Puma Energy. The Compagnie Ivoirienne de Production d'Électricité (CIPREL) power station commissions its Phase IV, adding a combined-cycle General Electric (GE) gas turbine to increase national electricity production by 222MW. Transparency International's Corruption Perceptions Index ranks Côte d'Ivoire 107<sup>th</sup> worldwide, the 28<sup>th</sup> most corrupt country in Africa.*

#### A formal RHDP unification confounds the national political landscape

Former president **Henri Konan Bédié** (1993-1999) and incumbent president **Alassane Dramane Ouattara** (2010-present) have announced the unification of the parties within the ruling **Rassemblement des Houphouëtistes pour la Démocratie et la Paix (RHDP)** coalition into a single political entity.<sup>1</sup> They made the announcement on 15 February during a meeting in **Daoukro (Iffou Region)**. The location of Daoukro is significant: Daoukro is Bédié's historic electoral stronghold. It is where Bédié made the famed "*appel de Daoukro*" (call of Daoukro) in September 2014, announcing his own withdrawal and his support for Ouattara's presidential re-election.<sup>2</sup>

The unification of the coalition parties highlights the strength of the relationship between Bédié and Ouattara since the latter's re-election in October 2015.<sup>3</sup> The component parties and respective leaders publicly committed to "*permanent consolidation of the links of fraternity between the members of the RHDP*".<sup>4</sup> They comprise:

- **Rassemblement des Républicains (RDR)**– Alassane Dramane Ouattara
- **Parti Démocratique de Côte d'Ivoire (PDCI)**– Henri Konan Bédié
- **Union pour la Démocratie en Côte d'Ivoire (UPDCI)**– **Albert Toikeusse Mabri** (current foreign minister)
- **Mouvement des Forces d'Avenir (MFA)** – **Moutayé Anzoumana** (current small-and-medium sized enterprise (SME) minister)
- **Union pour la Côte d'Ivoire (UCI)** – **Gnamien Konan** (current housing minister).

*"The reunification of the RDR and PDCI suggests two objectives: the repartition of power and the changeover of power. The structure, which seeks to fuse together the existing parties, was more than a symbolic return of the RDR to PDCI's home (Daoukro)... The changeover of power by 2020 will be a function of the retained structure, as well as the division and equilibrium of power. This could take on a new organisation of the 'vice-president sort.'"*<sup>5</sup>

<sup>1</sup> Abidjan.net, 15 Feb 2016.

<sup>2</sup> Connection Ivoirienne, 9 Feb 2016.

<sup>3</sup> Connection Ivoirienne, 9 Feb 2016.

<sup>4</sup> Multiple sources: Abidjan.net, 15 Feb 2016; Source, RDR executive, Abidjan.

<sup>5</sup> Source, journalist, Abidjan

*“The possibility of the public being able to choose both a president and vice president on the same electoral list, such as **Ghana** or **Nigeria**, would certainly contribute to further national unity.”<sup>6</sup>*

The two main parties’ leaders (Ouattara and Bédié) appear more influential in the agreement than the other leaders (Mabri, Anzoumana and Konan), none of whom was present at the announcement.<sup>7</sup> However, sources in Cote d’Ivoire argue the other leaders have little political influence:

*“Mabri does not really have a choice, when taking into account the weight of the UPDCI, which is only significant within the coalition. The PDCI, RDR and FPI share the political chessboard.”<sup>8</sup>*

The interim RDR secretary general, **Amadou Soumahoro**, will become the president of the RHDP directory. His task will be to rewrite the RHDP’s founding texts and strategy documents. He will present the finalised documents to a presidential committee in September 2016.<sup>9</sup> Soumahoro will design a new brand identity for the party – it may take the form of coat of arms, symbol and/or logos, which comprise aspects of each former component party.<sup>10</sup>

*“In reality, this is purely symbolic for the RHDP. In practice, all the member parties keep their objectives and their operations, as well as their designation within the RHDP. For the moment there is no text that dictates the functioning of a unified RHDP.”<sup>11</sup>*

The announcement of unification has caused some tension, as it took place without consultation of RDHP members.<sup>12</sup> **Guillaume Soro**, the divisive president of the **Assemblée Nationale**, is stirring discontent within factions of the member parties.<sup>13</sup>

*“Understanding Soro’s role will be key. He... will need to satisfy the two main parties (RDR-PDCI) as the RDR rejects him, and the PDCI has little appreciation for him. His only support is from Ouattara, who... protects his rear.”<sup>14</sup>*

Shortly before the announcement of unification, there were suggestions that tensions between RHDP members – between the RDR and PDCI in particular – were flaring.<sup>15</sup> Bédié even affirmed his commitment on 9 February to run again for president in 2020, under the PDCI banner.<sup>16</sup> It appears that Bédié’s announcement to run for president for the PDCI may have prompted Ouattara to instigate the move towards unification. The move towards unification may suggest that Bédié is keen to develop another candidate for the 2020 elections:

*“The root of the problem is that Bédié wants to make a deal with Soro to track him as a candidate for 2020. Therefore, inside the PDCI there is real reason for discontentment.”<sup>17</sup>*

On the other hand, Ouattara appears more confident in his ability to sway his electorate towards supporting the RHDP with the same fervour as for the RDR.

*“With regards to Ouattara’s electoral stronghold, to ally himself with the PDCI only reinforces the coalition. The voter base is more for Ouattara than the RDR, identifying more with the person than the party, and does not begrudge the move... The changeover of power for 2020, this will benefit the PDCI and nothing else.”<sup>18</sup>*

<sup>6</sup> Source, professor in social sciences and PDCI member, Abidjan

<sup>7</sup> Abidjan.net, 15 Feb 2016.

<sup>8</sup> Source, journalist, Abidjan

<sup>9</sup> Abidjan.net, 15 Feb 2016.

<sup>10</sup> Abidjan.net, 15 Feb 2016.

<sup>11</sup> Source, journalist, Abidjan

<sup>12</sup> Abidjan.net, 15 Feb 2016.

<sup>13</sup> Source, journalist, Abidjan

<sup>14</sup> Source, journalist, Abidjan

<sup>15</sup> Connection Ivoirienne, 9 Feb 2016

<sup>16</sup> Connection Ivoirienne, 9 Feb 2016.

<sup>17</sup> Source, youth executive of the PDCI, Abidjan

<sup>18</sup> Source, political journalist, Abidjan

In terms of the electoral dynamic and with a view to the 2020 presidential elections, the unification appears to keep the RDHP's strength.<sup>19</sup> The RDHP will contest national elections under its unified banner.<sup>20</sup> However, on a regional level, the member party with the most votes will head the electoral list.<sup>21</sup> The dynamic of RHDP representation within the Assemblée Nationale, will depend on the representation of member parties in each region.<sup>22</sup>

*"It would seem that the political landscape of legislative elections, will be carried out in accordance with the new RHDP structure... Each party retains control of their own direction, whilst we wait for the founding texts expressing the purpose of the RHDP's union to take effect."*<sup>23</sup>

### **PETROCI undergoes restructuring as its workforce resists**

The **Syndicat National des Travailleurs des Entreprises Pétrolières de Cote d'Ivoire (SYNTEPCI)**, the national oil sector workers' union, declared a 72-hour strike on 2 February.<sup>24</sup> The action follows the recent restructuring of Côte d'Ivoire's state-owned oil exploration and production company, the **Société Nationale d'Opérations Pétrolières de Cote d'Ivoire (PETROCI)**.<sup>25</sup> PETROCI laid off 45 employees for "economic reasons"<sup>26</sup> – 10 on 8 January, another 35 on 12 January – out of a total 600.<sup>27</sup> Government spokesperson **Bruno Nabagné Koné** said the company had to act, "faced with the financial difficulties at PETROCI."<sup>28</sup> Despite its relatively small size, PETROCI is the country's only state-owned oil and gas producer. It is heavily involved in the majority of offshore joint venture exploration.<sup>29</sup>

A PETROCI statement acknowledged the difficulty of the current situation. The company cites the drop in oil prices, which led to a loss of over \$41m in 2015, as a reason for the job cuts.<sup>30</sup> It also claims to have outstanding debt obligations dating back to 2011.<sup>31</sup> PETROCI is in the process of forming a "realistic" 2016 budget, with an oil price base of \$30 per barrel.<sup>32</sup> SYNTEPCI secretary general **Jeremie N'Guessan Wondje** believes that an internal audit indicated that another 150 employee redundancies would follow in February – a 33% staff cut in total.<sup>33</sup>

SYNTEPCI demanded on 2 February that PETROCI reinstate the employees they had made redundant.<sup>34</sup> The union claims PETROCI did not respect the statutory notice period of 15 days when making the redundancies.<sup>35</sup> Employees claim that "no procedure was respected".<sup>36</sup> SYNTEPCI represents more than 16 companies in the sector.<sup>37</sup> It also threatened to implicate other companies in the action, including refining giant **Société Ivoirienne de Raffinage (SIR)** – Côte d'Ivoire's largest domestic company by turnover.<sup>38</sup> As one SYNTEPCI member describes:

<sup>19</sup> Source, journalist, Abidjan

<sup>20</sup> Source, journalist, Abidjan

<sup>21</sup> Source, journalist, Abidjan

<sup>22</sup> Source, journalist, Abidjan

<sup>23</sup> Source, RDR departmental director

<sup>24</sup> Reuters, 3 Feb 2016.

<sup>25</sup> Reuters, 3 Feb 2016.

<sup>26</sup> L'infodrome, 5 Feb 2016.

<sup>27</sup> Multiple sources: Jeune Afrique, 3 Feb 2016; Reuters, 3 Feb 2016.

<sup>28</sup> Jeune Afrique, 10 Feb 2016.

<sup>29</sup> Reuters, 3 Feb 2016.

<sup>30</sup> L'infodrome, 5 Feb 2016.

<sup>31</sup> L'infodrome, 5 Feb 2016.

<sup>32</sup> L'infodrome, 5 Feb 2016.

<sup>33</sup> Reuters, 3 Feb 2016.

<sup>34</sup> Source, journalist, Abidjan

<sup>35</sup> Jeune Afrique, 3 Feb 2016.

<sup>36</sup> RFI, 5 Feb 2016.

<sup>37</sup> Reuters, 5 Feb 2016.

<sup>38</sup> Reuters, 3 Feb 2016.

*“The problem with PETROCI essentially goes back to bad management of resources and of incompetence in executive leadership. I don’t believe that SIR is in the same situation. For the time being, it is unlikely that employees from other companies will join the strike.”<sup>39</sup>*

A journalist source confirmed that PETROCI has management issues:

*“PETROCI is going through sombre times at the moment. The company is in crisis since a change in the executive board, a new management team, and wide-ranging layoffs.”<sup>40</sup>*

PETROCI has had a new deputy managing director since March 2014, **Brakissa Bamba**, a former account manager at the **Société Ivoirienne de Banque (SIB)**.<sup>41</sup> Various press sources have accused Bamba of mismanagement and ignoring administrative procedures.<sup>42</sup> Bamba is the third wife of oil and energy minister **Adama Toungara**. Toungara is a long-time friend of President Ouattara and part of the inner circles of government power.<sup>43</sup> Moreover, the managing director, **Ibrahima Diaby**, was a former director general of the oil ministry and longstanding adviser to Toungara.<sup>44</sup> Press sources argue the pair are primarily concerned with pleasing the minister, and by extension the president, and are not afraid to undertake the sweeping layoffs and restructuring at the expense of the company.<sup>45</sup>

Following the layoffs, **Puma Energy**, a privately owned mid and downstream specialist, acquired PETROCI’s downstream distribution network.<sup>46</sup> This consists of 40 petrol stations, of which only 30 are operational.<sup>47</sup> The two companies are in negotiations to finalise the deal, over which Toungara will preside.<sup>48</sup>

**Netherlands**-based **Trafigura Group** and **Angola**-based **Sonangol Holdings** are Puma Energy’s main shareholders (49% and 30% respectively) and strategic partners.<sup>49</sup> PETROCI had lost over 6% market share in downstream distribution over the last year. **France**-based **Total** and **Netherlands**-based **Vivo Energy** dominate the sector.<sup>50</sup> Puma Energy’s Côte d’Ivoire chairman is **Ahmadou Touré**, Ouattara’s nephew, and the brother of **Masséré Touré**, the president’s communications director.<sup>51</sup>

### **CIPREL increases its power production capacity by 69%**

The **Compagnie Ivoirienne de Production d’Électricité (CIPREL)** power station located in **Vridi (Abidjan)** industrial zone, the country’s single largest power producer, commissioned its final **Phase IV**, extending its production to 556MW.<sup>52</sup> CIPREL commissioned **Phase I** in 1995, with a total of 100MW energy production, comprising three 33MW gas combustion turbines.<sup>53</sup> CIPREL’s **Phase II** came online in 1997, adding a single 111MW combustion turbine – taking generation capacity to 210MW.<sup>54</sup> CIPREL launched **Phase III** in 2009, adding another 111MW combustion turbine and taking production capacity to 321 MW.<sup>55</sup> The last phase, Phase IV, added a combined cycle turbine, to add

<sup>39</sup> Source, SYNTEPCI unionist, Abidjan

<sup>40</sup> Source, journalist, Abidjan

<sup>41</sup> Source, journalist, Abidjan

<sup>42</sup> Source, journalist, Abidjan

<sup>43</sup> Source, journalist, Abidjan

<sup>44</sup> Source, journalist, Abidjan

<sup>45</sup> Source, journalist, Abidjan

<sup>46</sup> Jeune Afrique, 10 Feb 2016.

<sup>47</sup> Jeune Afrique, 10 Feb 2016.

<sup>48</sup> Financial Afrik, 11 Feb 2016.

<sup>49</sup> www.pumaenergy.com

<sup>50</sup> Jeune Afrique, 10 Feb 2016.

<sup>51</sup> Multiple sources: Connection Ivoirienne, 15 Feb 2016; Jeune Afrique, 10 Feb 2016.

<sup>52</sup> Abidjan.net, 18 Feb 2016.

<sup>53</sup> www.eranove.com

<sup>54</sup> www.eranove.com

<sup>55</sup> www.eranove.com

another 222MW of production, now totalling 543MW.<sup>56</sup> The plant can now power over 120,000 households.<sup>57</sup> CIPREL uses domestically extracted offshore natural gas to power the turbines.<sup>58</sup>

The government is looking to increase its domestic production to 4,000MW by 2020, approximately double the current level of production, as outlined in the **Plan National de Développement (PND) 2012-2015**.<sup>59</sup> As part of this process it is investing over \$9 billion on development projects.<sup>60</sup> This increase will consolidate Côte d'Ivoire's position as the second largest net electricity exporter in the **West Africa Power Pool (WAPP)**.<sup>61</sup> Toungara is under considerable pressure to meet this objective, with a ministerial reshuffle expected in December 2016.

*"He has recently thrown his weight about in order to remain in government. However, a reshuffle is expected in December. He seeks to avoid being replaced by his long-term rival **Daouda Thiam**, former CEO of SIR and former oil and energy minister. Thiam is currently a special advisor on oil and energy to the president who likes Thiam's sector strategy and upright nature."*<sup>62</sup>

The total cost of the Phase IV extension amounted to \$370m.<sup>63</sup> The **International Finance Corporation (IFC)** of the **World Bank**, **African Development Bank (AfDB)** and France-based **PROPARCO** provided \$218m of this.<sup>64</sup> The CIPREL shareholders – **Tunisia-based Eranove**, the Côte d'Ivoire government, and the **Banque Ouest Africaine de Développement (BOAD)** (West African Development Bank) – funded \$82m, while several regional and national banks regional funded the remaining \$70m.<sup>65</sup>

**General Electric (GE)** manufactured and supplied all of CIPREL's turbines, and holds a strategic partnership agreement with Eranove for its energy investments across **West and Central Africa**.<sup>66</sup> In September 2015, Eranove accounted for almost 70% of Cote d'Ivoire's power production (1,136MW) through its subsidiaries **Compagnie Ivoirienne d'Électricité** and CIPREL.<sup>67</sup> The pan-African private equity firm **Emerging Capital Partners (ECP)** owns a majority 55.9% stake in Eranove through its **ECP Africa Fund II**.<sup>68</sup> ECP's co-CEO, **Vincent Le Guennou**, is also chairman of Eranove.<sup>69</sup>

## Côte d'Ivoire sees no improvement on Corruption Perceptions Index

Côte d'Ivoire made no improvement on its score on **Germany-based corruption watchdog Transparency International's 2015 Corruption Perceptions Index (CPI)**. A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean).<sup>70</sup> This year's index ranks Côte d'Ivoire 107<sup>th</sup> (with a score of 32) out of 168.<sup>71</sup> Côte d'Ivoire is the 28<sup>th</sup> most corrupt (or 25<sup>th</sup> least corrupt) country in Africa.<sup>72</sup> The rating methodology – an average of standardised ratings from 12 "valid sources" whose data fulfils Transparency International's criteria<sup>73</sup> – has since 2012 been exclusive to one year of data.<sup>74</sup>

<sup>56</sup> [www.eranove.com](http://www.eranove.com)

<sup>57</sup> Source, public treasury officer, Abidjan

<sup>58</sup> [www.eranove.com](http://www.eranove.com)

<sup>59</sup> [www.gouv.ci](http://www.gouv.ci)

<sup>60</sup> [www.gouv.ci](http://www.gouv.ci)

<sup>61</sup> Stratfor, 18 Aug 2014.

<sup>62</sup> Source, journalist, Abidjan

<sup>63</sup> [www.eranove.com](http://www.eranove.com)

<sup>64</sup> Jeune Afrique, 18 Feb 2016.

<sup>65</sup> Jeune Afrique, 18 Feb 2016.

<sup>66</sup> [www.eranove.com](http://www.eranove.com)

<sup>67</sup> [www.ecpinvestments.com](http://www.ecpinvestments.com)

<sup>68</sup> [www.ecpinvestments.com](http://www.ecpinvestments.com)

<sup>69</sup> [www.ecpinvestments.com](http://www.ecpinvestments.com)

<sup>70</sup> Transparency International, Corruption Perceptions Index 2015

<sup>71</sup> Transparency International, Corruption Perceptions Index 2015

<sup>72</sup> Transparency International, Corruption Perceptions Index 2015

<sup>73</sup> 1) Reliable data collection and methodology from a credible institution, 2) data addresses corruption in the public sector, 3) quantitative granularity (minimum four-point scale), 4) cross country comparability and 5) multiyear data-set.

	2015	2014	2013	2012
<b>Côte d'Ivoire</b>	<b>32</b>	<b>32</b>	<b>27</b>	<b>29</b>
Guinea	25	25	24	24
Gabon	34	37	34	35
Senegal	44	43	41	36
Nigeria	26	27	25	27
Ghana	47	48	46	45

### Implications

The decision to permanently unite the RHDP coalition into an effective political party is puzzling and has the potential to highlight divisions between parties. Ouattara's landslide election in October gives him confidence that the public trust him as an individual. However, as Ouattara will be unable to run for a third term, he will need to convince his now regrouped supporters of the credibility and multi-partisan appeal of the RHDP's candidate for the 2020 elections. It is important to point out that Ouattara's seemingly favoured candidate, Soro, is unpopular among many factions of the RHDP. A key turning point will be the release of the founding documents of the unified RHDP party in September, which could cause defections of certain more conservative and power hungry players.

The SYNTEPCI strikes demonstrate the prevalence of obstacles for public sector institutions in Côte d'Ivoire when restructuring and reform are paramount to survival. PETROCI management appears firmly on the side of government and seems unlikely to reverse its layoff decision. Furthermore, if rumours of an additional 150 layoffs are true, it is unlikely that current management would hesitate to implement the cuts. However, SYNTEPCI's bargaining power could significantly increase if it manages to convince members from the 16 other companies it represents to join the strike. PETROCI's sale of its downstream operations confirms its spiralling lack of competitiveness in this sector, and could be a further indication of mismanagement.

Considering CIPREL is the single largest electricity producer in Côte d'Ivoire, the launch of its Phase IV represents progress towards the goal of 4,000MW by 2020, even though this would only represent around 10% of the total aim. However, if Côte d'Ivoire is to achieve this objective, Toungara will need to mobilise several more such large-scale power production installations. Nonetheless, Côte d'Ivoire is in a healthy position when comparing to some of its neighbours (for example **Ghana**) whose electricity production deficiencies chronically impede economic growth and FDI.

Despite measurable improvements in economic growth over recent years, and prolonged peace in the country since 2011, the CPI 2015 indicates that Cote d'Ivoire still needs to mend its corruption perception.

<sup>74</sup> Transparency International, Corruption Perceptions Index 2015

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