

## AFRICA RISK CONSULTING

### Côte d'Ivoire Briefing February 2017

#### Côte d'Ivoire Summary 20 February 2017

**President Alassane Dramane Ouattara (2010-present) appoints Adama Toungara, former oil and energy minister, special adviser at the presidency. Toungara will be in charge of oil, energy and mining portfolios. The Conseil Café-Cacao (CCC) (coffee and cocoa board) maintains producer prices for the current cocoa campaign, despite international market prices hitting a two-year low. Cocoa exporters default on contracts due to inability to pay producers, as banks refuse additional credit. The Syndicat National Agricole pour le Progrès en Côte d'Ivoire (SYNAP-CI) and Coopération Nationale des Planteurs de Côte d'Ivoire (CNPCI) agricultural unions begin an indefinite strike, demanding that the CCC address bottlenecks and reform the cocoa bidding process.**

#### Ouattara appoints Toungara at presidency

President **Alassane Dramane Ouattara** (2010-present) on 6 February appointed **Adama Toungara**, former oil and energy minister from 2011-2017, special adviser at the presidency.<sup>1</sup> Toungara may be unofficially replacing **Daouda Thiam**, current natural resources special adviser at the presidency, who is reportedly in poor health. Toungara will be in charge of oil, mines and energy portfolios – a new role within the presidency.<sup>2</sup> Toungara is a family friend of Ouattara, a longstanding supporter and reportedly a financier of his **Rassemblement des Républicains (RDR)** party.<sup>3</sup> Press sources have described Toungara as an “untouchable” within Ouattara’s government.<sup>4</sup> Local sources claim that first lady **Dominique Folloroux-Ouattara** persuaded Ouattara to reassign Toungara to the presidency – “I hear this was Dominique’s doing, rather than Ouattara’s.”<sup>5</sup> They see Toungara’s appointment as a step backwards, partially due to his age (73) and old guard reputation in **Ivoirian** politics,

*“There was so much optimism about the new government when we heard about Toungara’s sacking [in January]. Even I was optimistic. But to see him reappointed, now at the presidency, is disheartening. It really does reveal a lot about the state of politics in this country.”<sup>6</sup>*

There are concerns about Toungara’s reputation,

*“Toungara... is something else. My wife calls him ‘uncle thief’. This is a new position, but he may in fact be assuming Daouda Thiam’s role, who is **Tidjane Thiam**’s brother [CEO of **Credit Suisse Group**]. Daouda is apparently very ill and in hospital in **Paris (France)**.”<sup>7</sup>*

A press report released in 2011 alleged that Toungara had resided in a hotel for 16 months at the expense of the treasury, and maintained directorships of two private companies – **United States (US)**-based **Minepetro Ltd** and locally-registered **Ipetro (Ivoirienne de Pétrole)**, a potential conflict

<sup>1</sup> www.presidence.ci

<sup>2</sup> www.presidence.ci

<sup>3</sup> www.afrique-sur7.fr

<sup>4</sup> www.afrique-sur7.fr

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

<sup>6</sup> Source, journalist, Abidjan

<sup>7</sup> Source, political analyst, Abidjan

of interest, when he was oil minister.<sup>8</sup> The press alleged that Toungara had expensed as much as \$3,000 per day during this period.<sup>9</sup>

A further concern surrounding Toungara's appointment is the future power dynamic between Toungara on the one hand, and **Thierry Tanoh** – who replaced Toungara as oil and energy minister – and industry and mines minister **Jean-Claude Brou** on the other. Tanoh is a protégé of former president **Henri Konan Bédié** (1993-1999), and is an important **Parti Démocratique pour la Côte d'Ivoire (PDCI)** representative within the ruling **Rassemblement des Houphouëtistes pour la Démocratie et la Paix (RHDP)** coalition.<sup>10</sup> There is a potential overlap between the portfolios of Toungara, Brou and Tanoh. However, Toungara will reportedly not attend the *conseil des ministres* (council of ministers), the weekly cabinet meeting at the presidency where ministry-level policy decisions are discussed.<sup>11</sup> Investors hope Toungara's appointment will not affect the nature of managing operations in **Côte d'Ivoire**,

*“Tanoh and Brou are both credible and easy to deal with. They truly are the best ones from this government. If only all ministers and government officials would be as efficient as they are. I hope I will still be able to go to them to get things done.”<sup>12</sup>*

The presidency claimed that Toungara would act on behalf of the presidency on specific dossiers and special missions.<sup>13</sup> For example, between 6 and 16 February Toungara travelled to **Hamburg (Germany)** as the principal agent of a delegation representing Côte d'Ivoire in the maritime border delineation case against **Ghana** at the **International Tribunal of the Law of the Sea (ITLOS)**.<sup>14</sup> The border dispute stemmed from significant offshore oil and gas discoveries in the **Tano Basin**, most of which is within Ghanaian territory.<sup>15</sup> Toungara on 16 February signed Côte d'Ivoire's final submission to the ITLOS with the title *“oil and energy minister”*.<sup>16</sup> This raises questions about the influence that Toungara could have over the oil sector. Some sources therefore believe that Toungara could encroach and supersede ministerial authority,

*“Major investment projects were already bypassing ministries and going straight to the presidency for administrative and political obstacles. With Toungara managing key portfolios, after several years at the head of the oil ministry, who knows what level of influence he could now have.”<sup>17</sup>*

Toungara will work in collaboration with new secretary general at the presidency **Patrick Achi**, whom Ouattara appointed in January (see *ARC Briefing Côte d'Ivoire January 2017*).<sup>18</sup> Achi was a surprise appointment but maintains a credible reputation after serving as economic infrastructure minister from 2000 to 2017 under president **Laurent Gbagbo** (2000-2010) and Ouattara.<sup>19</sup> There are rumours that Toungara, due to his personal closeness to Ouattara and key portfolio responsibilities, will play an even greater role in high-level decision-making at the presidency, and perhaps challenge Achi's influence.<sup>20</sup> Achi is very close to newly appointed vice president **Daniel Kablan Duncan** (former prime minister), who is reportedly his mentor.<sup>21</sup> However, Achi is more discreet and less political a figure than Toungara or his predecessor **Amadou Gon Coulibaly** (current prime

<sup>8</sup> Multiple sources: [www.abidjan.net](http://www.abidjan.net); [www.afrique-sur7.fr](http://www.afrique-sur7.fr)

<sup>9</sup> [www.afrique-sur7.fr](http://www.afrique-sur7.fr)

<sup>10</sup> Ivoire Matin, 10 Feb 2017.

<sup>11</sup> Jeune Afrique, 8 Feb 2017.

<sup>12</sup> Source, business owner, Abidjan

<sup>13</sup> [www.presidence.ci](http://www.presidence.ci)

<sup>14</sup> Citi FM, 18 Feb 2017.

<sup>15</sup> [www.offshoreenergytoday.com](http://www.offshoreenergytoday.com)

<sup>16</sup> [www.itlos.org](http://www.itlos.org)

<sup>17</sup> Source, political analyst, Abidjan

<sup>18</sup> [www.presidence.ci](http://www.presidence.ci)

<sup>19</sup> [www.gouv.ci](http://www.gouv.ci)

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

<sup>21</sup> [www.connectionivoirienne.ci](http://www.connectionivoirienne.ci)

minister).<sup>22</sup> Achi in December 2016 was elected member of parliament (MP) for his hometown **Adzopé (La Mé Region, Lagunes District)** as an RHDP candidate.<sup>23</sup> However, this reportedly has more to do with ethnic ties than his political capabilities.

Perhaps in contrast to Toungara, Achi holds important standing in business circles in the region. Achi is a member of the **Grand Loge de Côte d'Ivoire (GLCI)** (Côte d'Ivoire Masonic Lodge), whose current head is interior minister **Hamed Bakayoko**.<sup>24</sup> Masonic Lodges in **West** and **Central Africa** contain many elite members from both the political and business spheres. Achi reportedly also has close ties to the likes of **Martin Bouygues**, CEO of French industrial group **Bouygues S.A**, after he helped secure the company's involvement in both the **Henri-Konan Bédié (HKB)** bridge project and the scheduled \$1.1 billion above-ground metro system in the capital **Abidjan**.<sup>25</sup> Bouygues is a highly influential businessperson on the **African** continent, often referred to as an archetype of so-called '*Francafrique*' neo-colonialism. Furthermore, Achi reportedly was a key player in facilitating the deal for US-based **General Electric (GE)** and **South Korea-based Hyundai Engineering and Construction** to expand the **Azito** power plant by 138MW in 2011.<sup>26</sup>

The dynamic between the presidency and ministers is less clear following Toungara's appointment. Toungara could potentially – due to his proximity to Ouattara – undermine Tanoh and Brou's authority. There may also be a power struggle between Toungara and Achi at the presidency. Creating a new position at the presidency, that contains responsibilities included within ministerial portfolios, raises questions about the level of autonomy in decision-making that ministers have.

### CCC maintains cocoa producer price in spite of market pressures

The **Conseil Café-Cacao (CCC)** (coffee and cocoa board) on 2 February stated that it would not decrease cocoa producer prices for the current campaign, despite a drop in international market prices.<sup>27</sup> The announcement raises significant concerns about the CCC's ability to uphold its price of Côte d'Ivoire's single largest export. Cocoa prices, at

daily price rates, have decreased from two-year peaks of \$3,360 per tonne in November 2015, to below \$3,000 per tonne in September 2016, to \$2,074 at the time of writing.<sup>28</sup> The daily price rate has dropped 28% since September 2016, after dropping only 1.2% between February and September 2016.<sup>29</sup> Cocoa is also trading at its lowest level in two years at the **Intercontinental Exchange (ICE)** in **New York (US)** and in **London (United Kingdom (UK))**.<sup>30</sup> The CCC's managing director, **Massandjé Touré-Litsé**, claimed that rumours of a price increase were unfounded, and will not change its FCFA 1,100 (\$1.77) per kilo producer price (also known as the "*bord champ*" or farmgate price) – i.e. the price paid to growers.<sup>31</sup> Touré-Litsé had in September announced a 10% increase in the price for the 2016-2017 season, aiming for record production levels.<sup>32</sup> Some viewed this as a politically motivated decision, in view of

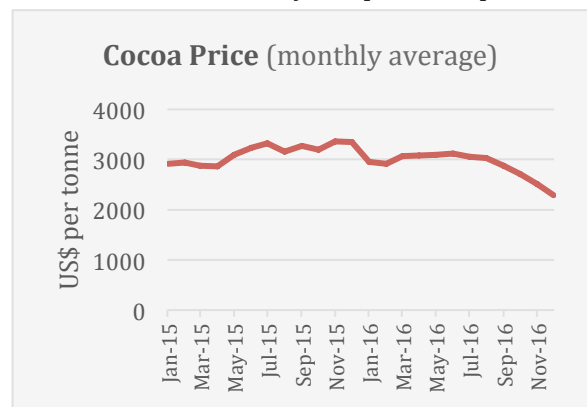


Figure 1: [www.icco.org](http://www.icco.org)

<sup>22</sup> [www.connectionivoirienne.ci](http://www.connectionivoirienne.ci)

<sup>23</sup> [www.cei-ci.org](http://www.cei-ci.org)

<sup>24</sup> [www.connectionivoirienne.ci](http://www.connectionivoirienne.ci)

<sup>25</sup> Multiple sources: *Jeune Afrique*, 30 Aug 2016; *Oeil d'Afrique*, 31 Mar 2015.

<sup>26</sup> [www.abidjan.net](http://www.abidjan.net)

<sup>27</sup> RTI, 2 Feb 2017.

<sup>28</sup> [www.icco.org](http://www.icco.org)

<sup>29</sup> [www.icco.org](http://www.icco.org)

<sup>30</sup> [www.theice.com](http://www.theice.com)

<sup>31</sup> RTI, 2 Feb 2017.

<sup>32</sup> [Abidjan.net](http://Abidjan.net), 28 Sept 2016.

the then imminent constitutional referendum and legislative elections, in October and December respectively,

*“The CCC announcing a price increase is possibly the easiest way for Ouattara to strengthen support for his government. We saw the same in Ghana in the lead up to the presidential election in December. But I have my reservations about the CCC’s ability to pay for this.”<sup>33</sup>*

The CCC’s political considerations are not entirely surprising, seeing the weight of cocoa’s contribution to the economy. Furthermore, Touré-Litsé has a credible political profile – she is the daughter of education minister under Bédié, **Saliou Touré**, and former adviser to parliamentary president and former **Forces Nouvelles (FN)** leader **Guillaume Soro**.<sup>34</sup>

The CCC claims that over 80% of total cocoa exports are sold in an auction bidding process, relative to international futures prices.<sup>35</sup> The CCC, as per its order **2011-481**, must guarantee payment of the difference in domestic cocoa producer price and international market prices, by means of its reserve fund.<sup>36</sup> The order also introduced the auction system, where exporters bid on rights to export a specific amount of cocoa during a certain time period.<sup>37</sup> The reserve fund currently contains approximately FCFA 120 billion (\$193.3m), and is under **Banque Centrale des États de l’Afrique de l’Ouest (BCEAO)** (Central Bank of West African States) management.<sup>38</sup> Sources believe this figure is questionable,

*“The CCC simply doesn’t have the money to pay. Why else would it delay compensation payments for so long? They have been slow to respond to this problem, which has kept on growing in recent months. They never communicate anything, and when they do, it tends to be false.”<sup>39</sup>*

### ... as local exporters default on futures contracts

Since the drop in international cocoa prices, some exporters have been unable to pay for contracts with local producers.<sup>40</sup> Exporters claim that banks are denying them additional credit, which forces them to renege on their initial contracts, which would result in losses.<sup>41</sup> This is the first such occurrence since 2012, demonstrating the size of the current gap between domestic producer prices and international market prices.<sup>42</sup> The extent of contract defaults is not clear, as the CCC continues to refuse to publish accurate figures.<sup>43</sup> However, the CCC has adopted a firm stance against these exporters, claiming it will demand financial compensation and suspend their buying rights for the 2017-2018 season.<sup>44</sup> The **Groupement d’Intérêt Economique des Petites et Moyennes Industries et des Coopératives Exportatrices de Café-Cacao (Gie-Pmiex-Coopex)** (industrial SME and coffee-cocoa exporter cooperative grouping) said that it had defaulted on at least 80,000 tonnes.<sup>45</sup> Others claim the total volume of defaulted cocoa contracts could exceed as much as 300,000 or 400,000 tonnes.<sup>46</sup>

Due to this failure to pay contracts, producers have also faced bottlenecks at warehouse facilities in the interior of the country, as blockages accumulate outside the country’s main ports – Abidjan and

<sup>33</sup> Source, analyst, Abidjan

<sup>34</sup> Jeune Afrique, 10 Oct 2016.

<sup>35</sup> Jeune Afrique, 6 Feb 2017.

<sup>36</sup> Multiple sources: Libre Afrique, 26 Jan 2017; Jeune Afrique, 6 Feb 2017.

<sup>37</sup> Multiple sources: Libre Afrique, 26 Jan 2017; Jeune Afrique, 6 Feb 2017.

<sup>38</sup> Jeune Afrique, 6 Feb 2017.

<sup>39</sup> Source, journalist, Abidjan.

<sup>40</sup> Agence Ecofin, 8 Feb 2017.

<sup>41</sup> Agence Ecofin, 8 Feb 2017.

<sup>42</sup> Agence Ecofin, 8 Feb 2017.

<sup>43</sup> Multiple sources: Reuters, 6 Feb 2017; Reuters, 14 Feb 2017.

<sup>44</sup> Agence Ecofin, 8 Feb 2017.

<sup>45</sup> Agence Ecofin, 30 Jan 2017.

<sup>46</sup> Multiple sources: Le Monde, 16 Feb 2017; Reuters, 6 Feb 2017.

**San-Pédro (San-Pédro Region, Bas-Sassandra District).**<sup>47</sup> This has led to beans rotting in plantations, as producers are unable to get their produce to warehouses or even sell their produce, as cooperatives and merchants refuse to purchase beans.<sup>48</sup> Producers are then unable to reinvest for the next planting season. Other exporters doubt the CCC's ability to pay the difference in the domestic price and international prices.<sup>49</sup> As a result, some exporters pay producers less than the guaranteed price of \$1.77, sometimes dropping as low as 70% of the supposedly mandatory price.<sup>50</sup>

Exporters have demanded that the CCC publish the full figures of defaulted contracts, to give more clarity about the scale of the problem and speculative concerns, which are also affecting world market prices.<sup>51</sup> The exporters are also calling for a review of the auctioning process, which puts them in a difficult position when unable to meet the domestic producer price.<sup>52</sup>

### ... and unions begin industrial action

Major agriculture unions – the **Syndicat National Agricole pour le Progrès en Côte d'Ivoire (SYNAP-CI)** and **Coordination Nationale des Planteurs de Côte d'Ivoire (CNPCI)** – began an indefinite strike on 15 February.<sup>53</sup> The unions claimed they would maintain the strike until the CCC addresses the bottlenecks at both warehouse and port levels.<sup>54</sup> The unions also threatened to close all their CCC-affiliated regional delegations in the country.<sup>55</sup> On 17 February, a SYNAP-CI spokesman announced that it would suspend the strike in order to give the ongoing discussions with government and the CCC a chance.<sup>56</sup> However, SYNAP-CI president **Moussa Koné** appeared to contradict this statement on 18 February, claiming that the union would close all of its CCC-affiliated delegations by 19 February,

*"We are not concerned with this order to suspend the strike as no-one is buying our products. Today, those that buy our produce are proposing FCFA 600 (\$1.00), while the government fixes the minimum price at FCFA 1,100 (\$1.77)... This is the problem and we cannot allow ourselves to lift this strike."<sup>57</sup>*

The strike action is threatening to worsen the current crisis in Côte d'Ivoire's cocoa sector and discredits the reputation of the CCC. International markets are reacting badly to developments in the country, while the opacity of the CCC's communication raises significant doubts about the effectiveness of the government's operation of the sector. Although the 2012 auction pricing reform sought to bolster the foresight and power of individual producers, it has unwittingly imposed immense pressure on exporters, which can be forced to default on contracts in the case of large disparity in international market prices and domestic producer prices. The CCC's reserve fund appears an unsustainable measure, while the CCC's defiance in refusing to lower domestic prices is undoubtedly the main cause for this situation. It appears unlikely, bar in case of a force majeure, that the CCC will announce a price drop before the beginning of the mid-season crop in April. State-level control of cocoa prices is a powerful political tool, which the government would only reluctantly renounce. Nevertheless, it is clear that market forces are overriding the government's efforts to maintain its producer price, as merchant and exporters regularly undercut this price. Considering this, partial liberalisation of the sector is possible, but continues to appear unlikely, especially in light of the government and the CCC's reaction to recent events.

<sup>47</sup> AIP, 25 Jan 2017.

<sup>48</sup> Reuters, 10 Feb 2017.

<sup>49</sup> Koaci, 8 Feb 2017.

<sup>50</sup> Reuters, 27 Jan 2017.

<sup>51</sup> Reuters, 14 Feb 2017.

<sup>52</sup> Reuters, 14 Feb 2017.

<sup>53</sup> VOA, 17 Feb 2017.

<sup>54</sup> Multiple sources: Koaci, 8 Feb 2017; VOA, 17 Feb 2017.

<sup>55</sup> Multiple sources: Koaci, 8 Feb 2017; VOA, 17 Feb 2017.

<sup>56</sup> AIP, 17 Feb 2017.

<sup>57</sup> AIP, 18 Feb 2017.

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