

## AFRICA RISK CONSULTING

### Côte d'Ivoire Briefing August 2017

#### Côte d'Ivoire Summary 28 August 2017

*The prime minister, Amadou Gon Coulibaly, announces the removal of Massandjé Touré-Litsé as director general of the Conseil Café-Cacao (CCC) (coffee and cocoa board), and appoints Yves Kone. The government sells its 51.6% stake in state-owned Banque de l'Habitat de Côte d'Ivoire SA (BHCI) to Canada-based WestBridge Mortgage REIT for an unspecified amount, as part of a broader privatisation policy. France's President Emmanuel Macron (2017-present) appoints Gilles Huberson ambassador to Côte d'Ivoire, replacing the retiring Georges Serre.*

#### Gon Coulibaly replaces CCC director general

Prime minister **Amadou Gon Coulibaly** announced on 1 August the removal of **Massandjé Touré-Litsé** as director general of the **Conseil Café-Cacao (CCC)** (coffee and cocoa board).<sup>1</sup> Touré-Litsé's removal is predominantly due to cocoa contract defaults because of an unsustainable farmgate price. However, it appears that Touré-Litsé's removal is also political. Coulibaly replaced Touré-Litsé with **Yves Kone**, a former vice president of the **Comité de Gestion de la Filière Café-Cacao (CGFCCC)** (coffee and cocoa sector management committee).<sup>2</sup> Kone served as deputy director general of the CCC until 2012, alongside Touré-Litsé, however their relationship reportedly deteriorated, leading to his exit.<sup>3</sup> Touré-Litsé's sacking followed the delivery of a **KPMG** audit of the CCC to the presidency, which reportedly revealed debt to the CCC from non-executed contracts totalling FCFA 65 billion (\$118.2m).<sup>4</sup>

Touré-Litsé's sacking is political, and perhaps also has ethnic undertones. Touré-Litsé was in good standing with the ruling **Rassemblement Houphouëtistes pour la Démocratie et la Paix (RHDP)** coalition, composed of President **Alassane Dramane Ouattara's** (2011-present) **Rassemblement des Républicains (RDR)**, the **Parti Démocratique de Côte d'Ivoire (PDCI)**, and several other minor parties. Touré-Litsé is the daughter of the education minister under PDCI President **Henri Konan Bédié** (1993-1999), **Saliou Touré**, and former adviser to parliamentary president and former **Forces Nouvelles (FN)** leader **Guillaume Soro**.<sup>5</sup> However, since a cabinet reshuffle in July, a growing number of RDR members are replacing PDCI office holders, raising doubts as to the longevity of the RHDP (see *ARC Briefing Côte d'Ivoire 2017*).

Kone's appointment follows this trend. Kone is reportedly closest to Coulibaly and was an RDR member of parliament (MP) from 2012 to 2016 in **Sinématiali** constituency (**Poro Region, Savanes District** – an RDR stronghold region).<sup>6</sup> Kone, as an early and prominent benefactor of the RDR, reportedly met Ouattara and his brother **Ibrahim Ouattara** on several occasions.<sup>7</sup> Kone became an active campaigner for Ouattara in the lead-up to the 2010 presidential election, pushing the then aspiring presidential candidate's cocoa policy proposals.<sup>8</sup> Kone also has longstanding experience in government and state-owned bodies. Kone served as chair of the state-owned **Société des**

<sup>1</sup> Reuters, 1 Aug 2017.

<sup>2</sup> Jeune Afrique, 2 Aug 2017.

<sup>3</sup> Jeune Afrique, 2 Aug 2017.

<sup>4</sup> Jeune Afrique, 2 Aug 2017.

<sup>5</sup> Jeune Afrique, 10 Oct 2016.

<sup>6</sup> Multiple sources: Jeune Afrique, 2 Aug 2017; Jeune Afrique, 18 Aug 2017.

<sup>7</sup> Jeune Afrique, 18 Aug 2017.

<sup>8</sup> Jeune Afrique, 18 Aug 2017.

**Transports Abidjanais (SOTRA)** (Abidjan transport company) in the early 2000s, as well as chair of the **Commission des Affaires Économiques et Financières (CAEF)** (financial and economic affairs parliamentary committee) until he lost his seat in parliament in December.<sup>9</sup> One commentator believes that the sacking was not politically motivated but the appointment was:

*“The sacking of Touré-Litsé is not a political decision, because there was evidence of misappropriation in [the CCC]. The government and especially the RDR do not want to expose [Touré-Litsé] because of her father, who is indeed of the PDCI, but remains a son of the north... The [RDR] could need him yet. You never know. However, Kone’s appointment is political. Today the RDR is getting ready for the 2020 presidential elections. They want to control all sectors that could help finance their adversaries.”<sup>10</sup>*

RDR supporters claim this may be a move by Coulibaly, who is close to Kone, to position himself to succeed Ouattara,

*“This is a manoeuvre from Coulibaly to better control power. Kone is Coulibaly’s man. He is getting ready for 2020 in case Ouattara’s third mandate does not come to fruition.”<sup>11</sup>*

In addition to the political ties between Kone and Ouattara, local media have described Kone’s appointment as “*ethnic rebalancing, which privileges ethnic adherence over competence*”, installing a northern Muslim RDR replacement for a southern Christian PDCI member.<sup>12</sup> Such claims are, however, difficult to prove.

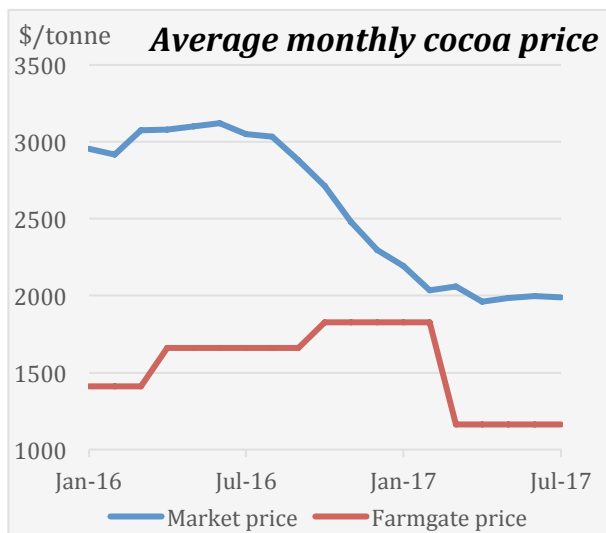


Figure 1: [www.conseilcafecacao.ci](http://www.conseilcafecacao.ci); [www.icco.org](http://www.icco.org)

Questions remain about why Coulibaly did not remove Touré-Litsé earlier, irrespective of the outcome of the KPMG audit. Touré-Litsé had made a series of heavily criticised farmgate price policy decisions, after increasing the farmgate price by 10% in October 2016, only to announce a 36% decrease in farmgate prices in March (see *ARC Briefing Côte d’Ivoire 2017*). The farmgate price is a mandatory minimum price paid to producers, the vast majority of whom are small-scale in Côte d’Ivoire. In reality, however, many merchant traders and exporters often do not respect the farmgate price. The CCC can change the price twice a year – at the beginning of the cocoa season in October, and in March/April, halfway through the season.<sup>13</sup> Touré-Litsé’s farmgate price policy decision in October 2016 appeared to pre-empt a resurgence in world cocoa prices, although the opposite of this occurred (see *Figure 1*). Exporters shadowed Touré-Litsé’s faith in a resurgence in the market, but were forced to default on forward cocoa contracts after the market price dropped 28% between September and February.<sup>14</sup> Estimates of the total volume of defaulted cocoa contracts range between 300,000 and 400,000 tonnes.<sup>15</sup> The CCC, as per its own **Order 2011-481**, must guarantee payment of the difference in domestic cocoa producer price and international market prices from its reserve fund.<sup>16</sup> However, many of these defaults were unpaid. Commentators viewed the October decision to increase the farmgate price as a

<sup>9</sup> Multiple sources: Notre Voie, 21 Jun 2001; [www.assnat.ci](http://www.assnat.ci).

<sup>10</sup> Source, political commentator, Abidjan

<sup>11</sup> Source, RDR supporter, Abidjan

<sup>12</sup> Ivoire Business, 5 Aug 2017.

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

<sup>14</sup> [www.icco.org](http://www.icco.org)

<sup>15</sup> Multiple sources: Le Monde, 16 Feb 2017; Reuters, 6 Feb 2017.

<sup>16</sup> Multiple sources: Libre Afrique, 26 Jan 2017; Jeune Afrique, 6 Feb 2017.

politically motivated and risky decision, ahead of the 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>17</sup>*

The default of cocoa contracts on such a scale was the first occurrence since 2012, demonstrating the tightness of the gap between farmgate and market prices in March (see *Figure 1*).<sup>18</sup> Although the finances of the CCC will be much more tightly managed following the default of those cocoa contracts, Kone inherits a more stable environment from Touré-Litsé. Prices have flattened since the signature of the ‘**Abidjan Accord**’ between the CCC and the **Ghana Cocoa Board (Cocobod)**, and the relocation of the **International Cocoa Organization’s (ICCO)** headquarters to Abidjan in April (see *ARC Briefing April 2017*).<sup>19</sup> It appears that one reason for the delay in Kone’s appointment was to contain market price uncertainty.

Kone will be expected, following Touré-Litsé’s tumultuous exit, to stabilise the sector and address concerns about bad management at the CCC. The CCC will announce the next farmgate price change in October, at the beginning of the 2017/2018 production season. Until then, Kone will have time to prepare and implement his strategy for the coming season. Cocoa continues to represent over 15% of the national gross domestic product (GDP) and 50% of total exports<sup>20</sup>, and therefore it is likely that Coulibaly will keep a close eye on management of the sector to achieve his economic plan. Having a close RDR member in Kone at the helm may increase the risk of political interference at the CCC.

### Government sells off stake in BHCI bank

The government announced on 2 August the sale of its 51.6% stake in state-owned **Banque de l’Habitat de Côte d’Ivoire SA (BHCI)** to Canada-based **WestBridge Mortgage REIT** for an unspecified amount, following a public tender to 21 bidders.<sup>21</sup> The decision follows a longstanding ambition of the ruling Ouattara administration to privatise state-owned assets it views as burdensome and uncompetitive. The Tunisia-based **Banque de l’Habitat** was shortlisted together with WestBridge as the frontrunner to acquire BHCI; financial advisory group **Rothschild & Co** advised the government to select WestBridge over the Banque de l’Habitat.<sup>22</sup> Although the amount of the transaction is unknown, it appears that WestBridge’s successful offer depended on their commitment to inject FCFA 3.5 billion (\$6.39m) to recapitalise BHCI, so as to meet the **Banque Centrale des États de l’Afrique de l’Ouest’s (BCEAO)** (West African central bank) minimum capital requirement of FCFA 10 billion (\$18.26m).<sup>23</sup> Before WestBridge’s acquisition of BHCI, the most recent corporate records, from 2014, revealed BHCI held as little as FCFA 6.78 billion (\$12.38m) in capital, while registering a FCFA 4.3 billion (\$7.85m) loss.<sup>24</sup> BHCI today has less than a 2% market share.<sup>25</sup>

Ahead of the BHCI sale, the **World Bank** released a report in July stating that the government would privatise both BHCI and wholly state-owned **Versus Bank** by the end of 2017.<sup>26</sup> Therefore, it appears likely that the World Bank has played a significant role in pushing the government’s policy direction. The government has already privatised or divested several assets in the banking sector. In April 2016, the government decreased its stake in the **Société Ivoirienne de Banque (SIB)**, subsidiary of

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

<sup>18</sup> Agence Ecofin, 8 Feb 2017.

<sup>19</sup> Notre Voie, 13 Apr 2017.

<sup>20</sup> www.worldbank.org

<sup>21</sup> Jeune Afrique, 3 Aug 2017.

<sup>22</sup> APA, 24 Aug 2017.

<sup>23</sup> Jeune Afrique, 3 Aug 2017.

<sup>24</sup> www.primature.ci

<sup>25</sup> www.primature.ci

<sup>26</sup> La Tribune, 2 Aug 2017.

**Morocco-based Attijariwafa Bank**, from 10% to 5%.<sup>27</sup> A couple of months later, the government also sold its 10% stake in **NSIA Banque Côte d'Ivoire**.<sup>28</sup> The possible privatisation of other state-owned banks such as the **Banque Nationale d'Investissement (BNI)** and the **Caisse Nationale des Caisses d'Épargne (CNCE)** is the subject of significant speculation.<sup>29</sup> However, it appears that the government will focus on restructuring these banks in the medium term, even though the CNCE has been under provisional administration since June 2015 and the government has over the past two years given both BNI and CNCE significant capital injections to keep them buoyant.<sup>30</sup> According to a local source familiar with the matter,

*"Despite the constant pressure from regional and international financial institutions on Ivorian authorities to accept the principle of privatisation, the sale of the BNI is not on the agenda. Coulibaly wants to make the BNI the state bank."*<sup>31</sup>

BHCI operates in the most competitive market environment in Francophone **West Africa** – 28 banks currently operate in the Ivorian banking sector, compared to 25 in **Senegal** and 16 in **Benin**.<sup>32</sup> Taking account of this environment, where many leading French, Moroccan, **British** and pan-African multinational banks have subsidiaries – such as **Société Générale**, **BNP Paribas**, **Bank of Africa**, **Ecobank** and **Standard Chartered** – WestBridge appears likely to seek to limit itself to BHCI's area of expertise: real estate related borrowing solutions.<sup>33</sup> WestBridge is itself a specialist in this field in Canada, although is a brokers-only non-bank lender, with a focus on real estate and construction loans upwards of 2.5m Canadian dollars (CAD) (\$2m).<sup>34</sup>

BHCI is recovering from financial difficulties and will require continued investment and restructuring from WestBridge to become a competitive force in the Ivorian banking sector. The environment is such that BHCI will struggle to compete with the larger institutions. However, a feasible target will be to strengthen its position as the specialist lender for the real estate market segment.

### France appoints a new security focused ambassador

France's President **Emmanuel Macron** (2017-present) on 25 July appointed **Gilles Huberson** as the new ambassador to Côte d'Ivoire, replacing the retiring **Georges Serre**.<sup>35</sup> The appointment of Huberson appears to confirm the shift in French foreign policy in West Africa, placing the mitigation of militant and other security threats above economic ties. It would appear that, despite a low security threat in Côte d'Ivoire relative to several other countries in the region such as **Mali** or **Burkina Faso**, Huberson's background suggests he will seek to address security risk escalation and militancy as a matter of priority. Huberson is a former police and military officer, with training from the elite **École Spéciale Militaire de Saint-Cyr** military academy in **Guer** (France).<sup>36</sup> Huberson consequently worked as security adviser on two occasions at the French foreign ministry, before heading the French inter-ministerial mission in the **Sahel**.<sup>37</sup> Huberson later entered the diplomatic service, serving as ambassador to Mali from 2013 to 2016, and ambassador to **Mauritius** from September 2016.<sup>38</sup> In contrast, Serre was a specialist in international development, politics and African sociology, serving under former French foreign minister **Hubert Védrine** as Africa technical adviser.<sup>39</sup> Furthermore, Serre was head of the Africa mission at the French presidency for the final term of

<sup>27</sup> APA, 28 Apr 2016

<sup>28</sup> Reuters, 3 Jun 2016.

<sup>29</sup> Financial Afrik, 26 Apr 2017.

<sup>30</sup> Multiple sources: Financial Afrik, 26 Apr 2017; Jeune Afrique, 17 Mar 2016.

<sup>31</sup> Source, journalist, Abidjan

<sup>32</sup> www.bceao.int

<sup>33</sup> www.bceao.int

<sup>34</sup> www.westbridgecredit.com

<sup>35</sup> Jeune Afrique, 25 Jul 2017.

<sup>36</sup> Jeune Afrique, 25 Jul 2017.

<sup>37</sup> Jeune Afrique, 25 Jul 2017.

<sup>38</sup> www.ambafrance.org

<sup>39</sup> www.ambafrance.org

President **François Mitterrand** (1981-1995).<sup>40</sup> Serre also served as ambassador to the **Democratic Republic of the Congo (DRC)** and **Cameroon**.<sup>41</sup>

Although militancy remains the primary concern for the French foreign service, tensions in the lead-up to the 2020 elections will be another priority, as one commentator states,

*“France invested a lot in Côte d’Ivoire with Ouattara’s accession to power. The new ambassador is a man who served in Mali with the increase of Jihadism in that country. He is a man who works in the field. He comes with a clear mission: the coming elections will not be easy. You are coming to defend the interests of France and of French investors in Côte d’Ivoire.”<sup>42</sup>*

An opposition supporter backs this interpretation of Huberson’s appointment,

*“Huberson’s appointment is not accidental, especially when we look at the geopolitical position of Côte d’Ivoire in France’s foreign policy. Macron names a top police officer to come and defend France’s interests, because he knows that the socio-political situation is not glittering. And to this you add the threat of the 2020 presidential elections...”<sup>43</sup>*

France’s priorities in its new diplomatic appointment are unambiguous – the mitigation of security threats, including militancy and political tension, will be the focus of Huberson’s mandate. The 2010-2011 post-electoral crisis will be fresh in the French business community’s memory, and Huberson will seek to wield all of France’s political and economic influence to avoid a repeat.

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<sup>40</sup> [www.ambafrance.org](http://www.ambafrance.org)

<sup>41</sup> [www.ambafrance.org](http://www.ambafrance.org)

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

<sup>43</sup> Source, FPI supporter, Abidjan

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