

## AFRICA RISK CONSULTING

### Côte d'Ivoire Briefing November 2018

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#### Côte d'Ivoire Summary 9 November 2018

*The ruling Rassemblement des Houphouëtistes pour la Démocratie et la Paix (RHDP) coalition emerges victorious in the 13 October regional and municipal elections, obtaining 46% of votes cast. Côte d'Ivoire improves by 17 places in the World Bank Doing Business 2019 rankings, moving from 139 to 122. Hong Kong-based Prime Group's potential takeover of liquidated cocoa exporter SAF Cacao fails to materialise.*

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#### RHDP emerges victorious in regional and municipal elections

The **Commission Electorale Indépendante (CEI)** (independent electoral commission) proclaimed the results on 16 October of the municipal and regional elections that took place in **Côte d'Ivoire** on 13 October. The ruling presidential **Rassemblement des Houphouëtistes pour la Démocratie et la Paix (RHDP)** coalition emerged victorious in 18 out of 31 regional councils as well as 89 out of 201 local councils.<sup>1</sup> However, with 46% of votes obtained, the RHDP did not gain an absolute majority.<sup>2</sup> The RHDP registered key victories in 13 districts of **Abidjan** (including **Abobo, Koumassi, Treichville** and **Yopougon**), **Bouake, Korhogo** and **San Pedro**.<sup>3</sup> The opposition **Parti Démocratique de Côte d'Ivoire (PDCI)** won 50 local and 6 regional councils, obtaining 26% of votes.<sup>4</sup> The PDCI maintained control of the administrative capital, **Yamoussoukro**, and won tough contests in the strategic Abidjan districts of **Cocody, Macory** and **Plateau**.<sup>5</sup> Independent candidates received 28% of votes, making them the second largest political force in Côte d'Ivoire.<sup>6</sup> Independents won 56 local and 3 regional councils. Former national football team captain **Bonaventure Kalou** ran as an independent and was elected mayor of **Vavoua**.<sup>7</sup> The **Front Populaire Ivoirien (FPI)**, led by **Pascal Affi Nguessan** won the regional council of **Moronou**, which Nguessan will head.<sup>8</sup>

The election marked the first time since 2011 the PDCI and RHDP have contested elections against each other.<sup>9</sup> The PDCI officially withdrew from the RHDP coalition at the PDCI political bureau meeting on 24 September (see *ARC Briefing Cote d'Ivoire October 2018*).<sup>10</sup> At the same time, the PDCI confirmed it would participate in the forthcoming elections, despite misgivings about the impartiality of the CEI.<sup>11</sup>

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<sup>1</sup> Jeune Afrique, 17 Oct 2018

<sup>2</sup> Jeune Afrique, 17 Oct 2018

<sup>3</sup> RFI, 15 Oct 2018

<sup>4</sup> Jeune Afrique, 17 Oct 2018

<sup>5</sup> RFI, 15 Oct 2018

<sup>6</sup> RFI, 16 Oct 2018

<sup>7</sup> FratMat.info, 16 Oct 2018

<sup>8</sup> Jeune Afrique, 17 Oct 2018

<sup>9</sup> RFI, 13 Oct 2018

<sup>10</sup> FratMat.info, 24 Sep 2018

<sup>11</sup> FratMat.info, 24 Sep 2018

The RHDP went into the election as the favourite on the basis of its strong national presence and status as the presidential party.<sup>12</sup> Divisions among PDCI members with regard to maintaining the alliance with the RHDP helped to bolster the RHDP's political advantage.<sup>13</sup> The RHDP had the most registered candidates, totalling 180, while the PDCI had 100 for the two electoral contests.<sup>14</sup> The moderate faction of the FPI presented 12 candidature lists for the municipal elections and one regional list, which FPI leader Pascal Affi Nguessan headed.<sup>15</sup> However, the 389 independents comprised the largest contingent of candidates.<sup>16</sup> Independent candidates included **Tehfour Kone**, who was endorsed by national assembly president and **Rassemblement des Républicains** (RDR) vice president **Guillaume Soro**.<sup>17</sup> Kone faced defence minister **Hamed Bakayoko** for control of the Abidjan district of Abobo.<sup>18</sup>

Despite security measures to ensure the safety of voters and electoral officials, five people died as a result of election-related violence.<sup>19</sup> Authorities had deployed 30,000 police officers, gendarmes and soldiers across the country, particularly to politically volatile places such as **Didevi, Divo, Lakota** and many parts of Abidjan.<sup>20</sup>

CEI president **Youssef Bakayoko** praised the "*exemplary spirit of fair play*" which was demonstrated throughout election.<sup>21</sup> However, both the opposition and the presidential majority have made numerous allegations of fraud since the announcement of results. At the PDCI extraordinary congress on 16 October, PDCI leader and former president **Henri Konan Bédié** (1993-1999) accused President **Alassane Ouattara** (2010-present) of trying to influence the CEI to provide the RHDP with favourable results.<sup>22</sup> PDCI lawyer **Emile Suy Bi** claimed the CEI was responsible for vote rigging.<sup>23</sup> Communications minister **Sidi Toure** denied that any manipulation took place.<sup>24</sup> RHDP candidate **Jean-Louis Moulot** disputed the result in **Grand Bassam** where incumbent PDCI mayor **Georges Ezaley** was declared the winner.<sup>25</sup> As a result, protests and violence broke out between supporters of both candidates.<sup>26</sup> The RHDP candidate for Plateau district, prominent businessman **Fabrice Sawegon**, accused his PDCI counterpart, **Jacques Ehouo**, of vote buying on election day.<sup>27</sup> Ehouo's spokesperson, **Marius Comoe**, refuted the allegation.<sup>28</sup> RDR spokesperson **Mamadou Toure** claims the PDCI is showing bad faith and being a bad loser.<sup>29</sup> Touré stated that the RHDP had proof of PDCI vote manipulation in **Port Bouet**, a suburb of Abidjan, but decided to take the matter to court rather than to the media and the streets.<sup>30</sup>

<sup>12</sup> Jeune Afrique, 9 Oct 2018

<sup>13</sup> RFI, 13 Oct 2018

<sup>14</sup> RFI, 16 Oct 2018

<sup>15</sup> RFI, 13 Oct 2018

<sup>16</sup> RFI, 16 Oct 2018

<sup>17</sup> RFI, 13 Oct 2018

<sup>18</sup> RFI, 13 Oct 2018

<sup>19</sup> Koaci.com, 17 Oct 2018

<sup>20</sup> RFI, 13 Oct 2018

<sup>21</sup> RFI, 16 Oct 2018

<sup>22</sup> L'Intelligent d'Abidjan, 22 Oct 2018

<sup>23</sup> RFI, 18 Oct 2018

<sup>24</sup> Koaci.com, 17 Oct 2018

<sup>25</sup> RFI, 30 Oct 2018

<sup>26</sup> RFI, 30 Oct 2018

<sup>27</sup> RFI, 13 Oct 2018

<sup>28</sup> RFI, 13 Oct 2018

<sup>29</sup> RFI, 18 Oct 2018

<sup>30</sup> RFI, 18 Oct 2018

In the wake of these accusations and counter-accusations, 102 appeals in relation to electoral results have been lodged at the administrative bench of the **Supreme Court**.<sup>31</sup> The majority of appeals are related to results in Grand Bassam, Port Bouet and the region of **Guemon** where elections results were cancelled and an election re-run will have to take place within 30 days.<sup>32</sup>

The regional and municipal elections complete the electoral cycle that began with the 2015 presidential race, followed by the October 2016 constitutional referendum and legislative elections, and the March 2018 senatorial election.<sup>33</sup> Ivorian political parties and figures will now turn their attention towards the 2020 presidential elections. While the RHDP maintained its dominance, the failure to obtain an absolute majority, despite the PDCI's internal divisions, will prove worrisome to party leaders.

There may also be a loss of support within the party when President Ouattara names his successor. Prime minister **Amadou Gon Coulibaly** and defence minister **Hamed Bakayoko** appear to be the frontrunners. However, Guillaume Soro also harbours presidential ambitions and is likely to withdraw from the RHDP if he is not selected as the coalition's candidate. Such a scenario would favour the PDCI, which in the past has been keen to form alliances with parties and individuals they have been at loggerheads with. Nonetheless, the PDCI needs to solve its internal issues or risk losing high profile members and the credibility it possesses to the RDHP. The PDCI appears to be the party that will be at the forefront of pushing for reform of the CEI in anticipation of participating in a presidential election for the first time since 2010.

The biggest surprise of the election is the growing influence of independent candidates. Independents had an impressive participation during the senatorial elections in March. They have replicated their March performance and have the ability to influence the Ivorian political landscape as demonstrated by the decision of 24 victorious independent candidates to pledge allegiance to the RHDP. The RHDP has denied allegations that it offered independents 100m FCFA (\$172,000) to pledge allegiance to the party.<sup>34</sup> Finally, the poor showing of the FPI, which managed to win only one regional council, is indicative of the party's demise. However, it is a victory for the radical wing of the FPI, which has boycotted all electoral proceedings since 2013.

### **Côte d'Ivoire improves 17 places in World Bank Doing Business rankings**

The **World Bank's 2019 Doing Business Report**, released on 31 October, shows that Côte d'Ivoire has improved its ranking by 17 places from 139 in 2018 to 122 in 2019.<sup>35</sup> The improved ranking is likely to increase Côte d'Ivoire's level of attractiveness to potential investors. The Doing Business Report assesses the business climate of all World Bank members. According to World Bank official **Santiago Croci Downes**, Côte d'Ivoire's improvement was due to the country's ability to adopt a wide variety of reforms.<sup>36</sup> These include the online declaration of taxes and Value Added Tax (VAT), which has simplified tax payments.<sup>37</sup> Côte d'Ivoire has also pursued reforms in the domains of facilitating access to

<sup>31</sup> Jeune Afrique, 26 Oct 2018

<sup>32</sup> Jeune Afrique, 26 Oct 2018

<sup>33</sup> Jeune Afrique, 28 Sep 2018

<sup>34</sup> RFI, 26 Oct 2018

<sup>35</sup> World Bank, 31 Oct 2018

<sup>36</sup> FratMat.info, 31 Oct 2018

<sup>37</sup> FratMat.info, 31 Oct 2018

credits, business registration, dealing with construction permits and contract execution.<sup>38</sup> As a result of these measures, the World Bank rated Cote d'Ivoire as the 8<sup>th</sup> best reformer for the 2019 Doing Business Rankings.<sup>39</sup> The World Bank also acknowledged Côte d'Ivoire as one of the top ten business climate reformers in 2014/15.<sup>40</sup>

Côte d'Ivoire performed exceptionally well in the domain of business registration, in which it now ranks 26<sup>th</sup> globally, as well access to credits, where it ranks 44<sup>th</sup>.<sup>41</sup> Prime minister Amadou Gon Coulibaly attributed the result to the application of reforms to the public-private dialogue that his government has been pursuing.<sup>42</sup> Côte d'Ivoire's improvement in the areas of business registration and access to credit may help to address the reduction in private sector-led growth that the World Bank reported in July (see *ARC Briefing Cote d'Ivoire August 2018*).<sup>43</sup> The World Bank's head of operations for Côte d'Ivoire, **Pierre Laporte**, expressed his satisfaction with Côte d'Ivoire's performance.<sup>44</sup> Côte d'Ivoire already has a positive medium-term outlook, and Ivorian authorities are likely to want to capitalise on their improving business climate for the benefit of their citizens.<sup>45</sup>

Côte d'Ivoire currently has the second best business climate amongst the **Economic Community of West African States (ECOWAS)** members.<sup>46</sup>

	2018 Ranking	2019 Ranking
<b>Burkina Faso</b>	148	151
<b>Cape Verde</b>	127	131
Côte d'Ivoire	139	122
<b>Ghana</b>	120	114
<b>Mali</b>	143	145
<b>Nigeria</b>	145	146
<b>Senegal</b>	140	141

There are areas in which Côte d'Ivoire can make improvements that will enable it to improve its economic standing. In the domain of trading across borders, Côte d'Ivoire ranks 162<sup>nd</sup>.<sup>47</sup> However, the establishment of the **SKBO Special Economic Zone (SEZ)** in May between Burkina Faso, Côte d'Ivoire and Mali, as well as recent commitments to foster better cooperation between Burkina Faso and Côte d'Ivoire, may remedy this shortcoming (see *ARC Briefing Cote d'Ivoire August 2018*). The establishment of the **African Continental and Free Trade Agreement** may also help Côte d'Ivoire to improve its ranking in this category.

<sup>38</sup> FratMat.info, 31 Oct 2018

<sup>39</sup> World Bank, 31 Oct 2018

<sup>40</sup> FratMat.info, 31 Oct 2018

<sup>41</sup> World Bank, 31 Oct 2018

<sup>42</sup> FratMat.info, 31 Oct 2018

<sup>43</sup> World Bank, 12 Jul 2018

<sup>44</sup> FratMat.info, 31 Oct 2018

<sup>45</sup> World Bank, 12 Jul 2018

<sup>46</sup> World Bank, 31 Oct 2018

<sup>47</sup> World Bank, 31 Oct 2018

## SAF Cacao takeover bid up in the air

A proposed deal to take over financially embattled and liquidated cocoa exporter **SAF Cacao** is in limbo, creating uncertainty amongst SAF Cacao's creditors as well as in the cocoa industry. SAF Cacao liquidator **Alain Guillemain** of Abidjan-based accounting and audit firm **Cabinet FIDECA** announced on 18 October that he had accepted a takeover bid from **Hong Kong-based Prime Group of Companies**.<sup>48</sup> This move would enable SAF Cacao to recommence activities in the wake of its liquidation. The Prime Group bid, funded by **Moroccan** capital, offered an initial payment of \$69m towards working capital and 130 billion FCFA (\$224m) for debt settlement.<sup>49</sup> Guillemain said Prime Group was to pay by 19 October in order to complete the transaction.<sup>50</sup> However, Prime Group failed to make the payment by the stipulated date.<sup>51</sup>

The **Tribunal de Première Instance de Sassandra** (Sassandra court of first instance) had ordered the liquidation of SAF Cacao (see *ARC Briefing Cote d'Ivoire September 2018*) on 18 July after the **Conseil Café-Cacao (CCC)** (coffee and cocoa council) claimed that SAF Cacao owed it \$127m.<sup>52</sup> Guillemain had received bids from Prime Group and Côte d'Ivoire-based **I dex**, whose owners are reportedly close to the proprietors of SAF Cacao.<sup>53</sup> Before the two bids were made, a consortium of banks that are SAF Cacao's creditors, turned down a \$142m bid by the CCC to buy SAF Cacao's assets. The lenders argued that the offer undervalued SAF Cacao's assets.<sup>54</sup>

Guillemain's acceptance of the Prime Group bid attracted criticism, particularly from banks which hold SAF Cacao's debt.<sup>55</sup> Prime Group is a relatively unknown investment fund established in April with no previous experience in cocoa export and distribution.<sup>56</sup> Their counterpart, I dex, appeared to present a good offer amounting to \$30m for working capital and \$224m towards debt servicing.<sup>57</sup> Because of the uncertainty surrounding the recovery of money owed to them by SAF Cacao, Ivorian banks have implemented stricter lending criteria, which has made it more difficult for firms across different domains of the economy to access credit.<sup>58</sup> For local cocoa industry players, this may make it difficult or impossible to honour sales contracts, as occurred during the 2016/17 cocoa season due to the drop in global prices.<sup>59</sup>

The liquidation of SAF Cacao has prevented the firm from pursuing activities in the cocoa industry. This has enabled multinational cocoa firms such as **Cargill**, **Barry Callebaut**, **Olam** and **Sucden** to buy the majority of cocoa produced since the beginning of the buying campaign on 1 October.<sup>60</sup> Currently, two local organisations, the **Collectif des Exportateurs Nationaux de Cacao (CENCC)** (collective of national cocoa exporters) and the **Groupement**

<sup>48</sup> Jeune Afrique, 21 Oct 2018

<sup>49</sup> Jeune Afrique, 21 Oct 2018

<sup>50</sup> Jeune Afrique, 21 Oct 2018

<sup>51</sup> Jeune Afrique, 9 Nov 2018

<sup>52</sup> Jeune Afrique, 9 Sep 2018

<sup>53</sup> Bloomberg, 18 Oct 2018

<sup>54</sup> Bloomberg, 1 Aug 2018

<sup>55</sup> Jeune Afrique, 21 Oct 2018

<sup>56</sup> Jeune Afrique, 21 Oct 2018

<sup>57</sup> Jeune Afrique, 21 Oct 2018

<sup>58</sup> Jeune Afrique, 21 Oct 2018

<sup>59</sup> Jeune Afrique, 29 Jun 2018

<sup>60</sup> Jeune Afrique, 9 Nov 2018

**des Négociants Ivoiriens (GNI)** (association of Ivorian merchants) are in negotiations with Ivorian banks to make their lending criteria less rigid.<sup>61</sup>

SAF Cacao was Côte d'Ivoire's 4<sup>th</sup> largest exporter of cocoa until its liquidation. At its peak, SAF Cacao purchased upwards of 150-200,000 tonnes of cocoa per year and employed over 3,000 people.<sup>62</sup> In 2016, it generated revenue of \$440m.<sup>63</sup> However, according to a **KPMG** audit, SAF Cacao was responsible for 22,425 metric tonnes in contract defaults from 2015-17.<sup>64</sup> SAF Cacao's liquidation has had severe consequences for Côte d'Ivoire, the most serious of which is the reluctance of banks to provide finance to local cocoa industry players. Since 2016/17, banks have not been able to collect \$360m in loans from cocoa producers.<sup>65</sup> The failure of the Prime Group takeover bid to materialise will only serve to increase banks' perception of cocoa industry players as a risky proposition, and make it more difficult for cocoa producers to get the credit they need to operate.

### Planner

July 2019: **Ouagadougou (Burkina Faso) Traité d'Amitié et de Cooperation (TAC)** conference;

2020 (**Côte d'Ivoire**) *Abidjan.net*. Scheduled presidential elections

### Chronology

31 Oct 2018 **Abidjan (Côte d'Ivoire)** *Government Communique*. President **Alassane Ouattara** meets **German** chancellor **Angela Merkel** at the **G20-Africa** conference;

30 Oct 2018 **Washington D.C (United States)** *World Bank*. Cote d'Ivoire improves its ranking on the **2019 Doing Business** rankings from 139 (2018) to 122 (2019);

23 Oct 2018 **Abidjan (Côte d'Ivoire)** *African Development Bank*. **African Development Bank** grants a \$370m loan to Ivorian government to carry out urban transport projects in Abidjan;

18 Oct 2018 **Abidjan (Côte d'Ivoire)** *Bloomberg*. **SAF Cacao** liquidator **Alain Guillemain** announces that he has accepted a takeover bid from **Hong Kong-based Prime Group of Companies** for control of SAF Cacao;

16 Oct 2018 **Abidjan (Côte d'Ivoire)** *RFI*. **Commission Electorale Indépendante (CEI)** reports presidential coalition **Rassemblement des Houphouétistes pour la Démocratie et la Paix (RHDP)** obtained 46% of votes during the municipal and regional elections;

15 Oct 2018 **Abidjan (Côte d'Ivoire)** *RFI*. The **Parti Démocratique de Côte d'Ivoire (PDCI)** hosts its 6<sup>th</sup> extraordinary congress

13 Oct 2018 **Abidjan (Côte d'Ivoire)** *RFI*. Côte d'Ivoire holds municipal and regional elections simultaneously;

<sup>61</sup> Jeune Afrique, 9 Nov 2018

<sup>62</sup> RFI, 6 Sep 2018

<sup>63</sup> RFI, 6 Sep 2018

<sup>64</sup> Bloomberg, 18 Oct 2018

<sup>65</sup> Reuters, 27 July 2018

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