

## AFRICA RISK CONSULTING

## Côte d'Ivoire Briefing October 2017

## Côte d'Ivoire Summary 22 October 2017

**The Conseil Café Cacao (CCC) (coffee and cocoa board) board maintains its farmgate price at FCFA 700 (\$1.26) per kilo. The Agence de Régulation des Télécommunications de Côte d'Ivoire (ARTCI) (telecommunications regulation agency) imposes a FCFA 5 billion (\$8.98m) fine on Côte d'Ivoire's three largest mobile network operators – Orange Côte d'Ivoire SA, MTN Côte d'Ivoire SA and Moov CI SA. France-based industrial conglomerates Thales SA and Alstom SA reportedly plan to enter the Abidjan metro project, in place of South Korea-based consortium investors Dongsan Engineering Co Ltd (9%) and Hyundai Rotem Co (33%).**

## CCC holds farmgate price

The decision of the **Conseil Café Cacao (CCC)** (coffee and cocoa board) on 1 October to hold its farmgate price at FCFA 700 (\$1.26) per kilo has increased tension between farmers and the sector regulatory body.<sup>1</sup> The cocoa industry continues to represent over 15% of the national gross domestic product (GDP) and 50% of total exports.<sup>2</sup> Competing cocoa producer and Cote d'Ivoire's neighbour **Ghana** decided not to lower its farmgate price in mid-September,<sup>3</sup> putting significant pressure on the CCC to increase its prices in order to reduce tensions at the Côte d'Ivoire border due to the 25% farmgate price difference. These tensions appear likely to heighten until the next possible farmgate policy change in May.<sup>4</sup> 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>5</sup> This limits the CCC's capacity to respond to international market events throughout the season. It appears that the CCC continues to suffer from financial constraints, which may not allow it to increase farmgate prices until international market conditions improve.

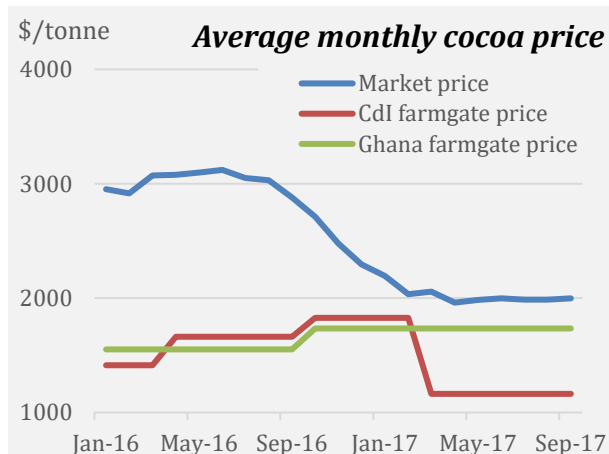


Figure 1: Multiple sources: [www.cocobod.gov.gh](http://www.cocobod.gov.gh); [www.conseilcafecacao.ci](http://www.conseilcafecacao.ci); [www.icco.org](http://www.icco.org).

Prices have stabilised at around \$2,000 per tonne (\$2 per kilo) since the beginning of 2017, after decreasing 50% since the beginning of 2016 (see *Figure 1*). CCC chair **Lambert Kouassi Konan** said the decision to maintain the farmgate price would enable the CCC to deal with market pressures for the foreseeable future,

*“The price which we have fixed takes into account all of the parameters, including the possibility that prices could continue to drop. It’s with respect to this that we took this decision... Experts believe that world production will drop, but not enough to allow the market to get back to its feet... It’s with much sadness that we fixed the price [at FCFA 700].”<sup>6</sup>*

<sup>1</sup> APA, 1 Oct 2017.

<sup>2</sup> [www.worldbank.org](http://www.worldbank.org)

<sup>3</sup> APA, 1 Oct 2017.

<sup>4</sup> Reuters, 14 Sept 2017.

<sup>5</sup> [www.conseilcafecacao.ci](http://www.conseilcafecacao.ci)

<sup>6</sup> APA, 1 Oct 2017.

World cocoa production appears set to continue to increase, which may in turn lead to a further decrease in international market and farmgate cocoa prices. Konan confirmed on 24 September that, for the first time, the CCC had secured purchases for over 2 million tonnes of cocoa for the 2017/2018 season, or a 29% increase from the 2016/2017 season.<sup>7</sup> This would amount to a 10.8% increase in world production, all else being equal.<sup>8</sup>

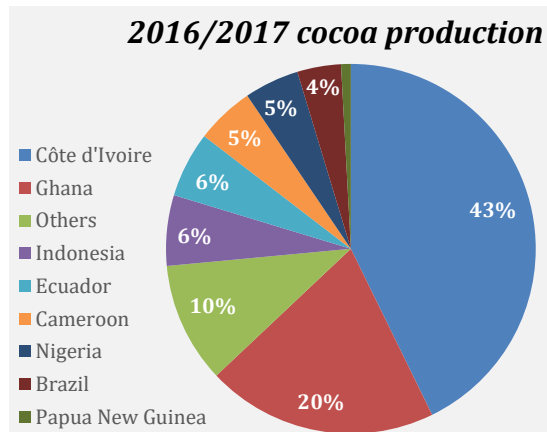


Figure 2: [www.icco.org](http://www.icco.org)

There has been significant criticism in the press and among the CCC's cocoa traders of **Ghana Cocoa Board (Cocobod)** for its failure to address the drop in cocoa prices, especially after alleged political expediency in setting cocoa farmgate policy. Despite Côte d'Ivoire and Ghana's joint 63% share of the world market (see *Figure 2*) and a declining international market price environment, both the CCC and Cocobod increased producer prices in October 2016. The producer price policy decision took place before important events in the political calendar – a constitutional referendum in October 2016 and legislative elections in December 2016 in Côte d'Ivoire, and a general election in December 2016 in Ghana (see *ARC Briefing Côte d'Ivoire April 2017*). It is arguable that the CCC's previous farmgate price policy was unsustainable, considering the longer-term impacts of the 36% price cut in April (see *Figure 1*). The value of cancelled – later re-auctioned – cocoa contracts as a result of the unsustainable farmgate price was reportedly between 300,000-400,000 tonnes, or as much as 18.9%-25.2% of last season's total output (see *ARC Briefing Côte d'Ivoire April 2017*).

Some agriculture sector unions such as the **Syndicat National Agricole pour le Progrès en Côte d'Ivoire (SYNAP-CI)** threatened in mid-October to protest if the CCC does not revise its farmgate price.<sup>9</sup> SYNAP-CI head **Moussa Koné** said that he would call on his members to strike if the CCC does not meet SYNAP-CI representatives.<sup>10</sup> However, it is unclear how much support there may be for a SYNAP-CI strike, due to the smallholder nature of Ivorian cocoa farming. As one union member says,

*"The state is trying to make producers even poorer. This isn't the case for Ghana, which recognises the work of its producers, by putting a reasonable price. The government could never curb the outflow of cocoa to Ghana at the border. In a few years you will see Ghana take the first place in terms of production because of the bad management of the sector by political power in Côte d'Ivoire."*<sup>11</sup>

The unsustainable farmgate price policy reportedly had a significant bearing on the sacking of CCC director general, **Massandjé Touré-Litsé** on 1 August (see *ARC Briefing Côte d'Ivoire August 2017*). Although there was a political element to the appointment of **Yves Koné** as new director general of the CCC in August, he was brought in to stabilise the sector and ensure more sustainable farmgate policy. Koné introduced a new management structure within the CCC, which would include a reshuffle of personnel.<sup>12</sup> Just before the CCC announced that it would maintain cocoa farmgate prices at the FCFA 700 (\$1.26) per kilo level, Koné appointed a new deputy director for commercialisation, **Lamine Claude Bamba**, to replace **Djibril Fadiga**.<sup>13</sup> Reportedly, the ousting of Fadiga could lead to tensions within the government, as Fadiga is the son of the former governor of the **Banque Centrale**

<sup>7</sup> Bloomberg, 29 Sept 2017.

<sup>8</sup> [www.icco.org](http://www.icco.org)

<sup>9</sup> AIP, 16 Oct 2017.

<sup>10</sup> AIP, 16 Oct 2017.

<sup>11</sup> Source, union member, Abidjan.

<sup>12</sup> La Lettre du Continent, 27 Sept 2017.

<sup>13</sup> La Lettre du Continent, 27 Sept 2017.

**des Etats de l'Afrique de l'Ouest (BCEAO)** (West African central bank), **Abdoulaye Fadiga**.<sup>14</sup> It is reportedly thanks to Abdoulaye Fadiga that President **Alassane Dramane Ouattara** (2011-present) achieved his ascension in the BCEAO, as he served as BCEAO governor from 1988 to 1993.<sup>15</sup>

The CCC's farmgate policy, in the longer term, risks increasing pressure at the Côte d'Ivoire-Ghana border. The current disparity between Ghanaian and Ivorian prices will lead Ivorian producers to attempt to sell their beans for a higher price. It appears that the CCC does not have the reserve funds to allow an increase in the farmgate price, at least until market conditions improve. Ghana appears to have acted without consideration for its neighbour, perhaps with the aim of reducing Côte d'Ivoire's market share.

### Telecommunications regulator issues \$8.98m fine for network operators

The **Agence de Régulation des Télécommunications de Côte d'Ivoire (ARTCI)** (telecommunications regulation agency) on 27 September imposed a total FCFA 5 billion (\$8.98m) fine on Côte d'Ivoire's three largest mobile network operators – **Orange Côte d'Ivoire SA**, **MTN Côte d'Ivoire SA** and **Moov CI SA**.<sup>16</sup> ARTCI fined the operators for unsatisfactory service quality in internet, SMS and customer service offerings.<sup>17</sup> Together, the three network operators provide for 10.7 million, 8.1 million and 5.4 million subscribers respectively.<sup>18</sup> This represents 95.8% of the total market. ARTCI made the decision based on audits carried out between September and December 2016.<sup>19</sup> ARTCI fined Orange FCFA 2 billion (\$3.6m), MTN FCFA 1.73 billion (\$3.1m) and Moov FCFA 1.15 billion (\$2.06m).<sup>20</sup>

ARTCI stressed that Orange's fine represented only 0.5% of the company's total annual revenues.

ARTCI intended the fines to be representative of the size of market share and breaches of prior agreements regarding minimum network service quality.<sup>21</sup> The fines on MTN and Moov represented 0.61% of revenues for MTN and 0.95% of revenues for Moov.<sup>22</sup> ARTCI gave a maximum of 90 days for the network operators to pay their fines.<sup>23</sup> If the operators delay payment of the fine, ARTCI could increase it.<sup>24</sup> ARTCI ranked the three network operators in order of quality of services:<sup>25</sup>

	Voice	SMS	Data	Call centre
Orange	1 <sup>st</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
MTN	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
Moov	3 <sup>rd</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>

This is not the first time that ARTCI has issued such fines. In June 2014, the regulatory agency issued a FCFA 3 billion (\$5.38m) fine on all mobile network operators.<sup>26</sup> It has sought to uphold the standards of network operators and been uncompromising in the case of repeated breaches. After several companies failed to pay the government over FCFA 80 billion (\$137m) debt in April 2016, ARTCI retracted the licences of four mobile network operators that together held 4.2% of the market:

<sup>14</sup> La Lettre du Continent, 27 Sept 2017.

<sup>15</sup> La Lettre du Continent, 27 Sept 2017.

<sup>16</sup> Jeune Afrique, 27 Sept 2017.

<sup>17</sup> Jeune Afrique, 27 Sept 2017.

<sup>18</sup> www.artci.ci

<sup>19</sup> Jeune Afrique, 27 Sept 2017.

<sup>20</sup> www.artci.ci

<sup>21</sup> www.artci.ci

<sup>22</sup> www.artci.ci

<sup>23</sup> Jeune Afrique, 27 Sept 2017.

<sup>24</sup> Connection Ivoirienne, 26 Sept 2017.

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

<sup>26</sup> Le Point, 9 Jun 2014.

**Lebanon-based Comium/Koz; Libya-based GreenN; Warid**, a subsidiary of **Groupe Abu Dhabi (United Arab Emirates)**, and locally-owned **Café Mobile**.<sup>27</sup> In September 2016 ARTCI allowed the **Libyan Post, Telecommunication and Information Technology Company (LPTIC)** to acquire a 4G mobile operating licence, including all lower generation technology frequencies, to replace these ousted operators.<sup>28</sup>

Consumers appear supportive of ARTCI's decision. As one consumer union member said,

*"Whether it's an ICT ministry directive or an ARTCI initiative, that isn't the problem. I think that the fines are justified. It's the only way to compel these companies to improve the quality of their services for Ivorians. If they do not adhere to the contractual stipulations, they should be sanctioned."*<sup>29</sup>

The ARTCI's repeated penalisation of mobile network operators suggests that there are sufficient quality deficiencies to justify the fines. It appears that consumers also have legitimate concerns about the nature of the competition between the various operators. It is currently unclear whether the mobile operators will be proactive in payment of the fines – so far none has communicated publicly on the fine's payment.

### Thales and Alstom enter the Abidjan metro project

France-based industrial conglomerates **Thales SA** and **Alstom SA** are reportedly planning to enter the **Abidjan** metro project to replace **South Korean** consortium investors **Dongsan Engineering Co Ltd** (9%) and **Hyundai Rotem Co** (33%).<sup>30</sup> After the government obtained a further €1.4 billion (\$1.65 billion) in funding towards the project in September from the French government (see *ARC Briefing Côte d'Ivoire September 2017*), local media reported that French investors may seek to replace the South Korean stakeholders.<sup>31</sup> France-based **Bouygues Construction SA** and France-based **Kéolis SA** hold 33% and 25% stakes respectively. Reportedly, a stipulation for the additional lending in September was that Thales and Alstom enter the consortium.<sup>32</sup> Some local commentators in the engineering sector view this as blackmail,

*"In essence, this is the French government awarding a concession to French companies. If the Ivorian government wants to get the project off the ground, this looks like the only way. It's difficult to view the French funding in any other way than the means to keep French companies relevant at the international level. Otherwise, they would never win these contracts."*<sup>33</sup>

The so-called **STAR** consortium has faced repeated delays after Ivorian vice-president **Daniel Kablan Duncan** challenged a clause that stated the Ivorian government would have to compensate the operators if there is less usage of the metro line than an unspecified threshold (see *ARC Briefing Côte d'Ivoire March 2017*). Kablan was reportedly seeking to lower the total cost of the project.<sup>34</sup> The metro line plans to repurpose and redevelop existing rail infrastructure to build a 37.5 kilometre line from the northern neighbourhood of **Anyama** to the airport on the southern side of the city in **Port-Bouët**.<sup>35</sup> In March, Ouattara announced that he would like the French government to provide a concessional loan to speed up the development of the project – a request that has now been granted.<sup>36</sup>

<sup>27</sup> Abidjan.net, 4 Apr 2016.

<sup>28</sup> Jeune Afrique, 14 Sept 2016.

<sup>29</sup> Source, consumer union member, Abidjan

<sup>30</sup> APA, 7 Jul 2015.

<sup>31</sup> Jeune Afrique, 31 Aug 2017.

<sup>32</sup> Source, investigator, Abidjan.

<sup>33</sup> Source, civil engineer for a French industrial group, Abidjan.

<sup>34</sup> La Tribune Afrique, 19 Mar 2017.

<sup>35</sup> APA, 7 Jul 2015.

<sup>36</sup> APA, 20 Mar 2017.

The transport minister, **Amadou Koné**, said at the beginning of October that talks between government and the potential French investors would take place before the end of the month.<sup>37</sup> There has been no official communication since then. Koné said,

*“Alstom has positioned itself. Thales has positioned itself. But we’re going to conduct discussions next week in **Paris** to definitively pick the companies... It has become clear that the financial structuring didn’t allow the consortium to mobilise the financing that was part of its commitments. We negotiated with the Korean companies so that they accept to exit the group”<sup>38</sup>*

Another Ivorian businessperson confirms that the French are pushing hard to bring in Alstom and Thales,

*“The French state never hid its intention to see the two French groups reintegrate into the consortium. Côte d’Ivoire is a historic economic interest for France.”<sup>39</sup>*

The Abidjan metro project will lead to a meaningful restructuring of the city’s transport system and reduce the negative economic effects of pervasive traffic blockages. Ultimately, the financing from the French government will contribute significantly to the metro project – not least in order to complete the project before the 2020 presidential elections, as Ouattara has been reportedly aiming to do (see *ARC Briefing Côte d’Ivoire September 2017*).

### Planner

22 Apr 2018 (**Côte d’Ivoire**) *Abidjan.net*. The **World Cocoa Conference** begins in **Berlin (Germany)**;

29 Nov 2017 **Abidjan (Côte d’Ivoire)** *Abidjan.net*. The **EU-Africa Summit** begins;

28 Oct 2017 **Abidjan (Côte d’Ivoire)** *Eventbrite*. The **Environnement Startup 2017** conference begins;

### Chronology

18 Oct 2017 (**Côte d’Ivoire, Ghana**) *Press Release*. Presidents **Alassane Ouattara and Nana Addo Dankwa Akufo-Addo** sign a strategic partnership agreement, covering defence, security, agriculture, maritime and energy sectors;

16 Oct 2017 **Abidjan (Côte d’Ivoire)** *AFP*. A **Belgian** delegation, including **Princess Astrid** and five government ministers, will begin a business-focused visit to Côte d’Ivoire together with over 135 Belgian businesses;

15 Oct 2017 **Accra (Ghana)** *My Joy Online*. **Côte d’Ivoire** President **Alassane Ouattara** will begin a state visit to Ghana from 16 October;

12 Oct 2017 **Abidjan (Côte d’Ivoire)** *Press Release*. **United Kingdom**-based **Tullow Oil Plc** buys a 90% stake in four onshore oil blocks – **CI518, CI519, CI301 and CI302**;

10 Oct 2017 **Abidjan (Côte d’Ivoire)** *Fraternité Matin*. State prosecutor **Richard-Christophe Adou** announces that chief of staff of parliamentary president **Guillaume Soro, Souleymane Kamaraté Koné**, has been arrested for an alleged conspiracy against the state’s authority;

8 Oct 2017 **Abidjan (Côte d’Ivoire)** *Bloomberg*. The government is reportedly in talks with three airlines – **Ethiopian Airlines, South African Airways and Kenya Airways** – to begin operation of a direct flight to the **United States** by early 2018;

<sup>37</sup> Bloomberg, 5 Oct 2017.

<sup>38</sup> Bloomberg, 5 Oct 2017.

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

7 Oct 2017 **Abidjan (Côte d'Ivoire)** *Financial Afrik*. **China-based China National Geological & Mining Corp** will invest €24.4m (\$28.7m) to develop a manganese mine in **Lauzoua (Lôh-Djiboua Region)**;

5 Oct 2017 **(Côte d'Ivoire)** *Médiapart*. Local media report on confidential correspondence between **French** diplomats and the **International Criminal Court (ICC)** from 2011, appearing to show that the French foreign ministry sought to compel the ICC to hold former President **Laurent Gbagbo** under detention;

27 Sept 2017 **Abidjan (Côte d'Ivoire)** *APA*. Unidentified armed individuals attack a police station in the **Abobo Baoulé** neighbourhood of Abidjan;

26 Sept 2017 **(Côte d'Ivoire)** *Jeune Afrique*. The ICC rejects former President **Laurent Gbagbo's** request for release;

26 Sept 2017 **Abidjan (Côte d'Ivoire)** *Notre Voie*. Telecommunications sector regulator, the **Autorité de Régulation des Télécommunications de Côte d'Ivoire**, issues fines totalling FCFA 4.97 billion (\$8.95m) to **Orange, Moov** and **MTN** for network quality deficiencies;

25 Sept 2017 **(Côte d'Ivoire, Ghana)** *Reuters*. The Ivorian government accepts the **International Tribunal for the Law of the Sea's** ruling in its dispute with Ghana over its maritime boundary;

25 Sept 2017 **Luanda (Angola)** *AIP*. Côte d'Ivoire President **Alassane Ouattara** arrives in Luanda ahead of President **João Lourenço's** inauguration;

23 Sept 2017 **(Côte d'Ivoire, Ghana)** *Citi FM*. The **International Tribunal for the Law of the Sea** rules in favour of Ghana, following a three-year dispute with Côte d'Ivoire for delineation of their respective maritime border;

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