

AFRICA RISK CONSULTING

Côte d'Ivoire Monthly Briefing March 2023

Côte d'Ivoire Summary 15 March 2023

Fitch Ratings affirms Côte d'Ivoire's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' with a stable outlook on 24 February. This indicates that Côte d'Ivoire has a stable economic outlook and strong growth prospects but also low development indicators, high commodity dependence and a low level of tax revenue mobilisation as prevailing weaknesses. Despite difficult external circumstances, such as Covid-19 and the war in Ukraine, GDP growth reached 6.5% in 2022 and is estimated to remain at that level throughout 2023 and 2024. South African-based telecom provider MTN announces plans on 9 March to make the high-speed internet and GSM standard, 5G, available by January 2024 when Côte d'Ivoire hosts the African Cup of Nations. MTN also aims at reaching out to rural zones, to provide people in these remote areas with better connectivity and close the digital gap. Government announces the re-opening of land borders on 15 February, after three years of pandemic-related closures. The decision is widely welcomed as the closures imposed economic hardship, especially on towns reliant on cross-border trade.

Fitch affirms Cote d'Ivoire at 'BB' – Outlook Stable

United States-headquartered credit ratings agency, **Fitch Ratings**, affirmed Côte d'Ivoire's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' with a Stable Outlook on 24 February. While 'BB-' still belongs to the category of speculative grade, it nevertheless gets closer to the more favourable group of investment grades.¹

The 'BB-' rating balances the country's strong growth prospects against low development indicators and high commodity dependence. It also reflects Fitch's view that the authorities will implement the necessary adjustments to gradually reverse the recent deterioration in the budget balance.

Fitch estimates note that Côte d'Ivoire's budget deficit was 6.2% of GDP in 2022, well above the pre-pandemic 2019 deficit of 2.3% and the previous 2022 forecast of 4.8%.² This increase is due to measures implemented to contain inflation and these measures impact on the economy. Measures to stabilise fuel prices amounted to 1.1% of GDP through the combination of tax exemptions (0.9% of GDP) and a transfer to the refinery sector (0.2% of GDP). Other subsidies and transfers to the transport and electricity sectors, millers, and bakeries, cost close to another 0.5% of GDP.³ The 2022 ad-hoc tax exemption measures lowered tax revenues to 12.0% of GDP in 2022 from 12.5% in 2021.

Fitch forecasts the deficit will narrow to 5% of GDP in 2023 and 4.2% of GDP in 2024.⁴ This will partly reflect the phasing out of some measures introduced in 2022, supported by lower commodity prices. Revenues are also likely to rise on the back of government efforts to improve tax administration, but the agency says there will still be a low level of revenue mobilisation by

¹ www.fitchratings.com, 24 Feb 2023

² www.fitchratings.com, 24 Feb 2023

³ www.fitchratings.com, 24 Feb 2023

⁴ www.fitchratings.com, 24 Feb 2023

regional standards. Fitch identifies this as a key weakness for the rating, especially as gains will be partly consumed by rising interest on debt. Fitch commented:

"In our view, structural tax reforms beyond those initially planned in the National Development Plan (PND) will be needed to compensate for the higher spending pressure."⁵

The government has requested the support of the **International Monetary Fund (IMF)** and Fitch expects such a programme to focus on revenue mobilisation and rationalisation of tax exemptions, which would widen the tax base and reduce tax volatility. The government now aims to meet the regional budget deficit target of 3% of GDP by 2025 (previously 2024). Fitch assumes that the government will continue to implement its social, security and infrastructure programmes, especially ahead of the 2025 elections. However, they expect the flexibility to postpone or reprioritise some projects should be higher once the **African Cup of Nations (AFCON)** infrastructure programme is complete.

Furthermore, Fitch estimates government debt increased to 55.4% of GDP in 2022 from 51.7% in 2021 and 38.8% in 2019 before the pandemic. Fitch expects debt to peak in 2023 at 55.7% of GDP and to start to slowly decline thereafter, supported by fiscal consolidation and strong growth. Côte d'Ivoire's debt profile remains favourable with 84% denominated in the CFA franc or euro and 92.3% at fixed rates.

Real GDP growth remained high in 2022 at about 6.5% as per Fitch estimates (6.8% according to the authorities), despite the shock from the war in **Ukraine**, owing to strong growth from the energy and agri-food industries, and the vibrant construction sector supported by spending related to the **Plan national de développement (PND)** (national development plan) Government measures to contain inflation, which rose to an average of 5.2% in 2022, also supported growth. It is estimated that growth will remain around 6.5% in 2023 and 2024.

Oil discoveries at the **Baleine** field, high potential in mining, and progress in the local transformation of cocoa and cashews support the medium-term potential. The economy's dependence on agriculture and government spending makes growth vulnerable to shocks if government fiscal space reduces further.

Fitch also stressed external account pressures, such as high prices for imported food and oil, having exacerbated the pressure from the high import content of government capital expenditure. However, lower prices of food and oil would help narrow the current account deficit to 5.6% in 2023 and 5.3% in 2024.⁶ Oil export revenues should begin to contribute significantly to current account receipts in 2026 when production from the Baleine field is due to increase. Import coverage by the reserves of **Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)** (central bank of West African states) decreased to 4.6 months in 2022 from 5.1 in 2021. The current level of coverage still provides a sufficient cushion to underpin the peg with the euro, reinforced by BCEAO's tight reserve management.

Fitch identified the 2025 presidential elections are identified as a political risk as they will mark the first elections since 2011 with all the leaders from the civil conflict present in Côte d'Ivoire, including former president **Laurent Gbagbo** (2000-2011). Nevertheless, this risk is not expected to be very high, according to Fitch:

"We do not expect major unrest around the 2023 local elections. The effectiveness of Côte d'Ivoire's security forces and investment in social infrastructure (...) limits the risk of contagion from rising security risks in the north."⁷

⁵ www.fitchratings.com, 24 Feb 2023

⁶ www.fitchratings.com, 24 Feb 2023

⁷ www.fitchratings.com, 24 Feb 2023

Côte d'Ivoire currently has an environmental, social and governance (ESG) relevance score of '5' for both political stability and rights and for the rule of law, institutional and regulatory quality and control of corruption, as is the case for all sovereigns. The country's ESG Score is only '4' concerning human rights and political freedoms, and as has a percentile rank below 50 for the respective governance indicator, which harms its credit profile.

For creditor rights, such as willingness to service and repay debt, the country's ESG Relevance Score equally scores '4'. Côte d'Ivoire has defaulted twice on market debt in recent years, in 2000 and 2011, in the context of episodes of political instability. The last default episode was cured in 2012, which still harms Côte d'Ivoire's credit profile.

An increase in government debt and a renewed deterioration could lead to downgrading, whereas positive factors such as improvement in GDP per capita, sustained improvement in government indicators, progress on revenue enhancing reforms and tighter fiscal stance would bring the country closer to the 'BB' median.

Overall, Fitch's credit rating for the country is mostly in line with those of its competitors. US-headquartered **Standard & Poor's** rating for Côte d'Ivoire also stands at 'BB-' with a stable outlook, as of May 2022, while fellow US-based **Moody's** rating was last set at Ba3 with a positive outlook in June 2022.⁸

MTN to launch 5G at the occasion of AFCON 2024

Telecom provider **MTN Côte d'Ivoire**, a subsidiary of **South Africa**-headquartered **MTN Group**, announced on 9 March that the company's 5G service will be available from AFCON onwards, which will take place in the country in January 2024. This launch will allow the local population and foreign visitors to benefit from the high-speed internet and GSM network during and after the competition.⁹ MTN was the first operator to test 5G in Côte d'Ivoire in December 2021.¹⁰

The company regards AFCON as the perfect occasion to establish the new standard in the country, with **Djibril Ouattara**, general director of MTN Côte d'Ivoire, confirming that the company will deploy several 5G stations in **Abidjan** and the heartland.

The deployment of 5G in Côte d'Ivoire is part of MTN's strategy 'Ambition 2025'. The company already installed the standard in its home base country, South Africa, as well as in **Nigeria** and **Sambia**. Furthermore, 5G serves as a strategic pillar for MTN to position itself as "*an indispensable actor in future technology transformations*".¹¹ In rural areas, the company also installs the technical requirements for mobile money.

MTN has established a satellite system, charged with solar energy to facilitate the connectivity of people in rural areas. This solution, called 'ultra-rural', provided 130 communities with GSM and internet and during the coming three months, 300 communities in the most remote regions of the country are supposed to be connected via this technology. Ouattara relayed that MTN wants to play a major role in closing the digital and infrastructure gap in Côte d'Ivoire:

*"In 2022, we invested more than 60 billion FCFA [\$98.2m] to augment the network coverage and enhance the quality of the existing 3G and 4G capacities all over the territory. Our clients possess all the necessary tools to stay connected, wherever they go."*¹²

⁸ www.tradingeconomics.com

⁹ www.agenceecofin.com, 14 Feb 2023

¹⁰ 5G is the 5th generation mobile network. It is a new global wireless standard after 1G, 2G, 3G, and 4G networks. 5G enables a new kind of network that is designed to connect virtually everyone and everything together including machines, objects, and devices. www.qualcomm.com

¹¹ www.agenceecofin.com, 14 Feb 2023

¹² fr.apanews.net, 11 Feb 2023

Currently, MTN controls 34,3% of the mobile phone market, run by subscriptions. Competitors including **French**-headquartered **Orange** and local company **Moov**, respectively control 43,8% and 21,9% market share.¹³ MTN is not the only telecom operator having 5G ambitions in Côte d'Ivoire. Orange Côte d'Ivoire opened its Orange 5G Lab in September, devoted to digital professionals, start-ups and businesses.¹⁴

Smart connectivity by internet and GSM could create better job opportunities and provide rural population with a quality of life, comparable to that in urban areas - Ouattara said during a press conference on 9 March that access to these technologies helps millions of people to get out of poverty.¹⁵ On a previous occasion, Ouattara stressed that with 5G the population will have “*a much better connectivity experience*” and that companies from all sectors will benefit from the technology.¹⁶

So far, only around a dozen out of Africa's 54 nations have launched 5G services (**Botswana, Kenya, Mauritius, Madagascar, Nigeria, Seychelles, South Africa, Tanzania, Togo, Zimbabwe and Zambia**).¹⁷ Côte d'Ivoire attaining this technology is a big step forward in closing the digital gap, and while some critics say that 5G is only partly suitable for rural African zones, as the technology is mostly centred around automation and high-density environments such as factories, it is undisputed that improving telecom networks is a key factor for accelerating Africa's economies, including that of Côte d'Ivoire.¹⁸

3 years after shutdown, Cote d'Ivoire reopens land borders with neighbours

After nearly three years, Côte d'Ivoire has lifted its **Covid-19**-imposed land border closure, officially re-opening its roads to neighbouring countries on 15 February. The country shut down all borders on 22 March 2020 at the start of the pandemic. Sea and air borders were reopened after a few months, as the country depends on exports of cocoa and coffee, but land borders with **Burkina Faso, Ghana, Guinea, Liberia and Mali** remained closed. Millions of people from these countries living in Côte d'Ivoire were forced to use back roads to get home. Government spokesman **Amadou Coulibaly** said after a cabinet meeting right before the reopening of the borders:

*“Today we have the clandestine crossing routes under control. We urge all travellers to use official crossing points from now on.”*¹⁹

The government also recorded a recent arrival of 8,700 refugees fleeing violence and insecurity in Burkina Faso, crossing the border, and would like to be able to identify and process them properly.

The reopening also means the transport sector must get back to work, rehiring drivers and staff. **Daouda Bamba**, secretary general of **Union des Conducteurs Routiers de l'Afrique de l'Ouest, la Mauritanie et le Maroc (UCRAO)** (Union of West African drivers) noted that approximately 300 companies would return to the road, re-employing 24,000 people:

*“We must rebuild the workforce in lorry depots, because drivers had found themselves out of work.”*²⁰

¹³ www.agenceecofin.com, 14 Feb 2023

¹⁴ newsroom.orange.com, 20 Sept 2022

¹⁵ fr.apanews.net, 11 Feb 2023

¹⁶ www.fratmat.info, 14 Oct 2022

¹⁷ www.datacenterdynamics.com, 19 Jan 2023

¹⁸ www.datacenterdynamics.com, 19 Jan 2023

¹⁹ www.rfi.fr/en, 16 Feb 2023

²⁰ www.rfi.fr/en, 16 Feb 2023

Côte d'Ivoire had relatively few Covid-related deaths, with official figures putting the death toll at 800, out of a population of 27 million. The **Conseil National de Sécurité (CNS)** (national security council), chaired by President **Alassane Ouattara** (2010-present), welcomed the "*excellent results recorded in the fight against Covid-19 since 2020*" and announced the gradual lifting of the measures provided for under the state of health emergency in January.²¹

However, it took the country relatively long to reopen its borders. Neighbouring **Ghana** already made this step on 28 March 2022 to bolster its economy and three months before, the regional bloc, **Economic Community of West African States (ECWAS)**, agreed in principle to re-open land borders after taking into consideration that economies lost \$50 billion in value or 6.7% of their cumulative GDP between 2020 and 2021.²²

The reopening of land borders was greeted with joy by many on the streets after the government's announcement.²³ Border closures led to economic hardship in towns reliant on cross-border trade. **Adamou Madougou Hassan**, a trader at the Côte d'Ivoire-Ghana border told media on 20 February:

*"It is the Ghanaians who are our customers. With the closure they could no longer come and buy our products, so many of them have gone out of date. This morning I brought a truck (of rice, Ed.) for the shop there, we really hope that it will start to work again."*²⁴

Planner

2023 (Côte d'Ivoire) Local elections

14 – 16 June 2023 **Abidjan (Côte d'Ivoire) International Corruption Hunters Alliance (ICHA)** first meeting in Africa

January 2024 (Côte d'Ivoire) **Africa Cup of Nations**

2025 (Côte d'Ivoire) Presidential elections

Chronology

12 Mar 2023 **Jacqueville (Côte d'Ivoire) ABYZ News. United States Special Operations Command for Africa (SOCAF)** carries out military exercises with 1,300 **African** soldiers at the **International Counter-Terrorism Academy**, aimed at combating terrorism in Africa;

7 Mar 2023 **Abidjan (Côte d'Ivoire) ABYZ News.** Prime minister **Patrick Achi** meets with **Climate Investment Fund (CIF)** managing director **Mafalda Duarte** to discuss pro-environment initiatives;

6 Mar 2023 **Abidjan (Cote d'Ivoire) ABYZ News.** Investment promotion centre **Centre de Promotion des Investissements en Côte d'Ivoire (CEPICI)**, in collaboration with the **United States (US)** embassy and the **American Chamber of Commerce (AmCham)**, launches a workshop to present the offers of the institutions' US development assistance and private sector financing;

²¹ www.africanews.com, 16 Feb 2023

²² www.theafricareport.com, 25 March 2022

²³ www.africanews.com, 20 Feb 2023

²⁴ www.africanews.com, 20 Feb 2023

5 Mar 2023 **Abidjan (Côte d'Ivoire)** *ABYZ News*. **United States** candidate for **World Bank Group** presidency **Ajay Banga** pays a working visit, particularly with **African Development Bank Group (AfDB)** leaders at AfDB headquarters in Côte d'Ivoire;

1 Mar 2023 **Abidjan (Côte d'Ivoire)** *Sika Finance*. **Italian** energy major **ENI** awards a \$400m drilling contract to fellow Italian firm **Saipem** for the exploration mission of the **Baleine** deposit off the coast of Côte d'Ivoire;

1 Mar 2023 **Abidjan (Côte d'Ivoire)** *ABYZ News*. Government spokesperson **Amadou Coulibaly** announces the disbursement of more than 1 billion FCFA (\$1.6m) for the return of 500 Ivorians from **Tunisia**;

28 Feb 2023 **Abidjan (Côte d'Ivoire)** *ABYZ News*. Vice-president **Tiémoko Meyliet Kone** meets with **International Monetary Fund (IMF)** administrator for Côte d'Ivoire, **Facinet Sylla**, to discuss a new country programme;

27 Feb 2023 **Abidjan (Côte d'Ivoire)** *ABYZ News*. Commerce, industry and promotion of SMEs ministry, through its sub-directorate for the repression of fraud, destroys 25 tonnes of contaminated drinks seized in the town of **Anyama**;

21 Feb 2023 **Abidjan (Côte d'Ivoire)** *Africanews*. **French** defence minister **Sébastien Lecornu** says France will boost military support to Côte d'Ivoire as France adjusts its military strategy in **West Africa**. He also welcomes the state's increasing role as a regional balancing power;

20 Feb 2023 **Abidjan (Côte d'Ivoire)** *Sika Finance*. **Institut National de la Statistique** (national statistics institute) data indicates inflation fell from 5.1% year-on-year in December to 4.8% year-on-year in January;

15 Feb 2023 **Abidjan (Côte d'Ivoire)** *ABYZ News*. Government spokesperson **Amadou Coulibaly** announces the reopening of land borders closed since March 2020 to fight the spread of **Covid-19**.

About Africa Risk Consulting:

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