IVORY COAST REPORT
MARCH 2012

1. INTRODUCTION

1.1 Brief History and Political Stability.

1.1.1 Ivory Coast (or Cote d'Ivoire) has maintained close ties to France since its independence in 1960. The country achieved initial economic success in the following years, fuelled by export revenues from coffee and cocoa. GDP per capita grew by 82% that decade, becoming one of the most prosperous West African states.

1.1.2 Greater competition and falling prices in the global marketplace has seen a slowdown in growth since it peaked in the 1970s. Despite this, Ivory Coast remains the largest economy in the West African Economic and Monetary Union (WAEMU), and has a GDP per capita of $1100.

1.1.3 The country was remarkably stable until its first military, albeit bloodless, coup in its history in 1999, following the falling global prices of its primary exports. This has preceded a difficult period for the country, with a civil war in 2002, following a second, failed attempt at a coup, before troops from other ECOWAS member states intervened and initiated a ceasefire. Decreasing foreign investment due to subsequent political unrest has seen per capita income fall by 15% since 1999.

1.1.4 The political elections of 2010 prompted an intensely violent period in which the incumbent President Laurent Gbagbo refused to acknowledge his defeat. In April 2011, after 5 months of fighting and over 3000 lives lost, his rival Alassane Dramane Ouattara was sworn in as head of state having won over 54% of the votes cast.

2. GEOGRAPHY

2.1 Neighbours And Land Allocation

2.1.1 Ivory Coast lies on the West African coast on the Gulf of Guinea. Its outline is roughly that of a square 560 kilometres on a side, with an area of 322,460 square kilometres. It is bounded on the east by Ghana, on the north by Burkina Faso and Mali, and on the west by Guinea and Liberia. The entire southern border is Gulf of Guinea coastline.

2.1.2 10.23% of the land is arable, 11.16% is permanent crops and 78.61% is allocated for other use. As of 2008, the country had 730 sq km of irrigated land. The climate is tropical along the coast, and semi-arid in the far north. There are three separate seasons throughout the year: warm and dry (November to March), hot and dry (March to May) and hot and wet (June to October).

2.1.3 Map of Ivory Coast on the right:

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3. NATURAL RESOURCES

3.1 Commodities

3.1.1 Ivory Coast has a wide array of natural resources ranging from petroleum, natural gas, diamonds, manganese, iron ore, cobalt, bauxite, copper, gold, nickel, tantalum, silica sand and clay to agricultural products such as cocoa beans, timber, coffee and palm oil.

3.1.2 Since 1979, Ivory Coast has been the world's leading producer of cocoa, responsible for 40% of the exports globally. It is also one of the leading exporters of coffee and palm oil.

3.1.3 The coca sector is undergoing a series of IMF recommended reforms, in order to guarantee farmers 50-60% of the market price for their product. Ivorian authorities are to hold daily auctions to forward sell the bulk of the 2012/13 crop before the harvest in October, in order to obtain an average price. They will then take this price, taxes, and estimates at handling costs from farm to port, and name a farmgate price at around 50-60% of the CIF (cost, insurance and freight) price. Buyers will then purchase physical cocoa at this price from producers upon the start of the season. The differences in price paid at the auction are made up by refunds from and payments to the cocoa marketing body.

3.1.4 There are two prominent groups of global traders involved in trade in the country: one operates under the umbrella organisation GNI, and includes major exporters such as Armajaro, Noble, Swiss commodities firms Novel and Ecom Trading, France's Sucden and Touton and the Netherlands' Continaf, and represent roughly 40% of Ivorian cocoa exports. A second group of exporters under the name GEPEX include Nestle, Cargill, Barry Callebaut, Olam and ADM Cocoa, and represent another 55% of cocoa exports. Many of the aforementioned companies, particularly those under GNI are major exporters of a variety of products from Ivory Coast, and key players in the commodity trade industry.

3.1.5 Petroleum was discovered offshore in 1977, where 86% of the country's reserves exist. Estimates by the Oil and Gas Journal have placed the proven petroleum reserves at 100 million barrels as of January 2005. Such deposits have rendered Ivory Coast a net exporter of petroleum goods. The discovery in 2007 of up to 1.8 billion barrels of retrievable oil in the Jubilee fields off the coast of Ghana have rendered increased interest in the coastal areas off Ivory Coast, which have yet to be fully surveyed.

3.1.6 Ivory Coast has maintained an extensive state presence in the national oil and gas industry, albeit never a controlling one. Petroci, the countries national oil company, has a minority stake in all of the producing fields, and most of the licensed blocks. International oil companies are the prominent players in the Ivory Coast oil industry: in the two largest offshore production fields, Baobab (52,000 bpd) and Espoir (28,000 bpd), Canadian Natural Resources (CNR) owns 57.6% and 58.67% of the shares respectively.

3.1.7 The ministry of mines also unveiled plans in November 2011 to build a 275-megawatt hydroelectric power station in the next four years as part of a plan to increase the country's capacity by 150MW a year for the next 10 years. Ivory Coast has substantial hydropower potential, with 607MW of their current 1200MW capacity already provided by six hydroelectric dams.

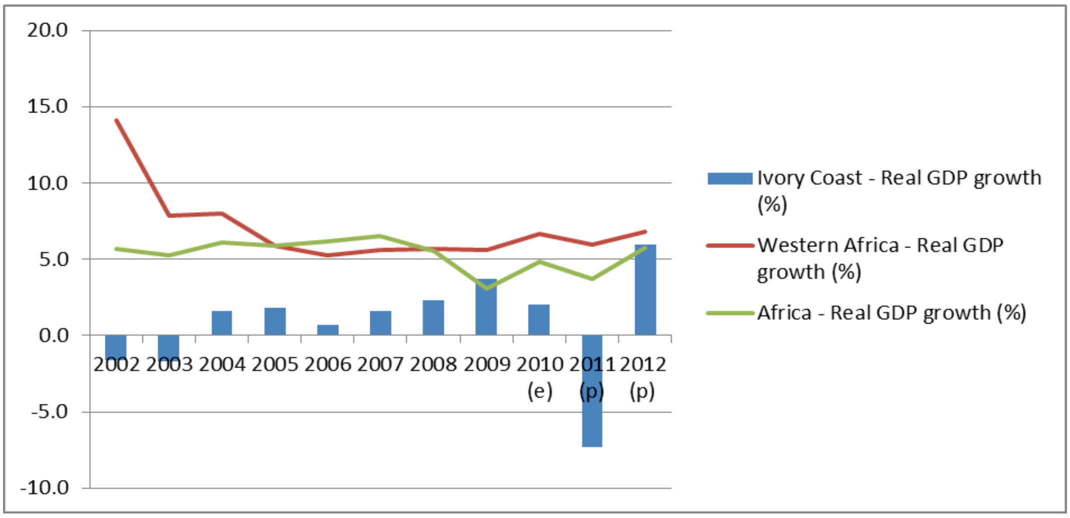
4. ECONOMY

4.1 Ivory Coast Economic Outlook

4.1.1 The Ivory Coast economy is heavily dependent on agriculture and related activities, which engage roughly 68% of the population. As the world's largest producer and exporter of cocoa beans and a significant producer and exporter of coffee and palm oil, the economy is highly sensitive to fluctuations in international prices for these products.

4.1.2 The considerable political turmoil in the last decade has continued to damage the economy, leading to decreased foreign investment and weak economic growth, as can be seen below.

4.1.3



4.1.4 The political chaos weighed heavily on the economy in 2011, with GDP falling to -7.3% after moderate growth in 2010 and now little higher than the 1999 level. With the return of stability, the IMF has forecast growth of 5.9% for 2012, with large injections of aid last year geared towards reconstruction helping to kick-start activity.

4.1.5 Cocoa output is in the process of recovery and there are hopes of renewed inflows of investment in other sectors. Sustained growth will require large amounts of aid and renewed inflows of FDI, which will be helped by the new $615m IMF loan approved in November 2011. This loan was granted under the Extended Credit Facility (ECF), which has a zero interest rate, a grace period of 5.5 years, and a final maturity of 10 years. Debt relief is a high priority; 40% of 2012 budget spending is on debt service, and repayments on a $2.3bn eurobond have been in default for the past year.

4.1.6

	2009	2010	2011	2012 (projected)
Real GDP Growth	3.7	2	-7.3	5.9
CPI Inflation	4.7	2.7	6.3	3.3
Budget Balance % GDP	-1.6	-2.5	-1.9	-3.4
Current Account % GDP	7.2	5.9	5.2	4.2

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4.1.7 The tertiary sector of the economy continues to play a key role in the Ivorian economy. It proved to be the driving force behind the economic growth of 2010 as crop production fell, with particularly strong performances from the telecommunication, commerce and services sector. As expected though, this suffered in the 2011 crisis, particularly the tourism and hotel industry, but expectations are that this sector will help propel the economy's recovery in 2012.

4.1.8 Table Showing Composition By Sector as a Percentage of GDP:

Composition	% of GDP
Agriculture	29.2
Services	49.8
Industry	20.9
Other	0.1

4.1.9 Ivory Coast's banking system is playing an increasing role in financing the different sectors of the national economy. It provided the primary sector with XOF 57.2 billion (4% of total financing), the secondary sector with XOF 556.5 billion (37% of total financing) and the tertiary sector with XOF 876.6 billion (69% of total financing).

4.1.10 There are 5 banks with majority Ivorian capital functioning: Banque nationale d'investissement (BNI), Banque pour le financement de l'agriculture (BFA), Banque pour l'habitat de Côte d'Ivoire (BHCI), Versus Bank, and CNCE. Société générale de banque en Côte d'Ivoire (SGBCI) and Banque Internationale pour le commerce et l'industrie de Côte d'Ivoire (BICICI), which are subsidiaries of the French banks Société générale and BNP Paribas, between them cover the wage bill of 80 600 civil servants and other state employees and account for close to 30% of the Ivorian banking market.

4.1.11 Monetary policy is implemented at regional level, as Ivory Coast and the other member states of WAEMU share currency, the CFA Franc (XOF), which is pegged to the Euro at a fixed parity. Monetary and credit policy is run by the Central Bank of West African States (BCEAO), which has close links to the French Treasury as part of the monetary co-operation agreement between France and WAEMU member countries.

4.1.12 Dollar/West African CAF Franc Exchange Rate:

USD/XOF rate: $1=XOF498

4.1.13 The country's recent macroeconomic policy has been to pursue the implementation of the 2009-11 financial and economic programme and the Poverty Reduction Strategy Paper (PRSP), in order to complete the Highly Indebted Poor Countries (HIPC) initiative. Ivory Coast is one of the 40 countries worldwide eligible for this, considered to face an unsustainable debt burden that cannot be managed by traditional means. This grants the recipient country debt relief or low-interest loans to cancel or reduce external debt repayments to sustainable levels.

4.1.14 The success of the economic reforms above has led to the Paris Club of international creditors rescheduling Côte d'Ivoire's debt. This will reduce repayments by more than 78% over the next three years; roughly US$1.9bn was deferred and US$400m was cancelled.

4.1.15 There has been marked progress in Ivory Coast's economic partnerships with other emerging economies. Co-operation is often based on sharing experience and knowledge, the transfer of technologies and access to their respective markets. The country's natural resources and its position within the WAEMU and ECOWAS economic zones render it ideal for partnership with other emerging economies.

4.1.16 Ivory Coast's increasing connection with emerging economies has served to lessen the dependence on its traditional trading partners, namely Europe. Despite this, the EU still dominates Ivory Coast's foreign trade, but this trend is lessening, particularly with regard to Ivorian imports.

4.2 ECOWAS

4.2.1 The Economic Community of West African States is a regional group of fifteen West African countries. Founded on 28 May 1975, with the signing of the Treaty of Lagos, its mission is to promote economic integration in "all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions, social and cultural matters ....."

4.2.2 The mission of ECOWAS is to promote co-operation and development in all spheres of economic activity through the removal of all forms of trade barriers and obstacles to the free movement of persons, goods and services, as well as the harmonising of regional sector policies. The main objective is to establish a large West African common market and create a monetary union. Ivory Coast is a fully-fledged member of ECOWAS.

4.2.3 Map Of ECOWAS Territory:

DRUM commodities

4.3 Ivory Coast Export/ Import Commodities

4.3.1 Ivory Coast's main export commodities are cocoa, coffee, timber, petroleum, cotton, bananas, pineapples, palm oil and fish. Its primary imports are fuel, capital equipment and foodstuffs.

4.3.2 Ivory Coast's primary export trading partners are US (10.2%), Netherlands (10%), Nigeria (7.7%), Ghana (6.7%), Germany (6.2%), France (6.2%) and Burkina Faso (4.5%). The country's main import partners are Nigeria (22.4%), France (12.6%), China (7.1%) and Thailand (4.8%) (2010).

4.3.3 Total exports for the year 2011 came to $11.24 billion, whilst imports totalled $7.295 billion.

4.3.4 Europe remains the country's largest continental trading partner with 44% of trade, ahead of the rest of Africa with 29% and Asia with 12.5%. China's share of 3.2% is modest by comparison with its position in Africa generally, but is growing rapidly, driven by cheap Chinese exports.

4.3.5 Trade with other emerging countries such as Brazil, Malaysia and India have also developed in recent years, as too has their investment in Ivory Coast.

4.4 Ivory Coast Duties and Taxes

4.4.1 Corporate Taxation: income is taxed under separate schedules for industrial and commercial profits, non-commercial profits and income from movable capital, land and agriculture. The corporate tax rate is 25%, which similarly applies to capital gains and dividends. Taxpayers must also pay a minimum tax of 0.5% of the previous year's turnover.

4.4.2 Capital Duty: capital contributions are subject to duty at 0.6% or 6% where derived from the capitalisation of reserves.

4.4.3 Payroll tax: the employer must pay 12% of the gross payroll of expatriate staff and 2.8% of local staff payroll.

4.4.4 Real property tax: property taxes are levied on the actual or potential rental income of landlords (11%) and their ownership interests (4%). Property owned and used by the same legal entity are subject to an ownership charge of 15% of market rental value.

4.4.5 Social security: the employer is required to make social security contributions based on an employee's gross wages – pension benefits (4.8%), family allowance (5.75%) and work injuries (2% - 5%).

4.4.6 Stamp duty: generally charged at 1% for negotiable and non-negotiable instruments. Not charged on transfer of shares.

4.4.7 Transfer tax: tax of 10% is applicable to real property (7.5% if transferee is a taxable person).

4.4.8 VAT: chargeable to production activities, distribution of goods and rendering of services, and is applied to imported goods and services. Standard rate is 18% and 10% for fees charged by financial institutions.

4.4.9 Company or individual carrying on a trade in Ivory Coast must pay a business license duty, subject to certain exemptions. The duty is based on 0.5% to 0.7% of turnover, plus 16% to 18.5% of the rental value of the professional premises.

4.5 Analysis

4.5.1 The economic outlook for Ivory Coast is dependent on a sustained period of political stability unlike that of the preceding decade. The implementation of the emergency reconstruction programmes and the return of international co-operation with the country should facilitate a period of growth in the economy, especially as trade with the global emerging economies continues to expand.

5. INFRASTRUCTURE

5.1 Transport and Logistics

5.1.1 In the 1990s, Ivory Coast attracted significant private sector investment into the development of its infrastructure base, in part because of its commitment to charging cost-recovery prices for infrastructure services, helping to ensure their commercial viability. As a result, the country has a solid backbone in the ICT, transport and energy sectors. However, the conflicts of the 21st century have slowed further development, as investment has fallen markedly.

5.1.2 Most of the population of Ivory Coast reside in the South-East and South-West of the country, whilst almost a quarter live in the economic capital and the location of the primary port, Abidjan. The bulk of the mining activity occurs in the sparsely populated northern region, which remains well connected to the rest of the country, especially by the standards of other African countries. Much of the country’s infrastructure is integrated with the neighbouring Burkina Faso, although the main road has deteriorated to poor condition.

5.1.3 Lack of road rehabilitation and maintenance in the past decade has resulted in widespread deterioration of road conditions, particularly damaging for roads such as the north-south artery connecting Abidjan and Ouagadougou, of great strategic significance in terms of international trade for the land-locked Burkina Faso. Spending on this sector was $23million in 2009, which still falls short of the $30 million required solely for routine maintenance, with estimated needs in the region of $90 million per year.

5.1.4 Ivory Coast are the joint owners of the transnational railway Sitarail, along with Burkina Faso, which is a key conduit for bulk freight to and from the landlocked country. During the first five years after its concession in 1995, annual freight almost tripled from 300 million to 800 million tonnes annually. However, the decreased freights due to the political conflict and consequent under investment means the railway is in need of substantial track rehabilitation.

5.1.5 The port at Abidjan is of considerable importance to the West African region, and was growing into a regional hub for trade until the political conflicts led to major shipping lines using North African ports instead. However, it is estimated that the port will restore its regional importance, as landlocked neighbours such as Burkina Faso, Mali and Niger are key strategic clients of the port. The port has also opened offices in each of these countries to facilitate transactions with clients.

5.1.6 Ivory Coast has the fourth largest regional air-transport market in the ECOWAS area, with Abidjan emerging as a sub-regional transport hub. The strongest air transport links are with Accra in neighbouring Ghana.

5.1.7 The power sector of Ivory Coast is relatively well developed. The national power grid relies upon a combination of hydropower and gas fired power plants fuelled by domestic hydrocarbon resources, with 71% of the population living in electrified areas. The country is a significant power exporter to the region, supplying neighbouring Benin, Burkina Faso, Ghana, Mali and Togo.

5.1.8 Like many African countries, Ivory Coast has undergone an ICT revolution in the last decade, achieving a partially competitive mobile phone market by 2005. As was fairly typical for the region, two main operators had been established and mobile phone penetration reached 9%. Since then, competition has intensified with 4 more operators and penetration reached 51% in 2008.

5.1.9 The political unrest in 2011 has further damaged the infrastructure of the country, but its resolution has been followed by an IMF loan of $615 million to help boost the economy, of which the rehabilitation and expansion of infrastructure is a fundamental part.

5.1.10 There are a number of logistics companies operating within Ivory Coast who specialise in the many aspects of international trade. Two of the largest are Bollore Africa Logistics, and Flying Eagle Shipping Ltd. The former have just under 4000 permanent staff and a total of 1,000,000 sqm of secured warehouse spaces in country. Availability is dependent on period and use.

6. PEOPLE AND SOCIETY

6.1 Ethnicity and Language

6.1.1 Ivory Coast has more than 60 ethnic groups, usually classified into five principal divisions: Akan (East and centre), Krou (Southwest), Southern Mandé (West), Northern Mandé (Northwest), Sénoufo/Lobi (North center and Northeast). The proportions are: Akan 42.1%, Voltaiques or Gur 17.6%, Northern Mandes 16.5%, Krous 11%, Southern Mandes 10%, other 2.8% (includes 30,000 Lebanese and 45,000 French) (2004)

6.1.2 French is the official language of Ivory Coast, but there are 60 indigenous languages of which the Dioula dialect of Bambara is the most widely spoken.

6.2 Government

6.2.1 The government of Ivory Coast takes place in a framework of a presidential representative democratic republic, whereby the president is both head of state and head of government, and of a multi-party system. Executive power is exercised by the government. Legislative power is vested in both the government and parliament. The official capital since 1983 is Yamoussoukro; however, Abidjan remains the administrative centre.

6.2.2 Ivory Coast's constitution of the second republic provides for a presidency within the framework of a separation of powers, who is democratically elected for periods of 5 year-terms. The president selects the prime minister, who in turn selects the cabinet.

6.2.3 The president is the head of the state and commander in chief of the armed forces, may negotiate and ratify certain treaties and may submit a bill to a national referendum or the national assembly. The latter is composed of 225 members elected on a 5 year term concurrently with the president, and typically passes on legislation introduced by the president, but can introduce legislation itself.

6.2.4 After months of conflict following winning the popular vote in the presidential elections in late 2010, Allasane Ouattara was declared President of Ivory Coast on 11th April 2011.

7. CONCLUSION

7.1 Ivory Coast's Position

7.1.1 The medium term social and economic prospects for Ivory Coast depend upon a sustained period of peace, and the implementation of emergency reconstruction programmes.

7.1.2 The government's immediate priorities are to fulfil the HIPC initiative in order to qualify for urgently needed debt relief, as repercussions of a difficult decade continue to hamper the country's recovery. Ivory Coast defaulted on its $2.3 billion Eurobond during last year's post-election conflict, but has implemented a number of IMF approved reforms which prompted the Paris Club of creditors to alleviate its public external debt on 15th November 2011.

7.1.3 Alongside the debt relief, the IMF's loan of $615.9 million is designed to restore economic growth, and further assistance is promised dependent on the progress of the last stages of reforms. However, not all are going smoothly, namely those in the cocoa sector, as detailed in 3.1.3. The first auction was boycotted by the major companies in February 2012, under claims that the reforms were unclear and unworkable. Since then, GNI has reached an agreement, but negotiations with GENEX are on-going. It is clear that the recovery of the country's largest export sector is imperative to the recovery, so this is a matter of utmost importance.

7.1.4 Soon after the end of the most recent conflict, the government began compensating small and medium sized businesses in order to stimulate the local economy. The private sector in Ivory Coast is dominated by micro-enterprises and a large informal sector, so $13 million was allocated by the government, with $74 million going to the banks to allow financial institutions to support small businesses with loans.

7.1.5 Evidently the new government is determined to get the country back on track, and the international community is responding with support. There are still many challenges ahead, in particular the rehabilitation of the infrastructure base, but with a strong export sector, increasing economic partnerships with emerging economies, and the success of the IMF reforms, there are positive signs that Ivory Coast's future could be bright.