CÔTE D'IVOIRE Covid-19 Response Report

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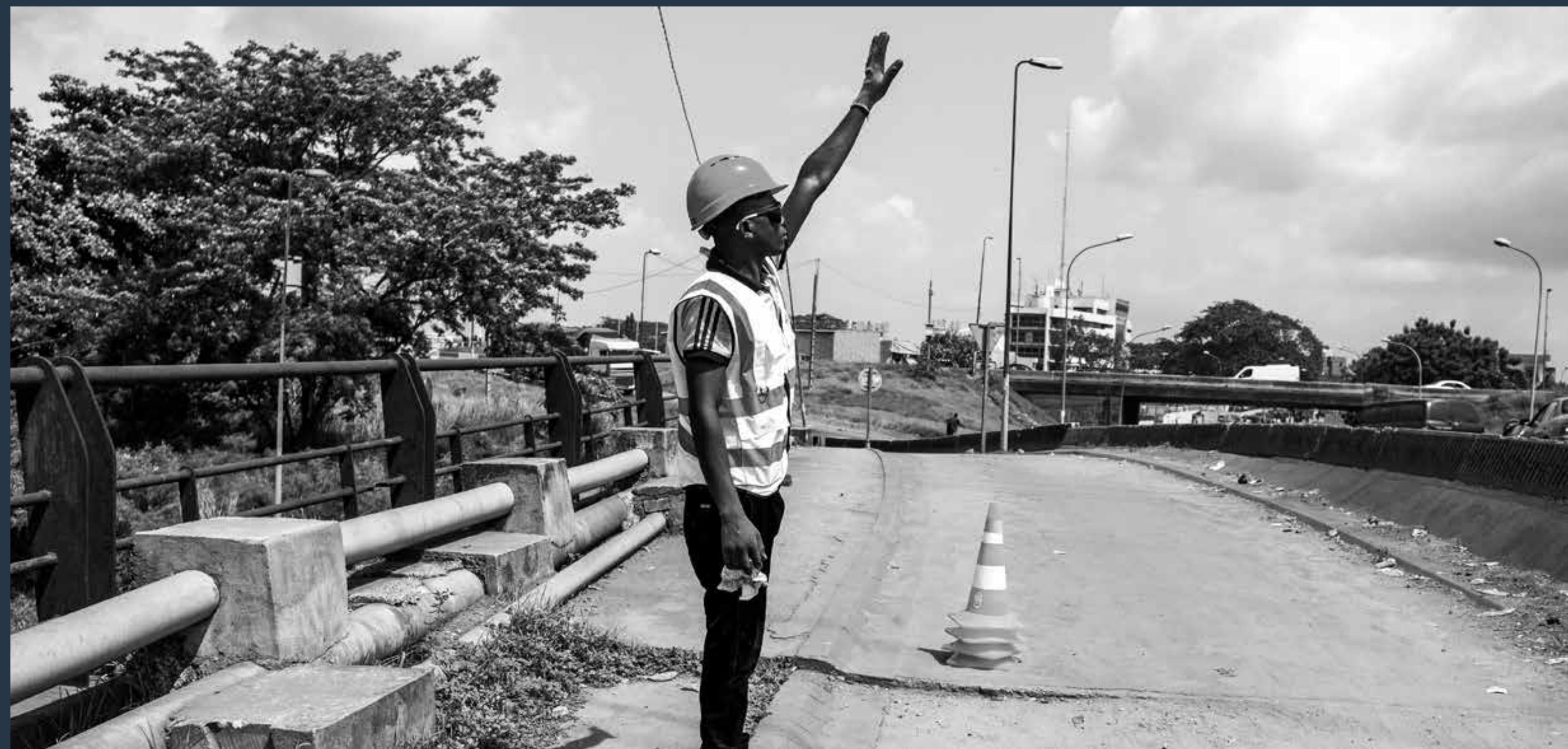

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Driving Recovery

Pre-Covid-19 Macroeconomic Overview

Following a period of civil conflict in 2010-11, Côte d'Ivoire transformed itself into one of Africa's most vibrant economies. Part of this recovery stemmed from strong international prices for some of the country's key agricultural exports, such as cocoa, while Côte d'Ivoire also benefitted from sweeping reforms and a comprehensive infrastructure development programme. These factors combined to help raise the level of foreign direct investment (FDI) and encourage local manufacturing and agro-processing activities.

As a result, economic growth over the past decade has been led by construction and infrastructure activity, agricultural exports, and investment in newer sectors such as mining and energy. Over the 2012-18 period GDP rose at an average of 8.5% annually, making Côte d'Ivoire the fastest-growing economy in West Africa. Much of the growth that Côte d'Ivoire saw over the last 10 years was shaped by two nationwide development plans. The first one covered the 2012-15 period following the end of the civil conflict, and the second one is the 2016-20 National Development Plan that aimed to mobilise some CFA30trn in investment. These plans have focused on expanding national infrastructure and reducing reliance on the export of raw agricultural commodities, mainly by increasing the share of local processing.

Indeed, agriculture was a key component of the economic recovery after 2011. In 2012 the government launched the first phase of the National Agricultural Investment Programme, which focused primarily on food security, but also set the stage for the country to become a key exporter of certain agricultural commodities. The second phrase, covering 2018-25, is estimated to cost CFA11.9trn. Local manufacturing has been encouraged as well: between 2017 and 2019 the industrial sector's contribution to GDP rose from 24.7% to 26%. Although industrialisation is advancing slowly, it is seen as key to job creation.

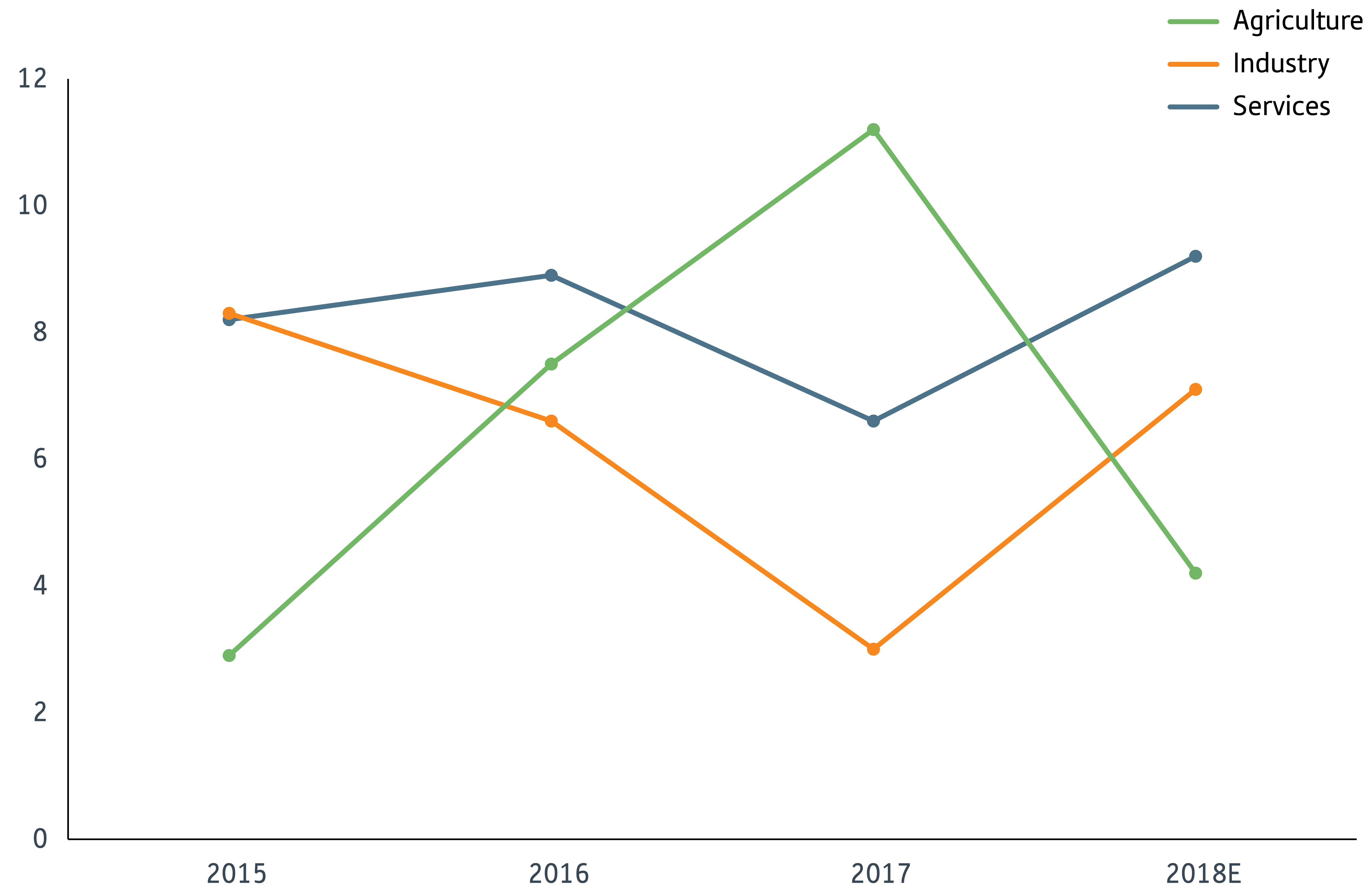
Selected economic indicators, 2015-19E

	2015	2016	2017	2018	2019E
GDP, constant prices (% change)	8.84	7.18	7.36	6.79	6.90
Inflation, average consumer prices (% change)	1.24	0.72	0.69	0.42	0.81
General government net lending/borrowing (% of GDP)	-2.04	-3.00	-3.33	-2.95	-2.28
Current account balance (% of GDP)	-0.44	-0.86	-2.03	-3.60	-2.70

Table source: *IMF*

Pre-Covid-19 Macroeconomic Overview

Real GDP growth by sector, 2015-18E (%)



The economic comeback allowed some sections of the population to improve their living conditions. Poverty-reduction efforts, such as securing minimum prices for cocoa, coffee and cashew, helped lower the overall poverty rate from 51% in 2011 to 37% by 2018. Meanwhile, primary school enrolment grew from 79.6% to over 99%, driven in part by a 2015 government measure to make school compulsory for children aged six to 16.

Improvements in the regulatory environment saw Côte d'Ivoire move up several positions in the World Bank's annual "Doing Business" rankings, climbing from 142nd out of 190 countries in 2015 to 110th in 2020. Government measures included creating a single user identification number and one-stop shop to establish new businesses; allowing electronic land registration; and easing procedural steps in Abidjan's Commercial Court. Revised investment rules since 2012 offer incentives to investors, including exemptions on value-added tax (VAT) and reductions in other taxes. The expansion of electricity access and transport networks has also laid the groundwork for sustained economic growth.

Furthermore, the authorities have strengthened efforts in recent years to increase tax collection in order to shore up the budget and the country's overall investment capacity so it is less dependent on debt financing. From early 2017 the government made it mandatory for businesses with an annual turnover of CFA200m or higher to file and pay corporate taxes online.

Combined, these measures have made Côte d'Ivoire an attractive frontier market. FDI increased from CFA284bn in 2015 to an estimated CFA567bn in 2019, according to the IMF. However, the Covid-19 pandemic and its economic implications are likely to slow investment flows in the near future.

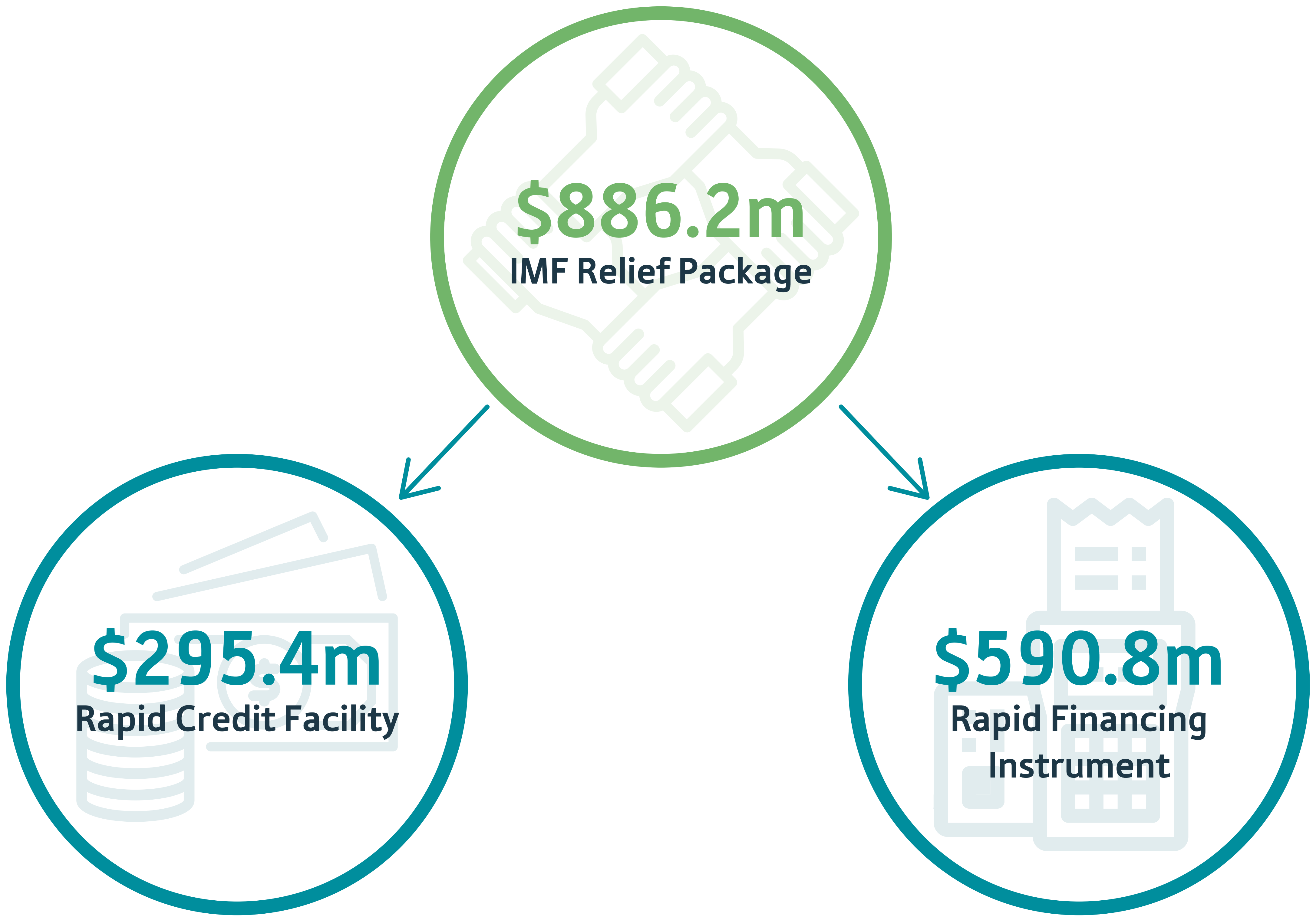
Graph source: *World Bank*

Economic Impact of Covid-19

Even before the arrival of the Covid-19 pandemic, the IMF expected Côte d'Ivoire's economic expansion to slow somewhat, expanding by 6-7% annually over the 2019-23 period, compared to 8% average annual growth between 2012 and 2018. These forecasts were based, to a large degree, on strong contributions from sectors such as power, mining, construction and some services, all of which have helped to diversify the economy and make it more resilient.

Since the first quarter of 2020, however, the pandemic has reshuffled growth prospects for the country, at least in the short term. The strict containment measures implemented by authorities to combat the spread of the virus temporarily affected business activities across most sectors, yet elements such as a steep fall in international trade and a dampening of investor confidence have had broader consequences. Like other emerging economies, Côte d'Ivoire moved quickly to shore up its financial and budgetary position in order to better handle the expected economic downturn.

In April 2020 Côte d'Ivoire reached an agreement with the IMF for a combined financing package of over $886m to support the country's fight against Covid-19 and its economic impact. Of this, $295.4m came through the Rapid Credit Facility, which provides assistance to lower-income countries with limited conditions, while $590.8m was supplied through the Rapid Financing Instrument, which is available to all member countries. In addition to short-term financial reinforcement, the deal is expected to encourage broader support from other international lenders over the long term.



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Economic Impact of Covid-19

By late August the government had revised the country's GDP growth prospects for 2020 to 1.8%, down from a projected 7.2% before the pandemic struck. An earlier and more pessimistic possibility floated by the Ministry of Economy and Finance predicted that GDP growth in 2020 could be as low as 0.8%. Much will likely depend on how the country deals with the health crisis for the remainder of the year, how effective the government's economic recovery plan is and how quickly global demand for Ivorian goods rebounds.

The impact on the livelihoods of average citizens was felt early on. According to a study by the National Statistics Institute, published in June 2020, the economic consequences of the pandemic led to a 43% decrease in income among Ivorian households. For a country like Côte d'Ivoire, where daily informal work supports a significant part of the population, the pandemic and its disruption of normal economic activity made it difficult for society's most vulnerable members to afford food and other essentials.

The pandemic also exposed the need for additional investment to make the domestic health system more robust. According to data from the OECD, Côte d'Ivoire entered the pandemic with a mere 2.3 doctors per 10,000 inhabitants, compared to 3.8 in Nigeria, for example. Although Côte d'Ivoire had the third-best prepared health system in the region in terms of the number of doctors, much remains to be done to meet the needs of the sector and bridge the urban-rural divide.

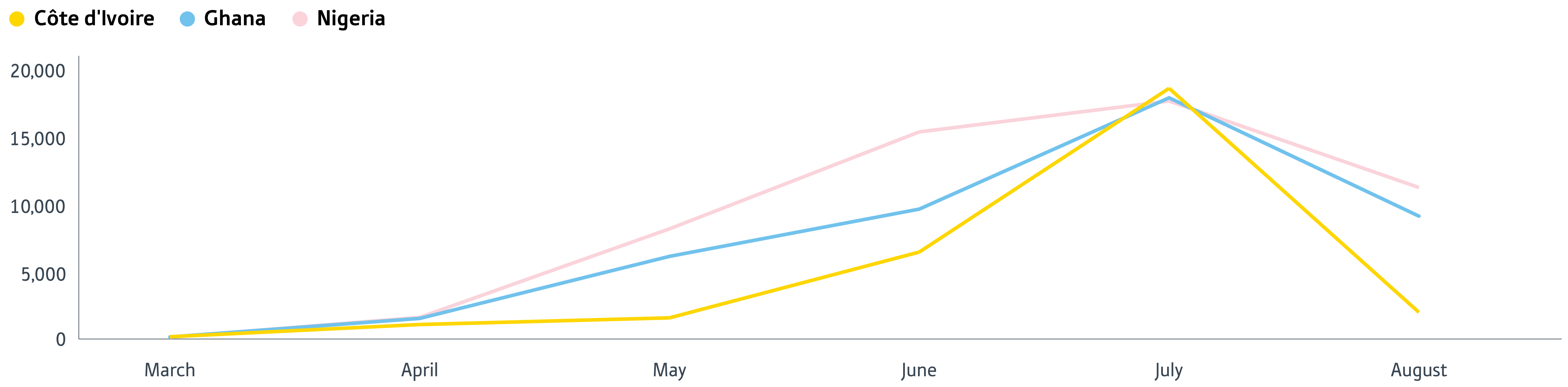
Selected findings of June 2020 economic impact survey

- An average **43%** drop in household income
- **72%** of households were unable to cover certain expenses, particularly water and electricity bills
- Household spending increased by **47%** for food items and **26%** for communication
- **94%** of enterprises in the informal sector were negatively impacted
- Economic activity in the informal sector is likely to drop by **26%** compared to 2019

Source: *National Statistics Institute*

Covid-19 Timeline

Number of confirmed monthly Covid-19 cases, March-August 2020



March 11
Health authorities confirm the country's first Covid-19 case, detected in an Ivorian citizen returning from Italy. The patient is treated at Treichville Hospital.

March 22
Detected cases climb to 25. Land, air and sea borders are closed.

March 23
The government declares a state of emergency and imposes measures to slow the spread of the virus. Restaurants are closed, and travel between Abidjan and the interior regions is limited. A nightly curfew, from 9pm to 5am, is introduced nationwide.

March 31
The authorities announce a CFA1.7trn support programme to deal with the economic disruption of the pandemic, and CFA95.9bn is directly allocated for health aspects.

April 6
The government launches a host of distance-learning tools to mitigate the impact of school closures. Radio and television broadcasts with educational content begin two days later.

May 7
Lockdown rules are eased across the country, but maintained in the economic capital of Abidjan, which has the largest concentration of population and the majority of Covid-19 cases. Restaurants, bars and markets are allowed to reopen in other cities and towns, and the nightly curfew is lifted.

May 8
Schools reopen across the country, except in Abidjan and the surrounding areas.

May 15
Lockdown rules are eased in Abidjan and the surrounding areas. Restaurants and other businesses can open under strict health and hygiene rules, although bars and clubs remain closed. Masks become compulsory in public areas such as markets and transportation.

May 25
Schools reopen in Abidjan, with new sanitation measures to protect students and teachers.

June 26
Domestic flights resume

July 1
International flights resume

Graph source: *ECDC*

Institutional Response

Côte d'Ivoire's response combined health measures with economic support mechanisms in a CFA1.7trn package launched on March 31. The plan was divided into three parts: direct support for businesses, measures to strengthen the economy at large and social assistance to the most economically vulnerable citizens.

In terms of the health measures, Customs duties and taxes were waived on medical and sanitary equipment imported to fight the pandemic and ensure personal protective equipment (PPE) needs were met. This measure allowed companies and civil society to easily contribute to the nationwide effort by donating equipment or financial support to buy it.

For business, Ivorian companies were granted a three-month deferral on tax payments, while the repayment of VAT credits was fast-tracked to a maximum of two weeks. The government also accelerated its debt repayments to companies, especially small businesses, by focusing on debts of up to CFA100m. Moreover, the government established a CFA250bn support programme for agricultural activity, focusing on export segments such as cashew, cotton, rubber, palm oil, cocoa and coffee.

Other measures were aimed at maintaining jobs. A CFA250bn fund to support the private sector was established, with at least CFA100bn directed specifically to small and medium-sized enterprises (SMEs). Part of these funds was also used to deepen existing credit guarantees and encourage the banking system to increase credit allocation to local SMEs.

Support was directed at the informal sector as well, in the form of a CFA100bn fund to aid such businesses. The first phase of disbursements from the fund ran from mid-May to mid-July, when the authorities distributed some CFA10bn to roughly 40,000 informal businesses; financial allocations varied from CFA200,000 to CFA300,000, depending on the size of operations. This initial phase focused on informal operators in transport, food and beverage, and other service industries.

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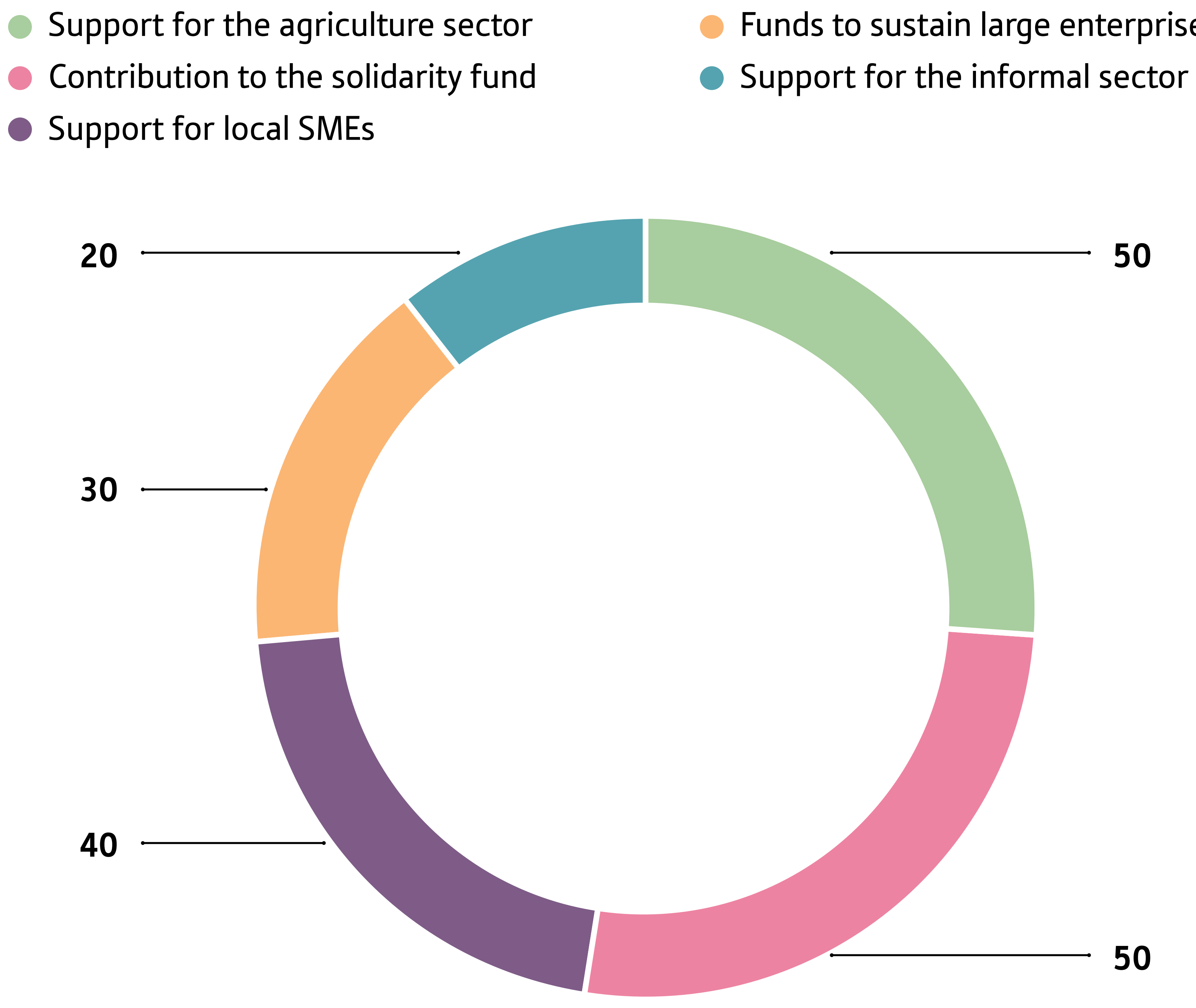
Institutional Response

Yet another national measure was the establishment of a CFA170bn solidarity fund to provide humanitarian support to the country's most vulnerable populations. Households were granted extensions on utility payment deadlines from April to July and from May to August, while the government covered the cost of electricity and water bills in April and May for the poorest households. The measure protected 1m households and benefitted 6m people.

The outbreak also prompted regional responses to the virus and its economic consequences. In late April countries belonging to the West African Monetary Union launched an instrument to raise CFA846bn on the regional debt market. Meanwhile, members of the Economic Community of West African States, through its West African Health Organisation, began exchanging information and strategies regarding the pandemic. The regional body also coordinated a response to accelerate the training of medical staff and acquire medical equipment in bulk for the 15 member states, including PPE, ventilators, extraction and diagnostic kits, and disinfectant.

By the end of May the Ivorian government had spent CFA190bn of the financial resources earmarked for its economic response plan. Roughly CFA40bn was spent to support local SMEs, as much as CFA50bn went to the solidarity fund and CFA20bn was spent to support the informal sector. Additionally, CFA30bn was distributed to sustain large enterprises and CFA50bn went to the agriculture sector.

Government spending in response to the pandemic through early May (CFA bn)



Graph source: *Statement by President Ouattara on May 7, 2020*

Emmanuel Esmel Essis

Minister in Charge of Private Investment Promotion; and General Director, Investment Promotion Agency of Côte d'Ivoire (Centre de Promotion des Investissements en Côte d'Ivoire, CEPICI)

How has Côte d'Ivoire responded to the health and economic consequences of the Covid-19 pandemic?

Several lines of action have been taken by the government. First, a CFA95.8bn health response plan was implemented to fight the virus, mobilise health professionals and deploy health care units. Thankfully, the impact of the virus on the population was smaller than what we expected. On the economic front, the government launched an economic, social and humanitarian support plan worth CFA1.7trn, equivalent to around 5% of GDP. This plan comprises a number of different support programmes, including a fund for small and medium-sized enterprises, large companies and the informal sector; a support fund for the benefit of agricultural producers of export crops such as rubber, cocoa and cashew; and a solidarity fund for disadvantaged groups. The government has taken the necessary measures to ensure the social and health impact is as small as possible, and with the end of the lockdown in Abidjan, we have moved towards the economic recovery phase. However, we remain in a state of emergency and are advising the use of masks and social distancing amid this new normal.

In light of the pandemic, what measures have been taken to cater to the interests of investors?

The pandemic has proven that our economies are resilient and they continue moving forwards despite the difficulties that arise. Côte d'Ivoire is committed to sustainable development, and this will be achieved with the support of the private sector. Therefore, we are steadfast in creating an investor-friendly environment. Currently, we are in a phase where we must regain momentum, and this is why we are meeting with different economic operators and major groups based in Côte d'Ivoire to understand the challenges they have encountered due to Covid-19 and position ourselves as the government's spokesperson. These activities are part of our follow-up investment programme known as After Care. One priority is to reinforce our support and information systems for current and future investors. We are also looking to implement strategies to encourage investors to visit and invest in Côte d'Ivoire, and to improve the attractiveness of the country.

Which sectors should Côte d'Ivoire focus on to boost foreign investment inflows?

Côte d'Ivoire has made the decision to transform its economy through industrialisation, and we continue to work towards this goal. To this end, we must create a support system for the economy, which means that we need further investment in infrastructure and digital technologies. The Covid-19 pandemic has brought digitalisation to the fore, and states and companies had to adapt quickly. At CEPICI, we have changed our way of working by relying on a website where people can make appointments. Indeed, the ICT sector is an area in which further investment is needed, specifically in fibre optics. As more and more companies are looking for these services, we risk being left behind if we do not have them. The pandemic has taught us that while we may encounter limits, we can always find alternatives. If everyone learns the right lessons from this crisis, the country will get back on track.

Part 2

Introduction

The onset of the Covid-19 pandemic and the need to slow the progress of infection across the country led the government to take swift action. Lockdown measures were imposed, but with the vast majority of cases in the country concentrated in Abidjan and its surrounding areas, firms across all sectors were impacted. The new reality required companies to adapt quickly to the disruption of logistics networks, remote-working requirements and swift changes in cash flow. According to a Covid-19-specific OBG survey conducted with the Ivorian business community in late August 2020, a plurality of respondents (31.4%) pointed to productivity as the element most impacted by the pandemic at a company level, followed by sales (23.5%) and cash flow (19.6%).

Prevention measures earlier in the year pushed some firms to reduce activity or put operations on hold altogether. Yet by August, when the survey was conducted, more than half of respondents (54.8%) stated that operations were running at 61-100% capacity. However, 17.6% of respondents stated that operations were at 21-40%, likely pointing to difficulties in predicting demand or securing supply that have been brought about by the pandemic.

Besides having to adapt their operations to new safety measures, many private and public sector operators committed to support the government's fight against Covid-19. In late March four banks operating in the local market – Société Générale, Coris Bank, Banque Nationale d'Investissement and Banque Sahelo-Saharienne pour l'Investissement et le Commerce – donated a combined CFA200m to the state's health response to the virus. Mining operator Barrick Gold, which operates Côte d'Ivoire's Tongon mine, donated $1.3m to be used for medical equipment and social support. Another miner, Groupe Afrique Gold, also donated CFA180m to support the government's response.

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Agriculture

Rich climate and soil conditions have endowed Côte d'Ivoire with many exportable agricultural commodities. At the start of the pandemic, the government announced the creation of a fund worth CFA250bn to support the agriculture sector. Ivorian producers were mostly affected on three fronts: the inability of commodity intermediaries to fulfil contracts; shipping delays; and a decrease in international demand and prices.

Indeed, decreased international prices for cash crops such as cocoa, coffee, cotton, rubber, palm oil and cashew – some of the country's main agricultural outputs – have become a key focus for local authorities. For example, in August the government supported cashew growers by allocating CFA45bn in public funds to acquire unsold leftover produce since the start of the pandemic.

Meanwhile, Côte d'Ivoire is Africa's third-largest cotton producer, with an expected output of 490,423 tonnes of cotton grain in the 2020/21 season.

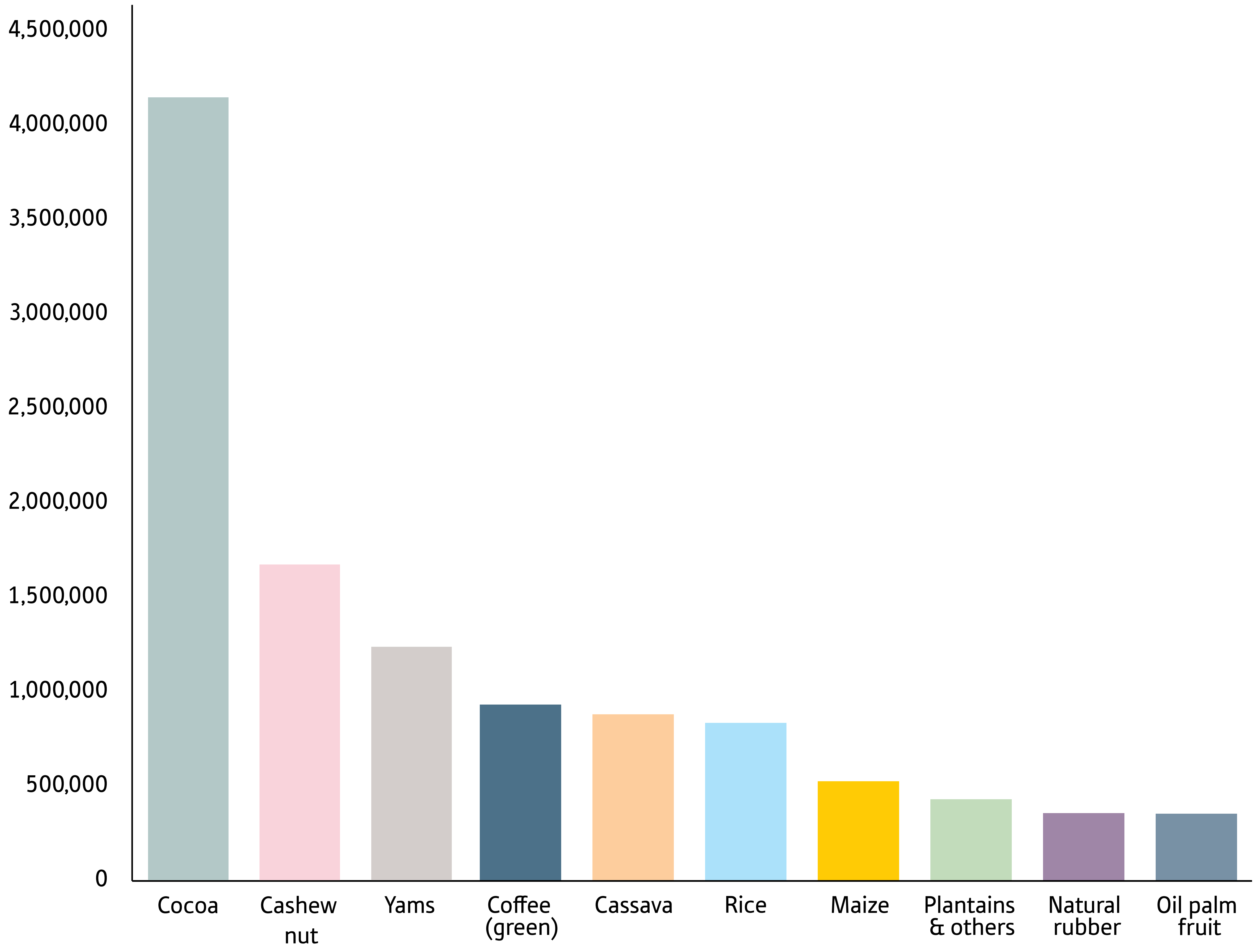
Minimum prices set by the government for cotton producers over the years has allowed the total income of Ivorian cotton farmers to rise from CFA87bn in 2016 to CFA147bn in 2020.

Cocoa farming, for its part, quickly became an essential industry after Côte d'Ivoire's independence from France in 1960. Annual output of the cash crop expanded swiftly, from 550,000 tonnes in 1980 to over 2m tonnes by 2018, according to the World Bank.

Production of other crops, such as rubber and palm oil, reached 670,000 tonnes and 535,000 tonnes, respectively, in 2019.

The private sector has been quick to respond to food shortages brought about by the crisis. For example, Ivorian agricultural company Locagri turned to its locally sourced rice, locariz, to meet rising demand for the staple. The firm has collaborated with NGOs to provide food to vulnerable communities and created temporary jobs.

Crops by land use, 2017 (ha)



Graph source: *FAOSTAT*

Agriculture

Case Study

The Coffee and Cocoa Council (Conseil Café-Cacao, CCC) is the main body governing cocoa and coffee production in Côte d'Ivoire. While it is under the supervision of the Ministry of Agriculture and Rural Development, it is directly responsible for the segments, carrying out key duties such as licensing, negotiating international agreements, and setting purchasing prices for coffee and cocoa.

In a bid to support national efforts to fight Covid-19, the CCC contributed CFA40m to the Ministry of Health and Public Hygiene at the beginning of the pandemic. It also provided farmers on the ground with nearly CFA55m in health and hygiene equipment and products, while raising awareness through television and radio about the importance of complying with the rules and restrictions imposed by the health authorities to contain the virus.

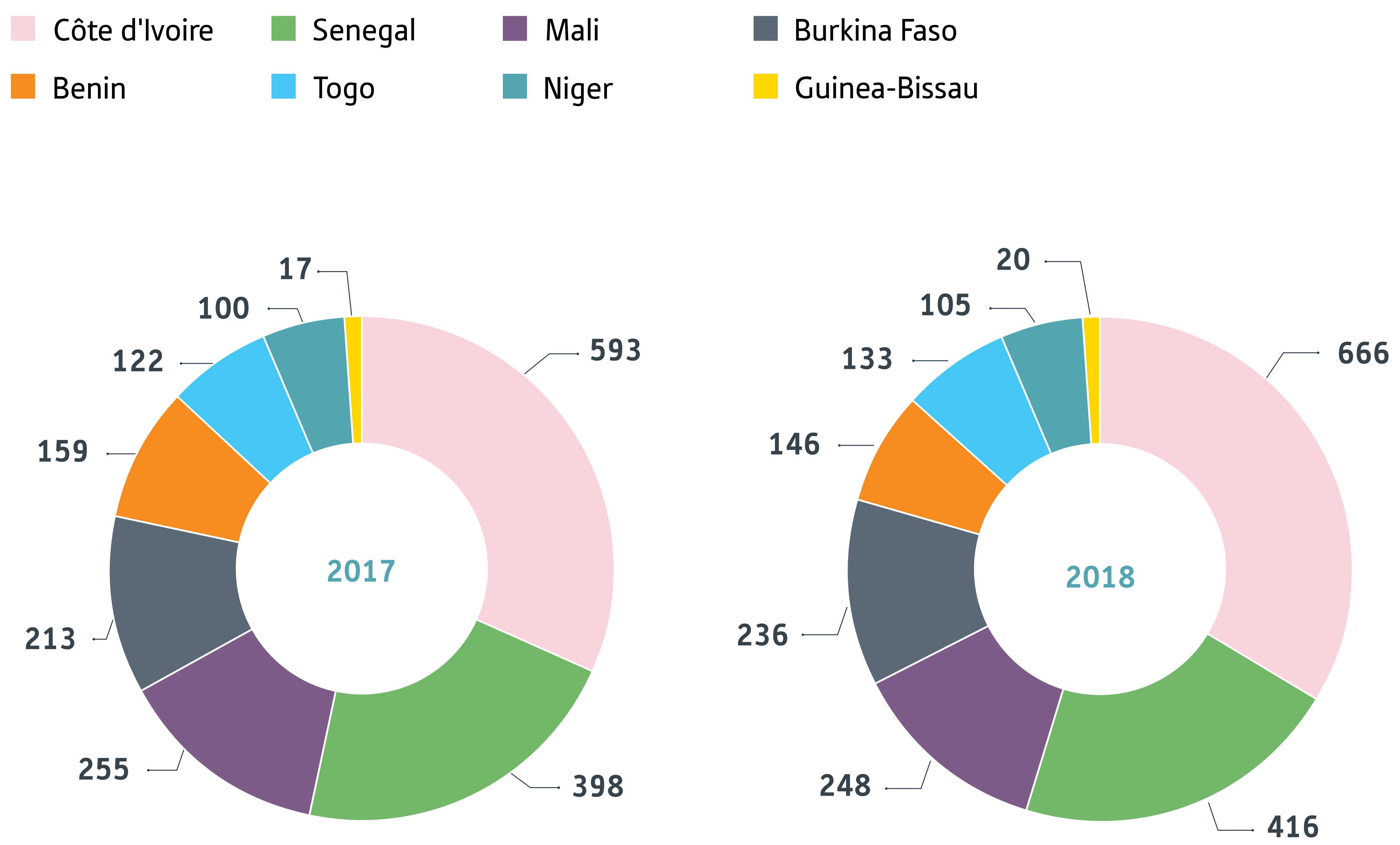
The cocoa industry directly supports around 1m small farmers and accounts for about 14% of GDP, according to the World Bank. In order to boost the sector's value added, the country has set a target of bringing local processing from its current share of 30% to 50% by 2023. Key measures have also been introduced in recent years to support farmer revenue and hedge against fluctuations in international commodity prices. Côte d'Ivoire partnered with Ghana in August 2019 in setting a minimum floor price of $2600 per tonne for cocoa and a $400-per-tonne living income differential should the rate drop below the $2600 threshold.

Such measures should help preserve farmers' incomes in light of the disruption caused by the Covid-19 pandemic. Over the first half of 2020 the economic consequences of the health crisis and the global lockdowns to slow the spread of the virus severely impacted international cocoa sales. In September the International Cocoa Organisation estimated 42,000 tonnes of excess cocoa supply would enter the market between October 2019 and September 2020, caused by the disruption of consumption patterns globally. These conditions were expected to push cocoa prices down by 17% between the end of 2019 and the close of 2020.

According to sector estimates, sales for Ivorian cocoa as of July 2020 had decreased by 30% relative to the same period of the previous year. In April the government announced a CFA35 subsidy per kg to local cocoa exporters to be allocated over the coming four seasons to help the industry bounce back.

Financial Services

Net banking income by country, 2017-18 (CFA bn)



Graph source: *BCEAO*

Côte d'Ivoire's economic recovery, coupled with the country's strategic position in West Africa, has transformed it into a financial services centre. Between 2010 and 2018, seven new bank operations were set up in the country, while two banks entered in 2019, attracted by the high growth rates and ongoing diversification of the economy. By early 2020 there were 29 banks active in the market.

The banking system has played a critical role in supporting transport and energy projects, helping agriculture and industry to expand, and financing the growth of the services sector. Despite a high degree of sector competition, traditional banking penetration has grown slowly, from 19.5% in 2011 to 21.6% in 2018, according to the Central Bank of West African States (Banque Centrale des Etats de l'Afrique de l'Ouest, BCEAO). The majority of the population remains outside of the traditional banking sector.

With the arrival of the pandemic, the BCEAO – in charge of monetary policy for the eight member states, including Côte d'Ivoire – launched several measures to support regional banking systems. First, it raised the weekly financial resources allocated to banks in the region by CFA340bn to a total of CFA4.75trn. The BCEAO also allocated an extra CFA25bn to the West African Development Bank in order to subsidise interest rates for member states requiring additional concessional financing to face immediate expenses associated with the pandemic. This allowed the institution to channel CFA120bn in loans to member states, with each receiving CFA15bn.

The large number of competitors vying for an underdeveloped market leaves many banks reliant on a small volume of business. The 10 smallest banks in Côte d'Ivoire, for example, share less than 5% of the market. The Covid-19 pandemic is likely to make things more challenging for smaller players, delaying the payment of loans, making new deposits more scarce and eventually eroding financial positions. Whether the current crisis accelerates a move towards banking consolidation remains to be seen.

Financial Services

Capital markets are also experiencing changes. Abidjan-based Bourse Régionale de Valeurs Mobilières (BRVM) is the stock exchange for the eight countries of the West African Economic and Monetary Union (Union Economique et Monétaire Ouest Africaine, UEMOA), listing companies and bonds from Côte d'Ivoire, Benin, Burkina Faso, Guinea, Mali, Niger, Senegal and Togo. Due to the Ivorian economy's weight – accounting for as much as 40% of the union's GDP at the end of 2019 – political and economic events in the country tend to have an outsized impact on the exchange. In 2019, 35 of the 46 firms listed on the BRVM had a foothold in Côte d'Ivoire. The BRVM experienced a downturn in recent years, as the market re-adjusted after a period of unusually high stock prices in 2011-16. By the end of 2019 the BRVM's composite index had sustained a 7.6% fall. The BRVM-10, which groups the exchange's most liquid titles, fell by 3.4%.

By some projections, 2020 was already expected to be a slower year on the BRVM, especially due to the presidential elections in Côte d'Ivoire in October. However, the Covid-19 pandemic may have compounded this downward trend. Between the beginning of 2020 and June the BRVM-10 fell from 148.6 points to roughly 130 points. By the end of August the index was even lower, at 121.42 points. By annualised comparison, the BRVM-10 and the BRVM Composite had lost 18.57% and 18.9%, respectively, by the close of August.

In the medium term, however, the BRVM will likely present opportunities for regional investors and companies aiming to secure finance. Côte d'Ivoire and other neighbouring economies continue to boast strong fundamentals, yet the current pandemic is likely to delay growth prospects over the short term, which would reflect on the BRVM's performance.

Viewpoint

ATLANTIQUE FINANCE

Niamkey Isidore Tanoé, CEO, Atlantique Finance

During the pandemic many countries in West Africa issued Covid-19 funds on the financial market to better respond to the crisis at the health and economic level. At Atlantique Finance, we worked on the issuance of these types of bonds. Covid-19 bonds were subscribed by the banking sector and most of the UEMOA market.

Côte d'Ivoire issued a significant amount of funds on two occasions to respond to the crisis and to offset the state's budget. However, during this time the market was saturated by the issuance of traditional bonds, namely state bonds.

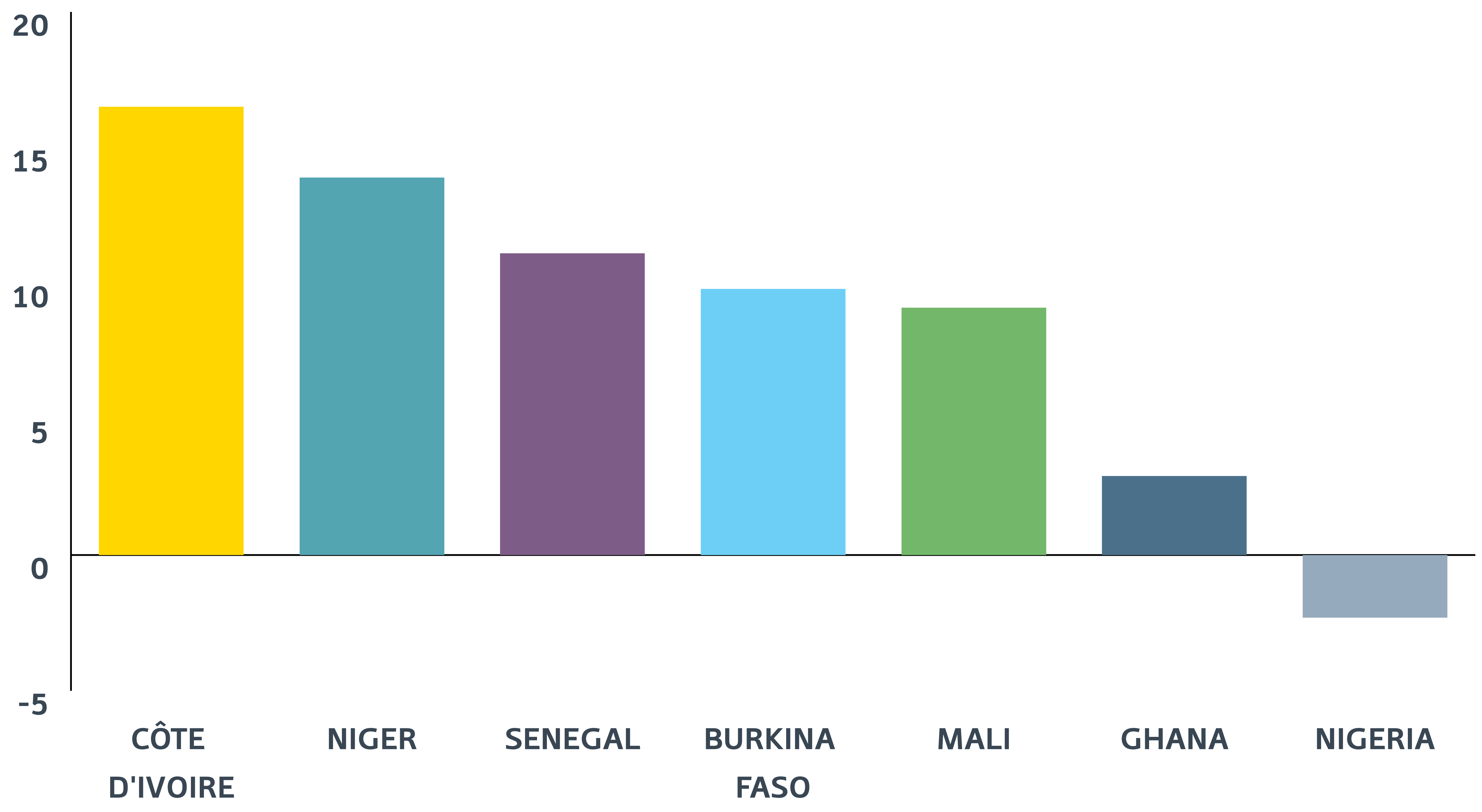
Moving forwards I believe that new and innovative products need to be created to further mobilise funds for various needs.

In the period that follows Covid-19 there needs to be a focus on raising funds for infrastructure and other initiatives via social bonds or project-specific bonds. This approach would allow for greater transparency, as countries can raise funds that have been backed by investors who are able to see where their money is going.

Such an approach has already been adopted in Côte d'Ivoire, where we helped the government secure funds for a specific urban project and realised that this was appreciated by investors. Knowing in advance exactly where their money is going is valued by investors and helps to attract new subscribers. When the project is completed, there is an immediate sense of investor satisfaction.

ICT

Growth of capital services provided by ICT, 2018 (%)



The rapid expansion of ICT services in Côte d'Ivoire has been another pillar of recent economic performance. By the end of 2019 there were 37.4m mobile phone lines in the country, as well as 17m mobile internet users and 17.5m mobile money users. Total revenue in the domestic telecoms sector – which contains three operators – saw a reduction in the final quarter of 2019, to CFA270bn, from CFA300bn in the same period of 2018.

Although there is room to grow the mobile money and mobile internet segments, the widespread use of telecoms technology will provide a good support system for the country's post-Covid-19 recovery. During the pandemic, the BCEAO encouraged citizens in the region to increase their use of electronic money and payment systems. This aligned with several measures taken in early April to cut costs and commissions for the use of electronic payment systems and digital money transfers for banking clients and retail businesses.

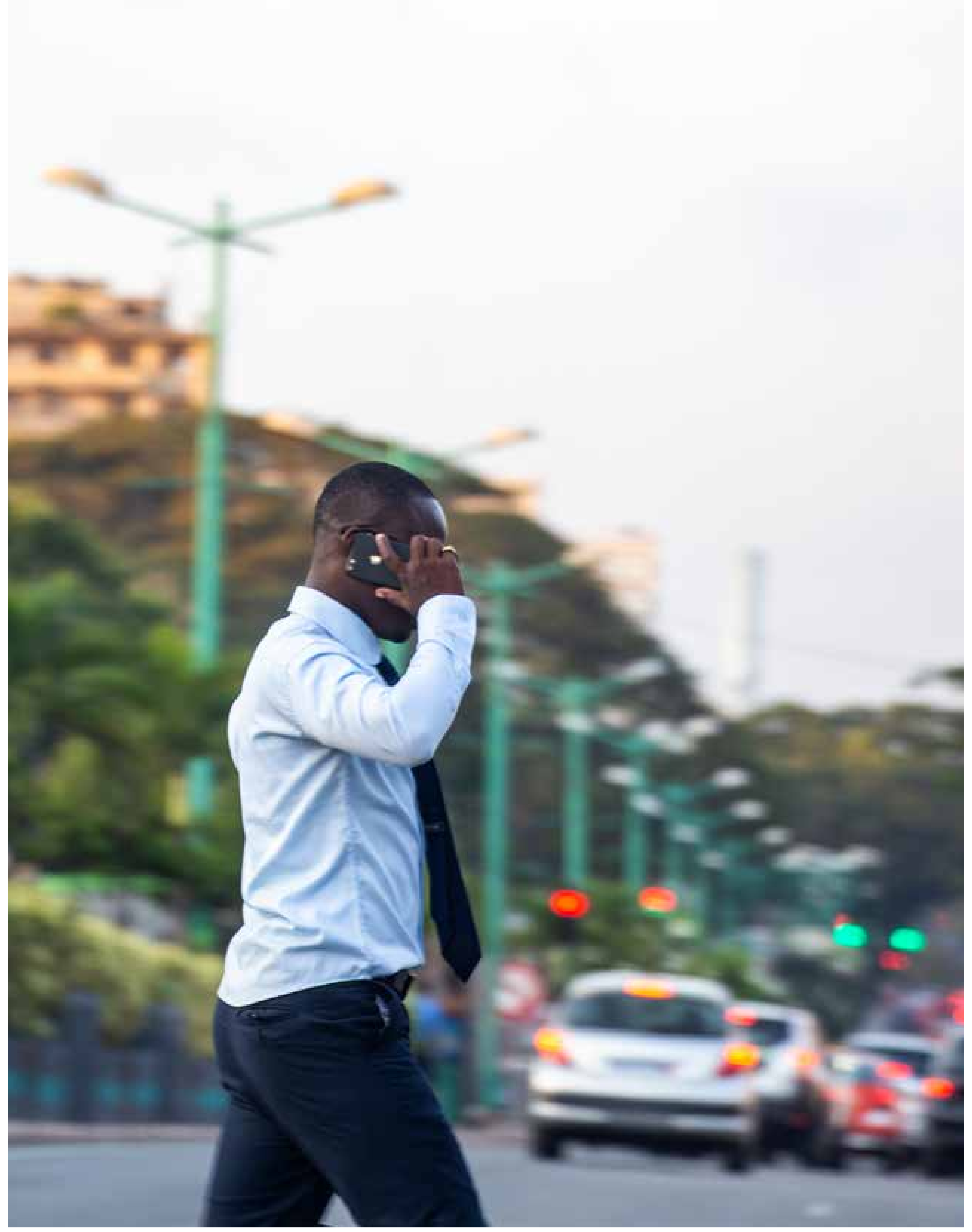
Secure digital payments became even more critical during the lockdown, with movement restrictions reducing cash transactions. Combined with traditional banking services, mobile money services have allowed penetration of financial services to reach 40% of the population. Yet the costs of certain services remain high for low-income Ivorians. As the pandemic has shown, maintaining low fees for digital transactions can be critical in times of crisis – in order to run businesses and allow households to access necessary funds – and can be a driver of broader digital usage over the longer term. Côte d'Ivoire is already the largest market for mobile money in the UEMOA, accounting for 37% of mobile banking accounts in the region in 2018. Total mobile money transactions grew from CFA4.5trn in 2016 to CFA6.3trn in 2019. This familiarity with digital financial services should bode well for the coming months, as the pandemic continues to disrupt business activity and family budgets.

Graph source: *The Conference Board, Total Economy Database*

ICT

Overall IT usage has intensified both at the state level and in business and consumer markets. Digital banking services have been expanding for years, and government measures to ease procedures such as paying taxes have transferred a lot of interactions between the government and its citizens into the digital arena.

As of late 2019 there were 80 administrative procedures that had been digitised, creating several advantages for the government and the private sector by cutting costs and saving time. However, the Covid-19 pandemic has underlined the importance of a digital economy as a means to sustain business, state and educational services during times of crisis.



Case Study

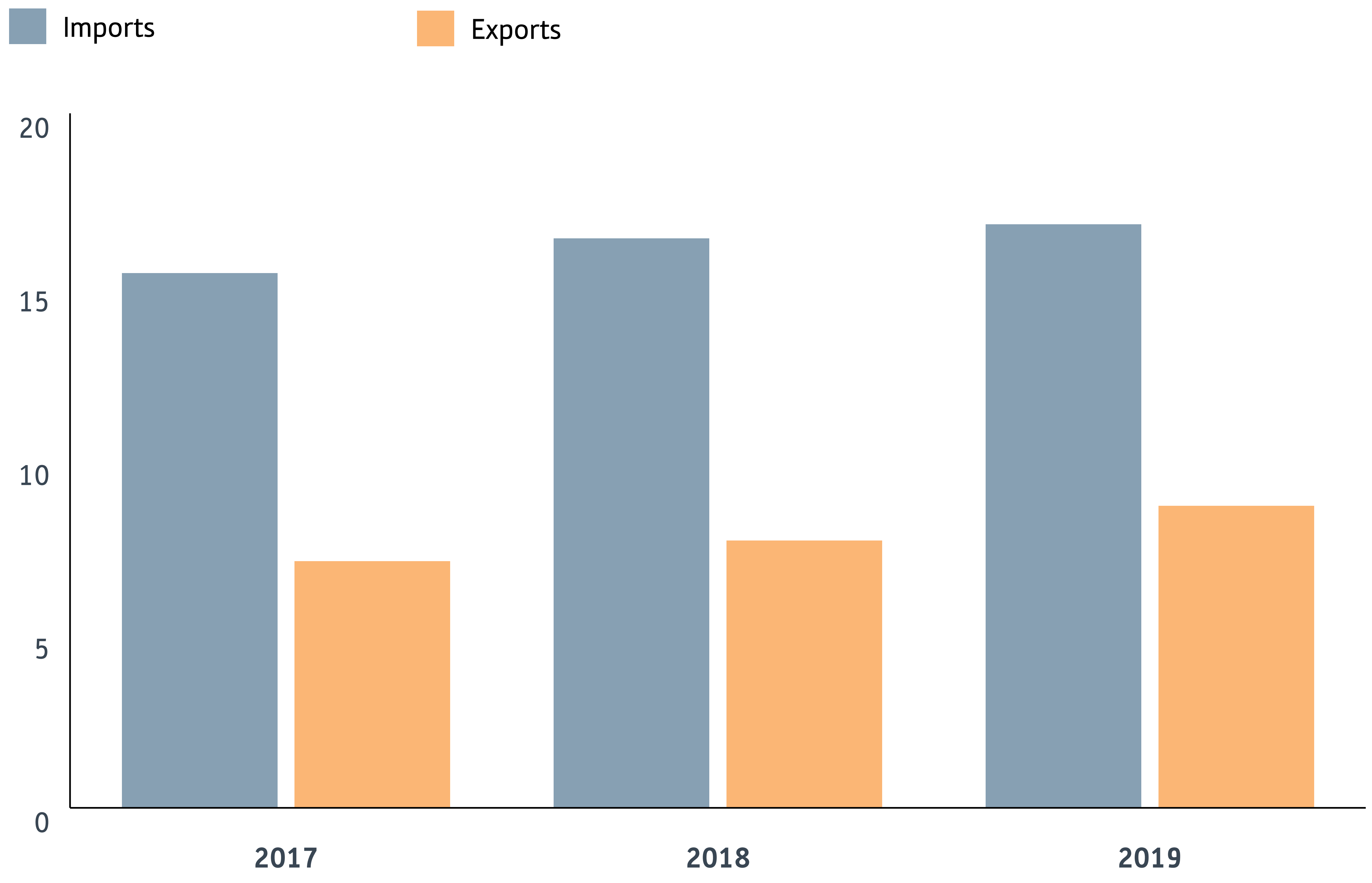
Société de Gestion et de Concept en Informatique (SGCI) specialises in delivering IT services and solutions to the private and public sector. Digitalisation has accelerated since the pandemic began, as the lockdown and social-distancing rules have encouraged people to seek IT solutions. As a result, SGCI saw a rise in demand for two types of products and services. First, there was a need for hardware products that allowed for remote work, such as laptops and tablets. Second, companies were demanding the implementation of several IT services, such as security and video-conferencing solutions. With around 90% of the company's clients asking for this product, a new type of service centred on the rental of these kind of solutions was developed.

At the private sector level, there has been a change of consciousness, as projects to further digitalise companies, such as the dematerialisation of administrative procedures, are currently moving forwards. Projects of this type had previously been put on hold, as they were not seen as essential prior to the crisis. However, companies now see the importance of proceeding with different digitalisation projects.

In the public sector, the pandemic has accelerated the digitalisation of a number of processes, and there is hope that this trend will spread to other operations in both the public and private sector. "I believe that digitalisation will be further promoted. This will depend on our ability to meet various needs, but the demand is there. Moreover, we aim to further facilitate the digitalisation processes of our government and private companies because it is crucial that all segments of society have access and benefit from these services," Cyrille Koffi, director-general of SGCI, told OBG.

Transport & Logistics

Traffic at the Autonomous Port of Abidjan, 2017-19 (m tonnes)



Following years of underinvestment in infrastructure, Côte d'Ivoire's transport sector became a development priority after 2011. Since then, renewed focus has resulted in the construction and expansion of the road network, and a revamp of air and maritime facilities – especially in Abidjan and San Pedro, which are critical export points for many agricultural commodities.

Up to $10bn was earmarked under the National Development Plan (Plan National de Développement, PND) 2016-20 to reinforce the Ivorian transport sector. Infrastructure is essential to supporting the growth of the economy, especially as rising volumes of agricultural, mining and industrial output are channelled towards export markets. The National Road Development Programme 2016-25 was launched to support the PND and is expected to channel CFA3.8trn into roads across the country.

Meanwhile, Côte d'Ivoire's three international airports – located in the cities of Abidjan, Yamoussoukro and Bouaké – have seen increased traffic in recent years. Abidjan International Airport, also known as Félix Houphouët-Boigny Airport, has become one of the region's most active air centres, while flag carrier Air Côte d'Ivoire transported more than 750,000 passengers throughout 2019. Due to the Covid-19 pandemic and the disruptions to air travel arising from lockdown measures around the world, the carrier received CFA14bn in government support in June 2020.

Unsurprisingly, urban transport also saw a decline in the number of daily passengers during lockdown. Abidjan-based Société des Transports Abidjanais, which manages a network of buses and boats, had a daily average of 250,000 passengers in late May – significantly fewer than the 800,000 daily commuters it typically moves.

Graph source: *Autonomous Port of Abidjan*

Part 2: Private Sector Response

Transport & Logistics

The state-owned Autonomous Port of Abidjan (Port Autonome d'Abidjan, PAA) moved 25.8m tonnes of cargo in 2019, a 6.8% increase over 2018. Since 2014 cargo movement at the port has increased by 17.8%, underscoring Côte d'Ivoire economic recovery. The facility is strategically important, managing roughly 90% of the country's international trade and accounting for 90% of Customs revenue in 2018.

A $2bn expansion plan for the PAA is being implemented between 2018 and 2023. The revamp will include a second terminal and allow the facility to double its annual container-handling capacity to 2.8m twenty-foot equivalent units.

After the disruption of logistics operations due to the pandemic, a stable economic environment would do much to allow operators to re-establish transport and logistics flows. According to an OBG survey conducted with the Ivorian business community in late August 2020, a plurality (39.2%) of respondents pointed to the possibility of social unrest as the biggest threat to their supply chains. Because of its strategic position as a regional transport centre and link to several landlocked West African countries, the PAA is certain to remain a critical asset for regional trade and Côte d'Ivoire's economic recovery.

In this vein, port stakeholders joined forces to respond to the Covid-19 pandemic by donating CFA278m to assist the government in its fight against the virus.

Viewpoint

ABIDJAN TERMINAL
CÔTE D'IVOIRE

Asta-Rosa Cissé, Managing Director, Abidjan Terminal

In the first quarter of the year exports rose by 2% and imports by 6% compared to the same period in 2019. The increase in imports can be explained by strong internal consumption boosted by projects.

For example, the top-three imports in the past months were machine tools and accessories, packaging and chemical products. This is linked to the industrialisation process the country has embarked on in an effort to increase value added in its agricultural resources.

The impact of the pandemic on the sector was first felt at the PAA in April and May, at the beginning of the cashew nut season, as the main customers in Asia were under lockdown, which resulted in a drastic decline in exports. Furthermore, with Abidjan in lockdown, it became difficult to transport goods, causing delays.

In June and July cashew exports grew with the resumption of operations in China, India and Vietnam. By this point we were able to find a balance and return to pre-Covid-19 levels.

Overall, recent figures highlight the fact that not all sectors have been affected in the same manner, and the trade balance shows that the sector is bound to continue moving in the right direction.

Lastly, the crisis has enabled us to progress on different dematerialisation projects, namely in the Customs field, through the digitalisation of procedures and the implementation of online payments.

Infrastructure

Construction and real estate continue to benefit from the prioritisation of infrastructure development. Construction activity picked up after the end of the political crisis in 2011, as public and private investment was funnelled into building transport and logistics networks, energy infrastructure and housing. Indeed, construction and real estate account for about 6.8% of GDP and supply around 28,000 jobs every year.

Much of the activity in recent years has been driven by public investment, which has attracted a growing number of foreign contractors. The National Development Plan 2016-20 allocated CFA9trn to the infrastructure and construction sector, cementing it as a priority.

This trend has also been visible in the share of credit allocated to the sector. In 2012 about 2.8% of all financing from the banking sector went to construction, according to the IMF. By 2017 this figure had reached 7%.

In addition to affecting the progress on projects with stoppages imposed by lockdown measures, the Covid-19 pandemic is likely to have a longer-term impact on sector dynamics. Although Ivorian authorities were increasingly looking to the private sector to take on a larger share of investment in infrastructure and real estate, investors may be more reluctant to finance projects in the short term.

Case Study

Distribution de Matériel Electrique Industriel et Bâtiment (DMEIB) is a distributor of electrical equipment established in 1995. The company offers tailor-made solutions to a diverse range of clients, from electrical installation equipment, including tools, conduits and cables, to lighting. During the pandemic, demand for the distribution of materials has remained stable. The company has been able to continue operating efficiently, despite disruptions to logistics and transport, through stock optimisation. To keep up with demand and ensure the safety of its employees, DMEIB implemented hygiene and social-distancing measures in both its offices and warehouse.

Infrastructure development, coupled with fast-paced GDP growth, has required significant investment in Côte d'Ivoire's electricity generation and distribution capacity over the past decade. Indeed, between 2011 and 2017 peak electricity demand increased at an annual average of 6.9%, highlighting the need to expand generation. As of 2019 the country had a generation capacity of roughly 2200 MW, 1320 MW of which was from gas-fired plants and 880 MW from hydropower.

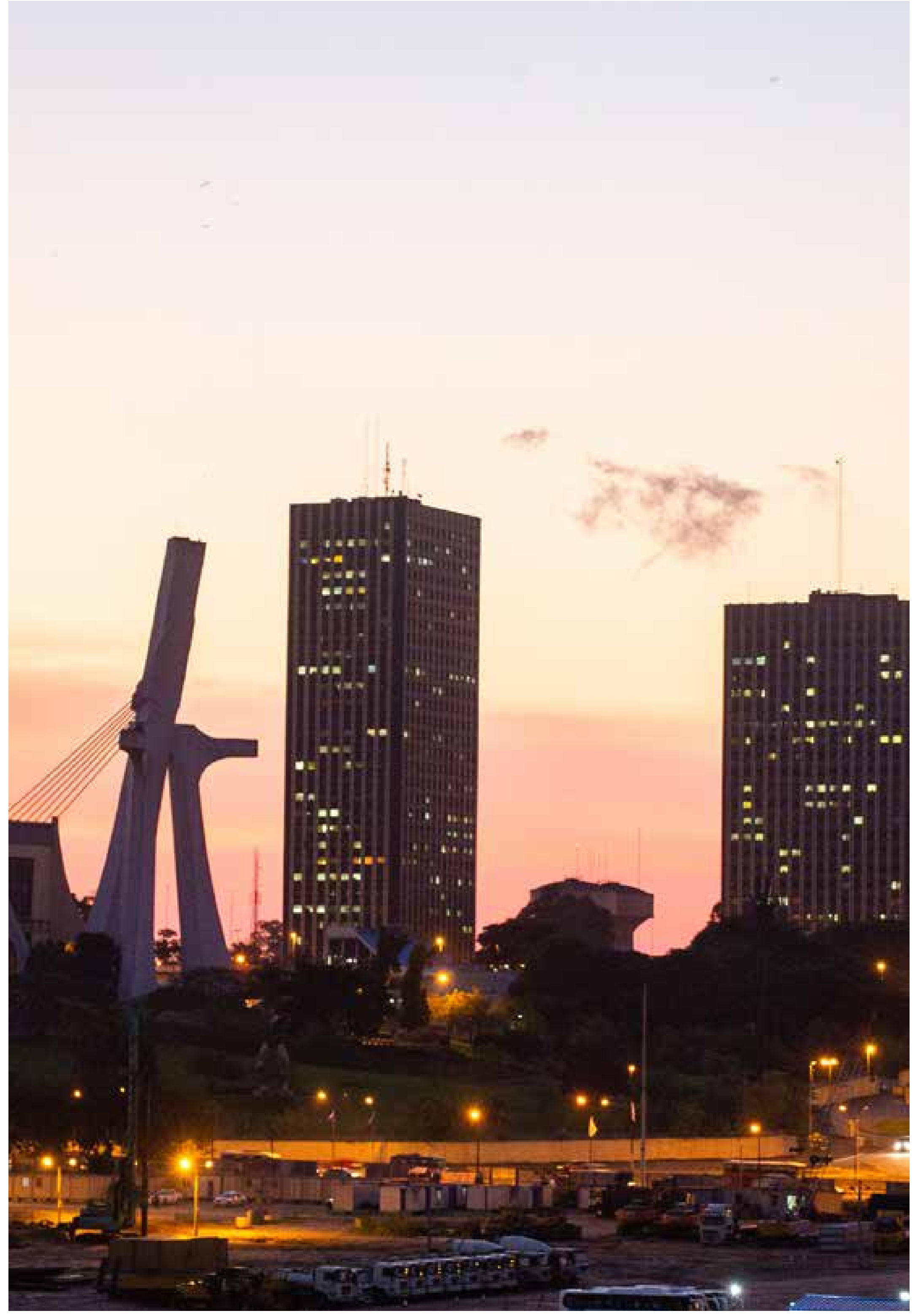
"The regulatory environment has attracted independent power producers to the market, and public and private investment is raising the profile of hydropower and renewable sources," Jean Maurice Ibrahim, director-general of DMEIB, told OBG. Over the coming decade Côte d'Ivoire plans to invest $20bn to expand generation capacity to 6700 MW by 2030, as well as diversify its energy sources.

Infrastructure

Following on the growth seen in construction, the real estate sector expanded by 26% between 2012 and 2018, with sector turnover more than tripling from CFA405bn to CFA1.5trn over the same period.

The construction and real estate sectors were affected by the Covid-19 pandemic on several fronts. The lockdown and new health regulations made construction activity and promotion more difficult, and supply chain disruptions meant construction materials were harder to access. In addition, the coming months are likely to bring added caution from banks in terms of financing on both the demand and supply side.

Despite the current challenges, demand for new homes is considerable, as Côte d'Ivoire's housing deficit is estimated at between 400,000 and 600,000 units. Government-led social housing programmes will remain a development priority, while private investment is likely to continue to be channelled into middle- and high-income housing segments.



Case Study

COSMOS YOPOUGON

Developed by HC Capital Properties (HCCP) in 2018 and located in the city's largest municipality, Cosmos Yopougon is Abidjan's biggest shopping centre. The mall has generally been resilient to the pandemic, with essential tenants continuing to trade well despite lower footfall.

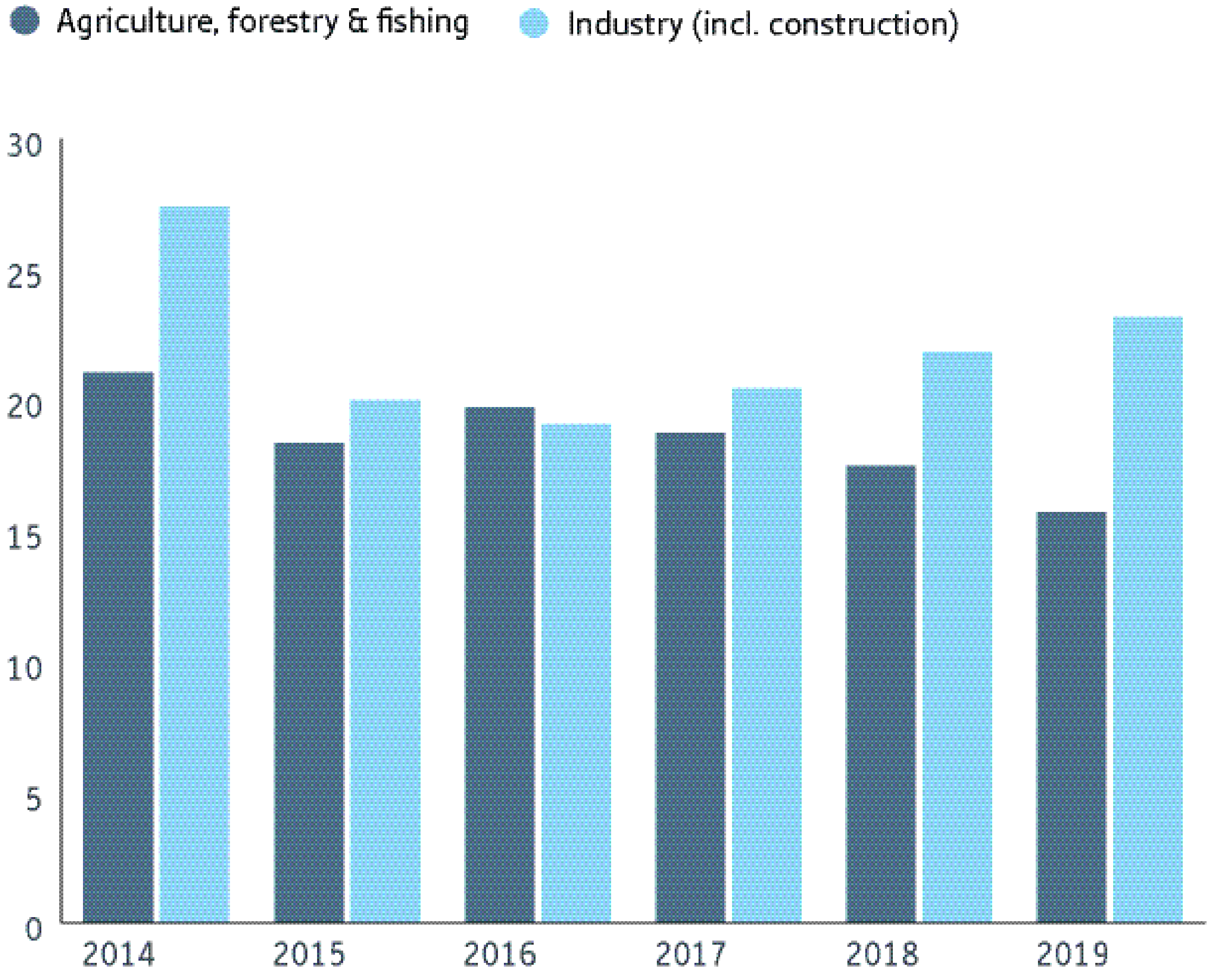
Cosmos Yopougon worked with individual tenants to structure rental payment plans for the second quarter of 2020, which allowed affected tenants to absorb the drop in revenue. The mall also deployed innovative marketing and communications tools to boost footfall. As part of its response to Covid-19, Cosmos Yopougon improved sanitary conditions, increased operational efficiency and lowered its cost base. With the gradual recovery in shopping centre activity and the reopening of the majority of businesses, the mall is now close to reaching pre-Covid-19 performance levels.

"At the beginning of the pandemic, I believed we had a stabilising role to play, as it was important that our tenants received our support. We did not want the few struggling tenants to end up in the informal sector, as this would have meant taking a step backwards," Cheick Sanankoua, managing partner of HCCP, told OBG. "Moving forwards, we are looking at things from a new perspective: a focus on transforming traditional markets into modern markets. This will allow more people to enter the formal economy, which would be a benefit from a health and safety perspective."

Part 3

Diversification

Agricultural & industrial value added, 2014-19 (% of GDP)



The Ivorian economy has several fundamental strengths that will help the country navigate its post-Covid-19 recovery. First, Côte d'Ivoire remains a strategic location for logistics and financing in West Africa. Second, the country has seen a high level of diversification following its recent growth period. Acknowledging the role that a revamped agriculture sector could have on economic growth, Côte d'Ivoire has placed the modernisation of agriculture at the heart of its National Development Plan 2016-20. The main objectives of the plan include increasing the productivity of agricultural labour, promoting higher-value-added processing and diversifying crops.

Industrial development will also remain a critical growth vector for the economy. In late August 2020 the government signed a CFA1trn deal to build three new industrial zones in Abidjan, San Pedro and Ferkessédougou. The deal aims to increase local manufacturing, and is expected to create 350,000 new jobs and add between $9bn and $11bn to GDP, according to government projections.

Other sectors are increasingly contributing to economic growth and will also support recovery efforts. The mining sector, for instance, generated CFA94.5trn in 2019, up from CFA65.8trn the previous year.

Graph source: *World Bank*

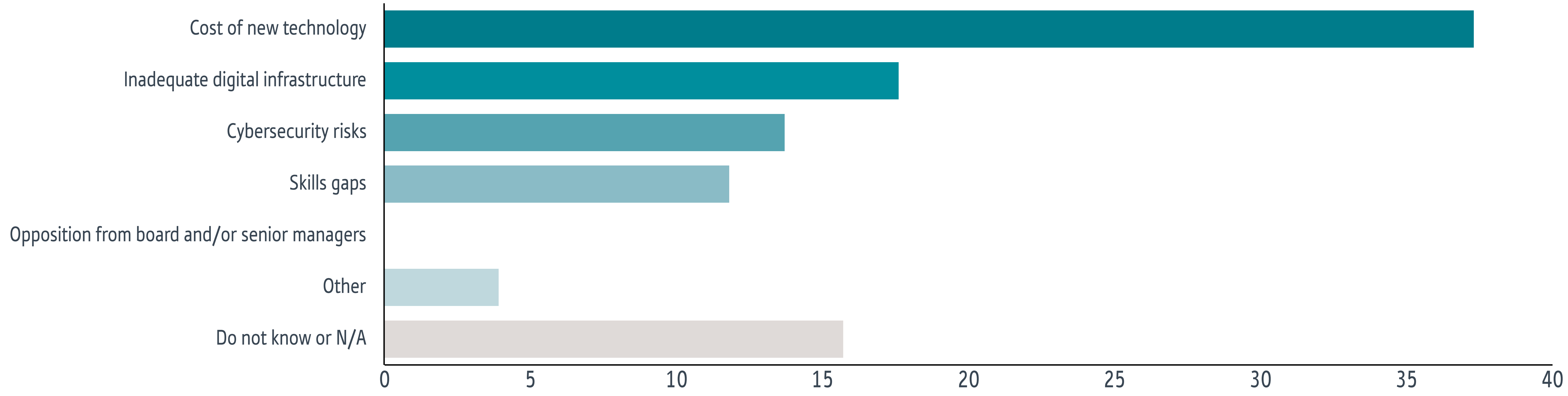
Digitalisation

The country's economic recovery will benefit from a greater degree of digitalisation. According to OBG's Côte d'Ivoire CEO Survey released in August 2020, 27.5% of respondents identified information technology and innovation as the sector with the most potential to drive economic recovery. The services sector accounts for more than 33% of GDP, and although businesses faced significant disruption during the lockdown period, services companies stand to benefit from ongoing digitalisation efforts through a reduction in costs and improved links with regional markets.

Some 53% of respondents to the survey said their companies were investing in innovative tech solutions to allow operations to resume or continue to run smoothly, while 31% said they were moderately investing in such solutions. In terms of obstacles to digital transformation in their domestic operations, the largest plurality of respondents (37.3%) pointed to the cost of new technology as the main barrier, followed by inadequate digital infrastructure (17.6%).

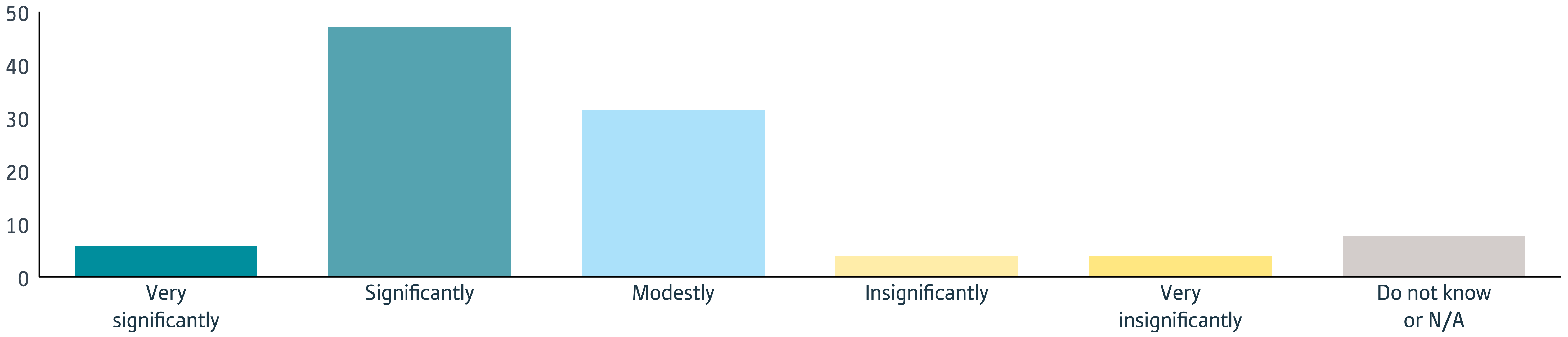
What is the main barrier to digital transformation in your domestic operations?

(% of respondents)



To what extent is your firm currently investing in innovative tech solutions to allow operations to resume or continue to run smoothly?

(% of respondents)



Graph source: *OBG CEO Survey*

OXFORD BUSINESS GROUP

Digitalisation

Digitalisation is also playing a key role in the provision of education. The lockdown period, which saw most students around the world stay home and unable to go to school, underlined the need to develop solid distance-learning mechanisms that can be used during an emergency, as well as be deployed in rural areas with inadequate educational infrastructure or teaching staff.

To that end, a number of projects were initiated at the start of the outbreak to ensure educational continuity. For example, Etudesk – an Ivorian start-up that provides online training programmes for governments and companies – expanded its reach during the pandemic. In addition to offering virtual learning services to several other countries in the region, Etudesk collaborated with 20 Ivorian institutions, including primary schools, businesses and management training providers.

Companies in other sectors have also shifted focus to provide educational content during the pandemic. For instance, Naima Dolls, an African toymaker with a presence in Côte d'Ivoire, launched Naima Edition, an educational booklet and card game to give families with children an affordable and fun educational tool during lockdown.

In an effort to mitigate the impact of school closures the government rolled out a distance-learning programme on April 9, 2020 that spanned television, radio and online resources to teach primary, secondary and tertiary students. Furthermore, free online courses were launched by the Ministry of National Education, Technical Education and Vocational Training through several websites, YouTube videos and Facebook pages.

Case Study

IUA

The University Institute of Abidjan (Institut Universitaire d'Abidjan, IUA) is a private higher education institution in the economic capital of Côte d'Ivoire. The IUA offers a range of disciplines and specialises in the fields of corporate finance and strategic management. As with many other sectors, education was greatly affected by the pandemic, and learning institutions around the world had to close to contain the spread of the virus. The IUA adapted quickly by switching from in-person classes to online teaching.

While the institute was already familiar with online teaching platforms, they were not being actively used prior to the pandemic. One of the main problems the IUA encountered was that all students did not have the same level of internet access. At the beginning of the pandemic, an estimated 50% of students were able to join small group classes and 80% joined large classes. Furthermore, the institute already had an online platform in which students could access documents for all courses in case they could not join online classes.

The IUA has been actively working to raise the student connectivity rate. "To increase access, we have been negotiating with different communication companies to establish a tariff so that students can connect to the internet for an unlimited time period," Aka Kouamé, president of the IUA, told OBG. "This is important for the success of online learning."

Business Outlook

The government acted swiftly to contain the economic and health challenges brought about by the pandemic. The country's robust economic support programme, equivalent to 5% of GDP, set a solid base for recovery. However, some aspects of Côte d'Ivoire's post-Covid-19 recovery will remain contingent on global demand.

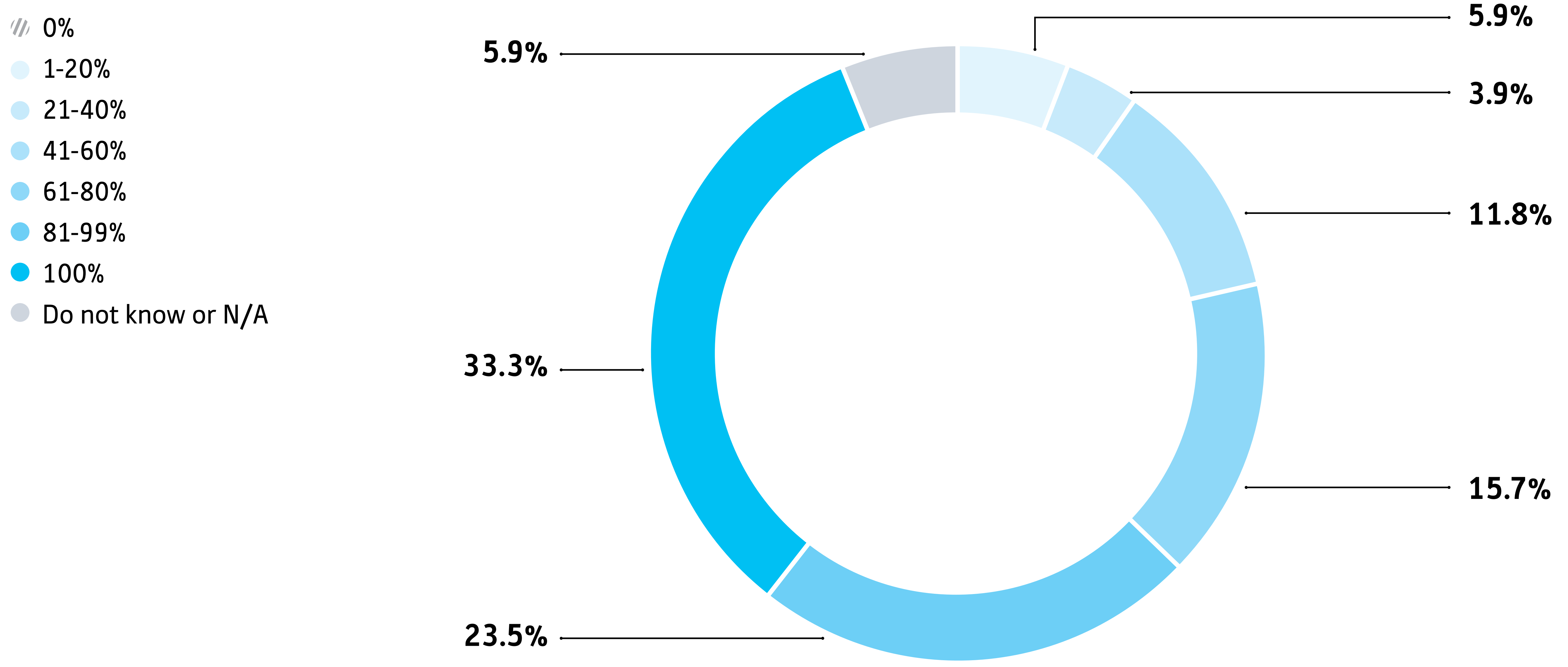
While strategic agricultural commodities such as cotton, rubber, cocoa and cashew are highly sought after, the global economic slowdown caused by lockdowns and potentially lower consumption in the Northern Hemisphere in the winter months may create a surplus of certain commodities, which could keep prices down in the short term. This situation, however, is likely to reverse once industrial and retail activity returns to normal patterns. In 2018 agricultural goods accounted for 60% of Côte d'Ivoire's merchandise exports and two-thirds of total employment. Therefore, economic recovery efforts will undoubtedly focus on the agriculture sector.

Decisive action by the government should also help to support business confidence, which will be critical for the coming period. Despite the current difficulties, the results of OBG's CEO Survey indicate some degree of optimism from the Ivorian business community.

Over half of respondents (56.8%) expected their businesses to operate at 81-100% capacity by January 2021, while 27.5% of respondents projected their capacity to range between 41% and 80% by the beginning of that year.

At what capacity do you expect your firm to operate by January 2021?

(% of respondents)

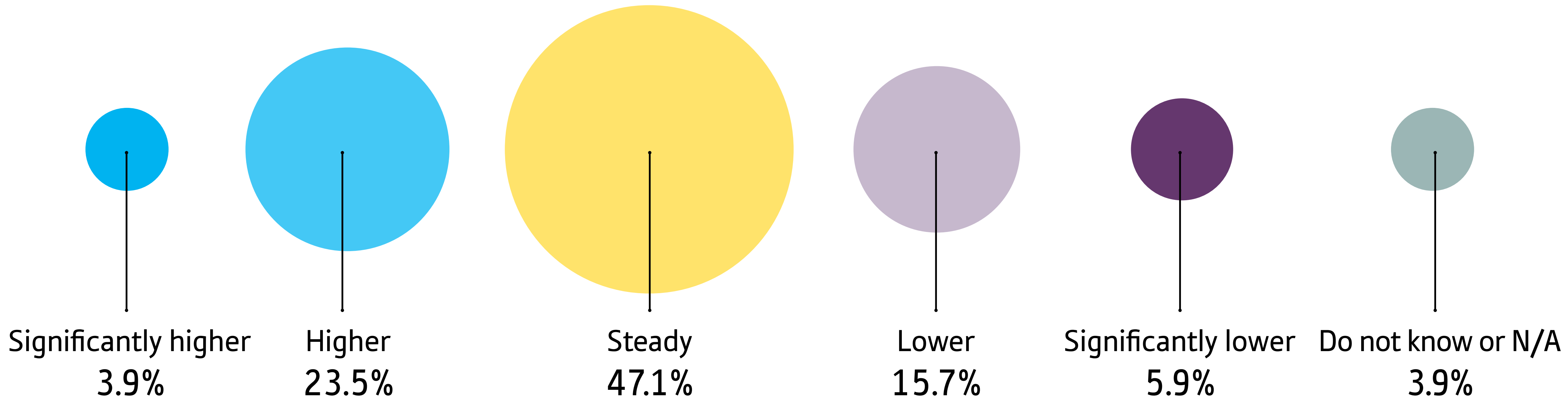


Business Outlook

Cautious optimism also came through in other elements of the CEO Survey. A clear majority of respondents (70.6%) expected revenue for in-country operations to be higher or remain stable over the coming 12 months, while 21.6% expected revenue to be lower or significantly lower over the coming year.

Moreover, one-third of respondents expected capital expenditure to increase or significantly increase over the next 12 months, while 27.5% expected it to remain the same. On the opposite side of the spectrum, 15.6% of businesses surveyed were looking at a reduction or significant reduction of capital expenditure in the coming year.

What is your revenue forecast from in-country operations over the next 12 months?
(% of respondents)



Case Study

While the pandemic has had a moderate impact throughout Africa in terms of health, its economic impact has been significant. To reduce the consequences of the crisis on African economies, many governments in the region have unveiled a number of measures.

For instance, in Côte d'Ivoire, under Order No. 2020-357 of April 8, 2020, the president announced a series of fiscal responses. These measures include the suspension of tax and Customs controls and payment of taxes from April to June 2020; the acceleration of the process for the refund of value-added tax (VAT) credits; the 25% reduction of the business activity tax related to transport payable in 2020; the deductibility of certain costs incurred in the fight against Covid-19, from April to June 2020; the exemption of VAT on health equipment; and the exoneration of tax on stock exchange operations, tax on income from debt claims and stamp duties on loan agreements. Other measures include the cancellation of penalties for delays in the execution of public contracts and orders with the state and its branches during the crisis; and the suspension of penalties for ships at the ports of San Pedro and Abidjan in the event that deadlines for storage are exceeded.

In view of reinforcing these fiscal measures, the government set up funds to support the informal sector, small and medium-sized enterprises, and large companies. Nonetheless, some issues still need to be addressed – notably, the lack of clarity over whether a pandemic constitutes a force majeure, the need for more flexible legislation to tailor social programmes to different locations and insufficient regulations for remote work.

Graph source: *OBG CEO Survey*

Start-ups, SMEs and the Private Sector

As Côte d'Ivoire responds to the health and economic effects of the pandemic, a strong private sector will be essential for a solid economic recovery and a restructuring of employment. This will be dependent on fostering the growth of local small and medium-sized enterprises (SMEs), which account for roughly 80% of firms in Côte d'Ivoire. Recent reforms have made it easier for SMEs to leverage the country's pre-Covid-19 growth period. However, as the economy restarts after the health crisis, some of these measures may require further government support.

The Côte d'Ivoire SME Agency was set up by the government in 2014 to focus on supporting the segment. Among other measures, the agency is charged with the handling and disbursement of a CFA20bn fund to support new business creation, launched by the authorities in 2019.

A platform for public procurement plans, established in 2017, has added a level of transparency and improved smaller firms' access to government contracts.

Despite their importance to the domestic economy, SMEs have traditionally had difficulty accessing bank credit. In early 2020 the International Finance Corporation estimated that Ivorian SMEs could potentially require $2.3bn in credit – or almost 7% of GDP. This financing gap is likely to widen, especially for smaller firms that overcome the current economic downturn, placing additional pressure on targeted SME programmes in the post-pandemic period.

Viewpoint

Eric Kacou, CEO, Entrepreneurial Solutions Partners

With projected GDP growth of around 1.5% in 2020, Côte d'Ivoire has thus far weathered the pandemic-induced recession better than many of its counterparts in Africa. Yet the private sector is still hurting: according to a survey published by Entrepreneurial Solutions Partners in June, 86% of businesses expect to perform worse in 2020 than in the previous year because of the effects of the crisis. This figure is double that recorded since 2014, with education, tourism and hospitality, and transport and logistics anticipated to be hit the hardest.

SMEs are in a particularly difficult position, with 88% reporting that they expect to perform worse than larger firms over the course of the year. SMEs typically have only 36 days' worth of financing on hand, thus the shutdown threatened these smaller firms with closure. Nevertheless, SMEs are emerging as the unexpected heroes of the crisis, with many contributing to the increased output of food products and face masks. Digital solutions and an uptick in delivery services also came from this sector, providing much-needed relief to Ivorians during the lockdown. Indeed, our entrepreneurs have traditionally been our strength. In 2020, five out of the 50 finalists in Jack Ma's Africa's Business Heroes competition were based in Côte d'Ivoire. This shows that businesses and entrepreneurs are yearning to go to the next level.

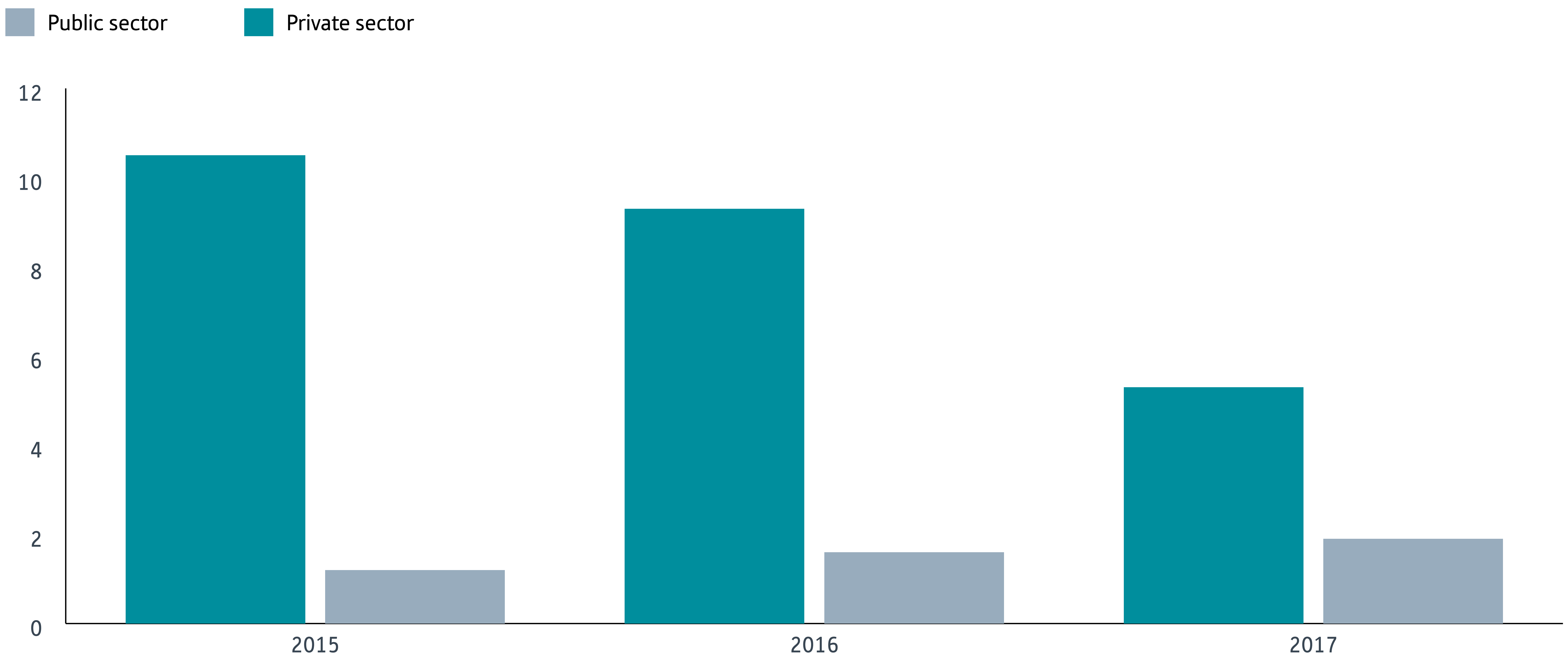
SMEs must continue to be key contributors if Côte d'Ivoire is to regain its economic momentum, as Covid-19 is expected to be a medium-term crisis at best. Less than 10% of available Covid-19 response funding to SMEs has been disbursed as of mid-September, and the effective use of this assistance must be prioritised. Beyond this relief, SMEs will also need enhanced access to the market, tailored skills and structure, and more and better suited financing products. If anything, the pandemic has increased the CFA3.6trn financing gap for SMEs in Côte d'Ivoire. It is important for the country to use this once-in-a-lifetime crisis to build a stronger foundation for its SMEs, and create an environment that will allow them to thrive.

Start-ups, SMEs and the Private Sector

In August 2020 the Ministry of Youth Promotion and Youth Employment allocated over CFA778m in financial support to 30 young Ivorian entrepreneurs, who each received financing of between CFA5m and CFA50m. In 2020 more than 26,700 young Ivorians were expected to receive government loans to support new business creation.

Growth will also depend on creating a more encouraging environment for start-ups and the private sector as a whole. To this end, 2018 saw the launch of Comoé Capital, a CFA4.4bn venture capital fund focusing on Ivorian start-ups and small businesses. Private equity and other mechanisms to foster private initiatives can also have a significant impact on a fast-growing market such as Côte d'Ivoire.

Contribution to GDP growth, 2015-17 (%)



Graph source: *World Bank*

6 Key Takeaways

1

A combination of economic support and health measures has enabled the government and the private sector to take a proactive stance against the spread of Covid-19. This helped Côte d'Ivoire navigate the first phase of the pandemic and has had a pivotal role in maintaining a degree of business confidence.

2

The concentration of Covid-19 cases in Abidjan and surrounding areas has highlighted the direct relationship between dense urbanisation and the spread of disease. This underscores the need to continue investing in quality affordable housing with adequate utilities to improve living standards and hedge against future epidemics.

3

A unified response encouraged the private sector to fully engage in the government's fight against Covid-19, with firms and stakeholders across a range of sectors donating both money and health supplies.

4

Digitalisation has played a key role in supporting the education sector during the pandemic. The continued development of virtual teaching and learning platforms will allow Côte d'Ivoire to further enhance the provision of educational services and improve enrolment rates, particularly in more remote areas of the country.

5

Despite ongoing industrial expansion, agriculture remains critical for the livelihoods of a significant number of Ivorians. Agriculture was the main activity for 51% of households in Côte d'Ivoire in 2015, and it is a robust contributor of foreign currency. Measures to support the sector in the short to medium term will be essential for the country to achieve full economic recovery.

6

Economic recovery is likely to take a different form in each sector. As a result, continued diversification of the economy – with an emphasis on new manufacturing segments, mining, ICT and energy – will help the country to navigate future external shocks more effectively.

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