

# Embassy of India Abidjan

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## INFORMATION BRIEF

### **OPPORTUNITIES FOR INDIAN BUSINESSES IN COTE D'IVOIRE** (also known as Ivory Coast)

1. For Indian companies, the Ivorian market offers both opportunities and challenges. The Ivorian economy, engine of the Francophone West Africa is recovering from decade of internal crisis. Côte d'Ivoire is the largest economy in the West African Economic and Monetary Union (WAEMU), constituting 40% of the Union's total GDP. Côte d'Ivoire is also the world's leading cocoa beans and raw cashew nut exporter. The country also exports coffee, palm oil, cotton, and rubber, among others making it the 4<sup>th</sup> largest exporter of commodities in sub-Saharan Africa behind South Africa, Nigeria, and Angola. Oil has become one of Cote d'Ivoire's leading exports, and the development of new gold mines in recent years in the central and northern areas of the country has also contributed to the economic growth.
- **GEOGRAPHY:** Côte d'Ivoire's borders span 3110 km, with Burkina Faso and Mali to the north, Guinea and Liberia to the west, and Ghana to the east. The country's area is 322 463 km<sup>2</sup> (ten times smaller than India) and its southern coastline abuts 515 km of the Atlantic Ocean along the Gulf of Guinea. Yamoussoukro, the official capital is located in the centre and Abidjan, the country's economic capital is located in the south-east on the coast. With a population of over 4.7 million people, Abidjan is the country's biggest city. With 681 000 residents, the central city of Bouaké constitutes another major urban centre, as well as the western city of Daloa (592 000 residents).
- **POPULATION:** As of May 2014, Côte d'Ivoire had 22 671 331 inhabitants, with a population growth rate of 2.6% per annum according to National Institute of Statistics.
- **LANGUAGE:** The official language is French but there are over 60 languages and dialects spoken in the country.
- **NATURAL RESOURCES:** Natural commodities contribution to Côte d'Ivoire economic growth was 18.9% of GDP in 2015. Cocoa beans are the country's principal source of foreign reserves and Côte d'Ivoire is the world's largest producer. Côte d'Ivoire produced about 1.8 million tons of cocoa beans in 2014-2015 campaign seasons. Other agricultural products include cashew, latex, bananas, coffee beans, palm

kernels, corn, rice, cassava (manioc, tapioca), sweet potatoes, sugar, cotton and timber. Côte d'Ivoire also possesses oil reserves and gas resources. With known offshore oil reserves estimated at 100m barrels; the country has the 64<sup>th</sup>-largest oil resources in the world. Natural gas reserves were estimated to be around 1trn cu ft., making it the 67<sup>th</sup>-largest reserves globally. In 2013, natural gas production was 53bn cu feet, making the country the world's 59<sup>th</sup>-largest producer. Most of the gas productions are offshore. Côte d'Ivoire's daily crude oil output has risen to 53 000 barrels per day in 2016.

- **GOVERNMENT STRUCTURE:** Côte d'Ivoire has a presidential system in which the president is the head of state with executive powers.
- **ECONOMY:** Côte d'Ivoire is expected to remain one of the fastest growing economies in 2017 and 2018 according to the IMF with a continuance of investors' confidence and strong foreign capital inflows. The government has put in place ambitious plans to stimulate and enhance private investment by 2020. Real GDP grew by 9% per year on average during 2012–15, driven by investment and consumption and is expected to remain strong over the medium term, averaging 7.7% per year during 2017-19. Côte d'Ivoire is the 14<sup>th</sup> largest economy in Africa and 3<sup>rd</sup> largest in West Africa with a forecasted GDP growth rate of 7.9% in 2017. In 2015, nominal GDP was US\$ 31.753 billion (World Bank). The country's currency, franc CFA (CFA/XOF) have a fixed exchange rate to Euro (1€ = 655.957 XOF).

## 2. DOING BUSINESS IN COTE D'IVOIRE

### a. CEPICI

CEPICI (Centre de Promotion des Investissements en Côte d'Ivoire) is the One-stop shop for direct investments in Côte d'Ivoire. CEPICI collects coordinates and streamlines all the Government's initiatives and actions regarding promotion of investments and developments.

### b. The investment code

The 2012 Code grants investors settling in Côte d'Ivoire guarantees and facilitate access to developed industrial zones. The Investment Code provides incentives such as:

- Total VAT exemption on equipment during the investment period,
- Reduction on Customs Services fees on equipment,

- Partial exemption on the employer's contribution on wages and salaries,
- Depending on the business areas selected, advantages could last:
  - Five (5) years for investments made in zone A;
  - Eight (8) years for investments made in zone B;
  - Fifteen (15) years for investments made in zone C.

These durations shall be increased by the implementation time of the investment program.

- Investment threshold

Eligibility amount: 200 million (\$326 000) down from 500 million francs CFA (\$814 000)

Upper limit: 1 billion (\$1 626 220) down from 2 billion francs CFA (\$3 252 427)

### **3. ESTABLISHING A BUSINESS - MODES OF ENTRY**

The following are the common modes of entry are available to foreign investors: Exporting, turnkey projects, licensing, franchising, joint-ventures, wholly owned subsidiaries.

*Exporting, turnkey projects joint-ventures and wholly owned subsidiaries are the most common entry modes in Côte D'Ivoire.* The Ivoirian government actively encourages foreign investment through mergers, acquisitions, joint ventures, takeovers, and start-ups.

### **4. TAX AND CUSTOMS CONSIDERATIONS**

- **Value-added tax (VAT)**

VAT is a non-cumulative tax levied on the sale of goods and services at the rate of 18%. Subject to certain restrictions, VAT is recoverable. The rate is reduced to 9% for milk, pasta products that contain 100% durum wheat semolina, and equipment designed for the production of solar energy.

- **Customs duties**

Customs duties rates range from 0% to 35%, depending on the classification of the imported goods according to the customs tariff. Upon import, goods are also subject to the statistical duty (1%), to community levy (0.5%), and to VAT (18%). Special taxes, depending on the nature of the imported goods, may apply, such as excise duties.

- **Tax on banking operations**

A cumulative tax of 10% is levied on bank services rendered. Tax on banking operations charged by banks to companies is fully deductible from output VAT.

- **Payroll taxes**

Taxes are levied at the rates of 2.8% for local employees and 12% for expatriate employees on the total taxable remuneration, including salaries, and benefits. Employers must contribute to social security and pension fund (CNPS) at the following rates:

Taxes: Apprenticeship tax (0.4%), Additional tax for training (1.2%)

Social security contributions: Family allowance (5.75% of salary up to F CFA 70 000), Work-related accident (2% to 5% of salary up to FCFA 70 000), Retirement (4.8% of salary up to F CFA 1 647 315).

- **Branch Income**

The tax rate for branch income is the same as that for corporate income. After-tax branch earnings are subject to a 15% tax (Impôt sur le Revenu des Valeurs Mobilières or IRVM) calculated on 50% of the taxable profit. This is analogous to the WHT on dividends.

## **5. COTE D'IVOIRE IMPORTANT SECTORS**

### **I. AGRICULTURE SECTOR**

Agriculture, which contributes to 22% of Côte d'Ivoire's GDP, is one of the most important drivers of growth in the Ivorian economy in terms of revenues, employment and value-added activities. According to the World Bank, agriculture accounts for at least 50% of exports and provides jobs to 60-70% of the population.

- COCOA:** Production in the country fell by nearly 12% to 1.581 million metric tons (MT) (40% of the world production) in the 2015/2016 season (ended September 30<sup>th</sup> 2016). This decrease was mainly due to a 40% decline in the mid-crop that is the second of the region's two annual crops. Production in 2016/2017 is expected to be better following good rains rainfalls in October 2016. CCC (Conseil Café Cacao), the Ivorian marketing cocoa board fixed the 2016/2017 cocoa farmgate price at 1 100 CFA francs (\$1.8) per kg.

- b. CASHEW:** Côte d'Ivoire became the world's largest producer overcoming India in 2015. That year, cashew production witness 24% increase over the previous season to reach 702 510 MT. The Ivorian government has set a minimum farmgate price of 350 CFA francs (\$0.58) per kg for the 2016 marketing season, up from 275 CFA francs (\$0.45) last year. In 2014, national processing capacity for cashew nuts was around 42 000 MT. It has reached 90 900 tonnes in 2016 (around 10% of total production). The CCA (Cotton and Cashew Council) expects the country to process 214 500 tons in 2017. From the 2017 season onwards, companies will also receive a government bonus payment of 400 CFA francs (\$0.65) for every kilogram of processed cashews they export. Until recently, only a fraction of nuts were processed before export. But the government expect for 100% of production to be processed domestically by 2020.
- c. RICE:** Côte d'Ivoire aims to produce 1.9 million metric tons of rice by 2016, equivalent to 100% of national needs. In 2010, production was 784 000 tons and reached 1.4 million tons in 2014. Rice consumption is estimated at 2.2 million tons per year and a handful of major food companies import 1 million tonnes of mostly high quality rice from a wide range of origins. Long grain Thai and Vietnamese varieties are preferred with perfumed rice gaining share. The Ivorian rice market is composed of 20 % low quality, 78% semi luxury and 2% luxury. There are 17 organised rice importers in Cote d'Ivoire that share the market with SDTM (Societe de Distribution de Toutes Marchandises) - the top importer with 46% market share-, followed by Olam Ivoire (6.5%). Top rice suppliers were Thailand (37%), Vietnam (24%), and India (22%) in 2014.
- d. COFFEE:** Côte d'Ivoire was one of Africa's major coffee producers in 1990s and produced around 450 000 MT annually in the early 90s, with a peak at 4.8 million 60kg bags in 2000/2001 season. In January 2016, the National Center for Agronomic Research (CNRA), created a new coffee variety baptised "emerging coffee" or "Twelve months Coffee". 3<sup>rd</sup> African coffee producer, the country expects a harvest of 130 000 MT beans at the end of the season in 2016 (against 126 000 MT in 2015) and targets 200 000 tons in 2017. CCC set the coffee farm gate price at CFA 670 (\$1.1).

- e. **WOOD:** According to FAO (Food and Agriculture Organization), Côte d'Ivoire has around 10.4 million hectares of forested land, which constitutes to 32.7% of the total land area. According to ITTO (The International Tropical Timber Organization) Côte d'Ivoire produced about 2.4 million m<sup>3</sup> of logs in 2014, which was primarily used for domestic purpose. Only logs from plantations are allowed to be exported. Exports of the country's timber industry rely primarily on the exports of primary timber products, which accounted for a total export value of \$272.3 million in 2014. Most of Côte d'Ivoire valuable and exports species includes *Ceiba pentandra*; *Triplochiton scleroxylon*; *Terminalia superba*; *Milicia excelsa*, *Milicia regia*; African mahogany, *Khaya (ivorensis, anthotheca)*; *Heritiera* and Teak (*Tectona grandis*).
- f. **RUBBER:** Côte d'Ivoire's natural rubber (NR) sector has grown strongly over the past decade, cementing the country's position as Africa's largest producer and exporter. Côte d'Ivoire's NR sector is dominated by smallholders, typically cultivating farms of less than 4 ha, and they account for 80% of output, with industrial plantations making up the balance. Côte d'Ivoire's NR sector is dominated by 3 companies: Société Africaine des Plantations d'Hévéa (SAPH), Société des Caoutchouc de Grand-Béréby (SOGB) and Tropical Rubber Côte d'Ivoire (TRCI). In 2016, Côte d'Ivoire produced 350 000 metric tons of natural rubber far ahead of other producers, such as Cameroon (60 000 MT).
- g. **PALM:** Côte d'Ivoire is the third largest African producer of palm oil (after Nigeria and Ghana) with an expected production of 415 000 MT in 2016 and is home to Africa's largest oil palm refinery. Côte d'Ivoire is Africa's biggest exporter of palm oil, a position it is likely to hold on to given soaring demand levels in the West African region. The segment is dominated by two domestic firms, PALMCI and SANIA, both majority-owned by SIFCA, a local diversified agro-industrial group, along with OLAM and WILMAR, both based in Singapore.

## II. MANUFACTURING INDUSTRY

Côte d'Ivoire industrial sector is considered as one of the most developed in the sub-region. The country is recovering from the adverse impact of a decade of unrest and the government stated an ambitious policy of increasing the share of industrial sector in the

country's economy to 40% by 2020. Among the policy targets is the development of light manufacturing such as commodities processing, information technology hardware and consumer goods, including plastics, genetic medication and semi-processed timber for furniture production.

### **III. AGRO-INDUSTRIES**

Agricultural items [Cocoa, palm oil, rubber, coffee, raw cashew nut] and related industries account to 50% of Côte d'Ivoire exports. Cocoa exports accounts to 40% of global supply (2014), followed by palm oil (371 000 MT), and rubber (256 000 MT) and coffee (100 000 MT). To date, Côte d'Ivoire has 16 rubber processing facilities and ranks first in Africa for natural rubber exports. Côte d'Ivoire has a wide range of agro-products that are currently exported in their raw state. Opportunities therefore exist in the agro-food processing sector for manufacturing industries to add value to local agricultural products e.g. cocoa, coffee, cashew, rubber, wood, tropical fruits and vegetables. With the emphasis shifting from raw exports to processed exports, the business opportunities for Indian companies/business men are ample.

### **IV. MINING**

Companies who left the market years ago are now seeking re-entry points. Ivory Coast possesses reserves of gold, diamonds, nickel, manganese, diamonds and iron ore. There are growing opportunities in the mining sector following the adoption of the 2014 Mining Code coupled to the lift of the United Nations (UN) export ban on diamonds from Côte d'Ivoire. According to the Ministry of Industry and Mining annual potential revenues are estimated at CFA 800 billion (\$US 1.2 billion) as Côte d'Ivoire includes sizable gold deposits, along with estimated reserves of 4bn tonnes of iron ore, 40 million tonnes of nickel and 18 million of manganese. As of June 2016, 146 exploration permits and 11 production licenses had been issued. Two Indian companies are currently operating in the country (Taurian Manganese & Shiloh Minerals).