

# Ivory Coast

**KEY CHALLENGES FOR  
THE 'MISSING MIDDLE'**

**#ClosingTheGap**

Assessment of the  
entrepreneurial ecosystem  
in Ivory Coast

**Commissioned on behalf of:**

Dutch Good Growth Fund (DGGF) / Investment fund local SMEs

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Ministry of Foreign Affairs of the  
Netherlands

Dutch Good Growth Fund



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# Executive Summary

This report presents the results of a study conducted on behalf of the Dutch Good Growth Fund (DGGF) to get a better understanding of the 'missing middle' in Ivory Coast. It is part of a series of reports that studies that challenges that small businesses face in accessing financing throughout francophone West Africa. This report describes the main factors that hamper growth of SMEs in Ivory Coast and limit their access to growth finance, and suggests possible actions to increase their access to funding.

The analysis of the ecosystem is based on a framework which consists of six domains, namely: **Culture, Policy, Markets, Finance, Support, and Human Capital**. In order to map these domains and identify solutions and opportunities for improvement in Ivory Coast, an initial desk study was undertaken. This was followed by a field visit of one week in July 2017, during which 40 stakeholders from various ecosystem domains were interviewed. On July 19, 2017, a workshop co-hosted by Jokkolabs Abidjan gathered 38 key stakeholders to validate initial findings and design possible solutions to overcome the gaps in the local entrepreneurial ecosystem.

## **Economic hub of the West Africa Francophone region**

Ivory Coast recovered quickly from the national political crisis of 2010-2011 to become one of the best performing economies in Africa and the economic driver of the eight-country West African Economic Monetary Union (WAEMU). With GDP growth rates averaging 9% over the past five years, annual GDP growth is expected to settle around 7.5 percent in 2019. Today the country contributes 40% of the WAEMU's GDP.

Ivory Coast also has the largest financial sector of the WAEMU region, and has been in the spotlight among international investors, currently ranking as the third largest recipient of impact capital in Africa after Nigeria and Ghana. In addition, the data we reviewed suggests that the Ivoirian entrepreneurial ecosystem is relatively strong compared to other francophone West African countries, in virtually all of the six ecosystem domains.

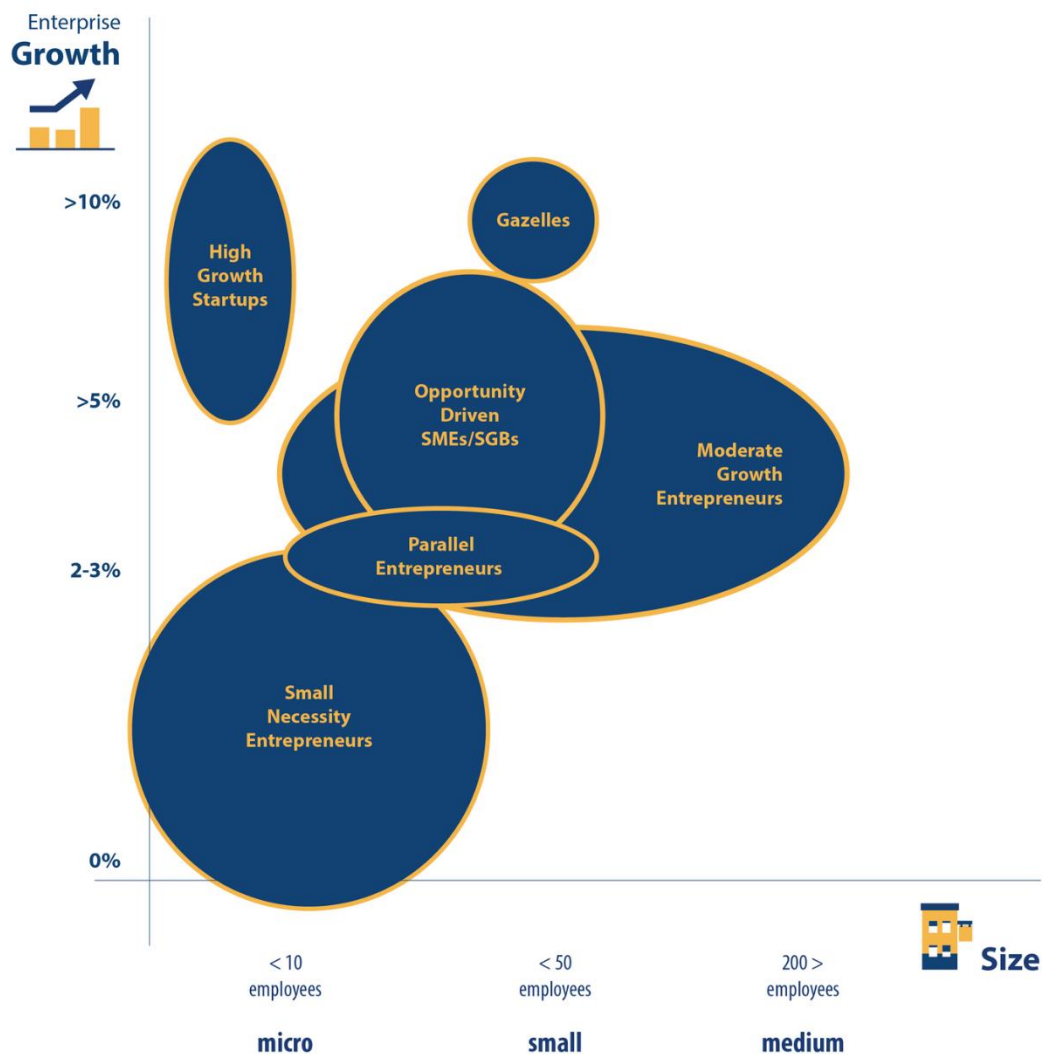
## **Entrepreneurship as a conscious professional choice**

The Ivoirian entrepreneurial sector has experienced two waves of growth which have resulted in a new generation of more professional entrepreneurs. The first wave, which occurred at the start of this century, was more focused on self-employment as response to high levels of unemployment. The second wave, on the other hand, was marked by conscious choice of entrepreneurship as a way of living. Some defining characteristics of these newer entrepreneurs are that they are generally high educated, have interactive business relationships and are active networkers, as well as they make use of modern information technology.

There are numerous programs, business associations and NGOs in Ivory Coast that focus on supporting entrepreneurs, including public initiatives promoting entrepreneurship and integrating entrepreneurial skills' education in Ivoirian public universities. This field of activity remains fragmented, however, and there is room for improved coordination to leverage synergies among existing initiatives and increase outreach.

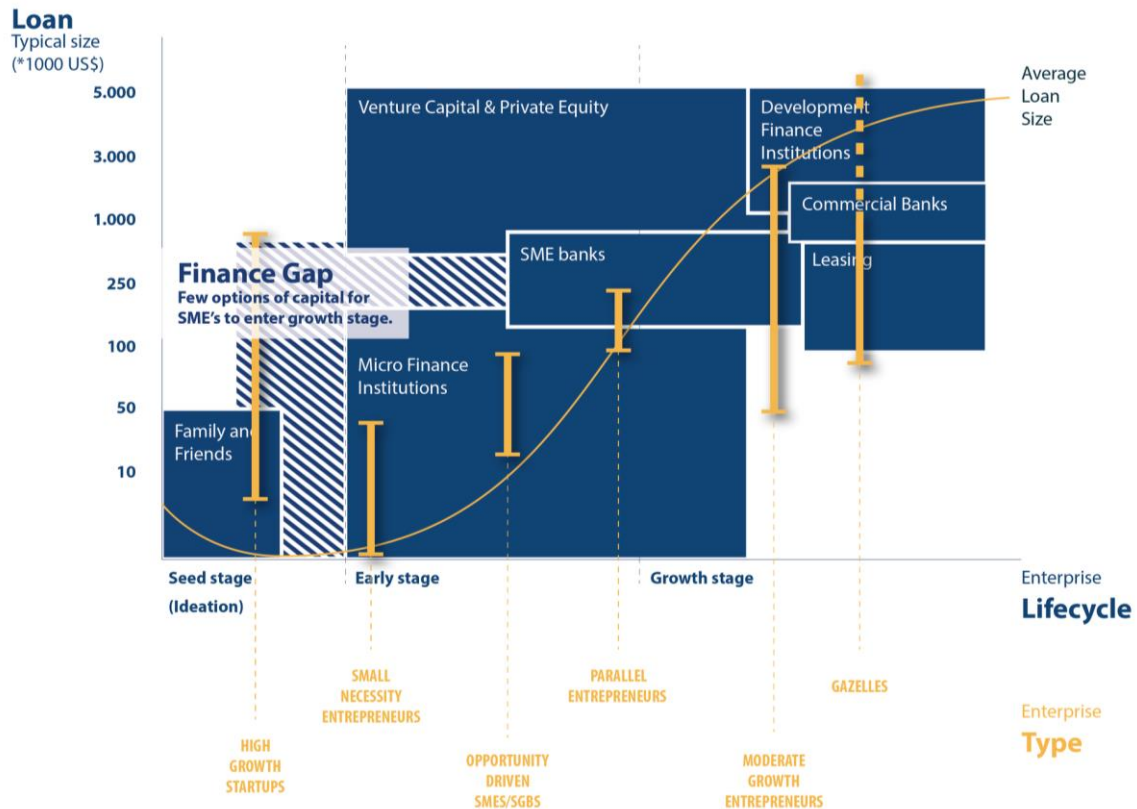
### Most SMEs are moderate growth, “opportunistic” or “survivalist” microenterprises

Around 70% of all Ivoirian SMEs are informal or semi-informal, according to recent reports. This means that there is very limited data on the real profile of Ivoirian SMEs. However, interviews with local stakeholders suggest that despite the increasing number of growth-oriented businesses, the vast majority of SMEs remain moderate growth and “survivalist” microenterprises that are born out of necessity or opportunity rather than entrepreneurial vocation.



### The financing gap is a reality, mostly for the start-up segment and for long-term and equity financing

Microfinance and family & friends are the financing sources for small and newer businesses, but not beyond a certain range. Some high growth enterprises and gazelles have access to equity and debt, but the remaining types of SMEs remain underserved or unserved by the current financial landscape, particularly when it comes to capital investment or long term financing. Alternative financial mechanisms such as leasing or venture capitalists are present but have limited outreach. At the same time, SMEs have very limited awareness of those solutions.



**The Ivorian entrepreneurial ecosystem is relatively strong compared to other francophone West African countries.** This is evidenced by:

1. The enhancement of entrepreneurial culture and SME development by public entities;
2. The availability (albeit limited) of skilled professionals;
3. The proximity and connections to export markets and improved infrastructure;
4. The supportive policy regime and public environment for the SME sector;
5. The lower cost of financing and slightly easier for SMEs (compared to neighbouring countries), and the presence or emergence of various alternative financial sources such as leasing, angel investors and investment funds;
6. The diversified (albeit uncoordinated) business development services (BDS) sector.

The leading factors contributing to the lack of financing for small and medium businesses are:

❑ **Informality**

The high degree of enterprise informality is common across West Africa, and Ivory Coast is no exception, with an estimated 70% of total Ivorian SMEs being informal or semi-informal. This means that most SMEs have a short-term vision and limited growth capacity, as well as a lack of proper financial and enterprise management practices, and insufficient assets to pledge as collateral.

❑ **Banks' risk aversion**

Banks are extremely reluctant to take any risk on financing SMEs, and lack incentives as they can get higher returns from other investments, namely government debt. Guarantee funds do not pave the way to any additional volume of SME financing; since they are mainly used to finance SMEs that banks would be willing to fund anyway.

❑ **Investors’ outreach capacity and risk appetite**

More and more investors have been entering the market since the national political crisis in 2010, but their capacity is limited and they tend to focus on larger enterprises due to their risk-management guidelines and their pressure to perform financially.

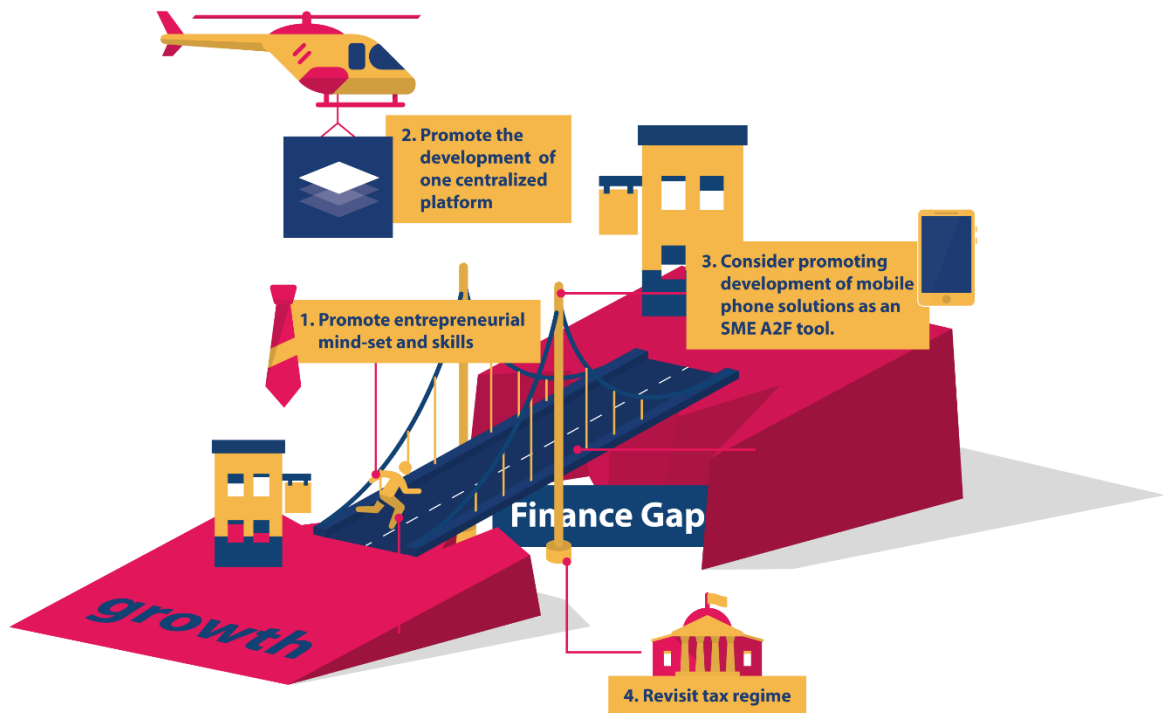
❑ **SMEs show limited knowledge of financing mechanisms and support programs**

Ivoirian SMEs seem unaware of some key initiatives that are available to support them. In addition, they have limited access to information about existing financial service providers other than banks and MFIs, such as leasing firms, private investors or angel investors.

❑ **Most SMEs do not value SME Support programs**

SMEs are resistant to allowing any stranger to come in and tell them what to do with their business. The only incentive for entrepreneurs to participate in such programs is if there is a clear and credible opportunity to improve access to financing.

Looking forward, the two most promising pathways for closing the financing gap for SMEs seem to be in helping missing middle enterprises transition out of informality and grow into bankable, investable businesses, and in stimulating interaction between SMEs and the financial sector while improving access to long-term financing and timely response to SMEs financial needs.



A number of concrete actions to close the financing gap were suggested by local stakeholders:

- Promote entrepreneurial mind-set and skills beyond university, and celebrate entrepreneurship within and beyond Abidjan
- Promote the development of one centralized platform for promotion of financing sources / instruments and SME development programs
- Consider promoting mobile phone solutions as an SME access to finance tool, to facilitate the delivery of financial products (i.e. loans) and its repayment to SMEs, and provide solutions to improve the SME credit record and data mining.
- Revise tax regime towards tax reduction/ exemption to start-ups, to improve SME formalization and be more SME-friendly and conducive to growth.



# 1. Introduction

## 1.1. Objective of the Study

This study has been conducted on behalf of the Dutch Good Growth Fund (DGGF), an initiative of the Dutch Ministry of Foreign Affairs. The DGGF part 'Investment Funds local SMEs' is a "fund of funds" investment initiative of the Dutch Ministry of Foreign Affairs that aims to improve access to finance for the missing middle – that is entrepreneurs who have outgrown micro-financing but do not yet have access to conventional financial services.

The Seed Capital and Business Development (SCBD) Facility was established to further the impact of the DGGF by providing technical assistance, seed capital and business support services to intermediary funds and local SMEs. In addition, the program incorporates a knowledge sharing component that supports research, tests assumptions and shares insights on financing SMEs in developing countries and emerging markets, and fosters industry-wide knowledge exchange.

Under the SCBD knowledge development and sharing component, the DGGF #ClosingTheGap series aims to improve the common understanding of key challenges faced by entrepreneurs and especially the "missing middle" in countries covered by the DGGF mandate. The #CTG series is a tool to facilitate and support local and international stakeholders' efforts to set the agenda for SME development. Working together, local stakeholders and their international partners should be better able to identify solutions to the main gaps in entrepreneurial ecosystems that hamper the growth of local enterprises.

The study was commissioned to get a better understanding of the 'missing middle' in francophone West Africa, of which Guinea is one of the focus countries. The report describes the main factors that hamper SME growth and access to finance, and suggests possible actions to increase SMEs' access to funding.

## 1.2. Methodology

The first DGGF #ClosingTheGap study piloted in 2015 in Kenya applied the Entrepreneurial Ecosystem Diagnostic Toolkit, published by the Aspen Network of Development Entrepreneurs (ANDE). Based on the lessons learned from the pilot in Kenya, we have customised the methodology for the purpose of this study. As shown in the figure, the research follows the Babson entrepreneurial ecosystem model, one of the leading models in the current entrepreneurial ecosystem thinking, which determines six different ecosystem domains. A more detailed description of the methodology can be found in Annex 6.

The six ecosystem domains studied were:



- **Culture:** is the culture supportive and enabling of entrepreneurship?
- **Finance:** can entrepreneurs gain access to debt, equity and other financial products?
- **Human capital:** are the human resources that local enterprises require available in the market?
- **Policy:** do policies enable and facilitate entrepreneurship?
- **Markets:** do entrepreneurs have sufficient business opportunities?
- **Support:** do entrepreneurs have access to enterprise development support services?

We started our evaluation of the entrepreneurial ecosystem in Ivory Coast with a **desk study** to get an initial overview of the entrepreneurial ecosystem in the country. First we analysed how Ivory Coast scores compared to other countries in Africa in each ecosystem domain, by combining multiple indicators from a number of different indices. Index sources used for scoring of the 6 ecosystem domains were the World Bank’s Enterprise Surveys (ES); the World Economic Forum’s Global Competitiveness Index (GCI); the Global Entrepreneurship and Development Index (GEDI) produced by George Mason University; data from the Doing Business (DB) project of the World Bank; and the Global Innovation Index, co-published by the United Nations.

DGGF is partnering with the Enterprise Survey Unit of the World Bank to undertake enterprise surveys in the countries covered by the #Closing the Gap series of studies. In Ivory Coast, the latest survey was undertaken in 2016. The findings from this survey are used in this report<sup>1</sup>, acknowledging the bias of these data towards formal, and therefore larger and more professional firms.

### Box 1: Enterprise Surveys in Ivory Coast

An important consequence of the high degree of informality in the private sector is the lack of reliable data on the number and key characteristics of the small enterprises that operate in Côte d’Ivoire. This makes it difficult to carry out a representative survey of the local SME sector. For the purpose of this report, information from a wide variety of sources was used. Notably, two main enterprise surveys were recently undertaken, which provided most useful data for the research:

1. Données pour la Croissance <sup>TM</sup>, ESPartners 2016 Survey, based on 4,212 SMEs from 10 cities (20% informal)
2. WB Enterprise Survey 2016, based on 361 SMEs, 73% located in Abidjan and 27% on the rest of the country, including the regions of Bas-Sassandra, Sassandra-Marahoué, Gôh-Djiboua, Lagunes, and Yamoussoukro.
3. WB Enterprise Survey 2009, based on 360 SMEs, located in Abidjan, San Pedro, and Yamoussoukro (no percentages provided).

For various reasons – not least the sample size and the higher degree of representativeness – the first survey has proven to be the most useful.

<sup>1</sup> <http://microdata.worldbank.org/index.php/catalog/2830/study-description#page=overview&tab=study-desc>

After the desk study, we interviewed representatives from various ecosystem domains during a **field visit** of 10 days in July 2017. This group included 10 entrepreneurs (not including the BDS providers); 15 SME support structures (including semi-public and private structures); and 14 financial players (banks, MFIs, and venture capitalists)<sup>2</sup>. These discussions enriched and validated information gathered during the desk study, and confirmed the existence of a 'missing middle' in Ivory Coast, as well as some of the reasons it persists. In addition, the interviews helped to identify other key stakeholders, organizations and individuals which could play a significant role in the development of SME ecosystem in Ivory Coast.

Interview respondents and other relevant stakeholders gathered for a high-level workshop on July 2017 in Jokkolabs Abidjan. In total, 38 stakeholders participated, including financial institutions, SME support organizations, public players, SMEs and entrepreneurs. The workshop aimed at validating findings from desk research and the field mission, and encouraging the actors in the ecosystem to design possible solutions. See Annex 4 and 5 for a list of workshop participants and summary of outcomes.

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<sup>2</sup> For the full list of participants, see Annex 1

## 2. The Business Landscape in Ivory Coast

### 2.1. Ivory Coast in a nutshell

#### Box 2: Ivory Coast key facts

<b>Area:</b>	322,463 km <sup>2</sup>
<b>Population:</b>	approx. 23.7 million
<b>Capital:</b>	Abidjan (economic) Yamoussoukro (political)
<b>Other economic hubs:</b>	Bouaké, Daola, Korhogo, San Pedro, Gagnoa, Man, Divo.
<b>Official language:</b>	French
<b>Other languages:</b>	Bété, Dioula, Baoulé, Abron, Agni, Cebaara, Senufo
<b>Religion:</b>	Muslim (39%), Christian (33%), Folk (12%), Other (16%)
<b>Currency:</b>	West African CFA franc (XOF)
<b>GDP per capita</b>	USD 1,410



Situated on the Atlantic coast, Ivory Coast shares borders with Guinea, Mali, Burkina Faso and Ghana. Close ties to France following independence in 1960, the development of cocoa production for export, and foreign investment all made Ivory Coast one of the most prosperous of the West African states, but did not protect it from political turmoil.

In December 1999, a military coup - the first ever in Ivory Coast history - overthrew the government. Junta leader Robert Guei became the new president after widely contested elections in late 2000. However, popular protest forced him to step aside and brought Laurent Gbagbo to power. A failed coup attempt in September 2002 developed into a rebellion and then a civil war. The war ended in 2003 with a cease-fire that left the country divided with the rebels holding the north, the government the south, and peacekeeping forces a buffer zone between the two. In March 2007, President Gbagbo and former New Forces rebel leader Soro signed an agreement to reunite the country by dismantling the buffer zone and holding elections. Difficulties in preparing electoral registers delayed balloting until 2010.

In November 2010, Ouattara won the presidential election, but Gbagbo refused to hand over power, resulting in a five-month stand-off. In April 2011, after widespread fighting, Gbagbo was forced to leave from office by armed Ouattara supporters with the help of UN and French forces. Several thousand UN peacekeepers and hundreds of French troops have remained in Ivory Coast until this year 2017, to support the transition process. Ouattara has focused on rebuilding the country's economy and infrastructure. The presidential election of October 25, 2015 ran smoothly and resulted in the re-election of President Ouattara. In 2016 a new constitution was established, aimed at reinforcing the stability of the national government and accelerating rural development. Ivory Coast's economic recovery over the past four years has been robust, with GDP growth rates

of 9% per year on average since 2012 and inflation stable at 1.5%, making it one of Africa's best performers and the economic driver of the eight-country West African Economic Monetary Union (WAEMU), contributing to 40% of the Union's GDP.

## 2.2. Ivory Coast's Entrepreneurial Ecosystem in the Regional Context

Ivory Coast's ecosystem scores higher than most of the other francophone West African countries based on a range of indicators including the WB Doing Business ranking, WEF Global Competitiveness Index and the UN Human Development Index.

Ivory Coast aims to become an emerging economy<sup>3</sup> in 2020, and has assigned priority to the development of five main sectors: infrastructure, business environment, agriculture, entrepreneurship and youth employment. Ivory Coast has set ambitious goals in those areas, to be achieved by 2020, but many experts consider them unrealistic and suggest 2030 as a more realistic deadline. The delay is mainly due to the limited capacity in human capital; the low levels of economic diversification, as the economy remains highly dependent on raw-product exports, particularly cacao; and the yet slow development of the private sector, particularly at SME level, which remains highly informal. Some experts estimate that for the private sector to be sufficiently dynamic and stable, there should be at least 100,000 formal SMEs, whereas currently the number remains at 20,000<sup>4</sup>. In fact, some national programs are being designed, such as the Phoenix program (Box 7), to help grow the market to 100,000-200,000 SMEs.

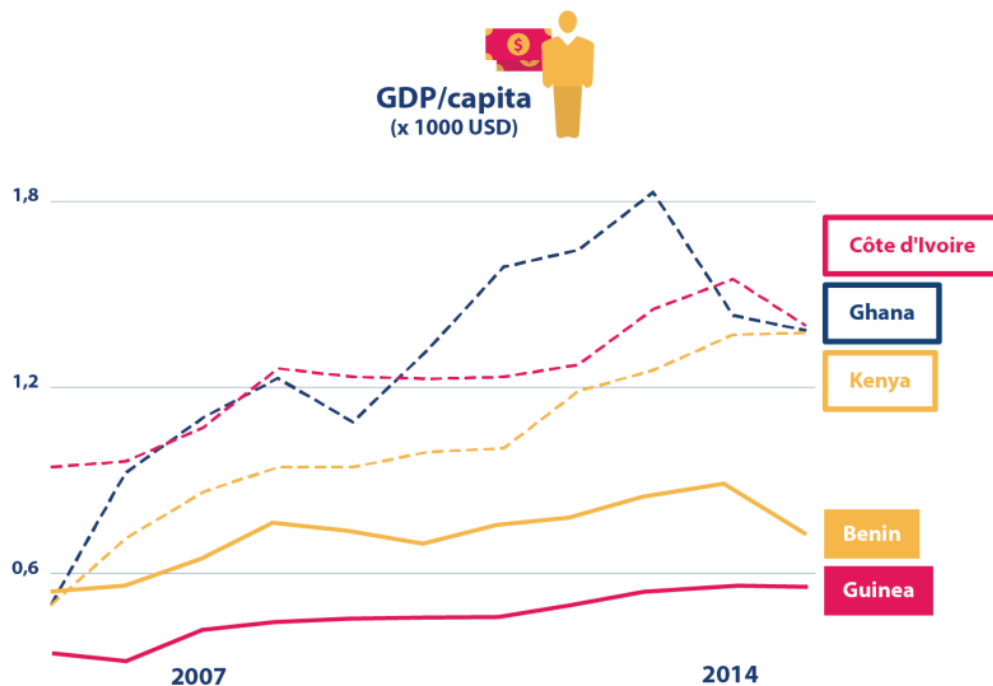
In terms of GDP per capita, Ivory Coast has experienced a gradual increase since 2007; and despite a substantial drop in 2012-2013 due to the political crisis, the country closed 2014 with the same levels of GDP per capita as emerging economies Kenya and Ghana.

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<sup>3</sup> An emerging market economy is a national economy that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body. Emerging markets are not as advanced as developed countries but maintain economies and infrastructures that are more advanced than frontier market countries. Not everyone agrees entirely on which countries are emerging markets. For example, the International Monetary Fund (IMF) classifies 23 countries as emerging markets, while Morgan Stanley Capital International (MSCI) also classifies 23 countries as emerging markets, but with some difference between the two lists. Standard and Poor's (S&P) and Russell each classify 21 countries as emerging markets, while Dow Jones cites 22. A list of countries that all five institutions classify as emerging markets includes: Brazil, Chile, China, Colombia, Hungary, Indonesia, India, Malaysia, Mexico, Peru, Philippines, Poland, Russia, South Africa, Thailand and Turkey.

<sup>4</sup> Chamber of Commerce and Industry Ivory Coast

Figure 1: GDP per capita in Ivory Coast and selected countries



Source: World Bank

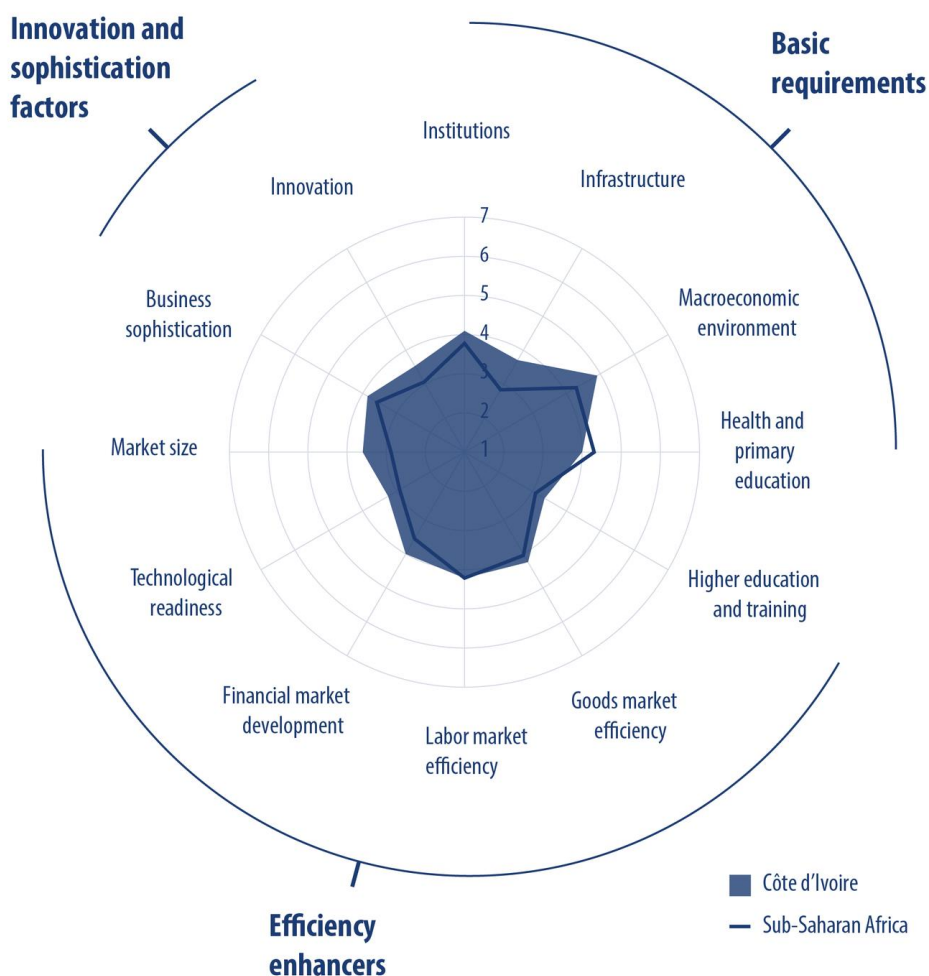
Looking at various international development indices, Ivory Coast tends to score poorly when compared to countries outside West Africa. However, when compared to its direct neighbours, the country is one of the top performers. This is the case, for instance, in the **World Economic Forum's Global Competitiveness Index (WEF-GCI)** and the **World Bank's Doing Business Index (WB-DB)**. The WEF-GCI shows that Ivory Coast has improved its position significantly from 115/144 in 2014-15 to 91/140 in 2015-16. The WB-DB index shows less progress; in fact Ivory Coast slipped from rank 139 to 142, but still ranks higher than all its francophone neighbours, including Senegal (147) and with the exception of Mali (141).

The **WEF Global Competitiveness Index** focuses on 10 pillars of competitiveness. In 2015, Ivory Coast scored higher than the average scores in Sub-Saharan African countries. Ivory Coast is especially strong in the following factors:

- Institutions (62 out of 140)
- Infrastructure (85 out of 140)
- Innovation (53 out of 140)
- Market size (81 out of 140)
- Labour market efficiency (69 out of 140)
- Financial market development (60 out of 140)

Ivory Coast is below average as compared to the Sub-Saharan region in the Health and primary Education categories.

Figure 2: WEF Global Competitiveness Index for Ivory Coast and Sub Saharan Africa



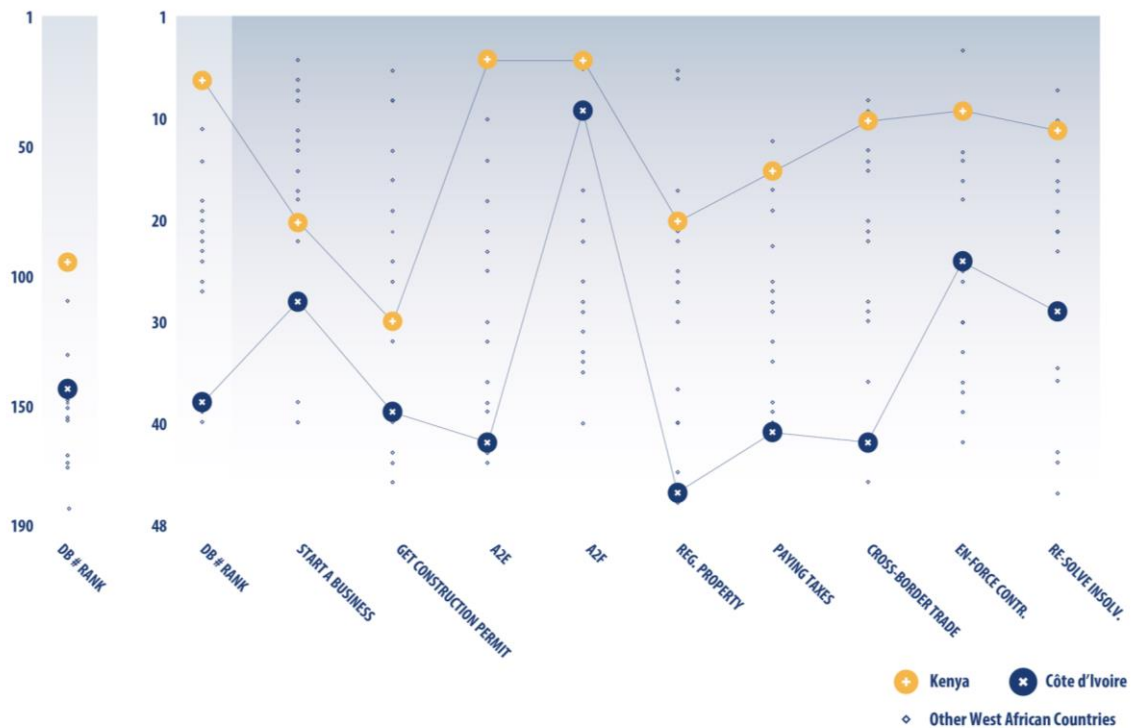
The **World Bank’s Doing Business Index** has an overall ranking of the “Ease of Doing Business”, which is a weighted average of separate components, some of which are worth highlighting in this report. The most striking indicator is the one which refers to the “**Ease of Getting Credit**” (A2F). In the global ranking all the Francophone countries in West Africa are ranked 139, suggesting that the researchers were not able to discern significant differences. However, in Sub-Saharan Africa they are ranked 10 to 39 and, within this, Ivory Coast is ranked 18 out of 48, hence near the top of the list.

There is a lot more variation in the global ranking for “**Setting up a Business**”, where Ivory Coast and Benin score relatively well – they are ranked 50 and 57 respectively – whereas other countries in the region are ranked a lot lower, which suggests that setting up a business in Ivory Coast is easier than in other countries in the region. The Doing Business ranking for all 15 West African countries is shown in Figure 3 below, highlighting the difference between the Kenya and Ivory Coast rankings. For the full table with rankings of West African countries, see Annex 7.

On Transparency International's 2016 corruption index, Ivory Coast ranked 108 out of 176 in contrast to regional powerhouses Ghana (which came in at 70) and Senegal (64).<sup>5</sup>

The exception to the rule is the **UN Human Development Index**. In 2016, Ivory Coast was ranked 171 out of 188, higher than some other francophone countries in West Africa, such as Mali (175), Guinea (183) or Burkina Faso (185), but lower than Benin (167), Togo (166) or Senegal (162). The low ranking is mainly due to poor scores in areas such as life expectancy (only 52 years), human security, and years of education, some of which may be due to the recent political turmoil. In economic terms, the country scores significantly better.

Figure 3: World Bank Doing Business Indicators Ranking for West African Countries



<sup>5</sup> [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2016](https://www.transparency.org/news/feature/corruption_perceptions_index_2016); with #1 being perceived as less corrupted (Denmark) and #176 the most corrupted (Somalia).



### 2.3. The Ivoirian Private Sector

The main characteristics of the Ivoirian private sector are the focus on agriculture, strong export orientation, and the importance of the tertiary sector or service industry. The industrial sector is very limited, although increasing in importance especially in the agri-food industry. Another important feature is the high degree of informality - estimated at 72% of total SMEs – which is very common within the SSA countries.

Ivory Coast is the world's largest producer and exporter of raw cocoa and coffee. In an attempt to reduce its dependency on these crops, the country is now diversifying into production and export of other raw materials such as cashew or rubber. Seventy percent of its population is employed in the agricultural sector. Despite the incredible potential of its natural resources, Ivory Coast lacks a manufacturing industry to transform those raw products locally. Instead, the country tends to import final products. The government is channelling more and more support to the industrial sector, and its development figures prominently in Ivory Coast's development goals.

AfDB estimates the informal sector to be 57.7% of the urban economic business environment; other entities like the Chamber of Commerce affirm that informality accounts for 70-75% of the total business environment. The informal sector represents 80-90% of total employment, similar to other West African countries like Guinea or Senegal. The WB Enterprise Survey shows that 76% of Ivoirian firms which participated in the survey are competing directly with the informal sector.

#### The SME Landscape

Ivory Coast has around 20,000 formalized SMEs, according to the Chamber of Commerce and Industry in Ivory Coast (CCI-CI). For this study, we follow the SME definition provided by the National Statistics Institute of Ivory Coast, where SME is an **enterprise with less than 200 employees and revenue under CFA 1 billion (~€ 1.5M)**. Thus, SMEs in Ivory Coast are defined as smaller than the widely-used World Bank SME definition of less than 300 employees and revenue under €14 Million.

Ivoirian SMEs can be further segmented into micro-enterprises, small enterprises and medium enterprises, defined as follows:

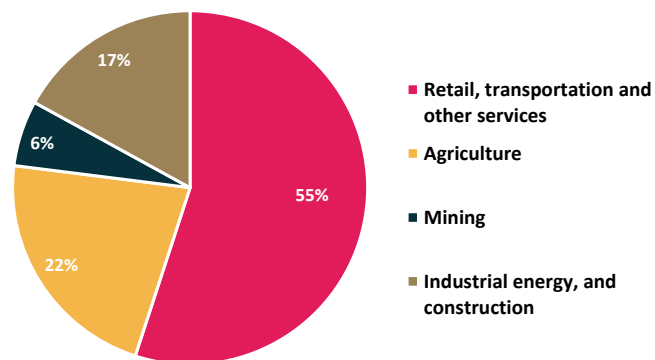
Indicator	Micro	Small	Medium
# Employees	<10	<50	<200
Annual turnover (CFA)	<30M	30M – 150M	150 Million – 1 Billion
Annual turnover (USD)	<50,000	50,000-240,000	240,000-1.6 Million

The formal SME Sector is estimated to contribute 12% of Ivory Coast's GDP. Sectoral breakdown of SMEs is shown in the graph, where the tertiary sector accounts for most of SMEs' contribution to GDP (55%), followed by agriculture (23%) and industry (17%)<sup>6</sup>.

<sup>6</sup> International Monetary Fund - Selected Issues paper on Ivory Coast, July 2016

SMEs are not a homogenous group. They differ greatly in terms of size, degree of formality, experience, market orientation and funding needs. The SME sector can be classified based on two criteria: size and growth. The segmentation of the Ivorian SME sector results in **six types of entrepreneurs**, with distinctive funding needs, that would benefit from customised support. The sub-segments are described below.

Sectorial contribution to nominal GDP, 2015



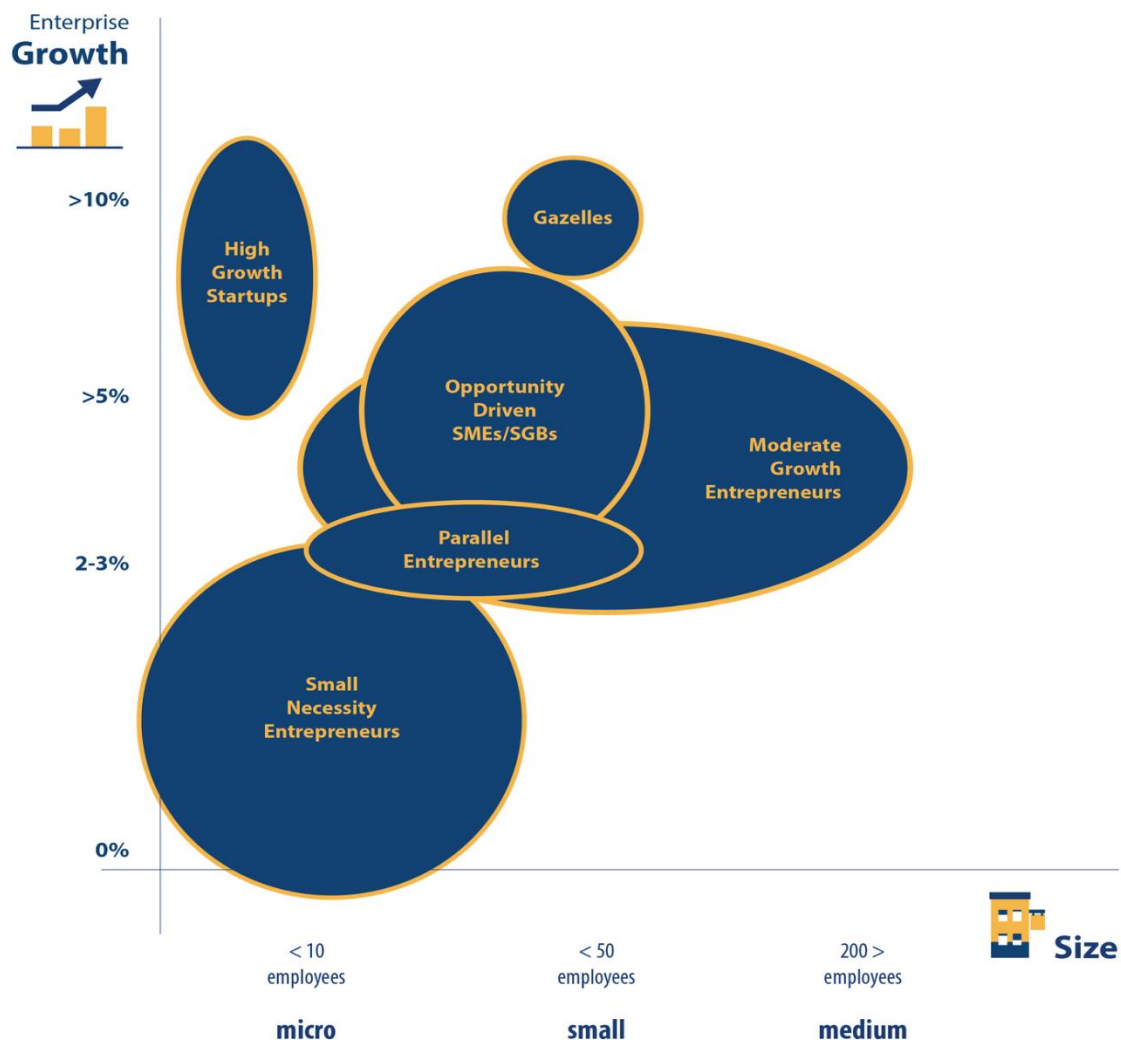
Source: International Monetary Fund - Selected Issues paper on Ivory Coast, July 2016

- **Small necessity entrepreneurs.** The biggest group of entrepreneurs in Ivory Coast are small necessity entrepreneurs, barely larger than a micro enterprise, usually just comprising the entrepreneur itself, which sets up the activity to achieve an income for the family. It is aimed at survival rather than growth, and has high degree of informality. In some cases, access to finance would be welcome to increase their working capital, but their limited financial administration and business planning practices are insufficient to approach funders.
- **Moderate growth entrepreneurs.** The second most numerous SME group in Ivory Coast; these are traditional firms, usually family-owned, operating for a relatively long time (5-8 years) that offer a product or service with a stable demand but usually not deploying innovative products or production techniques. In Ivory Coast they tend to have a revenue growth rate between 2%-5%. They often have a much higher rate of formality than the small necessity entrepreneurs. Some they have access to banking services (mostly working capital) and some are on the verge of having access to bank financing. They however tend to have limited financial and business planning.
- **High growth start-ups.** These are typically young entrepreneurs, starting a business in innovative products or services, usually in the technology sector. Ivory Coast, as well as Senegal, shows more of these start-ups than other countries in the region. Ivorian start-ups tend to take innovative and successful community-oriented and tech-oriented products from Europe and US and integrate them in the Ivorian market (e.g. the Ivorian Whatsapp, the Ivorian Uber). These new entrepreneurs typically struggle for several years, as they learn to manage the basic challenges of doing business in the country, such as bureaucracy, boot-strapping, handling authorities, and unreliable infrastructure. Besides business competitions, there is not much funding available for early stage start-ups.
- **Opportunity driven SMEs.** These are entrepreneurs that engage in opportunistic business behaviour, using opportunities that the market brings and copying successful business models observed in its surroundings. One clear example is those entrepreneurs that formalize their activities to access public offers. This group includes entrepreneurs

that run several businesses at once (known as **parallel entrepreneurs**) and who will often own small businesses in a variety of sectors and industries. Both groups tend to lack a long term business vision and have limited market knowledge, capacity and client understanding.

- **Gazelles.** In the Ivoirian context, gazelles are those successful start-ups that have made the move from small to mid-size firm in a very short time, thanks to high annual growth rates of around 10%. Usually formally registered from the start, they have identified a market niche and have been able to provide successful solutions (not per se innovative) to tap it. They typically have 20-100 employees, have achieved a mature financial performance, and are headed by a strong business leader. Gazelles look for larger amounts of long-term financing for investment in assets, and usually have access to debt or other forms of financing.

Figure 4: Segmentation of SMEs in Ivory Coast



Source: Adapted from Intellicap<sup>7</sup>, 2015 and authors' research<sup>8</sup>

<sup>7</sup> ClosingTheGap Kenya, Intellicap 2015

<sup>8</sup> Size of sub-segments is estimated by authors based on enterprise surveys (World Bank and APIP) and field data

## SMEs and Access to Finance

Ivoirian SMEs consider access to finance to be the top obstacle to doing business Ivoirian, followed by political instability, practices of the informal sector, corruption and tax rates<sup>9</sup>. Both “access to finance” and “political instability” have diminished in importance between the Enterprise Survey 2009 and 2016; however they remain the top 2 concerns. This indicates an improvement in both factors, especially in access to finance, which could be due to the increasing interest of banks in serving medium-large SMEs, or the establishment of one-stop shop on national and foreign investment (CEPICI).

ESPartners SME Survey 2016 provides more detail on the top business constraints facing SMEs. As the table shows, obstacles differ by SME size: while access to finance is the top constrain for micro and small SMEs, others such as high tax rates and electricity costs raise more concern for middle and large enterprises.

Table 1: Top constraints SMEs in Ivory Coast

	1 <sup>st</sup> constraint	2 <sup>nd</sup> constraint	3 <sup>rd</sup> constraint	4 <sup>th</sup> constraint	5 <sup>th</sup> constraint
<b>Large</b>	High taxes	Electricity Cost	Access to finance	Cost of finance	Competition
<b>Medium</b>	High taxes	Access to finance	Cost of finance	Corruption	Insecurity & criminality
<b>Small</b>	Access to finance	Cost of finance	High taxes	Electricity Cost	Corruption
<b>Micro</b>	Access to finance	Cost of finance	High taxes	Electricity Cost	Insecurity & criminality

Source: Survey Données pour la Croissance, ESPartners n=4212 (2016)

A main constraint regarding access to finance is **the level of collateral** required to be granted a loan. The collateralized loan coverage has increased from 56% of total loan amount to 157% between 2009 and 2016. Other constraints are the high interest rates charged by financiers, and the lack of trust from banks and financial intermediaries towards SMEs<sup>10</sup>.

In Ivory Coast entrepreneurs tend to be focused on the short-term, and do not build more consistent long-term business strategies. Many tend to focus on short-term achievements than building on high-quality products or services. In addition, their limited knowledge on the existing financial mechanisms also causes an incorrect use of those, for instance falling for short term financing for investment in long-term assets. Successful role models exist although they are scarce. A few examples are:

- **M. Roger Bango** is an Ivoirian designer who established a clothing and fashion firm in 2004, KORHA Prêt-à-porter. Through his participation in PARCSI program he established a consortium of clothing designers, and together they invested on their own production plant.

<sup>9</sup> WEF Competitiveness Index 2015-2016 & WB Enterprise Survey 2016

<sup>10</sup> ESPartners SME Survey 2016

- **M. Mohamed Lamine BAKAYOKO** established Avva Café Groupe in 2010, a firm that is the clear example of how a true leader-entrepreneur can make use of all the existing financial support and technical offer for start-ups to develop his company. Avva Café is a Robusta coffee roaster based in Abidjan. Between 2012 and 2016 M. Lamine Bakayoko participated in several national and international business competitions, accumulating substantial prizes and benefiting from the accompanying technical support, such as his participation in the CGECI accelerator program ran by ESPartners. This support allowed the firm to access a bank loan to invest in a new production/roasting plant.
  
- **Mme. Kouadio AGBASSI** is a female entrepreneur and as such, a role model for all Ivoirian female entrepreneurs. She founded 3 B du Vivrier, a women's coop with 250 members, all of whom have small plots of land on which they produce various types of vegetables, bananas, yam, peanuts and pistachio. In 2013, they won an international contest organized which entitled them to travel to Japan to present their products to their market, such as peanut butter and pistachio paste. After that they went to Florida (USA) at the invitation of APEX-Ci (Association pour la Promotion d'Exportateurs). They are now aiming for a project to export processed products to the US through an Ivoirian company in Washington DC called "La Passerelle". They currently have 9 employees and turnover is at FCFA 15 million.

## KORHA Prêt-a-porter

<b>Director/owner:</b>	M. Roger BANGO
<b>Location:</b>	Abidjan
<b>Business activity:</b>	Clothing manufacturer
<b>Established</b>	2004
<b>Staff</b>	30

### Financing the business

- He started from scratch through self-financing, grew the business through retained earnings.
- In 2012, he received the first microcredit of CFA 5 Million.
- In 2013, participated in PARCSI program, benefiting from a solid technical assistance. As consequence, he established a consortium of clothing designers, and together they invested on their own production plant.



### Challenges

- No external financing available.
- MFIs do not provide enough financial support to cover for his funding needs, and interest rates are too high.
- Banks do not provide financing without guarantees.
- To date the company still has CFA 50M of funding need unmet for acquisition of machinery.

## AVVA Groupe Café

<b>Director/owner:</b>	Mohamed Lamin BAKAYOKO
<b>Location:</b>	Abidjan
<b>Business:</b>	Robusta coffee roaster
<b>Established:</b>	2010
<b>Staff:</b>	18 (+ variable)



### Financing the business

- Very challenging start with the political crisis.
- Since 2012, the organization has won nine business plan/entrepreneurship competitions, through which accumulated a capital of CFA 32M. With that, together with a plot concession as result of one of the competitions, AVVA has received financing of CFA 200 M from a bank to invest in a new production plant.
- They also receive working capital from a MFI.
- In 2016 ESPartners investment fund acquired a small portion of AVVA's equity.

### Challenges

- Difficult to work with Banks, it took a year for them to approve and disburse the financing.
- Microfinance interest rates are too high. Leasing is a good alternative source for financing machinery, but IR is also high.

## IVOIRE HS

<b>Director/owner:</b>	M. Hazoumé
<b>Location:</b>	Abidjan
<b>Business activity:</b>	Printer
<b>Established</b>	1998
<b>Staff</b>	20

### Financing the business

- Family business mostly self-financed and growing through the use of retained earnings.
- In 2011 the two sons of former founder took over the company lead.
- In 2013 they decided to renovate obsolete equipment to remain competitive, however bank only provided them 60% of the amount they requested. The reason: they refused providing their home's real state title as collateral.
- They participated in PARCSI program with other 20 SMEs in the sector. They received support through the PARCSI manager ADCI, however it did not help to access additional financing.

### Challenges

- Banks take too long to respond to financing needs. From the moment they took the decision to renovate machinery, until they received first disbursement, took about 2 years.
- Banks have extreme collateral requirements. They received a smaller loan, because they could not provide a real estate title, which created serious cash flow problems.

## 2.4. Financing Ivoirian Enterprises

Different SMEs have different financial needs, depending on size, type of business, and asset base. The Côte d'Ivoire financial landscape, however, does not serve each segment, for various reasons.

### Financial Needs of Ivoirian Enterprises

The main characteristics and corresponding financial needs of the SME segments mentioned in section 2.3 are shown in the table below.

Table 2: Ivoirian SME Segments and their Financial Needs

Sub-segment	Key characteristics	Financial needs*
<b>Small necessity entrepreneurs</b> 1-10 employees	Small size, low growth Many copycats, mostly informal The entrepreneur runs the enterprise € 6,500-10,000 annual turnover	Microfinance for short-term <sup>11</sup> working capital Trade Finance Small amounts
<b>High growth start-ups</b> 1-10+ employees	High growth potential Usually struggle for the first 3-5 years Often young (tech-savvy) entrepreneurs € 6,500-40,000 annual turnover	Mid-term seed capital to initiate activities (operations, staff) Short-term working capital and overdrafts Business angels / crowdfunding CAPEX Smaller amounts
<b>Opportunity driven SMEs</b> 10-20 employees	Driven by market opportunities, many responding to public commands, copycats Lack of client and market knowledge € 40,000-120,000 annual turnover	Working capital, especially for SMEs working with the public sector. Mid-term CAPEX Mid-sized amounts
<b>Moderate growth entrepreneurs</b> 20-50 employees	Steady growth, often family businesses More formalised € 120,000-400,000 annual turnover	Mid-sized amount working capital Long term finance to invest in assets Leasing/trade finance CAPEX
<b>Gazelles</b> 20-100 employees	High growth rates, usually due to finding market niche Mature financial performance > € 400,000 annual turnover	Bank finance, venture capital, business angels CAPEX

\*Financing term: short term < 12 months, medium term 1-3 years and long term > 3 years.

Financing size: small <€30 K, mid-size, €30-200K, large >200K

Source: Authors' research

<sup>11</sup> For this study, short term loans are up to 12 months, medium term 1-3 years and long term loans are more than 3 years

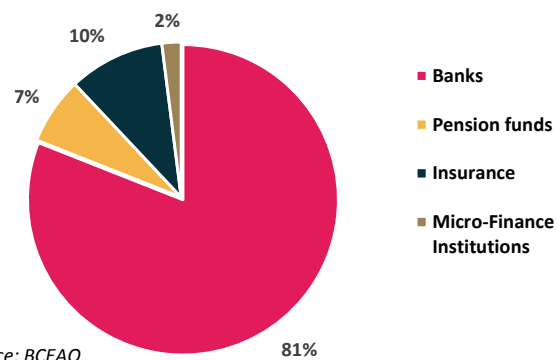


### Existing Financial Offer

Ivory Coast has the largest financial sector of the West-African Economic Monetary Union (WAEMU), both in number of financial institutions as in balance totals. It represents more than 28% of the Union's financial market (2014), followed by Senegal (19.5%), Mali and Burkina (both 13.6%). The three biggest banks of the WAEMU (2014) are all Ivoirian. Nevertheless, according to the World Bank (July 2016 report, see p. 7) one of the current weaknesses of Ivory Coast is the underdevelopment of its financial system, which appears not performant and inclusive enough compared to standards observed in emerging economies. At present, the Ivoirian financial system offers 3 to 4 times less credits, in percentage of GDP, than in African middle income countries such as South Africa and Morocco and even less than in Senegal and Togo. If not improved, this insufficiency can harm the country's ambition to reach the status of emerging economy, according to the World Bank.

Twenty-six banks manage about 80 % of the financial sector assets, with the remaining controlled mostly by insurance companies. 51% of the banks is foreign, 24% is a subsidiary of a regional bank (WAEMU), 16% is locally owned, followed by 9% public banks. The latter category is being restructured as a result of high non-performing loans and a gradual disengagement by the state.

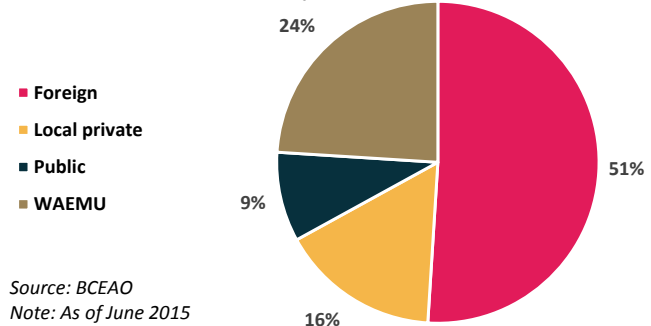
Côte d'Ivoire: Financial Sector Assets



Source: BCEAO

The microfinance sector is rather small (2% of financial sector assets) and comprises 62 institutions including 15 microfinance institutions (MFIs) and 47 credit and savings cooperatives (SACCOs). The sector is mainly served by some modern and sound MFIs including Credit Access, Advans-CI and Microcred-CI, some of which are branches of international micro-financial institutions.

Côte d'Ivoire: Banks' Ownership



Source: BCEAO

Note: As of June 2015

As to the depth and breadth of services offered to SMEs by the financial sector in Ivory Coast:

- **Banks** only cover a small part of the investment needed by SMEs, focusing mostly on short term finance and working capital. Some banks however seem to show a growing interest in lending to medium-sized domestic companies with a turnover of, CFA 1 to 10 billion (€1.5 Million to €15 Million); however, though for international standards this would still be considered an SME, for Ivoirian standards it is considered a large enterprise.



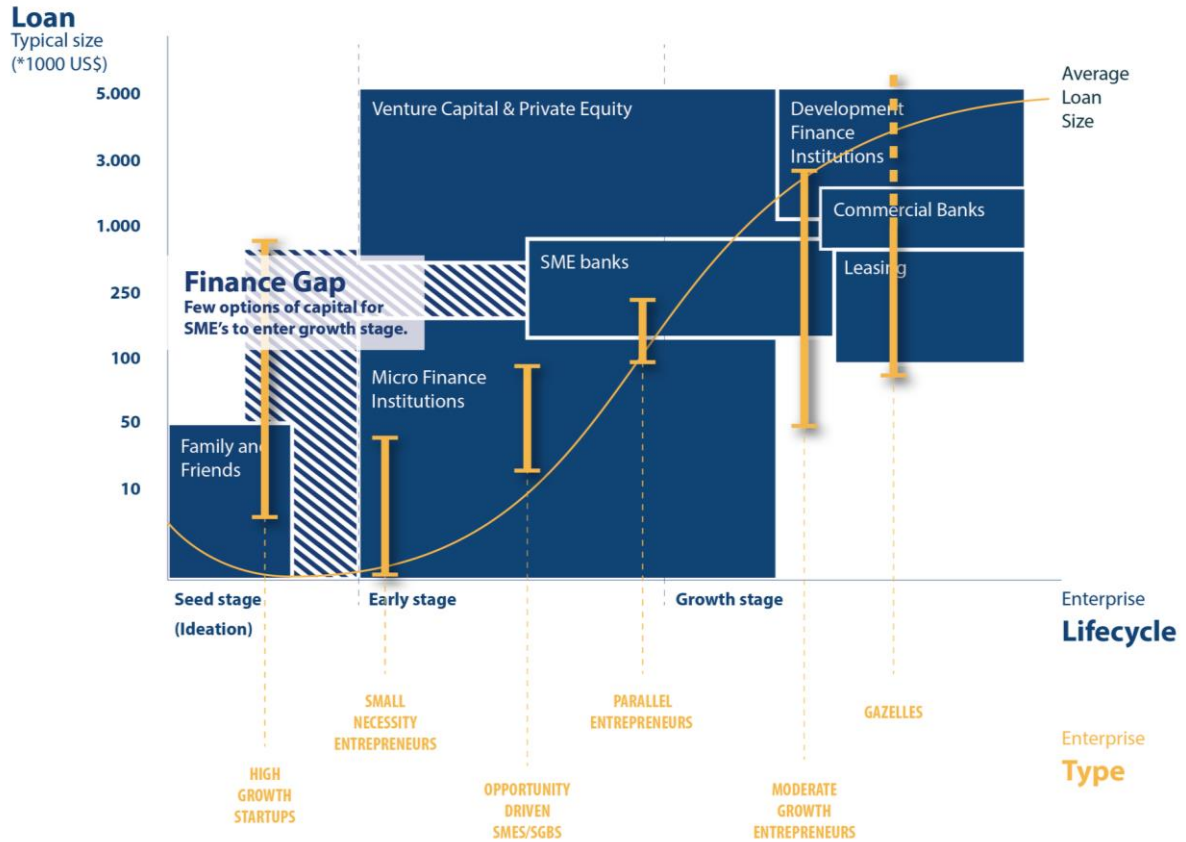
- **SME Banks:** There are some banks focused on SME lending, however they either tap SME niches - for example those SMEs that access the public market – or they provide limited offer, not covering the SME needs at its fullest. Most of the banks reportedly lend to SMEs at an interest rate between 10% and 13% for short term and 9% to 11% for mid-term and long-term. Annual Interest rate for banks is capped at 13.5% by the Central Bank. Many SME-oriented banks make use of guarantee funds to cover part of their risk.
- **Microfinance Institutions (MFIs)** in Ivory Coast have no stated limitation in terms of loan amount or loan duration, as opposed of other francophone West Africa countries. Ivorian MFIs therefore serve the SME sector notably (formal and informal) with loans up to €300,000, although they usually provide lower amounts, and mostly short-term loans and working capital, due to their own funding limitation to cover for liquidity gaps. Despite their strong urban focus, they have begun to expand to rural areas, particularly those with cocoa farms. Microfinance interest rates are higher than bank rates, moving around 19-25% p.a.
- **Private equity funds and venture capitalists** are becoming more and more relevant for formalized Ivorian SMEs. There are more than 20 firms in the market, although only 10-12 firms are fully operating. In any case, Ivory Coast has the largest private equity and venture capitalists market as compared to other francophone West Africa countries.
- **Leasing** is becoming more prominent with specialist firms operating in the market. There is, however, still a strong focus on vehicles and individual consumption rather than providing support to industrial SMEs for instance, where their role would be additional for SME growth. Ivory Coast is one of the few countries in francophone West Africa showing leasing as an option, as opposed to countries like Benin where establishing leasing as financial mechanism failed.
- **Business Angels** and other sources of private financing are very nascent, and start taping the market slowly, similarly to Senegal. Public entities like Chamber of Commerce start implementing investment clubs to attract and organize those individual investors as well as investment funds, which is a pioneer activity within the francophone West Africa region.
- **Crowdfunding** is not very present in the country, only few initiatives are currently being set up such as Seekewa<sup>12</sup>, an agricultural crowdfunding platform lending to farmers across the country. The benefits of crowdfunding are known in Ivory Coast by some (few) players as opposed to lack of knowledge shown in other countries in the region.

Schematically, this leads to the following description of the financing gap we notice in Ivory Coast (Figure 5). Microfinance and banks are in appearance covering the SMEs short-term needs – although as said, informality in Ivory Coast is estimated at 70%, meaning that very limited number of SMEs have access to banking finance; and MFIs have limited capacity to serve SMEs in terms of volume.

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<sup>12</sup> Seekewa.com

Figure 5: Schematic Representation of the Financing Gap for Ivoirian SMEs



Source: Authors' research

Mid and long-term financing is partially covered by banks (and only up to 4-5 years) and for limited number of SMEs, mostly moderate growth and high growth SMEs, as well as opportunity SMEs. A limited number of high growth enterprises and gazelles have access to equity and long-term debt, mainly provided by existing venture capitalists and investment funds.

Regarding start-ups, family & friends are the main source of financing, due to the lack of seed capital offer in the country. For moderate growth SMEs, who consider MFIs too expensive and banks unreliable, they tend to make use of other informal sources like money lenders, but only to cover very short term financing needs and not beyond a certain range. Most other types of SMEs remain underserved or unserved by the current financial landscape.

Table 3: Overview of the Financial Landscape in Ivory Coast

Sources of financing	Examples	Products	Amount	Costs	Targeted sub-segment
Family and friends	-	Informal debt	< €80,000	Low	Start-ups, micro and small entrepreneurs (MSE)
Money-lenders	In the informal, so not registered nor identifiable.	Informal debt at a very short-term (days / months)	< € 100,000	3%-5% per month	Micro- and small entrepreneurs (MSE), opportunity-driven SMEs, moderate-growth entrepreneurs.
MFI	Advans, Microcred, CAC, MCF-PME	Micro and SME loans, group and individual lending	Up to € 300,000, risk aligned to amount provided.	19% - 25% per year	Micro-entrepreneurs and small necessity entrepreneurs, moderate growth entrepreneurs.
Investment Funds / venture capitalists	I&P, Brightmore, Adiwale, Injaro, ESPartners	Equity (<7 years), Asset finance	€300,000 - €4.5 Million Average €1.2 Million. High risk.	Return objective >20% Anticipated 15%	High-growth medium enterprises, certain gazelles, high growth start-ups
Business Angels Networks	IVOIREANGELS, CCI Investment Club	Equity	<i>unknown</i>	<i>unknown</i>	Very nascent. High growth start-ups, certain Gazelles.
Leasing	ALIOS Finance, some banks.	Asset finance (transport, machinery)	€15,000- €300,000 Low risk	15%-17%	Moderate growth SMEs, Gazelles.
DFIs	Oikocredit, IFC, AfDB, Proparco	Equity (patient capital), working capital, asset finance	€50,000 – € 1.5 Million Medium risk	Depends, usually aligned to market rates	High-growth and moderate-growth medium enterprises, gazelles.
Banks	Ecobank, BOA Capital, SGBCI	Short and Medium term financing, leasing (some)	€75,000s - €1.5 Million Low risk	8%-13.5% + additional fees	Moderate-growth and high-growth SMEs

<b>SME Banks</b>	Orabank, Afriland First Bank.	Short and Medium term financing, working capital	< €500,000 Low-risk	8%-13.5% + additional fees	Moderate-growth and high – growth SMEs, Opportunity-driven SMEs
<b>Guarantee Funds</b>	GROFIN, ARIZ, IFC, GARI (now part of the African Guarantee Fund AGF), FSDA	Risk-sharing mechanisms	€ 75,000 – €400,000 Low to medium risk	1-2% over guaranteed amount	Moderate-growth entrepreneurs, gazelles

Source: Authors' research

## 3. A Deep Dive into the Ivoirian Entrepreneurial Ecosystem



In this chapter we present observations about each dimension of the entrepreneurial ecosystem in Ivory Coast, highlighting the key issues affecting access to finance for local enterprises in the Ivoirian markets, policy & institutions, finance, business support, human capital and culture. The issues will be examined from both an **enterprise and a financier perspective**. Each section concludes with an analysis of the main issues and presents possible solutions, including a summary of the main strengths and weaknesses, and a few possible action steps.

### 3.1. *Culture: Entrepreneurship as Professional Path, Role Models Coming Up*

Entrepreneurship as vocation or professional path arrived late in Ivory Coast as compared to other countries like Kenya or Senegal. Up and until after the political crisis, entrepreneurship was promoted by the government as a response towards unemployment, and that's the way that most of the general public considered it: only an option for people with no possibility to access formal salaried jobs.



Today entrepreneurship is promoted and celebrated, with many initiatives taking place by the public and private sector, and strong emphasis on youth and female entrepreneurship. Entrepreneurial education is being more and more integrated in schools and universities, government promotes good entrepreneurial ideas, and despite the limited presence of "champions" that can act as role models, there are already a few examples of entrepreneurs that have national and even international exposure.

#### **Enterprise Perspective**

Some experts state that there have been **two waves in the Ivoirian entrepreneurial sector**: the first one started in the year 2000 and struggled through the political crisis until more or less 2011-12; the second one is happening now. These two waves are breeding new and more professional entrepreneurs; first wave was more focused on self-employment as response to unemployment, whereas the second wave takes entrepreneurship as conscious choice, a way of living. In fact, many of them could be accessing a proper salaried job; instead they prefer building their own business idea.

Some defining characteristics of these entrepreneurs are **interactive business relationships, use of modern information technology and networking support among fellows**. Many are high-

educated; others, especially in the IT and high-tech sector, are accessing parallel education or even self-education due to the lack of proper training available in the market. That is the case of **Ayiyikoh IT community Center** in Abidjan, which gathers young IT specialists, programmers and similar tech-related activities. Ayiyikoh works as community of self-employed; many members join the community to continue their education, others to access training from others.

There are numerous programs, **business associations and NGOs in Ivory Coast that focus on enhancing entrepreneurship**. Public organizations such as CGECI<sup>33</sup> or the Chamber of Commerce are also taking an active role on enhancing entrepreneurship, by promoting entrepreneurial support programs, organizing conferences and networking events (National Conference of SMEs<sup>34</sup>), and through their training programs and academies (e.g. CGECI Academy and Business Competition) providing support and mentoring to young entrepreneurs, and exposure to the ones that will become the national champions<sup>35</sup>.

Despite all these efforts and initiatives, as well as the visible sign that a new generation of entrepreneurs is expanding in the country, reality shows that this segment remains small when compared to the overall private sector. In fact, most entrepreneurs in Ivory Coast are still necessity-based rather than opportunity entrepreneurs. Informal, small-scale, unprofessional and copy-cat entrepreneurs dominate the SME scene in Ivory Coast. For most of those SMEs, there is limited innovation, sustainability and potential growth.

### **Financier Perspective**

Traditional financial institutions perceive entrepreneurs as a high risk market segment, mainly due to their lack of professional structure, lack of financial records, their weak business plans and dependency on one single person. The consumption-oriented culture also does not provide additional reassurance to financiers, many of whom have seen or heard enough examples of entrepreneurs that use business loans for other purposes (most common example is buying a car). Lack of commitment showed by some entrepreneurs, who dedicate only part of their time to the development of the business, or who request financing far beyond their own capital contribution, are other examples for financiers not feeling at ease. Thus, the short-term vision shown by some entrepreneurs, the perceived lack of commitment and, in general, the lack of entrepreneurial mind-set can to some extent explain the reluctance of financiers to invest in local SMEs.

Nevertheless, financiers show an increasing awareness of this new generation of professionals and well-skilled entrepreneurs, who are backed up by solid entrepreneurship programs providing additional reassurance to external parties. The issue is that nowhere in the world, banks consider it their role to finance start-ups, as between 70-90% of start-ups fail and disappear within the first years of activity<sup>36</sup>. In addition start-ups are barely interested in banks as their cost of finance is generally too high.

Following the example of other countries, Ivory Coast is implementing financial solutions focused

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<sup>33</sup> Confédération Générale des Entreprises de Côte d'Ivoire (CGECI), « Le Patronat »

<sup>34</sup> Journées Nationales Promotionnelles des Petites et Moyennes Entreprises et de l'Artisanat (JNPPME-A).






<sup>35</sup> CGECI Academy 2017 will take place on 29-30 September 2017 IN Sofitel Côte d'Ivoire

<sup>36</sup> Source: GROFIN SME Study

on enhancing entrepreneurship: business competitions, incubators, and business support programs with an access to finance component, and even capital-risk funds that provide seed capital to those projects. Some of those programs however do not include follow-up support to the entrepreneur, which often is necessary to ensure proper use of the funds.

### Analysis and Possible Solutions

Entrepreneurship culture is on the rise, as it is seen as a way to galvanise the private sector and develop the Ivorian economy. There is clearly a new generation coming up of professional entrepreneurs; and more and more support mechanisms are being created to support them. However this support is not yet mainstreamed and has not yet been able to convince traditional financial players of the need to finance those entrepreneurs.

	 Description	 Actions
 Strengths	<ul style="list-style-type: none"> <li>• New generation of professional entrepreneurs is coming up</li> <li>• Entrepreneurial mind-set is being established although not yet mainstream</li> <li>• More and more role models are being found and given exposure.</li> <li>• Many initiatives try to enhance entrepreneurial culture.</li> </ul>	<ul style="list-style-type: none"> <li>• Further promote entrepreneurial awareness at schools and universities.</li> <li>• Continue promoting champions and role models in the market, but beyond business competitions. For instance, publicize success stories of entrepreneurs so that they become well-known role models, also outside Abidjan.</li> <li>• Expand the entrepreneurship culture by promoting encounters, conferences, formal networks, shared-knowledge sessions, etc.</li> </ul>
 Weaknesses	<ul style="list-style-type: none"> <li>• Ivorians remain risk-adverse, salary-focused.</li> <li>• Many entrepreneurs display copy-cat behaviour</li> <li>• Many initiatives in place, but none with a sustainable long-term approach to support young entrepreneurs and start-ups.</li> <li>• Not many players willing to finance enterprise creation.</li> <li>• Short-term vision from entrepreneurs causes weak financial planning, and in some cases misuse of external financing received.</li> </ul>	<ul style="list-style-type: none"> <li>• Promote enterprise-creation models that do not depend on external financing (e.g. EZP)</li> <li>• Promote start-up and SME financing solutions that have been successful in other countries: seed capital, business angels, crowdfunding.</li> <li>• Ensure that with all financial solutions to start-ups includes non-financial and financial planning support, to ensure good use of funds.</li> </ul>

### 3.2. Human Capital: Well-Qualified Employees and Entrepreneurs

Ivory Coast (shows a mid-position on human capital indices (171 out of 188 HDI rank) as compared to the rest of Francophone West Africa, with Senegal (162), Togo (166) and Benin (167) scoring slightly higher and Mali (175) and Guinea (183), scoring lower on the overall index<sup>17</sup>.



Despite Ivoirian literacy rates are very much in line as its peer countries (at 43.1% for ages 15 and older, whereas 55.7% for Senegal, 38.7% for Mali) for secondary education, Ivory Coast shows a much higher score than compared to the rest: 24.9% of Ivoirian population aged 25 or older have at least some secondary education. For Senegal, that percentage drops to 13.9% and for Mali further drops to 11.3%.

According to HDI 2017, schooling in Ivory Coast remains below 100%, and it is still situated at 8.9 years in average, on the lower-side as compared to emerging countries accounting in average 14 years<sup>18</sup> of schooling. Reason why Ivoirian authorities, under its National Plan for Development 2016-2020 (Plan National de Développement 2016-2020, Cap Sur l'Émergence) are working on:

- Ensuring schooling for everybody
- Improving the performance of teachers who are seen the determinants for long-term schooling.
- Subvention system for private schools, to absorb those students that finish first cycle and are not able to access secondary public schools due to the limited amount of available spots.
- Focus on reducing administrative expenses to improve infrastructure and material.

Professional education however presents a mixed picture. While availability of a highly qualified managerial class is among the country's most important assets and the level of education is comparatively high, there is a mismatch between the training provided by the country's general, vocational and higher education systems and the country's current and emerging needs. In fact, most of vocational education focuses on commerce and services, whereas industry and specially agriculture (two of the priority sectors) receive very limited attention. This means that for certain sectors, highly qualified staff is available but extremely limited in number.

Regarding entrepreneurial education, the Ivoirian National Plan for Development 2016-2020 (Plan National de Développement 2016-2020, Cap Sur l'Émergence) has put strong emphasis on professional development and self-employment of youth and women.

Female literacy and participation to labour force is considerably lower, as showed in the comparative table below, although Ivory Coast shows the highest percentages on female education as compared to its peers.

<sup>17</sup> UNDP 2016 Human Development Reports – Country Profile

<sup>18</sup> Source: La Tribune du Patronat, CGECL, Mars 2017.



Table 4: Male and Female Education and Labour in Ivory Coast, Senegal and Mali

	Ivory Coast	Senegal	Mali
Female average schooling years	7.8 years (expected) 3.9 years (mean)	9.2 years (expected) 2.1 years (mean)	7.5 years (expected) 1.7 years (mean)
Male average schooling years	9.8 years (expected) 6.1 years (mean)	9.7 years (expected) 3.6 years (mean)	9.4 years (expected) 3 years (mean)
Female Population with at least some secondary education	16.6%	10.2%	7.3%
Male Population with at least some secondary education	32.7%	19.2%	16.2%
Female Participation in labour force	52.4%	45%	50.1%
Male Participation in labour force	80.9%	70.2%	82.3%

Source: UNDP HDI 2016 Report

Regarding youth unemployment, defined as unemployment rate of population in ages comprised between 15-24, Ivory Coast and Senegal show one of the highest rates as compared to the other countries in the region. As such, youth unemployment in Mali is 10% and in countries like Guinea it drops to 1.2%.

Table 5: Youth employment rate in Ivory Coast, Senegal and Mali

	Ivory Coast	Senegal	Mali
Youth unemployment Rate	13.7 %	13.1%	10.7%
Youth unemployment rate, female to men ratio	1.2	1.4	1.4

Source: UNDP HDI 2016 Report

CGECI with the support of AfDB has launched PRODIJE (Projet d'Incubateur des Jeunes Entrepreneurs), an incubator program aimed at providing technical support, training and financing to 400 entrepreneurs in 2 years, from which 30% will be female, ages comprised between 16 and 35, and with a business idea or already operating in the construction, agriculture and food industry, media and distribution sectors.

### Enterprise Perspective

The country has a small but solid tissue of high-skilled labour. Well-qualified employees are generally not difficult to find, as expressed by Ivorian SMEs. The difficulty lies in the cost of that qualified staff, as they are generally limited in number, hence expensive, in many cases too expensive for SMEs. Thus, many business owners prefer hiring less qualified staff - most common example shared is that instead of hiring a financial manager, promoters hire an accountant, or they hire a less-qualified family member. The result is that 5% of interviewed SMEs considered the competences of their staff to be insufficient, and 35% of SMEs interviewed offer on-the-job

training to their employees.

There is also a gap within sectors: most of the qualified staff is found in the tertiary sector (commerce, services, administration) whereas in priority sectors like industry it is more challenging to find high-qualified employees. Sector-specific high-quality education is seen as a need for many SMEs.

There is a considerable gap in the education of managerial and entrepreneurial skills: leadership, transparency, responsibility, good management practices and client service. Upcoming entrepreneurial initiatives include training and coaching those skills, however these services are still only available for a few.

### Box 3: The AFEED & Entrepreneurs with zero francs

The **African Foundation for Entrepreneurship and Economic Development (AFEED)** is a non-governmental organization aimed at promoting entrepreneurship in Africa. Its main objectives are to provide human, technical and financial support to entrepreneurial activities in Africa as well as to African communities outside the continent. Today they have four country members: Côte d'Ivoire, Ghana, Liberia and South Africa. They **target** informal entrepreneurs, students, non-schooled youth, young entrepreneurs, unemployed, agriculture entrepreneurs and female entrepreneurs.

The AFEED is promoting the concept of **Entrepreneurs with Zero Francs (EZF)**, which means implementing the entrepreneur's business idea in an organic way, making no use of external financial support but using exclusively the entrepreneur's own means. Under this program, AFEED provides:

1. Coaching services to the entrepreneur
2. Training in access to markets and support on commercial and strategic partnerships
3. Training on market financing

Since December 2016 AFEED in Ivory Coast is implementing the EZF concept in partnership with AfDB and the Ivorian Youth Employment Agency, under the program "Agripreneur Zero Francs". So far 400 young Ivoirians have taken part on its training.

In addition, in July 2017, AFEED has signed a partnership with the Ministry of High Education in Ivory Coast to implement EZF courses in all national universities. This means that more than 10,000 university students will be trained annually on entrepreneurship culture and skills, independently on their access to finance (A2F).

The country's education system is not yet considered practical and business / entrepreneurial oriented. Positively, there are more and more initiatives to integrate entrepreneurial mind-set and skills education in universities. Box 3 shows one of the largest and most relevant initiatives taking place in the market, still nascent but with strong potential, showing the importance that public and private sector is giving to the creation of solid and professional enterprises.

As mentioned above, despite the many institutions (public and private) providing technical training and mentoring, most growth-oriented SMEs train their employees on-the-job. Practical counselling is seen as a need, as well as accessing to relevant sector-oriented mentors and champions that can lead young professionals towards adequate business management.

### **Financier Perspective**






Adequate business planning and sound financial management capabilities remain limited among Ivorian SMEs. Financial institutions find SMEs lacking in management and without a clear view of their financial needs. SMEs tend to become more organised as they grow larger and can afford to hire a professional manager or accountant. For those, financiers feel more at ease to provide financing, although their high collateral requirements still constrain the access to finance. Many smaller SMEs operate informally, focusing almost exclusively on day-to-day needs and challenges without any long term strategy.

Numerous initiatives provide support to SME professionalization, strategy and financial management. Those programs always include an A2F component, and lately they try to act as representative and provide additional guarantee when the SME requests financing to the Bank. That's the case of ADCl (*Agence pour le Développement de la Compétitivité des Industries de Côte d'Ivoire*), the executing organization of PARCSI program that provides technical support to industrial SMEs. Part of ADCl's support is to accompany participating SMEs to banks to request financing. Banks however are generally unaware of the reputation of those programs and the activities that they conduct. This means that these SMEs will go through the same scrutiny and will have to meet the same requirements as any other.

In this context, the Chamber of Commerce under its "Champions" program is developing a SME Scoring System, to provide Banks with a thorough, realistic and objective assessment of the SME capacity to absorb and repay financing.

### **Analysis and Possible Solutions**

Education levels in Ivory Coast are better compared to neighbouring countries. There are numerous initiatives providing business education and skills, targeting entrepreneurs and SMEs. The country however remains limited in the number of high-qualified professionals prepared to cover the market needs, and schooling timeline remains low as compared to emergent countries. Last, education provided is not considered sufficiently practical and weakly linked to access to finance, further hindering the SME growth.

	 <b>Description</b>	 <b>Actions</b>
 <b>Strengths</b>	<ul style="list-style-type: none"> <li>Increasing importance given to entrepreneurial education integrated in education, like the partnership between AFEED and the Ministry of High Education implementing entrepreneurial training in all Ivorian universities.</li> <li>Public initiatives that promote entrepreneurial education and technical skills training for youth and women, like PRODIJE or the CGECI Committee for Female Entrepreneurship Development.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to support new initiatives targeting youth and women, such as incubators.</li> <li>Highlight success stories of entrepreneurs to set an example for others. One example is creating a TV series with examples of women and young entrepreneurs in different sectors, showing their challenges, successes, skills, etc.</li> <li>Ensure training provided is technical and practical, and does not remain high-level.</li> <li>Promote knowledge-sharing at international level, by inviting relevant international parties to present entrepreneurial trends happening worldwide.</li> </ul>
 <b>Weaknesses</b>	<ul style="list-style-type: none"> <li>Low education levels, both of business owners as well as employees</li> <li>Entrepreneurs tend to run their businesses in an ad-hoc way, only focusing on the short-term</li> <li>Women and youth are under-represented among business owners and managers.</li> </ul>	<ul style="list-style-type: none"> <li>Improve and expand the offer of business training for entrepreneurs, with a strong focus on women and young entrepreneurs</li> <li>Promote capacity development and business support programs for knowledge transfer, including mentoring of young start-ups by experienced entrepreneurs</li> </ul>

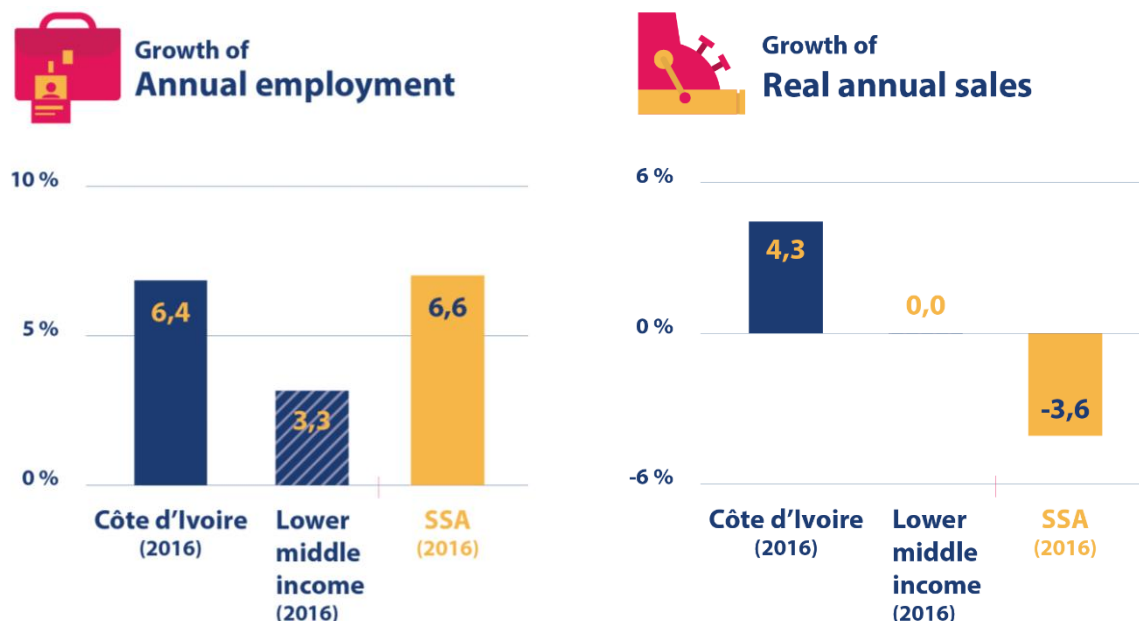
### 3.3. Markets – Top of the region, improved infrastructure

As one of the leading countries in the UEMOA-market, Ivory Coast has a preferential role, promoting inter-regional commerce and business development, and creating partnerships at public and private level. Its strategic geographical location - bordering with countries like Mali, Burkina Faso or Ghana, and with a wide coastline - together with the stabilization of government turmoil and the use of the Franc CFA as common currency facilitates Ivory Coast's market access and economic development.



Since the 2011 crisis Ivory Coast's economy has been well performing, achieving the status of the fastest growing economy in the entire Sub-Saharan Africa in 2016. This growth has been fuelled by the expansion of the secondary (construction and mining) and tertiary sectors (energy, communications, commerce and transport), and fed by an increasing middle-class with more purchasing power. As seen in figure below, Ivory Coast annual sales growth achieved a 4.3% rate in 2016, exceeding the 0% growth accounted by lower middle income countries, and further exceeding the decrease the negative growth rate in Sub-Saharan region (-3.6%). Exports have remained stable, although show a slight decreasing tendency, mainly due to the bad climate conditions that cacao, coffee and cashew suffered in 2016, and the 25% drop on the price of cacao in the international market between November 2015 and 2016. GDP per capita of USD 1,410 in 2016 is on the upper-side as compared to other countries in the region. Employment has been growing at a rate of 6.4%, in line with the growth in Sub-Saharan Africa and substantially exceeding the growth rate in lower middle income countries of 3.3%.

Figure 6: Annual employment and sales for formal enterprises in Ivory Coast



Source: World Bank

A significant part of the investments since the crisis has been in infrastructure, namely power, transport and telecommunications, but with a large portion of it financed by the public sector.

#### **Box 4: The Success of the Public-Private Partnerships (PPP)**

The **Public-Private Partnerships (PPP)** are at the center of Ivory Coast's development strategy. Since 2012, six infrastructure projects have been financed through these partnerships (among which the 3<sup>rd</sup> bridge in Abidjan). The National Development Plan has identified more than 100 PPP projects, from which around 20 are being implemented for a total funding amount of approximately USD 20 Billion. The PPPs present the double advantage to reduce State budget by attracting private capital, and allow transfer of competences and technology from private to public sector. The Ivorian government however must implement and integrated system of risk management (currently in pilot phase) to improve the monitoring of contingency risks implied in PPP projects.

The energy sector has been one of the sectors where the government has put more emphasis on aiming at providing access and reliable supply of electricity to the entire population.

Transport infrastructure has also been improved, with the construction of five main bridges and improvement of 5000km of rural roads and 346km main roads. Other public initiatives to improve market access have been the rehabilitation of industrial areas like Youpougon (645 hectares). The other two other industrial zones on the outskirts of Abidjan (Koumassi and Vridi) remain near full capacity.

The government has also set up an agency to develop Public Private Partnerships, routinely inviting companies to come and express interests for investments in particular sectors (Box 4). Stronger macroeconomic growth and foreign investment (from DFIs and local financial institutions) in infrastructure (container terminal of the Port of Abidjan, expansion of the railway network of Sitarail) will generate spill-over in others sectors (e.g. construction where players are mostly SMEs).

#### **Enterprise Perspective**

Abidjan is the country's economic hub, with an estimated 70% of SMEs located in its greater metropolitan area. Infrastructure (road, rail, ICT) as well as access to power has been improved tremendously since the crisis, especially in urban areas, however in other regions access remains poor, and supply can be intermittent and expensive. According to WB Doing Business, reliability of electricity supply and transparency of tariff index<sup>19</sup> is 5 out of 8, one of the highest in Sub-Saharan countries with an average of less than 1 out of 8, although costs remain high as compared to OECD high income countries.

Despite the high investment allocated by the Ivorian government towards transport, trade and ICT infrastructure, this advantage has been eroded in the past decade due to lack of maintenance and new investments. As such, enterprises still feel they need to adapt and prepare for delays

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<sup>19</sup> The reliability of supply and transparency of tariffs index is calculated on the basis of the following six components: duration and frequency of power outages, tools to monitor power outages, tools to restore power supply, regulatory monitoring of utilities' performance, financial deterrents aimed at limiting outages, and transparency and accessibility of tariffs.

caused by poor roads or inefficient ports and airports, unable to deal with traffic growth adequately. In addition, Abidjan Port is one of the most expensive ones in West Africa, which is a major constraint for SMEs. Although its overall performance is considered good, clearance procedures and customs are seen as one of the top 10 challenges for the business sector<sup>20</sup>. ICT and mobile market has been showing good penetration rates, however GSM signal and Internet coverage in rural areas remains limited.

#### Box 5: INIE and the Clonix Program

INIE (Institute Ivoirien de l'Entreprise) was established in 1997, set up by the government to provide support to SME sector. In 2013, they received the mandate to focus on enterprise creation. They designed and rolled-out **project CLONIX (2014)**, an enterprise - cloning program, focused on agricultural products with a strong national demand (tomatoes, fish, rice, etc) where importation is needed to cover demand.

Under Program Clonix, five business models are chosen, one for each agricultural product and based in a specific location. One enterprise is taken as a model, and success factors studied, to afterwards be copied to new enterprises, created under the program. Entrepreneurs who will become promoters of these cloned enterprises are chosen through a thorough four-step assessment that includes technical competences, financial knowledge and managerial skills.

#### Financier Perspective






Construction and transport are two of the few sectors where banks feel more comfortable to provide finance. In fact, the government has been able through promotion agencies to attract and channel international and national investment towards these sectors. However, high transaction and trade costs, market uncertainties and information asymmetry make SMEs a risky business for funders. Banks remain more interested on serving large enterprises, multinationals and corporations.

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<sup>20</sup> World Bank Enterprise Survey Côte d'Ivoire 2016

## Analysis and Possible Solutions

Ivory Coast has a preferential position in access to market in WEAMU region. Trade, power and ICT infrastructure has improved considerably, although challenges remain, especially on ensuring funds for maintenance of existing infrastructure, and extending the capacity of the same, in accordance to the country's economic growth.

	 Description	 Actions
 Strengths	<ul style="list-style-type: none"> <li>• Growing economy with stable economic indicators</li> <li>• Opportunities for industry, especially agro-industry</li> <li>• Mandatory 25% of public procurement projects to be allocated to SMES.</li> <li>• Improved infrastructure, e.g. access to reliable electricity, transport and market access.</li> <li>• PPPs as strategy for further infrastructure improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Continue promoting Public-Private Partnerships to finance infrastructure. Integrate a risk management mechanism for PPs.</li> </ul>
 Weaknesses	<ul style="list-style-type: none"> <li>• Low funding levels for maintenance and improvement of existing infrastructure</li> <li>• High transaction costs due to deteriorating infrastructure in urban areas; unreliability of energy and network isolation in rural areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Promote infrastructure projects to be invested by national banks or international investors.</li> <li>• Create a registry of public collaterals.</li> </ul>



### 3.4. Policy & Institutions – Accent on SME development, Entrepreneurship and A2F

While Ivory Coast's democratic political institutions weakened during the period of civil conflict, they have improved over the past 5 years with the restoration of peace. Since then, Ivory Coast government has put strong emphasis on rebuilding and strengthening the private sector, as well as attracting foreign investment and strengthening priority sectors such as industry. SME development has been identified as one of the main priorities for national economic development.



Ivory Coast is one of the few countries in the region that has established a Ministry focused on SME development: 'Ministère du Commerce, de l'Artisanat et de la promotion des PME'. The ministry has the mandate to develop trade (internal and external), artisans, and SMEs, including enterprise creation, enforcement of capacities, and SME promotion. Led by a former banker, numerous initiatives have been implemented to enhance access to finance for that sector. Under the Ministry falls the General Department for Promotion of SMEs and National Entrepreneurship (Direction Générale de la Promotion des PME et de l'Entrepreneuriat National<sup>21</sup>). Its role is further explained in Box 6.

#### Box 6: Direction Générale de la Promotion des PME et de l'Entrepreneuriat National

Established in 2011, the National Commission for SME Promotion and National Entrepreneurship is in charge, as the name indicates, of promoting and strengthening the SME sector in Ivory Coast. Its mandate includes defining and aligning policies to improve SME competitiveness and efficiency, create an SME promotion organism to provide national and international support, coordinate SME development initiatives, define the regulatory framework for entrepreneurial and self-employment activities, develop entrepreneurial culture and mind-set particularly to youth, create incubators and training centres to enhance and strengthen entrepreneurship.

The Commission follows four central sub-commissions/ axes:

- Commission on SME Promotion, Assistance and Competiveness.
- Commission on Partnership, Access to Finance and Markets
- Commission on Enterprise Creation
- Commission on Entrepreneurship Education and Training

#### *Multiple public initiatives, low coordination and limited outreach*

Several public organizations are implementing the mandate of the National Commission. Among those, worth to highlight the programs conducted by three public entities: CGECI, CEPICI and the Chamber of Commerce (CCI).

<sup>21</sup> <http://www.commerce.gouv.ci/pme.php?id=4>

### Confédération Générale des Entreprises de Ivory Coast (CGECI, “Le Patronat Ivoirien”)

<b>Mandate</b>	CGECI operates as a link between the business sector, finance sector and SME / Entrepreneurship sector. Its 24 members include the Exporting Association (APEX-CI), the Banks & Financial Intermediaries Association (APBEFCI) and SME associations like MPME (Mouvement des Petites et Moyennes Entreprises). Their work is divided between entrepreneurs and established SMEs. They provide coaching, training, SME structuring and professionalization through different programs.
<b>Entrepreneurship Support</b>	<ul style="list-style-type: none"> <li>• PRODIJE (2016) the incubator program set up by CGECI, UNIDO and the AfDB that aims to identify, train, mentor and finance 200 entrepreneurs. The program covers urban and rural areas like Abidjan, Bouaké (Centre), San Pedro (Sud), et Korhogo (Nord).</li> <li>• The CGECI Academy and Business Plan Competition (2015) aims at identifying national entrepreneurship champions, and winners have access to special training.</li> </ul>
<b>SME Support</b>	<ul style="list-style-type: none"> <li>• For SMEs, the CGECI runs the PARE-PME program established by AfDB (15M USD) for the rehabilitation de la governance in SMEs – intervention post-crisis.</li> <li>• To facilitate A2F CGECI launched the program “La finance S’engage” set up to bridge the perception asymmetry between banks and SMEs.</li> </ul>

### The Chamber of Commerce and Industry in Ivory Coast (CCI-CI)

<b>Mandate</b>	The CCI-CI promotes SME development, commerce and enterprise creation through different programs. A selection of those is listed below.
<b>Entrepreneurship Support</b>	<ul style="list-style-type: none"> <li>• Project INITIATIVE (with UNDP) on the labour integration and youth entrepreneurship promotion in the region of San Pedro. (350 youths, from which 300 to be integrated through self-employment).</li> <li>• <i>Convergence marché</i>: CCI helps SMEs to develop their financial statements and business plan. They use the business canvas model and link the enterprises with the market as well as financiers.</li> </ul>
<b>SME Support</b>	<ul style="list-style-type: none"> <li>• Support SMEs for A2F: Through the FSA (Fonds de Solidarité Africain) CCI receives applications from SMEs that want to access finance, they help to structure them, build up the dossier and then contact banks and funds. In 2013-2014, 30 enterprises requested loans of up to 45 billion CFA, but not many got funding.</li> <li>• Programme Champion (CCI &amp; AfDB) facilitates enterprises to be rated by a private rating firm. A total of 102 PME have been rated, coming from priority sectors (construction, agro-industry and tourism). Rating focuses on governance and financial aspects of the firm. With the result, enterprises can go to the banks and investors, even to the Club Equity, to request financing</li> <li>• Club Equity (launching September 2017) is an investment club, they aim to provide support to enterprises of minimum 500M CFA turnover (medium enterprises and larger).</li> <li>• Keep track of the formal enterprises and they provide investors with a booklet listing all existing enterprises.</li> </ul>

**Investment Promotion Center of Ivory Coast (CEPICI)**

<b>Mandate</b>	CEPICI was established in 2012 and is the one-stop-shop for investment in the country. Their priority is to attract and allocate national and international investment in the industrial sector, one of the government’s priority sectors.
<b>Entrepreneurship Support</b>	<ul style="list-style-type: none"> <li>As part of this strategy CEPICI has rolled out a business plan competition to identify relevant entrepreneurial projects and provide technical assistance support to winners. The price is disbursed based on the business needs.</li> <li>CEPICI is currently establishing an incubator that will provide further technical support to entrepreneurs and winners of their business competition challenge.</li> </ul>
<b>SME Support</b>	<ul style="list-style-type: none"> <li>CEPICI is also establishing a platform of financial services for SMEs, as a response of limited A2F towards this sector. They try to understand the whole network of financial players touching SMEs, and then integrate them in a centralized electronic platform. With this, they are trying to segment the financial offer for SMEs.</li> </ul>

These three organizations show multiple similar programs. They are more or less aware of what the other does, but there is no coordination or shared synergy among them.

**Enterprise Perspective**

Enterprises have limited knowledge of the existence of these public programs. As shown in the WB ESPartners survey 2016, 75% of SMEs would like to receive technical support, however only 32% have received support within the last three years, and 75% affirm not knowing firms or organisations that can provide support on access to finance, marketing, access to markets, accounting, and technical expertise. Public programs, although relevant and well structured, have so far not been sufficiently able to reach their target group.

**Financier Perspective**

If SMEs are not aware of those programs, banks are even less aware. Several of them have been reached out to by these public agencies, to involve them in the A2F component. Some approaches have been successful, for instance with the ‘Champions’ Program by the Chamber of Commerce, that collaborates with several banks and MFIs on providing access to finance to those SMEs that they support. In addition, the Chamber of Commerce is trying to develop objective and reliable mechanisms to make banks feel more at ease when considering financing SMEs, and accelerate the loan approval process. One of those solutions is the creation of a scoring system that will provide banks with a reliable assessment of the SMEs.

*Emphasis on A2F, good initiatives but not much results*

Almost all public initiatives highlight the need to improve access to finance for SMEs. One of the most relevant ones is “La Finance S’Engage”<sup>22</sup>, a concept developed by ESPartners and implemented in partnership with AfDB and CGECI to solve the issue on information asymmetry between SMEs and banks. Under the first edition of this program (2016) several banks and microfinance institutions formally committed to allocate CFA 1,276 Billion to SME financing. The terms of this commitment were however not defined, actions to ensure that this happens were

<sup>22</sup> Literally translated would mean “Financers get Committed”

not specified, hence many experts believe that, despite the positive effect that these interventions have in the sector, the financing will not materialize without providing banks additional incentives.

The group is however already preparing the 2<sup>nd</sup> edition to be held on 26 October 2017, including the following features:

- ES Partners is surveying banks to take stock of actual amounts committed to SMEs. These amounts will be communicated to the public and measured every year. An award will be given to the best Bank and microfinance based on the level of achievement of the commitments
- ES Partners is surveying 400 banks and microfinance agents to determine (1) the constraints faced by the financial sector; (2) assessment of the experience of the financial sector with SMEs, (3) the nature of SME financing and technical assistance needs and (4) barriers and solutions of SME financing. This survey, together with the 2016 survey of companies, aims to provide a better understanding of the financing problem for Ivorian SMEs. No future actions based on the results of this survey have been yet indicated.
- Les "PME s'Engage" which is the commitment of SMEs towards financiers will be launched. It will consist in the commitment of a couple of SMEs to implement good governance practices in order to facilitate their access to financing.

Program Phoenix, a national program aimed at SME development, is another program full of good intentions and relevant ideas, yet too ambitious to be easily implemented (Box 7).

### Box 7: The "Mammoth" Phoenix Program

Back in 2013-2014, the Ministry of Commerce, Artisanat and SME Promotion started the design of project Phoenix, a CFA 200 Billion program to develop the SMEs sector. This program aimed at recognizing the SMEs crucial role in the country's development. The main objective: create a solid tissue of SMEs to achieve the emergent country status in 2020, meaning doubling the current number of (formal) SMEs up to 100,000 - 200,000; and through that, generate between 450,000-600,000, job positions. The three axes of the program were:

- Reinforcement of SME capacity
- Improvement of business environment
- Development of entrepreneurial culture

Under the Phoenix program, a SME Development Agency and a SME National Fund were going to be established.

Three years later, none of the planned initiatives have been implemented. According to experts, main constraints are the program robustness and the unrealistic objectives. Low coordination amongst parties does not facilitate the designing of the program. Requirements established for the use of the National Fund are also unrealistic - only risk-zero SMEs will be entitled to enter the fund. As banks express – *we do not need to cover risks with this profile of SME described under National Fund criteria... we need it for all the rest.*

### **Enterprise Perspective**

Public programs, as well as private SME support programs, are aware of the need to integrate and A2F component in the support they provide to SMEs. Access to finance is still considered the top technical need for all SMEs, as expressed in the ESPartners Survey. If a program does not provide support in that regard, it is very likely that it will not produce the desired results, as few entrepreneurs will be interested.

### **Financier Perspective**

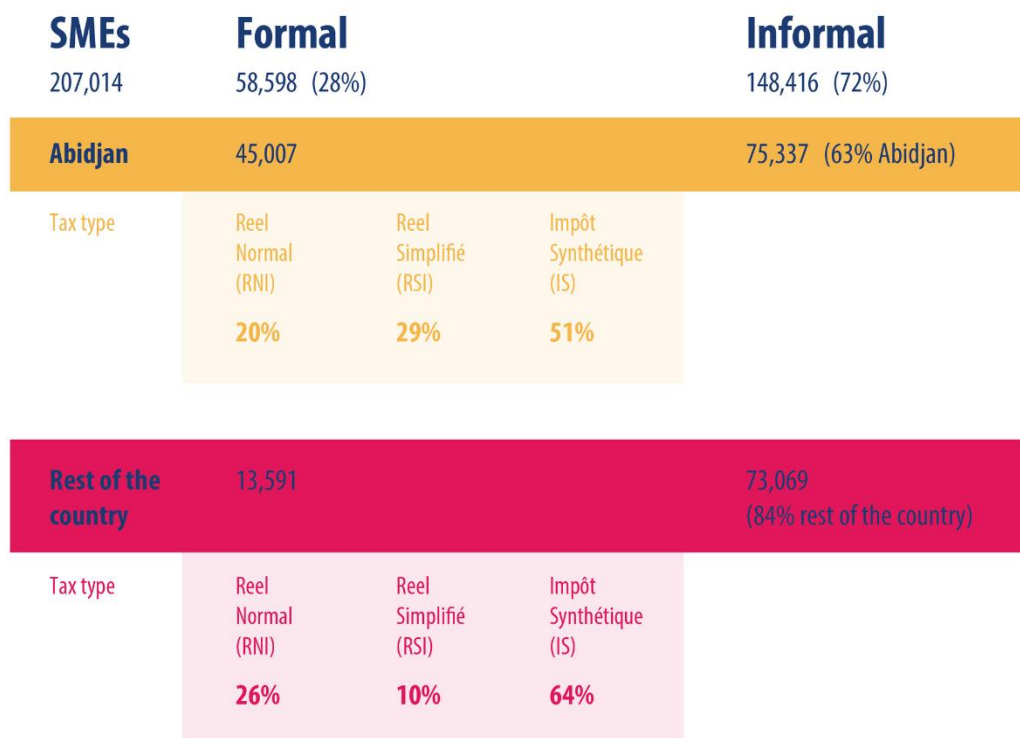
Financiers keep saying that the government must take action towards SME financing, through the implementation of national risk-sharing mechanisms. The launch of a national investment line for SME sector would be seen as a positive initiative from the financial side, although many financiers raise doubts on the conditions under which this credit line will be provided.

#### *Despite improvements, Informality Hinders Access to Formal Finance*

Reliable data on informality in the SME Sector in Ivory Coast is hard to come by. The AfDB estimates the informal sector to be 57.7% of the urban economic business environment; and entities like the Chamber of Commerce affirm that informality accounts 70-75% of the total business environment. The informal sector allocates between 80%-90% of total employment, similarly to other countries like Guinea or Senegal, where informality is estimated at 80% and 90% respectively. Some SMEs are “partially” registered and pay some taxes, while others are not registered at all and do not pay any taxes.

ESPartners conducted a research few years ago based on a SME audit conducted by the Ivorian Tax Authority (Direction Générale des Impôts – DGI). The DGI identified 207,014 SMEs in Ivory Coast of which only 28% pay some form of taxes. This would confirm that the informality ratio is around 72% of total SMEs, being much more acute outside Abidjan as showed in the figure below.

Figure 7: SMEs in Ivory Coast



Source: UNDP HDI 2016 Report

As a result, a heavy tax burden falls on a limited number of formal enterprises. This increases their costs of doing business, which further decreases incentives for enterprise formalisation.

### Enterprise Perspective

The high rate of informality no doubt creates unfair competition for SMEs that operate formally, which may actually be a disincentive for smaller SMEs to formalize. Despite the substantial improvement on the length and cost of enterprise formalization thanks to the creation of the one-stop shop for enterprise creation (Guichet Unique de Creation des Entreprises), the high taxes requested to SMEs from the moment they are registered reduces enormously the incentive to be formal.

In general SMEs are not well informed with regards to public regulation, reforms and additional incentives to promote SME development and formalization. According to the ESPartners SME Survey, more than 84% of SMEs are not aware of new regulations that affect them directly, and in some cases that percentage rises up to 94%<sup>23</sup>. Some of the reforms they are unaware of include the new measures for SMEs to access the public market, or the VTA credit recovery, or new regulations on leasing or the Credit Bureau (BIC).

One of the few incentives for SMEs to formalize is if they need finance from a formal financial intermediary, or if they want to apply for a public procurement project, for which being formal is a pre-requirement. Certain public entities are trying to promote tax payment by facilitating the

<sup>23</sup> ESPartners SME Survey 2016






process. As such, the *E-impôt* program launched by CEPICI allows firms to pay taxes online, reducing the time-consuming process of having to pay via bank or visiting the tax agency.

### Financier Perspective

Unreliable bookkeeping, weak management and limited access to markets are characteristics of informal SMEs. As such, formal financial institutions like banks cannot finance informal SMEs, as this could even have negative consequences on a legal level. The only actors in the market that provide micro-loans to the informal sector are Microfinance Institutions (MFI's). Generally Ivoirian MFIs also provide financial and business management support, and promote the formalization of SMEs. However these loans are generally small and short-term, and price is high as compared to banking loans (19-22% p.a.).

### Analysis and Possible Solutions

The policy regime and public environment has been quite supportive of the SME sector, at least on paper, although several constraints still remain, particularly the tax regime. Public programs have been widely implemented although their outreach has been low, due to limited targeted communication. There is also criticism from the financial sector on the limited practical support provided to banks to promote A2F. Among those, the creation of a national guarantee fund or investment fund. The entrepreneurial sector has been strongly requesting the government to reduce taxes for start-ups. They believe that with a 2-3 year tax payment exemption start-ups would not find their growth hindered by tax payment, as it is now the case.

	 <b>Description</b>	 <b>Actions</b>
 <b>Strengths</b>	<ul style="list-style-type: none"> <li>Private sector and SME development is a priority, especially for priority sectors like construction, tourism, agriculture, agro-industry, food-industry, and energy.</li> </ul>	<ul style="list-style-type: none"> <li>Continue promoting policy initiatives and projects aimed at developing the private sector, with a strong focus on supporting entrepreneurs and SMEs</li> <li>Create a platform online or on paper, to present all these programs to the public, their criteria, activities they conduct, etc.</li> <li>Ensure that local SMEs are supported and encouraged to take part in government procurement procedures</li> </ul>
 <b>Weaknesses</b>	<ul style="list-style-type: none"> <li>High degree of informality</li> <li>Low coordination among public initiatives</li> <li>SME awareness on public initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Simplification of tax policies</li> <li>Use communication means that reach out to SMEs, for example social media, TV or Radio.</li> </ul>

### 3.5. Finance – Not only banks finance SMEs

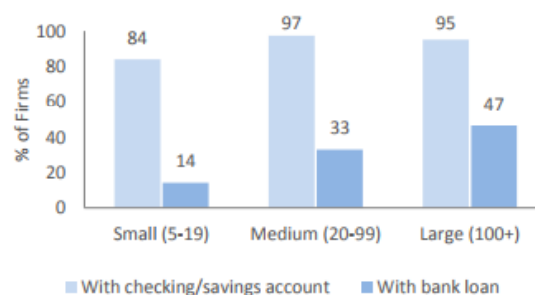
All surveys coincide in the conclusion that access to finance is the main constraint SMEs face in growing their businesses. This is mentioned in the World Bank Enterprise Survey 2016, the WEF Global Competitiveness Report 2015-2016 and the ESP SME survey 2016.



Access to finance ranks above other constrains, such as tax rates, corruption, political instability or practices from the informal sector. As seen under Chapter 2, access to finance is the top constraint for micro and small SMEs, whereas it drops to second place when we talk about medium enterprises and further drops to 3<sup>rd</sup> place for large enterprises, where high tax rates and electricity costs take more importance.

Ivory Coast has 24 commercial banks with total assets of about \$ 12 billion and 72 MFIs with assets of \$ 250 million<sup>24</sup>. Formal financial institutions include public and private commercial banks, a state-owned agricultural bank (BFA), leasing firms, insurance companies, microfinance institutions, social impact funds and private equity funds.

According to the WB Enterprise Survey, 84% of small enterprises and 97% of mid-sized enterprises have a bank / savings account in a formal financial institution, whereas 14% and 33% respectively have a loan outstanding. This percentage is found relatively high as compared to other countries like Guinee for instance, where only 3% of SMEs have a bank loan; or compared to the region, where average is 9% for the entire Sub-Saharan Africa and 8% of low-income countries. At the same time, according to a recent WB working paper, the financial system is underdeveloped and not inclusive enough compared with other emerging economies<sup>25</sup>. This is illustrated by the fact that only 15% of Ivoirians has a bank account, which is much lower than the African average. To some extent this is compensated by the use of mobile accounts, but even if we include this it was only 35% in 2014, as compared to 70% and 59% for South Africa and Namibia resp.



The ESP SME Survey shows a very similar picture. From the entire SME universe surveyed<sup>26</sup>, 91% of SMEs affirmed to have financing needs. From those, only 29% applied for it, and 14% received it, meaning that almost 1 out of 2 enterprises that request financing end up receiving it. The low number of enterprises that actually go and apply for external financing is noteworthy in this respect. The aforementioned WB study, also highlights the low rate of transformation of deposits into credit in Ivory Coast, which is about 75% against nearly 100% in Senegal. This suggests that most banks prefer to keep excess liquidity or invest in other placements, such as securities

<sup>24</sup> MFW4A - Côte d'Ivoire Financial Sector Profile and WBG (2017).

<sup>25</sup> Jacques Morisset « La course vers l'émergence » July 2016.

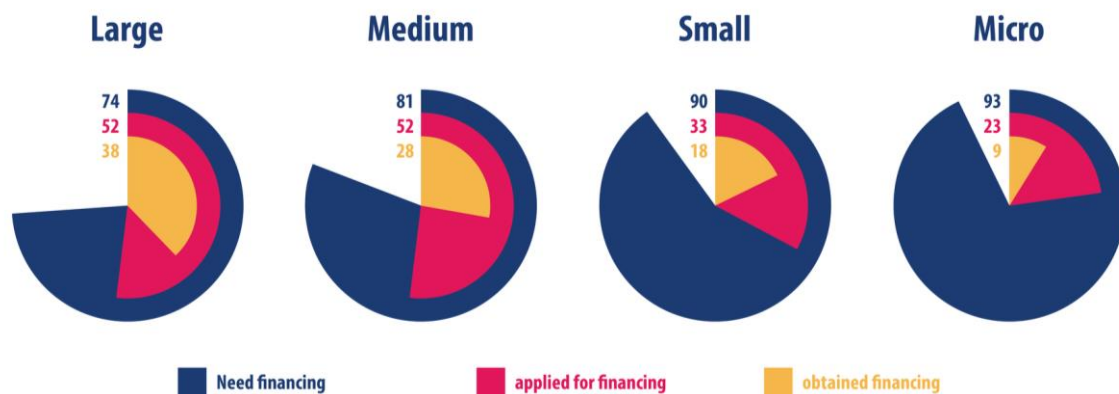
<sup>26</sup> Sample = 4,212 SMEs



(bonds) issued by the State. In addition, commercial banks tend to lend to a very limited group of clients and for less than a year (5 clients constitute one third of all credits).

If we look at SMEs segmented by size, we see that the demand for external financing increases as the business size increases. Medium and large enterprises request financing in 52% of cases, whereas only 23% of microenterprises and 33% of small enterprises do so, despite having much higher financing needs (90-93% against 81% and 74% for medium and large SMEs respectively). Loan approvals follows the same trend: only 9% of microenterprises get their loan approved against 18% of small enterprises and 28% of medium enterprises. Thus, micro and small SMEs that apply for financing are a lot less likely to receive it than medium and large enterprises.

Figure 8: Financing needs



Source: ESPartners

Sector-wise the percentage varies considerably. According to the ESP SME Survey, the top 3 sectors that have received financing are commerce, industry and transport & logistics (15% - 22% of SMEs), whereas real estate, agriculture and electricity have received much less financing (7%-11% of SMEs). Surprisingly, financing application rates are very similar for all sectors - between 31% and 36%— except for agriculture, where it drops to 23%.

With respect to access to finance for SMEs, four observations emerge which will be analysed in greater detail below.

1. High collateral requirements
2. High costs attached to external financing
3. Lack of long term capital
4. Limited Equity access

#### High Collateral Requirements

Collateral requirements are the main obstacle for SMEs to access finance<sup>27</sup>. According to the WB Enterprise Survey 2016, 85% of Ivorian loans require collateral, and the value of that collateral must be 157 % of the loan amount. This collateral to loan amount ratio has increased considerably since previous WB Enterprise Survey in Ivory Coast (2009), when it was at 56% of total loan amount. Banks have confirmed that generally they request collateral covering more than 100% of the loan amount. Preferred collateral is real state title, although some SME-oriented banks prefer more liquid collaterals such as sales contracts. Term-deposit is also required by all banks when providing SME loans.

There is a full functioning Credit Bureau in Ivory Coast (the BIC), although only 2.3% of total adult population is registered there<sup>28</sup> reflecting the low penetration of formal credit in Ivorian population<sup>29</sup>. Moreover, there is no notice-based collateral registry in place, which creates serious constraints when trying to collect the pledged asset.

<sup>27</sup> ESPartners SME Survey 2016

<sup>28</sup> Doing Business 2016

<sup>29</sup> According to The Global Findex Database 2014 only 0-4% of Côte d'Ivoire's adults originated a new formal loan during that year.

### **Enterprise Perspective**

For most entrepreneurs, collateral requirements represent an insurmountable obstacle to obtaining bank debt. Pledged assets need to be immovable (i.e. real estate title) and also highly liquid (i.e. term deposits), and banks usually request the owner's own private assets rather than the business assets. Most SMEs are not aware of availability of guarantee funds, and banks will not suggest using a guarantee unless they already feel confident that they want to approve the loan request.

### **Financier Perspective**

Many SMEs lack reliable financial records, organized management systems or a long-term business approach, which makes it challenging for banks to assess repayment capacity. On the other hand, banks tend to not have suited financial products for SMEs, neither sufficient in-house expertise to be able to assess SME risks adequately and effectively. Thus, in those limited cases where they are willing to provide finance, they tend to fall back on collateral-based lending, to minimize risk.

They also have incentives to request collateral due to the tightening of provisioning rules set up by the Central Bank of Ivory Coast. If the loan in default is collateralized by real estate, banks are allowed to delay provisioning for up to 2 years. Requirements decrease as collaterals become more liquid; for instance, if there is a term deposit backing up a loan, the amount to be provisioned is the difference between the outstanding loan amount and the amount in the deposit. If loans are not collateralized, banks have the obligation to provision immediately, after one day of payment default. This puts a lot of pressure to bank's liquidity, hence their incentive to only provide loans that are 100% backed-up<sup>30</sup>.

Last but not least, the strong dependency on the SME promotor makes financiers want to ensure that there is full commitment towards repayment. Reason why banks tend to request term deposits as well as personal real estate title. Banks are aware that it will be extremely challenging to sell off the mortgaged property if a borrower defaults on a loan. The main reason to request a real estate title as collateral is to put a sort of "psychological pressure" on the client. Ivorian culture puts lot of emphasis on home ownership, so the risk of losing your home provides a strong incentive to repay the loan.

### *High costs attached to external financing*

Ivoirian SMEs perceive that interest rates charged by banks and other financial institutions are high. In fact, high interest rate is the second main obstacle for SMEs to access to finance, after the high collateral requirements<sup>31</sup>.

However, a recent study shows that cost of credit in Ivory Coast is significantly lower than in the WAEMU region as a whole. The average observed interest rate in Ivory Coast declined from the WAEMU average of 7.6% in 2012 to 6.8% percent in 2013, and even more so for individuals, from

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<sup>30</sup> Based on conversation with Afriland Bank Risk Manager.

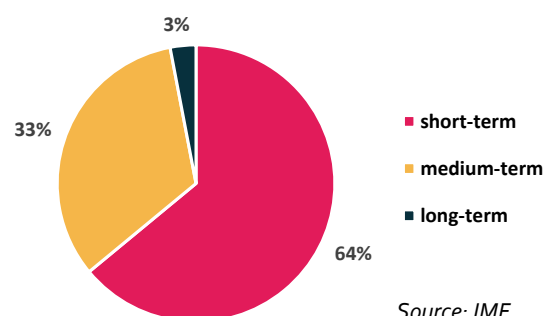
<sup>31</sup> ESPartners SME Survey 2016

11.8% to 9.6%<sup>32</sup>. In addition, the Central Bank has put a cap on interest for SME financing at 13.5% p.a., making it one of the lowest in the region (Kenya has a loan interest rate at 14.5% and Mali has a cap at 15%p.a.) Microfinance rates go up to 19-22% p.a for SME lending, but this is still lower than most countries in SSA. The main reason for that the higher interest rate is the fact that they provide smaller loans that involve more handling time and higher risks, which is factored into the price of the loan.

### *Limited Supply of Long Term Capital*

The main SME lending which is done by banks consists of small loans for short and mid-term durations, to be used for working capital and treasury management. Microfinance also provides short and mid-term loans to SMEs, usually lower in amount as the one provided by banks, due to their limited funding capacity. According to IMF International Finance Survey 2016, 64% of loans provided to Ivorian SMEs were short term, while 33% were mid-term and 3% long term.

Loans by maturity, 2015



Source: IMF

SMEs face business challenges such as asset acquisition for which this short and mid-term financing is not adequate, creating serious constraints and raising doubts on the functionality of those loans.

### **Box 8: GROFIN and the role of capital risk**

GROFIN is an international investment fund present in 14 African countries, with presence in Senegal and Côte d'Ivoire since 2017. It is one of the few funds exclusively targeting SMEs. Same as all investment funds and venture capitalists, GROFIN follows the international SMEs definition, namely those enterprises with capital up to USD 15 Million and 150 employees. GROFIN's ten funds of USD 500 Million have conducted 600 investments and 750 financial transactions, with a success rate of 80% of SMEs. They provide patient long-term investment, with amounts ranging from €90,000 to €1.3 Million, reimbursable within a period comprised between 3 and 8 years, and an interest rate adjusted to the amount, the activity, guarantees provided, risks perceived, etc. Providing adequate financing to those SMEs, as well as pre and post investment support and technical assistance services, are the base of GROFIN's success. One of GROFIN's pre-requirements to potential SMEs is that the entrepreneur dedicates 100% of its time to the business, and not partially or in parallel with other affairs.

### **Enterprise Perspective**

SMEs find banks very expensive and their offer not attractive. SMEs are mainly looking for financial support on CAPEX (57%), working capital (33%), supply finance (8%) and financial guarantees (2%). Banks instead provide mostly working capital or CAPEX for short and mid-term, which doesn't allow SMEs to properly finance long-term assets like large industrial machinery. Volumes provided by banks and MFIs do not generally cover their financial needs.

<sup>32</sup> World Bank Ivory Coast; From Crisis to Sustained Growth, May 2016 (page 108)

In addition, banks take extremely long to approve credit applications (average 6-12 months), which hinders the SME's response capacity. This forces SMEs to look for financing elsewhere, making use of microfinance even if costs are higher, or even informal sources such as friends or money lenders, commonly used to face short-term needs and emergencies.

### **Financier Perspective**

Some banks in Ivory Coast are focused on SME lending, amongst them Afriland Bank, Orabank and Ecobank. Orabank is covering the financing needs of SMEs that have access to the public market. Each bank has its own SME definition – some follow the definition used by the Ivorian government, and others like SGBCI follow a larger definition, more aligned to international standards.

From the perspective of commercial banks, it is risky to offer long term financing to SMEs which lack solid track records or credit histories. Moreover, banks usually have enough liquidity, but their long term capital base is limited. Thus from the bank perspective it makes perfect sense to focus on short-term credits and fee-based activities.

#### *Limited yet growing Equity for SMEs*

Private equity is a nascent market in Africa<sup>33</sup>. In 2015 there were USD 600 billion investments in the US, USD 125 billion in Asia-Pacific and USD 47 billion in Europe, whereas the total for Africa was USD 2.5 billion, mainly in the financial sector (24%), consumer goods (16%) and industry (14%). The main recipient countries are South Africa (39%), Egypt (11%), Nigeria (10%) and Kenya (10%). The total for West Africa was about USD 600 million, of which Nigeria had the lion's share (43%), followed by Ghana (25%) and Ivory Coast (8%).

In Ivory Coast, investment funds started operating around 10 years ago, providing support to SMEs for amounts of around € 300,000. SMEs and investment funds have evolved since then and in 2008 the average investment was already at 5M euros. Today the market is more liquid than ever, with around 20 capital investment funds that can be segmented in two groups:

- **SME-oriented investment funds like Injaro, PMC, Cauris, Adiwale and I&P** are small-sized international funds that have been operating in Ivory Coast for few years. Their fund size ranges from €40M to €100M, and investments are in the €1.5 to 10 million range. Adiwale is for instance an Ivory Coast-based fund that has recently been established, targeting multi-sectorial SMEs with a ticket size of €6 Million.
- **Large-enterprise oriented funds like Africinvest, Amathis, Adenia, Duet, AFIG, Phatis,** are funds with a size range between €100M and €400M, providing €10M to €25M investments. They have a regional focus, and on average have 1 to 2 investments in Ivory Coast. Africinvest for instance is an African private equity company set up by various DFIs in 1994, with HQ in Tunis and offices in 7 other countries in Africa. They currently operate in 23 countries across the continent, including Ivory Coast<sup>34</sup>.

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<sup>33</sup> AfricInvest & Grant Thornton, Le capital-investissement une solution de financement des entreprises, presentation at launch of AfricInvest in Conakry, January 11, 2017.

<sup>34</sup> AfricInvest currently has 5 investments in Côte d'Ivoire, all in large companies in different sectors.

Other sources of equity financing available in the Ivorian market are:

- **DFIs and impact investors like Root Capital, Proparco, Oikocredit, DEG** invest in both financial institutions and individual enterprises, although these tend to be large enterprises as they follow the international definition of SME instead of the Ivorian one. They tend to support SMEs active in sectors like agriculture, energy or tourism.
- **Private and angel investors** come from the diaspora or simply see business opportunities in West Africa. Two recent initiatives are IvoireAngels (see Box 9) and the Investment Club established by the Chamber of Commerce.

### Enterprise Perspective

Very few SMEs have experience working with formal investors, and only a small minority has a clear understanding of their financial products and structures. ESPartners SME Survey shows that only 16% of surveyed SMEs know any capital investment funds and only 6% are aware of the existence of business angels.

SMEs perceive the engagement with investors as a slow process. At the same time, some SMEs fear that investors want to grow the business too quickly and have excessively high return expectations (ROI>20% per year). Moreover, the size of the investments that private equity companies are looking for tends to be a lot bigger than what most of the SMEs need and can absorb. Last but not least, accepting external investors in the business implies being open to sharing control, which most entrepreneurs find difficult.

### Financier Perspective

Despite the apparent good performance of alternative financial sources in Ivory Coast, there are several elements that constrain the capacity of investment funds, DFIs and business angels to cover for SME financing needs.

#### Box 9: IVOIREANGELS

Ivoire Angels ([ivoireangels.com](http://ivoireangels.com)) was established in 2014 with the impulse of Eagle Investment Capital, and is one of the first business angels network in Côte d'Ivoire. Based in Abidjan and with 150 members, it does not work as an investment club, instead each investor collaborates in the analysis and due diligence process of interesting projects, but investment decision is done individually. M. Jean-Marc Larouche, founder and Canadian business angel, supervises the professional team who builds up potential investment pipeline for the building pipeline of potential investments in the country. Investment ticket is FCFA 500,000 (€760,000) for a five years' period. Participation in the firm is limited at maximum 33% of total capital of the firm. Ivoire Angels uses the **Gust Technology** (<https://gust.com/fr/investors>), a funding platform that provides business angels networks investment management tools among many other services directed to start-ups and accelerators

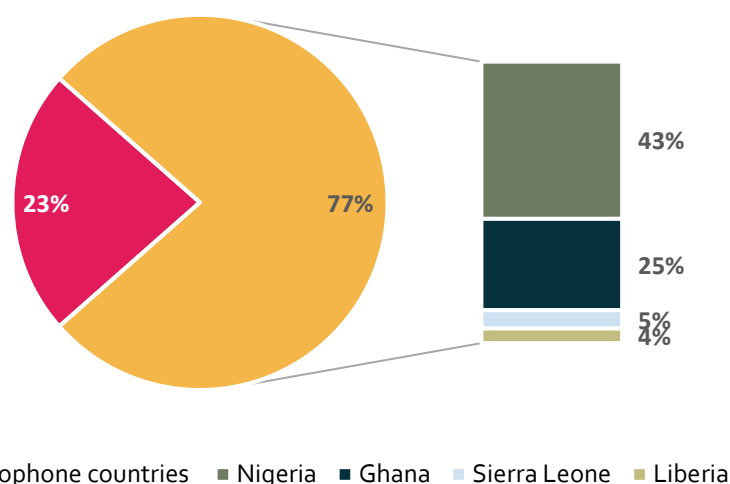
First, the limited number of actors operating in the market. Investors cannot do it all by themselves. SMEs need banks to cover some of their financing needs. Most investors agree that the banks' know-how on SME financing is very limited; they generally do not know how to analyse and assess the capacity and potential of a SME, and tend to provide financing solutions that do not meet the enterprise's needs, and in some cases can even be counterproductive (i.e. short term loans to finance long-term assets). Many DFIs provide refinancing services to restructure the bank's "bad debt".

Secondly, there are certain elements in the Doing Business in Ivory Coast report that is reason for concern for investors. Two indicators are relevant: "Enforcing contracts" and "Protection of minority investors". Ivory Coast ranks 101 and 145 respectively on these indicators, whereas Kenya for example ranks 87 for both. This may complicate exits from investee companies.

Furthermore, due to the lack of well-structured SMEs with proper financial accounting systems, due diligence of potential investee companies takes longer and is more costly. Investors also need to be more patient and spend more time in project development than elsewhere. Finding investment opportunities can take 6-9 months, after which due diligence, the disbursement process and the start-up of the project can take a long time as well. The longer-than-usual build-up time also makes it difficult to create a positive cash flow during the initial period.

Finally, exiting from SMEs is still not easy. Usually the stake is resold to the SME owner, sometimes to other actors in the market willing to take over the investment. However, even if these options exist, they remain limited.

Figure 9: Private equity investment in West Africa (2014/15)



Source: AfricInvest and GrantThornton, 2017

There may also be a less tangible obstacle to SME investment, namely the language barrier. Outside investors are predominantly English-speaking, globally-operating US or UK-based investment funds. Often impact investors will start their work in an "easy country" where the ecosystem is better, and language is not an issue. French-speaking West Africa is in that sense

often a secondary priority. It is interesting to note that in 2014-2015, 77% of the private equity investment in West Africa was in 4 Anglophone countries (Nigeria, Ghana, Sierra Leone and Liberia)<sup>35</sup>.

### **Analysis and Possible Solutions**

Loans are not well adapted to the SME needs, and although more and more alternatives exist in the form of venture capitalists, leasing, business angels and such, these alternatives are still young and SMEs have very limited knowledge of their existence.






Banks are seen as bureaucratic, administrative and slow, with limited knowledge of the functioning and challenges of SMEs and limited willingness to trust them. Microfinance institutions are perceived as a closer partner to SMEs, more knowledgeable on the intrinsic issues in the sector; they respond quicker, but are too expensive. Alternative financial options like venture capitalists, DFIs, business angels or leasing do exist, but most SMEs are not aware of their existence. Innovative financial products for SMEs are limited, and there are only a few credit offerings in the market which are attractive for SMEs.

The excessive collateral requirements seem to be caused more by reluctance to provide loans to SMEs at all, due to lack of understanding and risks perceived, rather than an effort to mitigate the effects of a default. In a country where contracts are hard to enforce and protecting the rights of minority investors is difficult, pledged collateral has more symbolic than real value.

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<sup>35</sup> AfricInvest & Grant Thornton, Le capital-investissement une solution de financement des entreprises, presentation at launch of AfricInvest in Conakry, January 11, 2017



	 <b>Description</b>	 <b>Actions</b>
 <b>Strengths</b>	<ul style="list-style-type: none"> <li>• Business opportunities in high-growth sectors. e.g. mining, agribusiness and tourism, in particular for impact investors</li> <li>• SMEs are a priority for government, and the banking sector is aware of this, although it has not yet resulted in a clear change of strategy</li> <li>• There is a Credit Bureau, which is already operating albeit on a limited scale</li> <li>• Business angels networks exist, albeit still nascent.</li> </ul>	<ul style="list-style-type: none"> <li>• Identify potential SMEs that could be interesting for venture capitalists. SME support programs could identify them, and present them to existing funds.</li> <li>• Develop collaboration between banks / MFIs and alternative financial services providers such as impact investors / venture capitalists and similar. Share learnings, successful cases, etc. Public entities such as chamber of commerce through its investment club, or associations such as MPME could take the lead on this.</li> <li>• Promote wider use of the Credit Bureau by banks and MFIs</li> <li>• Continue promoting business angel networks and ecosystem through programs and events, and connect them with existing programs that identify and work with start-ups with high potential.</li> </ul>
 <b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Banks request risk-sharing mechanisms coming from government to foster SME financing, such as guarantee funds or soft loans</li> <li>• High transaction costs for small loans due to high degree of informality among SMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage the creation of a national guarantee fund to provide financing support to banks and channel those funds to SMEs.</li> <li>• Encourage banks to partner with SME support organizations that structure and professionalize SMEs. Work hand in hand.</li> </ul>

### 3.6. Business Support – multiple and diverse initiatives, limited knowledge

In recent years there multiple SME support initiatives have been launched in Ivory Coast, some of them created by the government and donor community, others by the private sector. An overview of different types of SME support in Ivory Coast is provided in Table 6.



**Incubator/accelerator programmes** help start-ups or existing enterprises reach the next level of development. Several of such programs are active in Ivory Coast: SPARK Business Development Center, CGECI Academy, and CEPICI incubator (in process), Ayiyikoh Community Center for ITC projects (in process).

#### Box 10: MBC Africa

Mobile Business Clinic (MBC) began in 2013 as an initiative of the Lundin Foundation, Engineers Without Borders (EWB) Canada and CIDA through the West Africa Technical Assistance Facility (WATAF). WATAF was conceived to address the technical and managerial constraints affecting the growth of agricultural SMEs in West Africa. MBC began its first training for SMEs in agribusiness in Accra the same year and later expanded to other forms of training within the agricultural sector, including the Young Fellows Program (YFP) to develop skills in technical assistance delivery among promising African youth.

Currently, MBC offers two flagship programs in Ghana and Côte d'Ivoire (since Feb. 2017):

1. **MBC Africa Agribusiness Accelerator:** 4-6 month program that offers training and counselling to management teams of SMEs in agribusiness to improve their skills and capacity to solve their day-to-day business challenges as well as access resources for growth. The training model combines practical classroom workshops, individualized coaching, and competition for real investment and technical assistance for maximum impact. There are 3 modules of 3 days each on Business Devt, Business Strategy and (Access to) Finance.
2. **Young Fellows Program:** Training and internships for young graduates, aimed at creating the next generation of agribusiness managers in Africa. High performing youth interested in the agricultural sector are put through rigorous one-month training on practical managerial skills and a 5-month internship in a high-growth agribusiness (see Accelerator).

Several of those incubators / accelerators organize **business plan competitions**, to identify relevant entrepreneurial projects and SMEs. There is the incorrect perception in Ivory Coast that business plans are fostering entrepreneurship, hence many make use of this resource as part of their entrepreneurship enhancing mandate. The reality is that business plans are only useful for exposure, but their use is limited.

Although there are quite a few initiatives in this field and some of them have been around for a while, the landscape is still very fragmented and mostly focused on Abidjan. Thus there is still a lot of scope for expansion, since there is a huge need for capacity development among MSMEs in Ivory Coast, in particular in financial accounting and management, in order for them to become bankable.

### **Enterprise Perspective**

SMEs are often not aware of the importance of business skills and hence do not appreciate the value of capacity building. In order to get their buy-in, it is important to link business development services to the possibility of getting financing, or improving business performance (i.e. getting more clients in) in some other way. Most projects tend to focus on starters rather than existing businesses. A notable exception is the MBC Africa Agribusiness Accelerator, a 4-6 month program that offers training and counselling to (the management of) SMEs in agri-business to improve their management capacity and access financial resources.

#### **Box 11: MCF-PME**

Mutuelle de Credit et Financement des PME (MCF – PME) started in 2012 providing training and mentoring to SMEs, as a program led by SME managers and the World Bank. After realizing SMEs were not interested on opening the door to strangers without access to finance incentive, MCF adjusted its program and started providing microfinance services to program participants. Since then 200 SMEs have been served, mostly operating in the construction and ICT sectors, and 50% have also been financed by banks. They have worked with the Banks and FIs Association (APBEF) to train bank staff on SMEs financing.

Most SMEs are not aware of the BDS options that are available to them; let alone what the added value of the different options would be. The ESPartners SME Survey shows that only 25% of SMEs knows a BDS provider or a program providing technical support. Large and medium enterprises seem to be better informed than small and microenterprises. However 75% do show interest to receive support for reinforcement of capacities, particularly in areas like access to finance, market and business development, access to markets, technical expertise, accounting and financial management.

### **Financier Perspective**

Several funders such as investment funds, DFIs or MFIs, have embedded non-financial support in their services and help SMEs to further develop and formalise. The investor community usually go beyond the mere financing, and help SMEs in areas such as company set-up, professionalization of managers and governance, strategy development, financial management, operational improvement and market understanding. This type of assistance is clearly part of the business model of investors such as Adiwale, I&P or Africinvest, although the latter do not target SMEs as understood in Ivory Coast. Others like ESPartners has established A&E (Archimédiens & Entrepreneurs) incubator in partnership with Edmond de Rothschild foundation and Injaro investment Fund. It has trained 3 cohorts of 20 entrepreneurs since 2014 (of which 41 entrepreneurs graduated from the program).

Some banks also provide integrated BDS, e.g. Afriland First Bank provides commercial financial bookkeeping services, but most commercial banks do not. Some financial institutions are in communication with SME Support programs. For instance BANI, SIB, SGBCI, Fidelis, BDU, ALIOS and Microcred are collaborating with the Chamber of Commerce, which provides feedback on

the SMEs they send to them, after they have taken part in their professionalization and strengthening programs. Chamber of Commerce also collaborates closely with equity providers such as CAURIS, I&P, ADENIA or PMC, through its investment club.

### Analysis and Possible Solutions

There is a wide variety of business support initiatives in Ivory Coast, including all the typical elements, but it remains granulated and there is a lack of coordination among actors. The market for professional business support services has emerged in the past years, but needs to be further nurtured, professionalized and expanded significantly. Market development of business support services is at the top of the Ivorian agenda, but government support would be needed to expand services beyond Abidjan.






	 <b>Description</b>	 <b>Actions</b>
 <b>Strengths</b>	<ul style="list-style-type: none"> <li>• There are many projects and BDS providers that support SMEs, but there is still a lot of unmet demand</li> <li>• There is awareness among government, donors and financial institutions that SMEs need to be supported</li> <li>• CGECI is taking an active role to strengthen the SME sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a database of BDS providers and create a system to certify BDS providers, e.g. by the Chamber of Commerce or CGECI</li> <li>• Set up new business incubators and accelerators, mobilizing funds from donors and sponsors</li> <li>• Promote linkages between BDS providers and projects with financial institutions and investors</li> <li>• Continue building capacity of SMEs and entrepreneurs through quality technical assistance on business management.</li> </ul>
 <b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• SMEs seem to be aware of their needs for capacity building and technical assistance, however they have limited knowledge of the opportunities for BDS that are open to them</li> <li>• Mentoring and other non-financial services are usually provided by volunteers or non-experts.</li> </ul>	<ul style="list-style-type: none"> <li>• Set up a campaign to inform SMEs about the importance of formalization and developing their management capacity</li> <li>• Set up matching grant / voucher system projects to subsidize access to BDS for SMEs</li> <li>• If Mentoring is offered to SMEs, should be carried out by paid-professionals that can be accounted for their job and can provide additional comfort to financiers.</li> </ul>

Table 6: Overview of Business Support in Ivory Coast

Type of Business Support	Target Group	Examples	Challenges and Difficulties
<b>Incubators and accelerators</b>	<ul style="list-style-type: none"> <li>High growth start-ups</li> <li>Moderate growth entrepreneurs</li> <li>Opportunity-driven SMEs</li> </ul>	FAFEDE, Jokkolabs Abidjan, Ayiyikoh Business Incubator, PRODIJE, MBC Africa Agribusiness Accelerator, SPARK, A&E (Archimédiens & Entrepreneurs)	Limited market, relatively high costs, small number of beneficiaries, and there is not much scope for long term sustainability.
<b>Business plan competitions</b>	<ul style="list-style-type: none"> <li>High growth start-ups</li> </ul>	Business-in-a-box competition (SPARK), CGECI Business Competition, PRODIJE.	Only useful to achieve exposure, limited utility.
<b>Subsidized BDS / development programs</b>	<ul style="list-style-type: none"> <li>Moderate growth SMEs</li> </ul>	AfDB, UNIDO, ACDI / PARCSI.	Low coordination between them and private sector.
<b>Commercial BDS</b>	<ul style="list-style-type: none"> <li>Large corporate enterprises</li> <li>Moderate and high growth SMEs</li> <li>Gazelles</li> </ul>	Accountants, legal experts, certification agents, export agents, etc. Centre de Gestion Agree (CGA).	Commercial services, well developed and affordable, but not low-cost or for free. Mainly based in Abidjan. Limited demand.
<b>Public structures for SME promotion (CEPCI, CGECI, CCI)</b>	<ul style="list-style-type: none"> <li>High growth SMEs</li> <li>Gazelles</li> </ul>	CEPICI, CGECI, Chamber of Commerce, INIE	Many initiatives targeting SMEs and entrepreneurs (youth, female, etc.). Constructive approach, but low coordination and limited knowledge on existence of these programs amongst target.
<b>Business networks and business associations</b>	<ul style="list-style-type: none"> <li>High growth start-ups</li> <li>Moderate growth SMEs</li> </ul>	FIMPE, MPME, MCF-PME	Multiple initiatives, low coordination among them.
<b>Integrated business development support (investors, business angels)</b>	<ul style="list-style-type: none"> <li>Moderate and High growth SMEs</li> <li>Gazelles</li> <li>Large enterprises</li> </ul>	I&P, Injaro, Adiwale, Proparco, Oikocredit, Root Capital, IFC.	Provided by DFIs and investors in parallel to financing. Business angels are still very nascent.

Source: Authors' research

## 4. Summary and Outlook

The data we reviewed suggests that **the Ivoirian entrepreneurial ecosystem is relatively strong compared to other francophone West African countries**, in practically all of the six ecosystem domains. This is evidenced by:

1. The enhancement of entrepreneurial culture and SME development by public entities;
2. The availability (albeit limited) of skilled professionals;
3. The proximity and connections to export markets and improved infrastructure;
4. The supportive policy regime and public environment for the SME sector;
5. The lower cost of financing and slightly easier for SMEs (compared to neighbouring countries), and the presence or emergence of various alternative financial sources such as leasing, angel investors and investment funds;
6. The diversified (albeit uncoordinated) business development services (BDS) sector.

The informality of the SME sector is still a key constraint to its sustainable development. Despite the presence of several gazelles and high-growth start-ups, the vast majority are informal, moderate growth enterprises, and even more are survivalist micro-enterprises.

### 4.1. Key observations

The purpose of this study has been to get an in-depth understanding of why it is difficult for SMEs to access financing for growth. The study indicates that the main reasons for this are rooted in several interlinked ecosystem domains. We can summarize the main reasons for the lack of access to finance of SMEs in Ivory Coast as follows:

- ❑ **Informality:** The high degree of informality of most enterprises translates into lack of proper financial management and accounting, lack of professional management skills and insufficient assets to pledge as collateral.
- ❑ **SME finance:** Although banks are seen as the main source of finance for SMEs, they are extremely reluctant to assume any risk in lending to SMEs. Some of the factors that hinder SME finance include inadequate property and land registries; difficulties in repossessing collateral in the event of loan defaults, in particular through the judicial process; lack of information on the creditworthiness of borrowers; high fees for basic banking services; and low levels of financial education among. Banks also lack incentives to lend to SMEs, as they can receive high returns from other investments, including holding government debt. Existing guarantee funds have helped increase the risk appetite of banks towards SMEs to some extent, but in most cases guarantees are used as additional “collateral” for loans to clients that would probably be funded anyway.
- ❑ **Investors’ capacity and risk appetite:** More and more investors have been entering the market since the crisis, but their capacity is limited and they tend to focus on larger enterprises due to their risk management guidelines.
- ❑ **SMEs have limited awareness of financing mechanisms and support programs:** Ivoirian SMEs seem unaware of the main initiatives underway to help them. They also have limited knowledge

of existing financial mechanisms other than banks and MFIs, such as leasing, private investors or angel investors. In addition, SMEs are unaware of the wide variety of SME support programs available from the public sector, such as the CGECI, CCI SME development and other entrepreneurship programs. Moreover, business development services are not always valued by entrepreneurs and not available for all because of the limited offer of high quality BDS and low interest among entrepreneur in applying for those services, let alone to paying for them.

#### 4.2. *Looking forward*

In summary, the main issue with regards to access to finance for SMEs in Ivory Coast seems to be that there are currently not enough solid and professional SMEs for banks and investors to focus on. As long as the root causes of this issue are not tackled, it will be very difficult to achieve significant progress no matter how many guarantee funds or credit lines are established. Some issues are a consequence of the country's stage of development, and thus difficult to tackle in the short or medium term, while other challenges can be dealt with in a more pro-active way.

**Although access to finance is listed as the main constraint by many SMEs, the challenge ahead for the country is to support the development of solid, bankable and investment-ready enterprises to sustain tailored financing programs for SMEs.**

Therefore, looking forward, the two most promising pathways to closing the financing gap for SMEs are, on the one hand, helping entrepreneurs grow out of informality and into bankable, investable businesses; and on the other hand, stimulating more appropriate and widespread financial service delivery to SMEs. Both approaches require changes in more than one of the domains in the ecosystem.

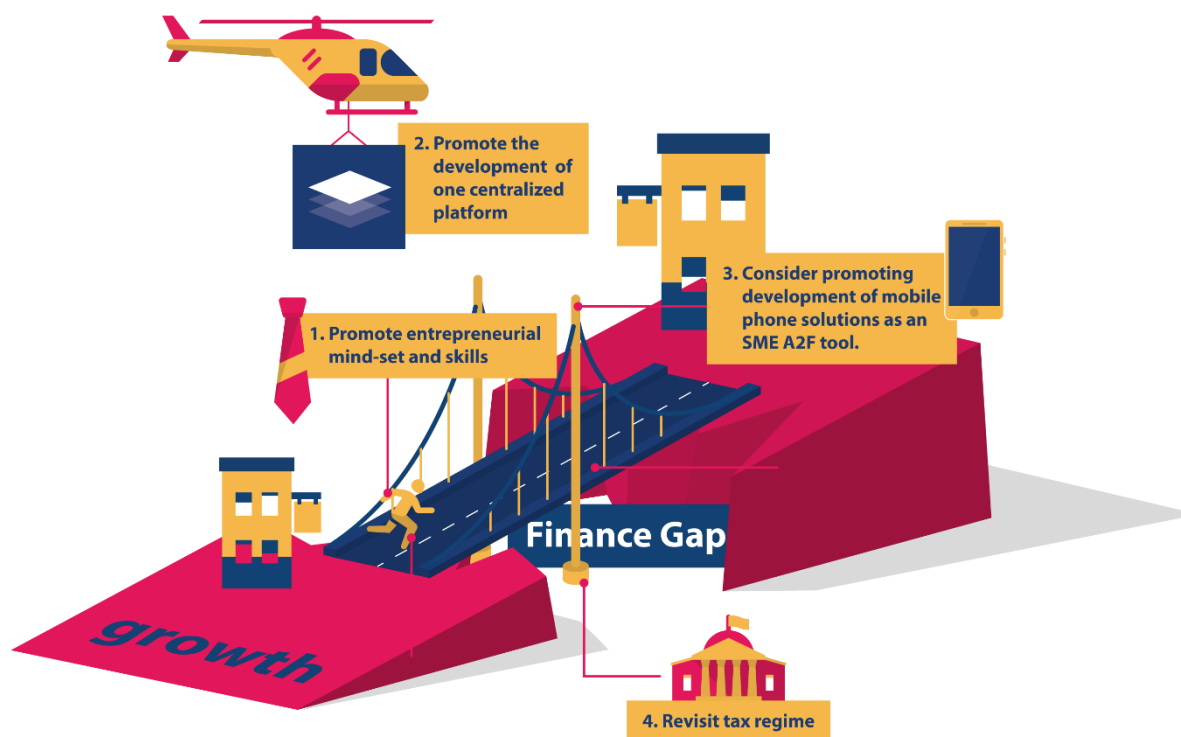
Solutions we recommend below are drawn from suggestions gathered during the workshop, and during the interviews that were held with participants leading up to the workshop<sup>36 37</sup>.

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<sup>36</sup> On 19 July 2017 a workshop with stakeholders from the SME community, banks, investors, government officials and donor agencies was held in Abidjan to discuss the findings and possible actions

<sup>37</sup> A full list of the conclusions from the working group discussions at the workshop can be found in Annex 5

Figure 10: Actionable solutions to close the finance gap in Ivory Coast



### 1. Promote entrepreneurial mind-set and skills

There are many ways to stimulate an entrepreneurial culture. Ivory Coast is home to a number of successful entrepreneurs, and it is recommended to celebrate and diffuse their stories with other (future) entrepreneurs. Traditional communication channels such as TV or radio combined with social media could be most effective way to showcase these entrepreneurs. To ensure that also the population outside of Abidjan will be reached, an entrepreneurial road show and exhibits could be created, through which entrepreneurial programs and success stories are showcased.

In addition, it is recommended to develop and promote financial education programs to foster confidence of SMEs in the formal financial system. While the rapid growth of new financial service providers, such as leasing companies, can help fulfil important financial inclusion objectives, it also brings risks to SMEs, particularly those with low levels of financial capability who often do not fully understand the products they use or the rules of building up relationships with formal financial services providers.

### 2. Promote the development of one centralized platform for promotion of financing sources / instruments and of SME development and support programs

Promoting the creation of an online platform where financial services and products are presented, such as the one being designed by CEPICI, will contribute to promoting transparency and increase entrepreneurs' understanding of the variety of financial services existing in the market. The platform should include the target market for each financial instrument, as well as terms and conditions and fees to enable comparison shopping. Cost transparency could create a downward pressure on the cost of financing, as seen in other countries, where similar platforms include reviews of the FIs performance in consumer protection and financial education offer<sup>38</sup>.

<sup>38</sup> One country that has implemented that solution is Mexico, by setting up the Financial Intermediaries Bureau (<http://www.buro.gob.mx/>)



The platform could also promote the design of customized financial products for SMEs, ensuring that those instruments give an adequate response to SME financing needs.

Another section of the proposed platform for publicizing SME services should be focused on BDS providers and entrepreneurship development programs to improve uptake of those services. This platform would allow public and private entities to promote their interventions, including target and sector, planned activities, objectives, eligibility criteria, and related costs. This would contribute to transparency, and SMEs would then be able to identify which programs are the best fit for their needs and profile. The platform should be online, but printed materials should also be made available offline for those SMEs with limited access to internet. For instance, a booklet could be offered to entrepreneurs at the time they register their business.

### **3. Consider promoting development of mobile phone solutions as an SME A2F tool**

In view of the rapid emergence of mobile phone companies as financial intermediaries, a closer collaboration between financial institutions and mobile phone companies could be an interesting strategic option for promoting access to finance for small enterprises. Among other solutions, the mobile technology could be used for leveraging data mining and reduce loan documentation or application requirements for accessing external financing.

### **4. Revisit tax regime**

The Ivorian government has been constantly asked to adjust the tax regime imposed on SMEs and start-ups. The sector's demand is to reduce or grant a grace period on tax payments to start-ups for the first 2-3 years of existence. The adoption of these measures would reduce the tax burden for start-ups, provide an incentive for formalization, and allow them to grow more rapidly by reinvesting revenues rather than paying them out in taxes. This is itself would effectively channel needed financial resources to SMEs in a very direct fashion—by letting them keep their own money.

# Annex 1: List of Interviewees

## A. Entrepreneurs

Name	Function	Organisation	Type of business
M. Arthur Stephan NYAN	Founder and General Manager	<b>Djeka Pharmaco / Nature Bissé</b>	Pharmacologist and food-industry expert produces functional sugar (Nutrasucre) and salt (Nutrasel) with active principles to fight against diabetes and high blood pressure.
M. Alain KOIBO	Founder and General Manager	<b>Centre International de Formation et Expertise Comptable (CIFEC)</b>	Former accountant, he established CIFEC in 2011 to provide training and education to future chartered accountants, following French and Ivorian regulation.
M. Esmel SIE FORNIER	Partner, BDS provider	<b>Grand-Bassam tannery</b>	Recently established, this enterprise focuses on tanning hides (in blue colour) to be used for clothes-making and upholstery. Hides are imported from Burkina Faso and final product is exported to Europe.
Mme Kouadio AGBASSI	Founder and General Manager	<b>3 B du Vivrier</b>	Women's coop with 250 members, all of whom have small plots of land on which they produce various types of vegetables, bananas, yam, peanuts and pistachio. Sold domestically as well as abroad.
M. Roger BANGO	Founder and General Manager	<b>Korha</b>	Karho is a fashion design and clothes production business set up in 2004 by Roger Bango, specialized in cotton shirts and dresses, both prêt-à-porter and on request.
M. Aimé HAZOUMÉ	Financial Director	<b>Ivoire HS</b>	Family business working in the printing sector since 1998, established by father and continued by the two sons. They are trying to innovate on printing products such as labelling and T-shirt prints.
M. Madi OUEDRAOGO	Founder and General Manager	<b>Serfin</b>	Established by current vice-president of MPME 20years ago, SERFIN integrates payment solutions in the country, for example western union, visa, etc.
M. Thierry MESSOU	Founder and General Manager	<b>Afrique Industries / SISCO</b>	Afrique Industries operates since 2004 in the imports-exports of industrial material and, through SISCO, machinery pieces to be replaced when broken. Among its clients there are renowned multinationals like Nestlé
M. Nahoulé Alfred ABOUA	Co-Founder and General Manager	<b>CEADIS</b>	CEADIS was established in 2012 by two partners, one of them with 25+ years of experience in the import and supply of construction material.
M. Mohamed Lamin BAKAYOKO	Founder and General Manager	<b>AVVA Groupe Café</b>	Established in 2010, AVVA Café is a roasting plant of Robusta coffee, and distributor of final treated coffee domestically and inter-regionally.

## B. SME Support Structures

Name	Function	Organisation	Type of business
M. Philippe-Marie KOFFY	Managing Director	Jokkolabs Abidjan	Coworking and entrepreneurial community creator. Co-sharing and knowledge-generating platform. Established in 2016 in Ivory Coast, integrates the activities, image and mandate of Jokkolabs International (based in Paris but originally from Senegal). Currently 15 entrepreneurs,
M. Oumar SYLLA	Project Manager	AFD, Proparco and ARIZ Guarantee Fund	AFD
Mme. Camille Liliane NIAMKE M. Aymeric MANLAN	Operations Director Project Manager	Agence pour le développement et la compétitivité des industries de Cote d'Ivoire (ADCI)	Executing agency of the PARCSI program (Oct 2014 -2020, AfDB) to develop the competitiveness of the Ivoirian industrial sector. Services provided are the modernization and professionalization of industrial enterprises, technical assistance, and A2F facilitation.
Mme. Marthe Hien Ehui FATOUMATA	Chairman of the Board	Mutuelle de Credit et Financement des PME (MCF – PME)	Association of SMEs, MCF-PME provides microfinance service and technical support to its members, who operate in various sectors, mostly on construction and ICT.
M. Kouamé Auguste Georges YAO Mme. Cynthia KONAN	Financial Support to Enterprises	Chamber of Commerce and Industry in Ivory Coast (CCI-CI)	Following the mandate of the Ministry of Commerce, Artisanat and SME development, the CCI-CI has rolled-out multiple initiatives in Entrepreneurship, SME strengthening and professionalization, international commerce.
M. Mikou N'GUESSAN M. Alain KOUADIO Mme. Anastasie KADJA	Partnerships and Business Support Responsible Cooperation And Funding Cluster Responsible Entrepreneurship Cluster Responsible	Confédération Générale des Entreprises de Ivory Coast (CGECI) « Le Patronat Ivoirien »	CGECI has a total of 26 members-institutions and 2000 members-entreprises. Amongst its member-institutions there is the ABFCI or MPME. Their aim is to improve the business environment, and act as an interface between the public and private sector. Lately they have received an additional mandate: promote the entrepreneurial mind-set / spirit.
M. Rozen Mohamed KONE	Project Development Director	BNI Gestion	Organization owned by BNI Bank, they are the BDS agency managing the INIE Clonix program for SME creation and development.

Mme. Daisy LEIGH M. Frédéric TAPÉ	Project Manager Project Officer	<b>SPARK Business Development Center</b>	SPARK set up in May 2016 a Business Support Center at the University of Nangui in Ivory Coast, funded by USAID. In this centre they launched the Business-in-a-Box Business Plan Competition, aimed at providing prizes and in-kind support to selected projects, under the PRADD-2 project.
M. Romuald N'TAKPE	Business Development Officer Ivory Coast	<b>MBC Africa</b>	Mobile Business Clinic (MBC) began in 2013 as an initiative of the Lundin Foundation, Engineers Without Borders (EWB) Canada and CIDA through the West Africa Technical Assistance Facility (WATAF). Currently, MBC offers two flagship programs: <ol style="list-style-type: none"> <li>1. MBC Africa Agribusiness Accelerator</li> <li>2. Young Fellows Program</li> </ol>
M. Esmel Sie FORNIER	Associate and Managing Director	<b>Devman Gosben</b>	Consulting and financial advisory / accountancy firm set up in 2007, provides legal advice, financial and tax advice, and strategy support to enterprises, among which some are SMEs.
Mme. Carole VERSTEEG	Investment Attraction Director	<b>Centre de Promotion des Investissements en Ivory Coast (CEPICI)</b>	Established in 2012 as a mandate directly coming from the cabinet from the President of Ivory Coast, CEPICI is the one-stop-shop for investment in the country.
M. Loulou BEUGRÉ	Founder & General Manager	<b>Ayiyikoh FabLab</b>	Created in 2014, Ayiyikoh is currently a FabLab, a community of young TIC entrepreneurs / self-employed; and aims to become an incubator for this sector. Based in Youpougou, Abidjan.
M. Madi OUEDRAOGO	Vice-President, Research Commission on Partnerships & Financing	<b>Mouvement des Petites et Moyennes Entreprises Cote d'Ivoire (MPME)</b>	Founded in 1980 by Ivorian SME leaders, MPME provides non-financial support to its members as well as take part on lobbying activities representing the SME sector. They provide training (accounting, HR management, structuring and organization); A2F and assistance (formalizing, tax, and accounting). Today counts with 600 members, multi-sector.
M. Issouf OUATTARA	National Program Officer	<b>United Nations Industrial Development Organization (UNIDO)</b>	Private sector development, they were initially the agency piloting the PARCSI Program, after transferring it to ADCI. In 2016 they also rolled-out "La finance s'engage" after transferring it to CGECI. In 2016 also launched PRODIJE for youth entrepreneurship, ran by UNIDO, AfDB and CGECI

M. Mouramane FOFANA	General Manager	<b>Institute Ivoirien de l'Enterprise (INIE)</b>	Established in 1997, set up by the government to provide support to SME sector. They rolled-out project CLONIX, a project of SME creation where all actors are comfortable (banks, SMEs, etc.). They decided to focus on 1st sector, choose 5 business models from 5 different agricultural raw products in 5 different regions, develop them, and then create clones of those.
M. Samuel Mathey	Président	<b>African Foundation for Entrepreneurship and Economic Development (AFEED)</b>	Samuel Mathey is a well-known figure in the Entrepreneurship landscape in Ivory Coast. He appears on TV frequently, and he is the Président of AFEED, the Foundation promotor of the concept Entrepreneur a Zero Francs.

### C. Financial Players

Name	Function	Organisation	Type of business
M. Ismaël K. FANNY	Executive Director	<b>Association Professionnel des Banques et Etablissements Financières en Ivory Coast (APBEF-CI)</b>	Banks and FI Association, provides support to the sector through 1) liaison between banking sector and BCEAO / Ministry of finance, 2) Lobbying to the legislative and fiscal ministries., 3) Training and education, several certified diplomas together with the CEP of Paris and other universities. It is mandatory to be member of the APBEF if you are a bank or financial entity operating in the market after 1 month.
M. Dadié TAYORAUD	Chief Operations Officer (COO)	<b>INJARO Capital</b>	Intelligent capital investment fund, working in 6 countries: Mali, Burkina, Nigeria, Ghana, Sierra Leone, Ivory Coast. Provide equity and debt to SMEs, min 500,000 USD up to 5M USD. 1.5 USD in average. They seek usually minority shareholding participation. Their involvement is limited to max 10 years, usually 4-7 years
M. Yves YOMACLO	West Africa Regional Director	<b>Oikocredit</b>	Impact investor providing financing to MFIs and agricultural SMEs. For agri-SMEs, they provide equity and debt (for asset acquisition and working capital) for an amount ranging between 500M and 5 Billion CFA, although in reality max is 2 Billion CFA.

M. Anderson NA	SME Financing Manager	<b>Advans Ivory Coast</b>	MFI part of the multinational group Advans, operates in Abidjan, San Pedro and Boghoro through 11 branches. They provide financing to low-income population and SMEs with turnover of FCFA 12 million / year
M. Hichem GHANMI	Senior Partner and MD of Africinvest Francophone West Africa	<b>Africinvest</b>	Private equity firm, started in Tunisie 24 years ago, today managing 15 different funds with the support of DFIs and private groups. Since 2003 they operate in Ivory Coast, providing equity and since few years back also debt to large enterprises for Ivoirian context (SMEs if following WB definition).
M. Chaudel KOFFI MANI	Research & SME Development and Promotion Director	<b>Afriland First Bank (AFB)</b>	Originally from Cameroon, they are considered a SME Bank. They entered Ivory Coast in 2014, They have a specific SME department and operate through 9 branches, mostly located in Abidjan and 2 in the regions of San Pedro and Korhogo. Afriland works with Centre de Gestion Agree (CGA) to structure their SME clients.
M. Abdoulaye DEMBELE	Head of Treasury		
Mme. Micheline FANNY	Risk & Compliance Manager		
M. Williams KOUMAN	Senior Fund Manager Head of Analysis and Research	<b>BOA Capital Securities &amp; Asset Management</b>	Group BMCE Bank, major shareholder of Bank of Africa. They are brokers; they introduce enterprises to the stock exchange through IPOs They usually help large enterprises and corporations that investment funds are trying to exit. They are waiting for the BVMB to launch the mechanism of introducing SMEs in the Ivoirian stock-exchange.
M. Henri G. GUINA	Legal Director	<b>Orabank</b>	Orabank provides short and mid-term financing to SMEs accessing the public market. They work with FSDP (Fonds de Solidarité et Développement de la Presse) a guarantee fund that covers 80% of loan amount granted.
Mme. Nicole ADJOROU GBERI	SME Market Responsible	<b>Société Générale des Banques de Ivory Coast (SGBCI)</b>	SGBCI was set up in 1962 and has branches in 21 cities including Abidjan (50 branches). The main sectors are mining, industry, construction and trade. The total loan portfolio is FCFA 600-700 billion (about € 1 billion) and for SME a rough estimate is about FCFA 50 bln (€ 80 mln or 7.5%). They use ARIZ and IFC-SFI guarantee funds to manage credit risk.
M. Manovosoa Toavinjaka RAKOTONIRAINY	Director of Distribution	<b>Microcred</b>	MicroCred was set up by Arnaud Ventura in Mexico in 2006 and then branched out to Madagascar. In 2011 it set up shop in Ivory Coast. It has undergone a rapid expansion recently, especially outside Abidjan. Provides loans to low-income population and SMEs with turnover more than FCFA 20M/year.

M. Dmitry BAKAEV M. Dmitry FOTIYEV	Fund Managers	<b>Brightmore Investment Fund</b>	Started in Senegal in 2014, focused on serving francophone Africa. They are members of the Capria business accelerator network for impact investment funds (US). They are currently in fundraising process, goal = USD 30-40M. Agriculture will be a priority sector for them.
Mme. Amy FANNY-TOGNISSO	Investment Director	<b>ESPartners &amp; ESP Capital</b>	ESP is a research and consultancy firm established in 2004 in Ghana, provides advisory and consultancy services to both public and private sector actors. ESP Capital an investment fund that aims to reduce the SME gap in A2F and non-financial services. They provide a package of financing and non-financing support, including internal assessment and strategy redesign called SME 360. This program includes identifying potential suppliers for SMEs.
M. Issa SIDIBÉ	Fund Manager Comoé Capital	<b>COMOE Capital (I&amp;P)</b>	Established in September 2016 with the support of AFD, COMOE CAPITAL aims to provide support to already established SMEs but also start-ups. COMOE has been set up as an independent investment vehicle under I&P, a venture capital fund that makes investments in the lower side of SME size.
M. Jean-Marc SAVI de TOVÉ  M. Vissého T. GNASSOUNOU	Fund Managers	<b>ADIWALÉ</b>	Investment fund established in 2016 in Ivory Coast, currently in fundraising stage.

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## Annex 3: Glossary

A <sub>2</sub> E	Access to Electricity
A <sub>2</sub> F	Access to Finance
ADCI	Agence pour le développement et la compétitivité des industries de Cote d'Ivoire
AFB	Afriland First Bank
AFD	Agence France Développement
AfDB	African Development Bank
AFEED	African Foundation for Entrepreneurship and Economic Development
APBEF - CI	Association Professionnel des Banques et Etablissements Financières en Ivory Coast
BCCI	Banque Centrale de la Ivory Coast
BDC	Business Development Center
BDS	Business Development Services
CAPEX	Capital Expenditure, funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.
CCI	Chambre du Commerce et d'Industrie
CEPICI	Centre de Promotion de l'Investissement en Ivory Coast
CGECI	Confédération Générale des Entreprises de Ivory Coast
DBI	Doing Business Index
DFI	Development Finance Institutions, e.g. DEG, FMO or Proparco
ECOWAS	Economic Community of West African States (CEDEAO in French)
FCFA	656 Franc CFA = 1 EUR
FI	Financial Institution
FIMPE	Fédération Ivoirien des PME
GARI	Garantie des Investissements Privés en Afrique de l'Ouest
GCI	Global Competitiveness Index
GSM	Groupe Spécial Mobile / Global System for Mobile Communications
HDI	Human Development Index
IFC	International Finance Corporation
INIE	Institute Ivoirien de l'Enterprise
I&P	Investisseurs & Partenaires
MBC	Mobile Business Clinic
MCF-PME	Mutuelle de Crédit et Financement des PME
MFI	Microfinance Institution
MPME	Mouvement des Petites et Moyennes Entreprises Cote d'Ivoire
MSME	Micro, Small and Medium sized Entreprise
PARCSI	Project to Enhance the Competitiveness of the Industrial Sector
PRODIJE	Projet d'Appui au Développement de l'Entreprenariat en Ivory Coast
SGBCI	Société Générale des Banques de Ivory Coast
SME	Small and Medium sized Enterprise
SSA	Sub-Saharan Africa
UEMOA	West African Economic and Monetary Union
USAID	US Agency for International Development
WB	World Bank
WEF	World Economic Forum

## Annex 4: Main Conclusions of Working Groups

During the final workshop with stakeholders that was held at the premises of Jokkolabs Abidjan on July 19, 2017, three working groups were created to discuss what needs to be done in Ivory Coast to improve the SME ecosystem and enhance access to finance. One working group was asked to focus on drawing up a road-map for public programs that provide support to the SME sector; the second one was focused on the financial offerings of financial institutions; and the third looked at the demand side and the entrepreneurial spirit (i.e. the SMEs).

The main conclusions from these working groups are listed below.

### *Policy Domain*

- Improve the tax regime, for instance by granting a 2-3 year period of reduced taxation for start-ups, allowing them to grow more quickly and incentivizing formalization of enterprises from the start.
- More transparency on public programs that promote entrepreneurs and SMEs.

### *Finance Domain*

- Promote concepts that aim at enterprise-creation through self-financing instead of depending on external financial support.
- Revise regulation to facilitate implementation of investment banks, SME banks, leasing, etc.
- Develop alternative financial sources for entrepreneurs and SMEs such as crowdfunding, networks of angel investors.
- Develop scoring systems to rate SMEs such as the one that is being piloted by the Chamber of Commerce under "Projet Champion". These models will help identify solid SMEs, and speeding up assessment processes and approvals from banks.
- Incentivize on-line sharing of information about financial offerings
- SMEs have substantial cash-flow problems, especially due to client payment delays.
- Promote guarantee funds.

### *Support Domain*

- Most SME Support programs and initiatives are unknown to entrepreneurs. Create a single national platform online, where SME support organizations (public and private) present their programs, including information on the program's target, activities, eligibility criteria, costs, application process, etc.
- SME support programs and BDS providers should have a database where their contact details are presented, so people can access them easily.
- Identify financial partners affiliated with SME support organizations
- Increase the number of incubators, including some that are sector-oriented.
- SMEs do not have the tools to conduct feasibility studies, market studies and business planning. Interactive information on market data, sector indicators, etc. shared online for all to access, would be an asset.

### *Human Capital and Culture Domains*

- Improve communication between SMEs, entrepreneurship programs and the general public, by making use of traditional media such as TV or radio as well as social media.
  - One of the examples given was to implement a TV program where SME champions and successful entrepreneurs are shown, to promote entrepreneurial culture and education.
  - This communication is usually only happening in Abidjan. The suggestion was to develop a SME Caravan, which will go outside Abidjan to promote the programs that are happening in the capital as well as in the regions, and provide education on enterprise-creation and entrepreneurial mindset.
- Offer workshops and networking events that are practical, realistic, and down-to-earth instead of high-level education programs.
- Introduce entrepreneurship education at a young age, in schools and vocational training centres

## Annex 5: Workshop participants

The workshop was held on 19<sup>th</sup> July 2017 in Jokkolabs Abidjan

Name	Organization	Function
M. Arthur Stephan NYAN	Djeka Pharmaco / Nature Bissé	Founder and General Manager
M. Alain KOIBO	Centre International de Formation et Expertise Comptable (CIFEC)	Founder and General Manager
M. Esmel SIE FORNIER	Grand-Bassam ternary of hides	Partner, BDS provider
Mme. Adrienne KOUADIO AGBASSI	3 B du Vivrier	Founder and General Manager
M. Roger BANGO	Korha	Founder and General Manager
M. Aimé HAZOUMÉ	Ivoire HS	Financial Director
M. Thierry Paré	Serfin	Director
M. Gaossou OUATTARA	SISCO	General Manager
M. Nahoulé Alfred ABOUA	CEADIS	Co-Founder and General Manager
M. Mohamed Lamin BAKAYOKO	AVVA Groupe Café	Founder and General Manager
M. Pornan SORO	GTI Technologie	Founder and General Manager
M. Yann Armel DJIPROH	WAYEDAN	Founder and General Manager
M. Philippe-Marie KOFFY	Jokkolabs Abidjan	Managing Director
M. Aymeric MANLAN	Agence pour le développement et la compétitivité des industries de Cote d'Ivoire (ADCI)	Project Manager
-	Mutuelle de Credit et Financement des PME (MCF – PME)	Project Manager
M. Zatri Jean Jacques ATTEMENE	Chamber of Commerce and Industry in Ivory Coast (CCI-CI)	Project Development Advisor
Mme. Anastasie KADJA	Confédération Générale des Entreprises de Ivory Coast (CGECI) « Le Patronat Ivoirien »	Entrepreneurship Cluster Responsible
M. Frédéric TAPÉ	SPARK Business Development Center	Project Officer
M. Romuald N'TAKPE	MBC Africa	Business Development Officer Ivory Coast
M. Esmel Sie FORNIER	Devman Gosben	Associate and Manging Director
M. Ibo IBO	Centre de Promotion des Investissements en Ivory Coast (CEPICI)	Project Officer DAI
M. Loulou BEUGRÉ	Ayiyikoh FabLab	Founder & General Manager
-	Mouvement des Petites et Moyennes Entreprises Cote d'Ivoire (MPME)	Vice-President, Research Commission on Partnerships & Financing
M. Mouramane FOFANA	Institute Ivoirien de l'Enterprise (INIE)	General Manager
M. Samuel Mathey	African Foundation for Entrepreneurship and Economic Development (AFEED)	Président
M. Dadié TAYORAUD	INJARO Capital	Chief Operations Officer (COO)

M. Yves YOMACLO	<b>Oikocredit</b>	West Africa Regional Director
M. Anderson NA	<b>Advans Ivory Coast</b>	SME Financing Manager
M. Manovosoa Toavinjaka RAKOTONIRAINY	<b>Microcred</b>	Director of Distribution
Mme. Amy FANNY-TOGNISSO	<b>ESPartners &amp; ESP Capital</b>	Investment Director
M. Jean-Marc SAVI de TOVÉ M. Vissého T. GNASSOUNOU	<b>ADIWALÉ</b>	Fund Managers
M. Mamadou KOUYATÉ	<b>CAURIS Management</b>	Investment Director Ivory Coast
M. Robert KI	<b>Planet Guarantee</b>	n/d
M. Tité Ehuitche BEKE	<b>Université Felix Houphouet Boigny, Unité de Formation de Recherche en Science Economique de Gestion (UFRSEG)</b>	Economist on Environment and Agriculture

# Annex 6: Methodological note

## #CTG francophone West Africa | Country studies

### *Overall methodology design*

The methodology used for this study builds on existing entrepreneurial ecosystem tools notably the **Babson entrepreneurial ecosystem model** and the associated **ANDE<sup>39</sup> Entrepreneurial Ecosystem Diagnostic Toolkit**, published by the Aspen Network of Development Entrepreneurs (ANDE). The first study for the DGGF #ClosingTheGap series has been piloted in Kenya and has applied a contextualised version of the **ANDE Diagnostic Toolkit**. Based on the lessons learned from this pilot, and by taking into account the specific context of francophone West Africa, the methodology has been customised for the purpose of this study. The key methodological principles are as follows:

- **Intense qualitative data gathering:** The purpose of the ANDE methodology is to provide a diagnostic tool that can be applied in rapid assessment of entrepreneurial ecosystems. However, one of the biggest limitations of this research is the access to up-to-date, reliable and representative data on local enterprise performance and perception of the ecosystem. Primary research and interviews with key stakeholders or a stakeholder workshop are therefore critical to get relevant information and to complement analysis based on existing data sets such as World Bank Enterprise Survey Data<sup>40</sup>.
- **Including financier and enterprise perspective:** The ANDE toolkit is designed to perform an overall analysis of potential bottlenecks for local entrepreneurs, and identifies key constraints which merit deeper analysis. As the focus of this research is on access to finance as one of the major bottlenecks to enterprise growth, it has been relevant to also analyse the dynamic behind the mismatch between financiers and entrepreneurs, in particular owners of SMEs. Therefore the analysis includes the perspective of both financiers and entrepreneurs on the different ecosystem domains. This enables to get an in-depth understanding on how the wider ecosystem facilitates or constrains access to finance for the different type of SMEs that operate in the ecosystem.
- **Ecosystem scoring based on multiple indicators from different indices:** The Kenya pilot utilized the World Bank Enterprise Survey data to conduct an ecosystem analysis based on a total of 30 indicators. Given the fact that statistics for the selected West African countries are often unreliable and there is a wide difference between the various indicators used by indices, we have used multiple indicators from different indices (including the World Bank Enterprise Surveys) to analyse the entrepreneurial ecosystem in each target country, through a ready-made tool that uses over 200 different indicators across the ecosystem domains<sup>41</sup>. See also box 1. The tool could be applied to 4 out of the 6 countries that are part of this series; for Guinea and Mali the availability of data was insufficient. For those countries, we have instead considered individual selected indicators such as WB doing business and WEF GCI<sup>42</sup>.
- **Six ecosystem domains:** For this study we have followed the Babson entrepreneurial ecosystem model, one of the leading models in the current entrepreneurial ecosystem thinking, which uses six domains). The ANDE Entrepreneurial Ecosystem Diagnostic Toolkit uses eight domains (including separate domains on infrastructure and R&D), however this was considered not to be functional for this study because of (i) Lack of detailed data for the separate domains, (ii) distinctive character of the domains (because of the regional character of this study, domains were included that can show a difference between the six countries).

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<sup>39</sup> published by the Aspen Network of Development Entrepreneurs

<sup>40</sup> <http://www.enterprisesurveys.org/>

<sup>41</sup> Developed by Enclude for InfoDev

<sup>42</sup> World Economic Forum Global Competitiveness Index

The six ecosystem domains and key indicators are presented in the table below

**Culture; is the culture enabling entrepreneurship?**



- Entrepreneurial spirit
- Women and youth entrepreneurship
- Ethical behaviour of firms

**Finance; can the entrepreneur gain access to debt, equity and other products?**



- Availability and accessibility of debt finance for SMEs
- Availability and demand for equity for SMEs
- Availability of financial support instruments and structures (guarantee funds, credit bureau etc.)

**Human capital; are the required human resources accessible for entrepreneurs?**



- Enrolments at primary, secondary and tertiary levels, quality of education
- Extent to which entrepreneurship is included in education
- Availability of on-the-job training, workers offered formal training
- Availability of (informal) training and mentoring (e.g. business angels, role-model entrepreneurs)

**Policy; are policies enabling and facilitating entrepreneurship?**



- Political and economic stability of the country
- Regulatory framework (ease of doing business, formalisation of SMEs, bribery)
- Government interventions to support SME development

**Markets; do entrepreneurs have sufficient business opportunities?**



- Access to national, regional and international markets
- Infrastructure (electricity, transport, ICT)
- Real annual sales growth, annual employment growth

**Support; do entrepreneurs have access to SME support services?**



- Availability, accessibility and quality of incubators/ accelerator programmes
- Availability, accessibility and quality of commercial BDS providers
- Networks, platforms and associations.

## Research steps

The country studies have been implemented in 3 phases:



### PHASE 1: BASIC ECOSYSTEM SCORING (DESK STUDY)

In order to map these domains and identify solutions and opportunities for improvement in the entrepreneurial ecosystem, first a **desk study** was undertaken. The desk study had different components; firstly we have analysed how the country scores compared to other countries in Africa (using the tool, or by looking into specific reliable sources notably the WB doing business indicator, WEF Global Competitiveness Index and UN Human Development Index).

In addition, secondary information was collected from research reports and publications including the WB Enterprise Survey<sup>43</sup> and other available enterprises surveys. Finally some pre-mission interviews were held with several key stakeholders such as donor representatives, financial service providers and entrepreneurs. This provided a good first overview of the key elements of the entrepreneurial ecosystem in the country. Intermediate findings were shared

### PHASE 2: IN-COUNTRY DATA COLLECTION

After the desk study, a **field visit** of one week took place where representatives from various ecosystem domains were interviewed (included in Annex 1 of the report)

These discussions enriched the information from the desk study, and uncovered the root causes explaining the existence of a 'missing middle'. In addition, it has helped to identify some of the key important stakeholders (organisations and individuals) in the ecosystem that act as frontrunners in the development towards more conducive ecosystem.

### PHASE 3: WORKSHOP, CONCLUSIONS AND REPORTING

These and other relevant stakeholders were gathered at a **workshop**, to validate the findings from the study, and come up with concrete solutions that are 'owned' by local stakeholders. An interactive format was used whereby participants work in small groups to start prototyping potential interventions and to come up with concrete intervention outlines.

The results from the research and workshop are presented in a report which is highlighting the financier and SME perspective of the six ecosystem domains, in order to reveal the reasons behind the reasons. Focus of the conclusions is on deriving possible action points to overcome certain barriers that are identified by the research team and raised during the workshops.

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<sup>43</sup> DGGF is partnering with the Enterprise Survey Unit of the World Bank to undertake enterprise surveys in the countries covered by the current assignment. The findings from this survey are being used in this report<sup>43</sup>, acknowledging the bias of these data towards formal, and therefore larger and more professional firms

### Box 1: Ecosystem scoring grid

#### Rationale for developing own ecosystem scoring grid

- Entrepreneurships **ecosystem scorings** differ in their results, especially when developing countries are concerned. E.g. Uganda scores as the best entrepreneurship ecosystem according to GEM, while scoring as one of the lowest according to GEDI's list.
- **GDP/capita levels** do not necessarily reflect the extent to which a country has suitable conditions for entrepreneurship. Especially under USD 20,000 (=developing countries)
- **Poor numbers** problem: data collected for (small sample size, biased selection), combining different datasets can level out the unreliability.

	FINANCE	MARKETS	SUPPORT	HUMAN CAPITAL	POLICY	CULTURE	Average 6 domains
<b>FRANCOPHONE WEST AFRICA</b>							
Senegal	3,33	5,00	5,35	5,49	5,67	6,16	<b>5,21</b>
Cote d'Ivoire	2,93	4,64	5,51	5,24	4,66	4,14	<b>4,52</b>
Cameroon	3,50	4,62	4,90	4,77	3,61	3,92	<b>4,22</b>
Togo	3,21	3,81	3,94	4,59	5,04	4,60	<b>4,20</b>
Benin	2,62	3,99	2,82	4,19	3,04	5,33	<b>3,66</b>
Burkina Faso	2,61	3,33	3,35	2,50	4,28	5,46	<b>3,59</b>
<b>ANGLOPHONE WEST AFRICA</b>							
Nigeria	3,64	5,35	2,59	4,43	4,21	4,25	<b>4,08</b>
Ghana	4,22	5,25	4,02	5,98	5,08	5,81	<b>5,06</b>
<b>EAST AFRICA</b>							
Rwanda	5,05	5,23	5,99	6,05	7,99	7,74	<b>6,34</b>
Kenya	5,96	6,64	6,09	6,46	4,93	5,38	<b>5,91</b>
Ethiopia	2,96	3,34	4,33	4,26	5,20	6,46	<b>4,43</b>
Uganda	3,89	4,12	4,21	4,09	4,63	5,23	<b>4,36</b>
Madagascar	2,86	3,82	3,87	3,87	4,17	6,31	<b>4,15</b>
Tanzania	3,10	4,19	4,03	3,50	4,34	4,24	<b>3,90</b>
<b>SOUTHERN AFRICA</b>							
South Africa	6,90	7,68	7,25	6,52	7,85	6,25	<b>7,08</b>
Botswana	6,16	4,74	5,14	5,42	7,23	6,50	<b>5,86</b>
Namibia	5,36	4,94	5,59	4,81	6,91	6,50	<b>5,68</b>
Zambia	3,31	5,24	4,84	6,23	6,05	6,31	<b>5,33</b>
Mozambique	2,57	4,10	4,81	3,78	5,17	4,59	<b>4,17</b>
Malawi	3,43	3,09	4,06	3,97	4,71	4,83	<b>4,02</b>

#### Our approach

- Using **multiple indicators** from different indices and combining these along the lines of the 6 domains of entrepreneurial ecosystems (Babson model).
- In order to make scores comparable, they have been **normalised** them: re-calculated the scores on a 0-10 scale.
- Also, the ecosystems were scored **relative to each other** within the sample of SSA countries
- For each of the 6 domains identify a set of indicators to determine the advancement of the specific ecosystem feature. Sources used:
  - Global Competitiveness Index (GCI), World Economic Forum
  - Global Entrepreneurship and Development Index (GEDI), George Mason University
  - Enterprise Survey (ES), World Bank
  - Doing Business (DB), World Bank
  - Global Innovation Index
  - Legatum Prosperity Index

#### Countries

The ecosystem scoring tool could be applied to 4 out of the 6 countries that are part of the #CTG francophone West Africa country studies. The scoring was done for Senegal, Ivory Coast, Togo and Benin. Data were insufficient to do a reliable scoring for Guinea and Mali.



# Annex 7: World Bank Doing Business Indicators

## Ranking of West African Countries

Doing Business Indicators / West African countries	Global DB # rank	SSA DB # rank	Start a business	Get constr. permit	A2E	A2F	Reg. property	Paying taxes	Cross-border trade	Enforce contr.	Resolve insol v.
<i>Total number</i>	190	48	48	48	48	48	48	48	48	48	48
1. Ghana	108	10	17	15	9	4	5	16	29	17	35
2. Cabo Verde	129	13	14	12	17	21	4	11	13	2	46
3. Mali	141	17	16	25	22	33	24	25	7	32	13
4. Ivory Coast	142	18	5	45	13	25	16	38	27	13	6
5. Gambia	145	19	37	18	24	19	20	33	12	15	22
6. Burkina Faso	146	20	7	4	42	28	25	27	8	35	18
7. Senegal	147	21	12	23	29	32	27	39	19	24	15
8. Sierra Leone	148	22	10	20	37	39	35	21	35	12	33
9. Niger	150	23	11	42	31	34	21	28	20	29	16
10. Togo	154	25	21	43	20	36	47	31	14	25	9
11. Benin	155	26	6	7	35	27	39	37	21	38	20
12. Guinea	163	32	23	34	27	29	26	43	32	18	19
13. Nigeria	169	37	27	38	41	8	46	40	41	23	28
14. Guinea Bissau	172	38	39	31	43	30	29	26	28	36	42
15. Liberia	174	39	3	39	38	16	44	18	45	41	43
<b>Top 5 in SSA</b>											
Mauritius	49	1	4	2	4	7	10	1	4	1	1
Rwanda	56	2	8	32	7	1	1	5	6	10	7
Botswana	71	3	32	3	11	11	3	6	3	21	4
South Africa	74	4	22	11	5	10	12	2	25	16	2
Kenya	92	5	19	29	3	3	19	14	9	8	10

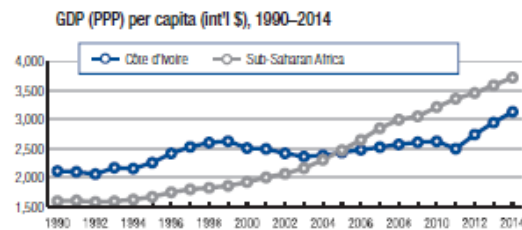
# Annex 8: WEF Global Competitiveness Index 2015- 2016

2: Country/Economy Profiles

## Côte d'Ivoire

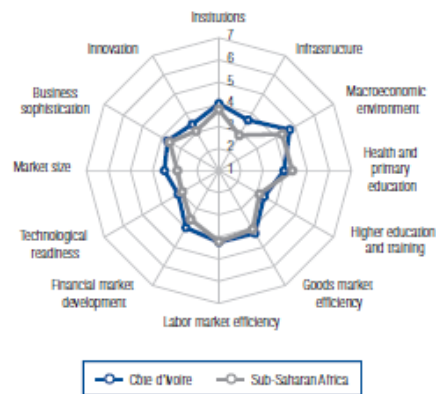
### Key indicators, 2014

Population (millions)	22.7
GDP (US\$ billions)	34.0
GDP per capita (US\$)	1,495
GDP (PPP) as share (%) of world total	0.07

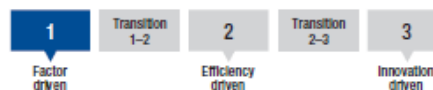


### Global Competitiveness Index

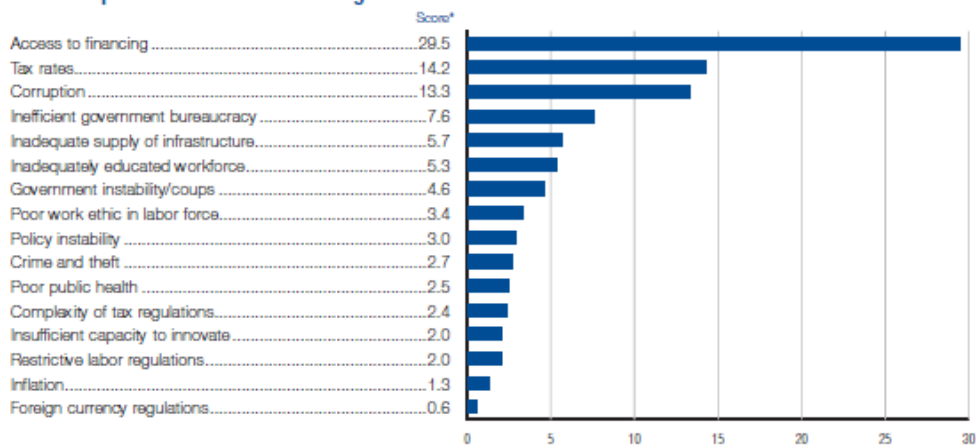
	Rank (out of 140)	Score (1-7)
<b>GCI 2015-2016</b>	<b>91</b>	<b>3.9</b>
GCI 2014-2015 (out of 144)	115	3.7
GCI 2013-2014 (out of 148)	126	3.5
GCI 2012-2013 (out of 144)	131	3.4
<b>Basic requirements (60.0%)</b>	<b>102</b>	<b>4.1</b>
1st pillar: Institutions	62	4.0
2nd pillar: Infrastructure	85	3.6
3rd pillar: Macroeconomic environment	74	4.7
4th pillar: Health and primary education	129	3.9
<b>Efficiency enhancers (35.0%)</b>	<b>96</b>	<b>3.7</b>
5th pillar: Higher education and training	108	3.4
6th pillar: Goods market efficiency	75	4.3
7th pillar: Labor market efficiency	69	4.2
8th pillar: Financial market development	60	4.0
9th pillar: Technological readiness	102	3.1
10th pillar: Market size	81	3.5
<b>Innovation and sophistication factors (5.0%)</b>	<b>73</b>	<b>3.6</b>
11th pillar: Business sophistication	93	3.7
12th pillar: Innovation	53	3.4



### Stage of development



### The most problematic factors for doing business



\* From the list of factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings.

#ClosingTheGap

# Ivory Coast

**KEY CHALLENGES FOR THE 'MISSING MIDDLE'**  
Assessment of the entrepreneurial ecosystem in Ivory Coast



Market



Finance



Culture



Human Capital



Support



Policy