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Cote d'Ivoire: Progress and Challenges After The Crisis

JP Morgan Seminar

Washington D.C., April 19th, 2012

Outline

- I INTRODUCTION
- II A VIGOROUS ECONOMIC RECOVERY
- III THE NATIONAL DEVELOPMENT PLAN (NDP)
- IV REGAINING CONFIDENCE AMONG INTERNATIONAL INVESTORS
- V CONCLUSION

I. Introduction

Introduction

- **After the post-election crisis that lasted from November 2010 to April 2011 and which strongly affected its economic and financial situation, Côte d'Ivoire has regained momentum**
 - H2 2011 was marked by the stabilisation of the political environment and the recovery of the economic activity
- **Development prospects are promising with economic growth expected to be above 8% in 2012**
 - Economic performance is based on a robust macroeconomic program supported by the IMF
 - The Paris Club agreement on November 15th followed the adoption by the IMF Board of a new economic and financial program for the 2012 – 2014 period under the Extended Credit Facility
 - HIPC completion point is expected to be reached by end-June 2012 and the subsequent debt relief will help supporting the investment effort in line with the National Development Plan (NDP) recently adopted by the Authorities
- **The Republic of Côte d'Ivoire wishes to fully normalise its relations with its private creditors as soon as possible**
 - A detailed repayment schedule for all remaining arrears will reinforce regaining confidence among international investors

II. A Vigorous Economic Recovery

A Milder Than Expected Recession in 2011

According to the IMF, the recession provoked by the post elections crisis was finally milder than expected

- The economic and financial program agreed with the IMF, adopted in November 2011, assumed a 5.8% GDP contraction in 2011 on the back of the post-election crisis followed by a strong recovery in 2012 (8.5% growth)
- GDP contracted less than expected in 2011 (-4.7%)
 - This positive evolution is notably due to a vigorous economic recovery since June 2011 supported by the government's efforts in favor of reconstruction
- Côte d'Ivoire's 2012 growth forecast has been confirmed to about 8% in March
 - The confirmation of a strong economic recovery expected for 2012 reveals that the post-election crisis is now totally behind

<i>IMF, November 2011</i>	2010	2011F	2012F	2013F	2014F
Real GDP Growth (%)	2,4	-5.8	8,5	6,0	6,0
GDP Deflator Growth (%)	1,9	4,3	2,3	2,1	2,3
Fiscal Balance (in % GDP)	-2,3	-8.1	-4,4	-3,5	-2,9
Primary Balance (in % GDP)	-0,2	-4.8	-2,0	-0,5	0,2
Current Account (in % GDP)	1,1	1,1	-1,7	-4,3	-4,8

Source : IMF, Article IV, November 2011

Fiscal Performance Was Beyond Expectations at End-2011

The budget execution has been better than expected in 2011 thanks to vigorous fiscal revenues

- **The lower than expected GDP contraction in 2011 supported fiscal revenues and led to a better budget execution at the end of the year**
 - Primary basic balance was expected at -4.8% of GDP in 2011 according to the program but was finally revised to -2.9% of GDP
 - This positive evolution is primarily driven by an upward revision of fiscal revenues to 17.5% of GDP from 16.2% of GDP
- **In 2012, budget execution could again be better than previously anticipated**
 - The program is based on a primary basic balance of -2% of GDP in 2012
- **In the medium term, the goal is to generate a primary surplus**

<i>XOF BILLION</i>	2010	2011 (IMF PROGRAM)	2011 (REVISED)	2012 (FORECAST)
Total revenues and grants	2283	1572	1726	2410
<i>% of GDP</i>	20.1	18.8	20.3	19.4
Fiscal revenues	1928	1352	1493	2041
<i>% of GDP</i>	17.0	16.2	17.5	16.2
Total expenses and net loans	2499	2251	2209	2964
<i>% of GDP</i>	22	26.9	25.9	23.6
Public investment	350	327	286	660
<i>% of GDP</i>	3.1	3.9	3.4	5.2
Primary basic balance (% of GDP)	-0.3	-4.8	-2.9	-2.0

Source: Authorities

Note: fiscal ratios for the year 2011 are based on Q2-Q4 aggregates over the period GDP (excluding Q1)

A Strong GDP Growth in 2012 Supported by a Boost in Investment

The strong recovery expected in 2012 primarily rely on a high level of public and private investment, strongly promoted by the current structural reforms implemented by the Government

- **High growth forecast for 2012 is based on the expectation of a vigorous recovery of investment**
 - The secondary (+11.8%) and tertiary (+14.4%) sectors will contribute to the strong recovery after the deep recession in 2011
- **Investment efforts will promote economic growth with an expected increase of Gross Fixed Capital Formation (GFCF) of 58.3% in 2012**
 - The investment rate should rise to 12% of GDP in 2012 from 8.2% of GDP in 2011, with the public sector contributing to a large extent to that increase
- **Big structural reforms continue on the first semester of 2012 to support public and private investment efforts**
 - Further rationalisation of current expenses will be implemented in order to leave a sufficient space for the financing of the National Development Plan (NDP)
 - The Government will continue to promote private investment through the improvement of the business climate (better governance, justice, competition, security of people and goods) and to encourage the development of public private partnerships

Growth in volume (%)	2011	2012F
GDP (total)	-4.7	8.1
Primary Sector	4.8	0.9
Secondary sector	-7.4	11.8
Tertiary sector	-12.4	14.4
GFCF	-13.7	58.3
Final Consumption	-5.1	6.0
Exports	-4.0	4.6
Imports	-31.7	45.0

Source: Ivorian Authorities

The HIPC Completion Point is Expected to be Reached by end-June 2012

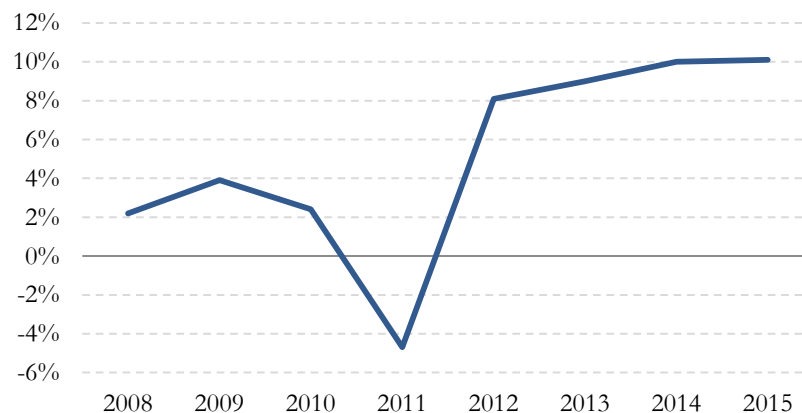
- According to the IMF and World Bank, Côte d'Ivoire's good macroeconomic performances and the implementation of key structural reforms, considered as “triggers” at decision point, pave the way for the HIPC completion point to be reached at the end of June 2012
 - The successful implementation of the economic and financial program is expected to allow for the approval of the first review by the IMF's board by May 2012
 - This approval is a key condition for reaching completion point
 - The completion of the Cacao/Coffee reform will be subject to a review in the next couple of months
 - Implementation of this crucial reform supported by the International Financial Institutions was strengthened at the end of 2011 with the creation of the Cacao and Coffee Counsel in charge of the sector's management supervision
 - The conditions for reaching the HIPC completion point will be assessed jointly by the IMF and the World Bank boards following a final evaluation of IMF and World Bank staff during Q2 2012

III. The National Development Plan (NDP)

The National Development Plan Aims at Translating into Reality the Authorities' Vision for Côte d'Ivoire's Future

- **The National Development Plan (NDP), adopted in April by the Authorities, aims at restoring the Côte d'Ivoire's position as a leading economy in sub-Saharan Africa**
 - The stated objective of the authorities is to reach a double digit growth and make Ivory Coast an emerging country by 2020
- **To achieve this goal, several milestones will need to be reached by 2015**
 - Implement the 2012-2014 economic and financial program agreed with the IMF and pursue structural reforms
 - Promote inclusive growth and strengthen people's access to social services
 - Optimise the management of public resources by a credible and consistent investment program and a cautious debt management strategy
 - Restore the country's position as an economic hub in the sub-region and promote regional integration

NDP MACRO FRAMEWORK : GDP GROWTH ASSUMPTIONS FOR 2012-2015



Source: Authorities

The NDP Anticipates a Massive Investment Effort over the 2012-2015 Period

- **The Authorities have already carried out the identification and evaluation of key projects and reforms to be undertaken as part of the NDP, which are divided into four major pillars: Education, Health, Infrastructure and Industry**
- **The financing of the NDP will rely on both public and private funding**
 - The macroeconomic framework for the NDP foresees XOF 12,000bn (USD 24bn) in capital expenditures over the period 2011-2015
 - In 2011, total investment represented more than XOF 900bn (USD 1.8bn)
 - Over the NDP period (2012-15), c. XOF 4500bn (USD 9bn) of investment will be provided by the public sector and XOF 6500bn by the private sector (USD 13bn)
 - According to the Authorities' estimates, the investment rate should reach 23.5% of GDP by 2015 from 12% in 2012, with public investment rate going from 5.3% to 9.1% and private investment rate from 6.7% to 14.4%

Key Projects Under The NDP

EDUCATION/FORMATION

- Construction and equipment of 132 classes in Preschool
- Rehabilitation of 30 000 classes
- Construction and equipment 25 000 classes in Elementary School
- Creation of 1 500 latrines and water points in Elementary School
- Construction and equipping of 10 colleges
- Rehabilitation of the Universities of Cocody, Abobo-Adjame, Bouake, Korhogo Ures, INPHB, SEA
- Construction of four regional universities and a university village

HEALTH

- Rehabilitation of 17 regional hospitals (RHC), 54 general hospitals (GH), ESPC 6000
- Construction and equipment of 450 ESPC, GH 4, RHC
- Upgrading technical platforms from 43 referral hospitals
- Upgrading of technical facilities of RHC
- Rehabilitation of INFAS antennas in Bouake and Korhogo
- Construction of two INFAS antennas in Daloa and Aboisso

INFRASTRUCTURE/TRANSPORT

- Recovery and rehabilitation of road infrastructures
- Extension of North Highway
- Improvement of the Boundiali Tengrela-Mali road
- Construction of Jacquville bridge
- Rehabilitation and extension of Abidjan and San Pedro ports
- Rehabilitation of the railway Abidjan-border of Burkina Faso
- Construction of railways San Pedro-Man and Ouangol-Niele-border of Mali
- Rehabilitation of eight airfields in the countryside and creation of a new airline company

ENERGY/WATER/INDUSTRY

- Realisation of the third phase of Azito IPP project
- Increase CIPREL power capacity
- Construction and operation of a thermal power plant in Abatta
- Construction of a dam on Soubré
- Resumption of activities in factories COTIVO factories in Agboville and in UEXCI factories in Dimbokro
- Installation of rice hulling facilities in productive areas
- Conversion of 50% of agricultural raw materials
- Construction of 4 blocks of agro-industrial production and processing of vegetables

Source: Ministry of Planning and Development

The Public Sector Will Take its Part in Financing the NDP

- The current projections show a financing gap of about XOF 2,500bn (USD 5bn) over the period 2012-2015 for public investment, which will be covered:
 - In priority by grants and concessional project loans from Côte d'Ivoire development partners
 - A donors' conference to gather Cote d'Ivoire's development partners will be held once the completion point is reached
 - By the issuance of securities on the national/regional financial markets, to the extent permitted by the IMF/World Bank's Debt Sustainability Framework (DSF)

<i>FCFA Billion</i>	2012	2013	2014	2015	TOTAL	AVERAGE
NPD Cost	1 520.9	2 263.3	3 129.5	4 162.3	11 076	2 769.0
Revenues	2342.6	2873.1	3386.3	3985.9	12587.8	3 147
Expenses	2005.5	2130.8	2333.5	2552.6	9022.5	2 256
Public Investment (A)	676.4	1000	1291.2	1612	4 579.6	1 145
Funding capacity (B)	675.9	110.1	518.0	774.5	2 078.5	519.63
Public financing needs (C = B-A)	-0.5	-889.9	-773.2	-837.5	-2 501.1	-625.3
Private Funding	844.5	1 263.3	1 838.3	2 550.3	6 496.4	1 624.1

Source: Authorities

Mobilizing Private Investors is a Key Objective for the Government

The authorities' strategy aims at allocating the public funds in priority to State functions and basic infrastructure

- **The President has asked the Government to shift public spending towards state functions and to seek for potential public-private partnership to finance capital expenditure**
 - Once the completion point is reached, the authorities are determined to pursue a prudent debt policy that respects the IMF principles and the debt sustainability objective that is stated in the economic framework agreed with the IMF and the World Bank
 - Foreign borrowing will give preferences to concessional loans to finance Government development initiative related to state functions such as education or health and to the country's basic infrastructure
 - Public resources could also be allocated to investment projects in the commercial infrastructure through Public Private Partnerships
- **Private investors are invited to take advantage of the new opportunities that are offered in the country**
 - The NDP will provide investors with a coherent framework for selecting projects and betting on Cote d'Ivoire's bright growth prospects
 - Opportunities for private investors will be particularly numerous in the energy and mining sectors
 - Investment needs being identified in the energy and mining sectors are considerable: € 21bn on 170 projects estimated by the administration
 - Ivory Coast aims at becoming a regional interconnection node in the energy sector (electricity interconnection with neighboring countries, pipelines to distribute oil and gas products)
 - Ivory Coast also aims at playing a leading role in Africa in the field of renewable energy (dams, solar plan)

IV. Regaining Confidence Among International Investors

Côte d'Ivoire Is Committed to Quickly Make an Offer For the Clearance of Arrears to The Holders of the 2032 Eurobond Once Completion Point is Reached

The Government is fully determined to present a detailed repayment schedule for remaining arrears as soon as possible

- **As explained in London in January 2012, the necessary technical conditions were not met at the end of 2011 to allow the Ivorian authorities to make the announced offer to bondholders on the reimbursement of the arrears**
 - At that time, the financial framework established by the IMF and the Paris Club did not provide sufficient visibility on the capacity to pay to allow the authorities to make a realistic offer to bondholders
- **Reaching completion point as well as the implementation of the MDRI will sharply lower Cote d'Ivoire's external debt but will not immediately ease financing constraints**
 - According to 2009 IMF and World Bank estimates, reaching completion point by end 2011 would have allowed Côte d'Ivoire to obtain USD 2bn additional debt relief from multilaterals (including USD1.7 bn from IDA, USD 320m from ABD and IMF)
 - These additional debt reliefs will come on top of those granted under the HIPC initiative
 - The easing of current financing constraints is expected to materialize progressively over the medium term
 - The reduction in the external debt service will not have an immediate impact on financing constraints, external debt service being already reduced in the context of the HIPC Initiative
- **The Authorities are committed to present a detailed repayment schedule to the holders of the 2032 Eurobond for the three coupons missed in 2010 and 2011, beyond the June 2012 good faith payment**
 - This offer will rely on a reevaluation of Côte d'Ivoire's capacity of payment once all debt relief initiatives are taken into account
 - This new financial framework is being elaborated by the IMF's staff in the light of updated data
 - A new Paris Club agreement should be concluded immediately after completion point is reached , granting Côte d'Ivoire with anticipated debts cancellation

V. Conclusion

Côte d'Ivoire Has Regained Strong Momentum

Côte d'Ivoire is a key market in Africa for international investors

- **Reaching completion point in June 2012 will pave the way for a new era for Côte d'Ivoire**
 - Côte d'Ivoire will finally close the chapter of 10 years of political turmoil
- **With reinforced democratic institutions and a sharply lower external debt, the country aims at restoring its leading economic role in sub-Saharan Africa**
 - Peaceful legislative elections in December 2011 and the appointment of a new government are signs of political stability
 - The implementation of structural reforms and vigorous investment flows are expected to deliver strong and sustainable growth
- **The Authorities are calling for investors to take advantage of the promising prospects of domestic and regional markets**
 - The National Development Plan provides a consistent framework to conduct the investment policy
 - The private sector should invest in productive capacities, including through the development of PPPs.