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Cote d'Ivoire Investor Meeting

23 January 2012 - London

Outline

I. Introduction

Introduction

The Republic of Cote d'Ivoire has normalized its relationships with its external bilateral public creditors of the Paris Club

- **After a post election crisis which lasted from November 2010 to April 2011 and strongly affected its economic and financial situation, Cote d'Ivoire has made a new step in normalizing its relations with its external creditors by concluding, on November 15, 2011 a debt treatment agreement with Paris Club creditors under the Heavily Indebted Poor Countries Initiative (HIPC)**
  - This agreement will reduce by 78% total debt service due to Paris Club bilateral public creditors from July 1, 2011 to June 30, 2014
  - All arrears towards public creditors were cleared
  - This agreement paves the way for the HIPC completion point to be reached as soon as possible
- **The Paris Club agreement followed the adoption by the IMF Board on November 4, 2011 of a new economic and financial program for the 2012 – 2014 period**
  - The implementation by the Ivorian authorities of this program elaborated with the IMF will help Cote d'Ivoire to reach high growth levels supported by a strong public investment effort that will contribute to a decrease in poverty levels after several years of adverse evolution

Introduction (cont'd)

The Republic of Cote d'Ivoire intends to inform its private creditors of all the details of the agreement concluded with Paris Club creditors on November 15 and its implications for the Holders of the 2032 Eurobond

- **The Republic has not been in a position to make, before end-2011, the announced proposal to the Holders of the 2032 Eurobond with regard to the reimbursement of the three coupon payments missed in 2010 and 2011. However, it will resume its contractual payments beginning in June 2012; it remains fully committed to normalizing its relationships with private creditors as soon as all the conditions are met**
  - The Republic of Cote d'Ivoire has announced, in its November 18, 2011 *Communiqué* following the Paris Club agreement, its decision to resume full contractual payments to the Holders of the 2032 Eurobond beginning with the interest coupon due on June 30, 2012
  - In the absence of residual capacity after the payment of the two interest coupons due to bondholders, and of maturities due to public creditors, Cote d'Ivoire had to postpone its offer on the reimbursement of accumulated arrears due to the Holders of the 2032 Eurobond
- **This investor meeting aims at bringing the most accurate and comprehensive information to private creditors on Cote d'Ivoire's capacity for payment in 2012 and its impact on bondholders**
- **The Ivorian authorities wish to fully reassure the Holders of the 2032 Eurobond of their willingness to negotiate as early as possible the detailed terms of the reimbursement of these arrears**

II. Economic and Financial Perspectives For 2012 - 2014

In 2012, Cote d'Ivoire Is Expected To Benefit From Strong Growth

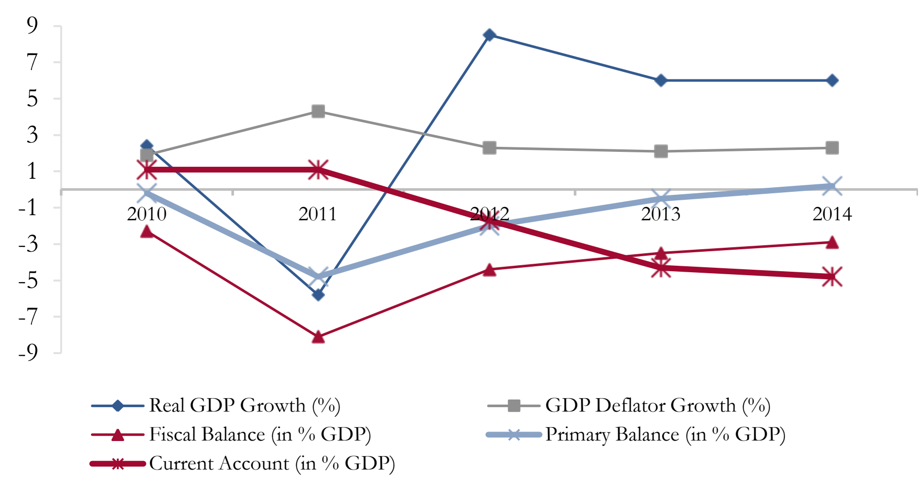
The recovery does mean that the main macroeconomic and financial balances will be immediately restored

- **The year 2011 was dedicated to reconstruction. The 2012 – 2014 period will be critical to consolidating recovery and thus reaching a strong and durable growth path**
    - A 8.5% GDP growth rate is anticipated in 2012 and 6.0% growth rate in 2013 and 2014
- **The restoration of fiscal balance will take time, notably because of high public investment needs to support sustainable growth**
    - According to IMF projections, Cote d'Ivoire will only reach a very small primary surplus in 2014

	2010	2011	2012	2013	2014
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

EVOLUTION OF MACROECONOMIC INDICATORS



Source: IMF

Growth Will Be Supported by Structural Reforms And Investments

Promoting public and private investment is a key priority of the authorities' growth strategy

- **The Government strongly resumed the implementation of major structural reforms in H2 2011**

Structural Reforms Engaged By the Government in 2011	
Reform of Public Finances	+ Implementation of the Regional Directives in the field of public finances management, notably the Medium Term Spending Framework + Improvement in the management of external debt through the National Committee for the Public Debt (CNDP) + Pension reform
Reform of the Cocoa-Coffee Sector	+ The first part of the reform was adopted in September 2010 through the creation of the ad valorem tax of maximum 22% of export price + The Government adopted on November 3, 2011 the institutional and commercial provisions of the reform agenda agreed with the international financial institutions
Global Strategy for the Development of the Financial Sector	+ The authorities finalized the reforms aiming at improving the contribution of the private sector to the financing of the economy + The primary market for public debt issuance was supported by the creation of primary dealers status (SVTs) + The authorities accelerated the restructuring of the microfinance sector
Reform of the Energy Sector	+ Reforms of the code on hydrocarbons and negotiation of a model of contract for production sharing in the hydrocarbon sector + Implementation as early as July 2012 of a mechanism for setting oil products prices in relation to market prices + Adoption of a development strategy for the energy sector including a code on electricity and a new tariff framework
Reforms in the field of Governance and Public Administration	+ Adoption of a national plan for good governance and the fight against corruption, adoption of the law on illegal enrichment, adoption of the ethics charter and of the code of conduct for public servants + Adoption of a strategy for the modernization of public administration and the limitation of the rise in public servants salaries
Business Climate	+ Creation of an attractive legal framework for capital flows + Creation of a public body in charge of SME creation (single contact point) + Adoption of the draft law on competition and of the new legal framework on investments in 2012

Growth Will Be Supported by Structural Reforms And Investments (cont'd)

- **The promotion of public and private investment is a key priority of the 2012 – 2014 agenda**
  - Public investment: rationalization of current spending and progressive reorientation of public spending towards investment
  - Private investment: improvement of the business climate (good governance, better competition rules, greater security for people and goods) and development of public-private partnerships (PPPs)

According to the Program, the Capacity for Payment Will Be Limited

Cote d'Ivoire's external payment capacity will remain limited as long as the HIPC completion Point is not reached

- **According to the Program elaborated with the IMF, the primary balance will remain in negative territory in 2012**
  - Primary balance is projected at -2.0% of GDP in 2012 against -4.8% in 2011. It would reach -0.5% of GDP in 2013
  - The likely slow recovery may be the consequence of the decrease in budgetary resources in 2012 due to the fact that the post elections crisis of 2011 will have a deferred impact on fiscal revenues, with taxes related to commercial and industrial profits being impacted
    - Besides, oil revenues are likely to be lower than previously anticipated
  - The priority granted by the IMF and authorities to public investments will also weigh on public spending
    - They will reach 5% of GDP in 2012, against 3.9% in 2011, but this level will remain below previous IMF targets under the 2009 program (6.9% of GDP)

According to the Program, the Capacity for Payment Will Be Limited (cont'd)

- **The capacity for payment of external obligations established on the basis of IMF figures for the year 2012 relies on ambitious assumptions in terms of access to domestic and regional capital markets to finance the fiscal deficit**
  - The program is based on the hypothesis that domestic and regional financing will reach at least FCFA 600 billion, i.e. a net financing of approximately FCFA 400 billion, compared to FCFA 230 billion in 2010
  - Mobilizing these resources remains uncertain and will determine the effective capacity for payment for Cote d'Ivoire in 2012
- **The improvement of the capacity for payment will only be very slow until completion point is reached**
  - IMF's forecast for tax revenues is 17% of GDP in 2014, only recovering to 2010 levels
  - Primary spending is expected to be limited to 19.1% of GDP in 2014, below the level predicted under the previous 2009 IMF program
  - The primary balance would improve progressively over time: from -0.5% of GDP in 2013 to +0.2% in 2014
  - In 2009, the previous IMF program forecasted a primary balance of 1.2% of GDP and 1.1% of GDP in the first two years of the program

According to the Program, the Capacity for Payment Will Be Limited (cont'd)

The Table of State Fiscal Operations established by the IMF illustrates continuing financial tensions in 2012

- **The program established with the IMF Staff still anticipates a significantly negative fiscal stance in 2012 and reveals a very limited capacity for payment this year**

CFA Francs billion	2012
Revenues (excluding grants)	**2207.4**
Revenues . Total	2207.4
Tax Revenues	*1949.7*
Direct Taxes	484.2
Indirect Taxes	1465.5
Non-Tax Revenues	*257.7*
Total Spending (excl. external debt service)	**2646.8**
Current spending(excl. external debt service)	2031
Capital spending	619.3
domestic financing	*501.4*
external financial	*117.9*
Net lending	-3.5
Global deficit	**-439.4**
Domestic Financing	**70.7**
Change in external arrears (excluding debt service)	-30
Financing by domestic banks	116.2
Central bank credit (net)	-31.3
Other domestic bank financing (net)	147.5
Non bank financing (net)	-15.5
External Financing	**497.5**
Loans	*292.3*
Project loans	78.7
WAEMU financing	213.6
Grants	*108.9*
Projects	37.1
Programs (including post-crisis)	2.1
Multilateral grants (World Bank)	69.7
IMF lending under the new ECF program	96.3
Capacity to pay external debt service	**128.8**
Multilateral debt service (old debts)	*66.8*
Multilateral debt service excluding IMF	60.8
IMF	6.0
Interests on new multilateral debts	0.3
Residual capacity to pay bilateral public and private creditors	**61.7**
Equivalent in million USD	**135.0**

III. The November 15, 2011 Agreement With Paris Club Creditors

The Agreement with The Paris Club Was Negotiated According to HIPC Initiative Rules

Paris Club Creditors agreed on an exceptional treatment of maturities falling due from July 1, 2011 to June 30, 2014

- **The agreement was negotiated according to the strict rules for the continuation of the implementation of the Enhanced HIPC Initiative**
  - Having reached the HIPC decision point on March 27, 2009, Cote d'Ivoire was eligible to a very significant reduction in its debt service to Paris Club creditors as soon as the IMF had agreed on a new economic and financial program
  - The November 15 Paris Club agreement corresponds to the period of implementation of the new IMF program under the ECF and covers the external financing needs identified over the period by the Paris Club Secretariat
  - The agreement replaces the precedent Paris Club agreement concluded on May 15, 2009 that had to be suspended during the crisis

- **According to Paris Club rules, Cote d'Ivoire was eligible to a reduction under the "Cologne Terms" of " Pre Cut Off Date " debts and of related arrears (US$ 696 million)**
  - Maturities falling due and arrears related to the debts contracted before the "cut-off date" (July 1, 1983) were consequently cancelled by 90% in net present value terms

The Agreement with The Paris Club Was Negotiated According to HIPC Initiative Rules (cont'd)

- **On top of this treatment, Cote d'Ivoire asked for an exceptional treatment of Post Cut-Off Date' debts (US$ 1626 million)**
  - According to Paris Club standard rules, creditors examined the residual capacity for payment of Cote d'Ivoire after full payment of multilateral creditors before elaborating a treatment of " Post Cut-Off Date " claims
  - The Ivorian authorities highlighted the very limited capacity for payment of the country compared to the financial framework established in 2009 before the previous Paris Club agreement to ask for more favorable terms of treatment compared to 2009

Debts That Were Subject To The Paris Club Debt Treatment Agreement On November 15, 2011				
Millions USD	Debt Stock as of July 1, 2011	Arrears as of June 30, 2011	Maturities falling due over the consolidation period	Total (Arrears + Maturities)*
Pre COD Debts	3840	30	666	696
Post COD Debts	3345	164	1455	1627
TOTAL	**7185**	**194**	**2121**	**2321**

** Including late interests*

Cote d'Ivoire Succeeded in Obtaining From the Paris Club the Resumption of Full Payments To The Holders of The 2032 Eurbond in 2012

The implementation of the « comparability of treatment principle » was a critical element of the negotiation with the Paris Club

- **According to one of its key principles, the Paris Club conditions debt treatments to the acceptance by other bilateral public creditors and by private creditors of "comparable" efforts**
  - The Paris Club evaluates the "comparability" of the efforts made by various classes of creditors according to a "global analysis", taking into account efforts in terms of net present value (NPV) reduction of claims, but also the reduction in debt service over the consolidation period
- **The strict application of the comparability of treatment principle could have justified a demand by the Paris Club to the Holders of the 2032 Eurobond of an effort in terms of coupon payment reduction in 2012**
  - In 2012, coupon payments due to the Holders of the 2032 Eurobond will amount to US$ 87.5 million, representing 65% of the total capacity for payment identified by the Paris Club for payments to bilateral public creditors and private creditors (US$ 135 million)
  - The Paris Club could have asked for a reduction in coupon payments in a proportion equivalent to the effort it has conceded on its own claims over the consolidation period

Cote d'Ivoire Succeeded in Obtaining From the Paris Club the Resumption of Full Payments To The Holders of The 2032 Eurbond in 2012 (cont'd)

- **However, Cote d'Ivoire succeeded in convincing public creditors of the need to preserve the relationship established by Cote d'Ivoire with private creditors from the perspective of future international capital market access for the country**
  - The Ivorian Delegation highlighted the NPV effort already made by London Club creditors over time through the Brady Bond exchange of 1997 and the subsequent 2010 Bond exchange
    - Total NPV effort already made by private creditors amounts to 85% whereas the required effort required under HIPC rules is 74.8%
  - Following the previous 2009 Paris Club agreement, Paris Club creditors received in total FCFA 62.6 billion from September 2009 to September 2010, whereas private creditors received only one coupon payment in June 2010 (FCFA 15.3 billion)
  - The Ivorian Delegation underlined that not paying in full the 2012 interest coupons would jeopardize the efforts made by Cote d'Ivoire to establish long-term relationships with private creditors and would thus threaten a successful future access to international capital markets

Côte d'Ivoire Also Obtained the Capacity to Make a Good Faith Payment in 2012 for the Reimbursement of the Arrears Towards Private Creditors

In absence of a larger capacity for payment, Paris Club creditors didn't agree on a larger payment in this respect

- **The Ivorian authorities underlined the importance of beginning to repay arrears due to the holders of the 2032 Eurobond**
  - Cote d'Ivoire is fully aware of the expectations of the Holders of the 2032 Eurobond with regard to the reimbursement of arrears
  - It asked Paris Club creditors for the possibility to allocate a portion of its limited external capacity for payment to the repayment of a substantial part of the arrears accumulated in 2010 and 2011
- **The Paris Club agreed on a very limited increase in the allocation of the capacity for payment to private creditors, i.e. US$ 2.1 million in 2012, that will be at disposal to make a good faith payment in 2012 for the reimbursement of arrears**
  - Paris Club creditors considered that they were already flexible in applying the Paris Club rules by taking into account a full payment of interest coupons in 2012 to the holders of the 2032 Eurobond
  - Consequently, they only accepted to increase by a very limited portion the allocation of the capacity for payment to the reimbursement of arrears accumulated towards the holders of the bond (i.e. a symbolic amount of US$ 2.1 million representing 2.4% of accumulated arrears of US$ 87.5 million related to the December 31, 2010 coupon, June 30, 2011 and December 31, 2011 coupons)

Repartition of the residual capacity for payment agreed by Paris Club creditors for 2012		In %
Contractual Coupon Payments to the Holders of the 2032 Eurobond	87.5 M$	64.6%
Good Faith Payment to the Holders of the 2032 Eurobond	2.1 M$	1.4%
Reimbursement of part of Post COD Arrears due to Paris Club creditors	3.9 M$	2.9%
Maturities due to Paris Club Creditors under the new debt treatment	41.0 M$	30.4%
Payments to Non-Paris Club Bilateral Creditors	1.0 M$	0.7%
Total residual capacity for payment to bilateral and private external creditors derived from the IMF framework	135.0 M$	100%

The Paris Club Negotiations Focused on the Year 2012

The financial framework assessed by the IMF would be largely affected by completion point in 2012

- **The Paris Club agreement doesn't take into account the assumption that Cote d'Ivoire may reach completion point in 2012**
  - Paris Club creditors, as well as the IMF, don't take into account the potential impacts of future debt treatments in their financial assessments
  - If completion point is to be reached during 2012, the provisions of the November 15 Paris Club deal would be abandoned and replaced by a new comprehensive stock treatment agreement
- **According to preliminary data released by the IMF, reaching the HIPC completion point and implementing the subsequent Multilateral Debt Relief Initiative (MDRI) would significantly increase Cote d'Ivoire's capacity for payment after 2013**
  - The 2009 Decision point document stated that if completion point had been reached in 2011, Cote d'Ivoire would have obtained, on top of pre-committed HIPC debt relief, a US$ 2013.5 million multilateral debt relief in nominal terms:
    - — US$ 1692.6 million from IDA (World Bank Group)
    - — US$ 311.6 million from the ADF (African Development Bank Group)
    - — US$ 9.3 million from the IMF
  - The IFIs have not yet assessed the impact of the HIPC completion point and of MDRI on Cote d'Ivoire annual debt service obligations after 2013
    - — This will be made once completion point is actually in sight

IV. Normalization of Cote d'Ivoire's Relationships with Private Creditors

Cote d'Ivoire Believed It Would Have Been Able to Quickly Negotiate with Bondholders the Terms of the Reimbursement of the Arrears

In July 2011, the authorities expressed their willingness to make a proposal to the holders of the 2032 Eurobond before year end

- **In their July 8, 2011 *Communiqué* to the holders of the 2032 Eurobond, the Ivorian authorities stated that:**
  - They « undertake to resume contractual payment to bondholders, beginning in 2012 »
  - They « further intend to make a detailed proposal to bondholders by the end of the year, immediately following the adoption of a new 3 year IMF program under the ECF and the negotiation of a new interim agreement with the Paris Club regarding interest payments due in December 2010, June and December 2011 »
  - They also announced that « it is expected that the repayment of these three installments of interest will be made over a period of time beginning in the first half of 2012 and ending as soon as permitted by the capacity to pay of the Republic of Cote d'Ivoire as assessed by the IMF »
- **This schedule was confirmed in September 2011 in Washington during the last investors meeting**
- **This three-steps approach for the normalization of the relationships with external creditors was conformed to standard IFIs and Paris Club practices**
  - First, in priority, the normalization of the relations with multilateral creditors in order to resume assistance (May – June 2011)
  - Secondly, the negotiation of a Paris Club agreement immediately following the adoption of an ECF Program with the IMF(November 2011)
  - Finally, the negotiation of a reimbursement schedule for the arrears due to bondholders, based on the macroeconomic and financial framework established by the IMF

Cote d'Ivoire Believed It Would Have Been Able to Quickly Negotiate with Bondholders the Terms of the Reimbursement of the Arrears (cont'd)

- **Moreover, all the stakeholders discussed a significantly increased capacity for payment in 2012 and in the subsequent years thanks to the strong pick-up in growth observed in the second half of 2011**
  - The very small capacity for payment of Cote d'Ivoire identified in October by the IMF was dramatically inferior to the reasonable expectations that were earlier made, based on previous IMF programs
    - The deferred effect of the crisis on the 2012 tax revenues of the Government is anticipated to be much stronger than initial estimates
    - The level of the primary balance anticipated is largely inferior to the ones forecasted in previous IMF programs

Finally, the Ivorian Authorities Were Not in a Position to Make an Offer to Bondholders that Would Rely on a Realistic Financial Framework

The authorities were obliged to postpone their offer considering the very low remaining capacity for payment identified until 2014 under the assumption that completion point is not met and in absence of a financial framework established by the IMF that would take into account the impact of completion point

- **The necessary technical conditions were not met at end 2011 to allow the Ivorian authorities to make the announced offer to bondholders on the full reimbursement of the arrears**
  - The Paris Club agreement doesn't put Cote d'Ivoire in a position to go beyond a good faith payment to bondholders
  - As of today, the financial framework established by the IMF and the Paris Club does not allow the authorities to make a realistic offer to bondholders for the period beginning in 2013
    - The November 2011 financial framework doesn't take into consideration completion point in 2012. As a consequence, the capacity to pay remains extremely tight even in 2013 and 2014. By relying on this framework, Cote d'Ivoire would have been bound to propose a very long repayment schedule to bondholders that would have been hardly acceptable to them
    - The IFIs have not already prepared a financial framework that would make the assumption that completion point is met in 2012 and Cote d'Ivoire would not be allowed by the IMF to pre-commit external payments in 2013 and 2014 that would not rely on such a precisely assessed framework

Finally, the Ivorian Authorities Were Not in a Position to Make an Offer to Bondholders that Would Rely on a Realistic Financial Framework (cont'd)

- **The authorities had no other choice but to announce to private creditors, in their November 18 *communiqué*, their decision to postpone the offer**
  - Cote d'Ivoire will only be in a position to make a firm offer to bondholders based on a financial framework assessed by the IMF once completion point is in sight
    - Before that, the authorities don't want to take the risk of over-committing
  - Cote d'Ivoire wishes to reach completion point as soon as possible thanks to the strong support of all its external partners
    - The first review of the IMF Program will take place in April 2012 and the remaining completion point "triggers" are close to being met (notably the reform of the cocoa-coffee sector reform)
    - In principle, completion point could be reached at the end of H1 2012, though the IMF is betting on early H2 2012 in its November report

V. Conclusion

Cote d'Ivoire Solemnly Reaffirms its Willingness to Quickly Reimburse the Arrears Due to the Holders of the 2032 Eurobond

The offer to bondholders was postponed due to technical reasons

- **The November 18 *Communiqué* raised concerns among some creditors**
  - The Ivorian authorities are fully aware of the legitimate questions the postponement of the offer has raised among investors
  - It is legitimate for the private creditors to ask for all the available technical information that justifies the decision taken by the authorities
- **The Ivorian authorities want to fully reassure all the creditors of their determination to stick to their commitments towards external creditors**
  - The November 18 *Communiqué* simply reveals the authorities' technical inability to make an offer to bondholders that would rely on credible and realistic parameters
    - — The visibility the authorities can have on the future capacity for payment in the coming years heavily depends on the IFIs and the Paris Club working practices for the implementation of the HIPC Initiative
    - — The decision to postpone the offer to bondholders was largely dictated by parameters that are out of the authorities' scope of control
  - The decision to postpone the offer to bondholders is, by no means, a sign of a changing stance of Cote d'Ivoire towards its creditors
    - — The Republic has showed in 2011 its willingness to normalize as soon as possible its relationship with all its external creditors
    - — The Republic obtained from the Paris Club a flexible interpretation of the comparability of treatment principle in order to allow a full resumption of interest coupon payments in 2012 to private bondholders
    - — The Republic acts in good faith and puts its relationships with private creditors in a long term perspective: it is determined to preserve its ability to obtain in the future a sovereign rating at favorable terms and to access capital market in the best conditions
- **The authorities sincerely hope that this investor meeting is the occasion for them to firmly and definitively restore the confident relationship they want to preserve with the holders of the 2032 Eurobond**