

## AFRICA RISK CONSULTING

### Cote d'Ivoire Monthly Briefing March 2018

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#### Cote d'Ivoire Summary 29 March 2018

*The ruling **Rassemblement des Houphouëtistes pour la Démocratie et la Paix (RHDP)** coalition wins 75% of the 66 available seats in Côte d'Ivoire's first senatorial election. Opposition parties including the **Front Populaire Ivoirien (FPI)** boycott the vote, and independent candidates win the remaining 25% of seats. The economic infrastructure ministry announces the **Plan d'Investissements dans les Infrastructures (national infrastructure development plan)**, which will allocate \$6 billion over the next five years towards the transport sector. The government plans to raise \$1.04 billion by Eurobond later in 2018 to cover a \$2.8 billion budget shortfall. This follows the successful raising of \$2.7 billion in eight and 16-year Eurobonds in 2017.*

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#### Presidential coalition wins first senatorial elections in Cote d'Ivoire

Côte d'Ivoire held its first senatorial election on 24 March, with the ruling **Rassemblement des Houphouëtistes pour la Démocratie et la Paix (RHDP)** coalition winning 75% of the 66 available seats.<sup>1</sup> The victory is marred by an opposition boycott of the elections over the indirect voting system, and strong gains from independent candidates. The election of senators was to be conducted by indirect voting, with the electoral college consisting of members of parliament, mayors, municipal councilors, regional councilors and councilors of autonomous districts. Voting took place at 35 polling stations in all regions of Côte d'Ivoire, with 33 candidate lists presented by the RHDP against 25 for independent representatives. The elected members make up 66 of the 99 members with President **Alassane Dramane Ouattara** (2011-present) appointing the remaining 33 positions.<sup>2</sup>

The RHDP won 50 of the 66 elected seats and control of 25 constituencies. Independent candidates won the remaining 16 available seats and control of 8 constituencies.<sup>3</sup> Despite its victory, the RHDP lost in two significant constituencies, **Bouake** and **Yamoussoukro**.<sup>4</sup> The former is Côte d'Ivoire's second largest city and was the headquarters of the rebel forces that helped bring Ouattara to power. Local media suggests the RHDP lost there because of the government's failure to curb recurrent army mutinies that took place in 2017 (see *ARC Briefing Cote d'Ivoire January 2018, May 2017*).

Yamoussoukro is the administrative capital of Côte d'Ivoire and hometown of former president **Felix Houphouet Boigny** (1960-1993), whose legacy the RHDP seeks to protect. Commentators believe that voters did not like the decision by senior RHDP figures to impose their preferred candidates on the voting lists, and supported local independent candidates instead.<sup>5</sup> **Jeannot Ahouso Kouadio**, vice president of the **Parti Démocratique de Côte d'Ivoire (PDCI)**, one of the two main parties in the RHDP, and minister of state at the presidency for political dialogue, will reportedly be the senate president.<sup>6</sup>

Opposition parties boycotted the election, with 18 parties including main opposition party the **Front Populaire Ivoirien (FPI)** withdrawing their confidence in the vote on 19 March, the first day of

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<sup>1</sup> Jeune Afrique, 25 Mar 2018.

<sup>2</sup> Fratmat, 24 Mar 2018.

<sup>3</sup> Jeune Afrique, 26 Mar 2018.

<sup>4</sup> Jeune Afrique, 25 Mar 2018.

<sup>5</sup> APA Abidjan, 25 Mar 2018.

<sup>6</sup> Jeune Afrique, 24 Mar 2018.

campaigning.<sup>7</sup> They cited objections to the suitability of the **Commission Electorale Indépendante (CEI)** to organise the vote. The opposition maintained that CEI director **Youssouf Bakayoko**'s term in office had expired, as former FPI President **Laurent Gbabgo** (2000-2011) appointed him in 2010 for a six-year non-renewable term.<sup>8</sup> The opposition further claimed the CEI was not impartial and lacked independence, despite the presence of four opposition members, as it was a partisan electoral body.<sup>9</sup> The final objection was that the municipal and regional elections should precede senatorial elections.<sup>10</sup> A boycott of the 2013 municipal and regional elections meant the FPI had very few members of the senatorial electoral college.<sup>11</sup> The current mandate of councilors, mayors and regional presidents expires in April, and the opposition claimed that voters whose term of office is nearly over should not be able to participate.<sup>12</sup> The CEI went ahead with the election regardless. Justice minister **Sansan Kambile** described calls for reform of the CEI as “*unjustified*” on 12 March.<sup>13</sup>

There were also tensions within the RHDP in the run up to the vote.<sup>14</sup> The two main parties of the RHDP alliance are the **Rassemblement des Républicains (RDR)**, led by President Ouattara, and the PDCI, headed by former president **Henri Konan Bédié** (1993-1999). The ongoing project to merge the PDCI and the RDR, which the government announced in 2014, remains contentious. The RDR is pushing for a merger this year while the PDCI seeks to delay this until after 2020.<sup>15</sup> There were tensions over which party's representatives would serve as candidates in different constituencies.<sup>16</sup>

Establishing a senate was one of the key reforms stipulated in the 2016 Constitution, which Ivorians voted to introduce in a referendum in November 2016.<sup>17</sup> Initially, Ouattara had announced senatorial elections would not take place before 2020, but in December he announced elections would take place in 2018 (*see ARC Briefing Cote d'Ivoire December 2017*).<sup>18</sup> The presidency released the legal framework in February that stipulated the eligibility criteria and rules related to candidacy and the conduct of elections, and set the date for 24 March (*see ARC Briefing Cote d'Ivoire February 2018*).<sup>19</sup>

The most important development around the election was the 25% vote obtained by independent candidates.<sup>20</sup> Considering 90% of voters belonged to the RHDP, this is a disappointing result for the ruling coalition. However, with only a 63.92% participation rate, this outcome could be a manifestation of the disagreements within the RHDP.<sup>21</sup> Furthermore, the decision by RHDP members not to vote for their party's members may be a sign of individuals or factions trying to position themselves ahead of the 2020 presidential elections, which will see Ouattara step down from power at the end of his two-term limit. Of particular interest will be the manner in which the PDCI and RDR interact between now and the end of the elections. In the short term, the government will continue to control the legislative process, an extension of the status quo. What the vote is not is an assessment of public opinion in the RHDP government; the upcoming municipal and regional elections on 28 July will give a much better indication of this.

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<sup>7</sup> VoAAfrique, 19 Mar 2018

<sup>8</sup> Jeune Afrique, 15 Jan 2018.

<sup>9</sup> Jeune Afrique, 5 Mar 2018.

<sup>10</sup> Jeune Afrique, 25 Mar 2018.

<sup>11</sup> Jeune Afrique, 25 Mar 2018.

<sup>12</sup> Jeune Afrique, 19 Mar 2018.

<sup>13</sup> Jeune Afrique, 12 Mar 2018.

<sup>14</sup> Jeune Afrique, 6 Feb 2018.

<sup>15</sup> Jeune Afrique, 9 Mar 2018.

<sup>16</sup> Jeune Afrique, 25 Mar 2018.

<sup>17</sup> Jeune Afrique, 11 Oct 2016.

<sup>18</sup> Jeune Afrique, 21 Dec 2017.

<sup>19</sup> Jeune Afrique, 21 Feb 2018.

<sup>20</sup> Jeune Afrique, 26 Mar 2018.

<sup>21</sup> Jeune Afrique, 26 Mar 2018.

## Infrastructure development plan for transport announced

The economic infrastructure ministry announced the creation of a **Plan d'Investissements dans les Infrastructures** (infrastructure development plan) which will allocate 5.7 billion euros (€) (\$7 billion) over the next five years to components of the transport sector.<sup>22</sup> Projects that have been earmarked in this framework include the construction of the fourth **Abidjan Bridge**, dubbed “**Pont Yopougon-Adjame**”. This bridge will link the **Abidjan** suburb of **Yopougon** with the central business district of **Le Plateau**. The **African Development Bank (AfDB)** has already provided a loan of €236m (\$290m) to support the project.<sup>23</sup> The completion of the **Yamoussoukro-Ouagadougou (Burkina Faso)** highway has also been slated in the plan of action. This will entail tarring 330km of the 650 km that make up this road network. In the long term, there are plans to construct a 1,000 km highway that will link the Ivorian and Burkinabe capitals.<sup>24</sup>

The establishment of the infrastructure development plan demonstrates the Ivorian authorities are willing to implement large-scale economic development projects. In the past the Ivorian government has established Public-Private Partnerships (PPPs) to facilitate the completion and operation of large-scale projects. The third Abidjan Bridge (**Pont Henri Konan Bédié**) was completed in 2014,<sup>25</sup> while president Ouattara and his **French** counterpart, President **Emmanuel Macron** (2017-present) launched the construction of the **Abidjan Metro** on 30 November 2017.<sup>26</sup> A collective of French public works firms is carrying out the construction work on the Abidjan Metro, with the €1.4 billion (\$1.7 billion) cost financed entirely by the French government.<sup>27</sup> The Ivorian government has also established **Le Comité National de Pilotage des Partenariats Public-Privé** (steering committee for public private partnerships) under the presidency, which has overseen 70 projects under the PPP model.<sup>28</sup>

## Government to issue new Eurobond

The prime minister, **Amadou Gon Coulibaly**, confirmed on 27 February that the government would issue its fourth Eurobond in five years.<sup>29</sup> Coulibaly said Côte d'Ivoire would need an additional €2.48 billion (\$2.8 billion) to finance its budget, and the Eurobond issue is a mechanism to bridge this financial gap.<sup>30</sup> Côte d'Ivoire has enjoyed previous success in raising capital through Eurobond subscription. In 2014 and 2015, Ivorian authorities were able to raise \$750m and \$1 billion respectively, while in 2017 they were able to obtain \$1.25 billion in 16-year debt and \$777m in eight-year debt.<sup>31</sup>

Since its return to relative political stability in 2011, Côte d'Ivoire has been one of the best economic growth generators in **Africa**, and the **World Bank** projects it to have a 7% growth rate in 2018.<sup>32</sup> In addition, ratings agencies **Moody's** and **Fitch** assigned the economy Ba3 and B+ ratings in January 2018 and August 2017 respectively.<sup>33</sup> For the current operation, Ivorian authorities were hoping to raise €850m and hired a consortium of commercial banks (**United States (US)**-based **Citibank**, **Germany**-based **Deutsche Bank**, **France**-based **BNP Paribas** and **France**-based **Société Générale**) to

<sup>22</sup> RFI Afrique, 5 Mar 2018

<sup>23</sup> Cote d'Ivoire Economie, 12 Mar 2018.

<sup>24</sup> Cote d'Ivoire Economie, 8 Mar 2018.

<sup>25</sup> L'AGEFI, 4 Oct 2012.

<sup>26</sup> Jeune Afrique, 30 Nov 2017.

<sup>27</sup> Jeune Afrique, 30 Nov 2017.

<sup>28</sup> <http://www.cepici.gouv.ci/web/docs/catalogue-projets-ppp.pdf>

<sup>29</sup> Jeune Afrique, 28 Feb 2018

<sup>30</sup> Jeune Afrique, 28 Feb 2018

<sup>31</sup> Reuters, 14 Feb 2018.

<sup>32</sup> World Bank press release, 8 Feb 2018.

<sup>33</sup> Reuters, 7 Mar 2018.

manage this transaction.<sup>34</sup> The government solicited France-based **Rothschild & Cie** to act as the principal government consultant with assistance from Ivorian consulting firm **KSK**.<sup>35</sup>

Coulibaly led a delegation, starting on 7 March, to **Boston** (US), **Frankfurt** (Germany), **London** (**United Kingdom**) and **New York** (US) with the aim of obtaining €850m (\$1.04 billion) at a rate of 4% and maturity within 10 years.<sup>36</sup> Ivorian authorities were able to sell €1.7 billion (\$2.09 billion) worth of bonds within three weeks, which made it the biggest issuance in a common currency from an African government, and the second highest from an emerging market in 2018 (**Romania** sold €2 billion in February).<sup>37</sup> The Ivorian authorities were able to attract €5.17 billion (\$6.37 billion) in financial placements from investors but decided to retain €1.7 billion (\$2.09 billion), which was two times more than the initial target. An unnamed member of the Ivorian delegation said a determining factor in attracting the high level of interest in the Eurobond is the fixed exchange rate between the CFA Franc and the euro, which reduces currency volatility experienced in other African nations.<sup>38</sup>

The amortising deal was split into two equal instalments of €850m (\$1.04 billion).<sup>39</sup> The first instalment matures in 2030 at a rate of 5.25% while the second instalment will be due in 30 years (2048) at a rate of 6.625%.<sup>40</sup> The Ivorian authorities were able to obtain a rate of 6.625%, which was slightly less than their **Senegalese** counterparts, who obtained a 6.75% rate when they carried out their Eurobond issue earlier this month.<sup>41</sup>

Côte d'Ivoire is no stranger to utilising international debt markets, and appears to be following the steps of fellow African countries such as **Egypt**, **Ghana**, **Kenya**, **Nigeria** and Senegal, which are trying to borrow before policy tightening by the **United States Federal Reserve** increases borrowing costs.<sup>42</sup>

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<sup>34</sup> Reuters, 14 Feb 2018.

<sup>35</sup> Reuters, 14 Feb 2018.

<sup>36</sup> Jeune Afrique, 16 Mar 2018.

<sup>37</sup> Bloomberg, 15 Mar 2018.

<sup>38</sup> Jeune Afrique, 16 Mar 2018.

<sup>39</sup> Bloomberg, 15 Mar 2018.

<sup>40</sup> Bloomberg, 15 Mar 2018.

<sup>41</sup> Jeune Afrique, 7 Mar 2018.

<sup>42</sup> Jeune Afrique, 7 Mar 2018.

## Planner

2020 **(Côte d'Ivoire)** *Abidjan.net*. Scheduled presidential elections;

Oct 2018 **(Côte d'Ivoire)** *Abidjan.net*. The **Conseil Café-Cacao** (coffee and cocoa board) makes its pre-season cocoa farmgate price policy announcement;

July 2018 **(Côte d'Ivoire)** *Jeune Afrique*. Scheduled municipal and regional elections

May 2018 **(Côte d'Ivoire)** *Abidjan.net*. The **Conseil Café-Cacao** (coffee and cocoa board) makes its mid-season cocoa farmgate price policy announcement;

22 Apr 2018 **(Côte d'Ivoire)** *Abidjan.net*. The **World Cocoa Conference** begins in **Berlin (Germany)**;

Apr 2018 **Abidjan (Côte d'Ivoire)** *Jeune Afrique*. The ruling coalition member party, the **Parti Démocratique de Côte d'Ivoire**, holds its party congress;

## Chronology

24 Mar 2018 **Abidjan (Côte d'Ivoire)** *Jeune Afrique*. Ruling **Rassemblement des Houphouëtistes pour la Démocratie et la Paix (RHDP)** coalition wins 75% seats in country's first senate elections;

19 Mar 2018 **Abidjan (Côte d'Ivoire)** *Jeune Afrique*. Opposition **Front Populaire Ivoirien (FPI)** and 17 other parties withdraw from upcoming Senate elections;

16 Mar 2018 **(Cote d'Ivoire)** *Reuters*. **United Kingdom**-based **Standard Chartered** bank launches online-only bank in Cote d'Ivoire;

7 Mar 2018 **Boston (United States)** *Reuters*. Prime minister **Amadou Gon Coulibaly** starts a Eurobond road trip which will travel to **Frankfurt (Germany)**, **London (United Kingdom)** and **New York (US)**;

5 Mar 2018 **Abidjan (Côte d'Ivoire)** *RFI*. Government announces new plan to invest \$7 billion over five years in transport sector;

28 Feb 2018 **Abidjan (Côte d'Ivoire)** *Jeune Afrique*. **Switzerland**-based **Trafigura** subsidiary **Puma Energy** takes over 37 gas stations from state petroleum operation **Petroci**.

27 Feb 2018 **Abidjan (Côte d'Ivoire)** *RFI*. Prime minister **Amadou Gon Coulibaly** confirms the government will issue its fourth Eurobond in five years to cover a \$2.8 billion budget shortfall;