The Economic Renaissance of Côte d'Ivoire, West Africa

The revolution in the economy of Côte d'Ivoire

Rafael Araujo, from Abidjan September 11th, 2013
brazilafrica.com

"For the second year, growth reaches 9% and the country recovers with the improvement in the economic environment and new investments in oil production, infrastructure and agriculture.

With a high forecast of 9% this year, the economy of Côte d'Ivoire is among the fastest growing in Africa. This growth projection ranks it in fourth place among its African peers, behind Libya, Sierra Leone and Chad, according to a survey conducted by the Organization for Economic Cooperation and Development (OECD). Côte d'Ivoire leads the West African economic bloc, ahead of neighboring Ghana that should advance 8.4% this year. The significant growth, comes, however, from a small base. The nominal value of $24.6 billion GDP (Gross Domestic Product) puts Côte d'Ivoire in 101 in the world ranking.

In 2012, the Ivorian GDP has already shown a performance above expectations, with 9.8 % high in the previous year, marked by a serious political crisis in which the economy shrank 4.6%.
The resumption of mining contributed to the acceleration of economic activity
Photo: Kambou Sia / AFP (Click on Image to Enlarge)

It is clear that the end of the civil war and the return to normality had a mechanical effect on the chart, but other factors have contributed to accelerate the economic activity in a sustainable way: the **resumption of mining (gold, oil and gas)**, the investment in infrastructure and the improvement of the business environment.

In June this year, the government signed four new sharing contracts for exploration of oil and gas along the coastline. Only one of the blocs has an estimated investment of $120 million. Although oil production has decreased, the **extraction of mineral gas is expanding**, rose 9% in 2012 and, by June of this year, surpassed last year’s production *on the same period by 30%*. This increase is partly due to investments in the sector, but mainly to the increasing demand for electric power generation. The energy generated in power plants is around 60% of total national consumption and the surplus is exported to neighboring countries.

The investment increase also helped boost the economy. The investment rate increased from 2.8% of GDP in 2011 to 4.9% in 2012, and can close the year at 7.8% of the total wealth produced in the country. Even highly indebted, is the state investment that has led the growth of Côte d'Ivoire after the political crisis, benefited by the plan of expanded access to credit from the International Monetary Fund (IMF) and the debt relief mechanism for poor countries.

The minister of economy Nialé Kaba believes that, with the program of debt reduction, investments may reach **23.5% of GDP in 2015**, close to the level of the first 20 years of Côte d'Ivoire as an independent nation. At that time, known as ‘Ivorian miracle’, the average rate of GDP growth was 8%.
Most of these investments go to construction of urban infrastructure. The construction industry recorded an increase in the activity of 52% last year in the wake of the recovery process and public buildings vandalized during the conflict, as was the case at the University Félix Houphouet – Boigny, which took the name of the first Côte d'Ivoire president. The cost of the university rehabilitation was estimated at $220 million.

In the service sector, the effects of the economic recovery are already being noted. The occupancy rate of the hotel came to 57% last year and generated revenues of $110 million. The transit of passengers on commercial flights increased by 46% in the same period and urban transport and road also recovered, a phenomenon observed in the increase in fuel consumption of 55.4% in the year.

More jobs
Mason Mamadou Doumbia receives equivalent of $70 per week

Since 2010 a temporary worker, the confectioner Laurent Kouakou-Diby, 35, has just been hired by one of the four star hotels in the Plateau – the central district of Abidjan, where businessmen and international missions usually stay. Kouakou-Diby is one of 35 thousand hiring made by the private sector since the end of the crisis, in April 2012. Including the public sector, the National Fund for Social Security reported 49 thousand new jobs in this period and now has 742 thousand subscribers. This number of formal jobs seems negligible compared to the total population, estimated at 20 million people. It turns out that most of the occupation and income comes from informal work, unregistered, including in the government's great infrastructure projects construction work.

The mason Mamadou Doumbia, 28, receives 36 thousand CFA francs ($70) per week to work in the construction of the third bridge overpass intersection. With an estimated cost of $300 million, the bridge is an alternative to the choked traffic to central Abidjan, who grew up around a pond. Satisfied with your new job possibilities, Doumbia and his colleagues face the delay in wages. The subcontractor of the Iranian construction company responsible for the construction is not paying the workers in the right time.

Strength of the agricultural sector

Despite the good results, economic analysts have shown skepticism about the direct impact of investments in construction work in people's lives. In the economist Souleymane Quattara view; the agricultural sector has greater ability to translate the increase in wealth in real improvement in people's everyday lives. In a recent reform of the coffee and cocoa sector, the government reinstated a presale program that guarantees a minimum sale price for the farmer. In the 2012-2013 harvest, reserve price stabilization secured $160 million more in income to the farmer.
With harvest quarterly Côte d’Ivoire is the largest cocoa producer in the world.

Ousseni Sawadogo, 32, grows coffee, cocoa, rice, and yams with the help of three brothers on five acres of land 35 km from Daloa in the center – west of the country. The house is masonry, but has no electricity, refrigerator, or stove. The light comes from a fire lamp, television transmits the channel state in a connected car battery and the meat is cooked preserved in water and salt in a wood burning stove. In Côte d’Ivoire, the cocoa harvest is quarterly, with a great one in December. Summing up the production of the year, Sawadogo estimates a 500 thousand CFA francs ($1000) earning from the cocoa sale. The income is to buy fish, cooking oil and salt. Everything else needed to ensure the sustenance of the nine adults living in the property, besides children, is the land provides. At the time of Ramadan, the neighbors gather to buy an ox and split the meat.
Christine Lagarde believes in new Ivorian miracle

Photo: Issouf Sanogo / AFP

Even though quite urbanized, half Côte d'Ivoire population is established in the countryside. The country remains the largest producer of cocoa in the world, but also produces coffee, vegetable oil (palm), cashew nuts, rubber, cotton, sugar cane and banana. Almost all cultures have increased production since the end of the crisis, driven by exports, but mainly by demand from the food industry represents around 5% of GDP and gathers multinationals such as Nestle, ADM and Cargill.

The excitement surrounding the growth infected even the director of the IMF, Christine Lagarde, who announced the arrival of a second ivoirien miracle, referring to the 70's and 80's great prosperity in the country's cocoa. The risk is that this 'miracle' is being linked exclusively to the exploitation of natural resources and foreign debt, leaving most of the population out of the calculation of GDP, warn the experts." Rafael Araujo, from Abidjan September 11th, 2013 brazilafrica.com
Côte d'Ivoire: Glencore-Xstrata

Monday, August 5, 2013 5:38 p.m. By Baudelaire Mieu in Abidjan

“Swiss mining company Xstrata and Glencore Ivorian government will join forces to create a joint venture in charge of exploration and exploitation of nickel deposits and Sipilou Biankouma in the west.

The exploitation of nickel deposits and Sipilou Biankouma in western Côte d'Ivoire, will finally begin. “In the cabinet of the day, the state and Xstrata Nickel, a subsidiary of mining giant Glencore Xstrata, agreed to create a joint venture in which the state has a 10% shareholding, the national society Sodemi 5% Xstrata and Glencore 85%, “said Bruno Kone, the spokesman for the government at the end of the traditional weekly meeting of the Council of Ministers. In a first phase, investments are estimated at 35 million.

Long legal battle
The agreement ends a long legal battle between the two partners. Canadian Falconbridge bought by Xstrata in 2006, continued the Government of Côte d'Ivoire since 2010 to the unilateral withdrawal of its license and exploration of nickel in the region Sipilou of Founouesso and Samapleu in the west of the country. The Anglo-Swiss company had reached March 30, 2012 to condemn the Ivorian government to pay as damages, about 200 million euros before the tribunal of Paris. According to the spokesman of the government, this agreement ends the dispute definitively.

The reserves in the deposits of nickel laterite Sipilou and Biankouma are estimated at 259 million tonnes grading 1.4% nickel.”

Monday, August 5, 2013 5:38 p.m. By Baudelaire Mieu in Abidjan
Johnston-Sequoia Commentary:

As many of our readers know - I've been following the development of Côte d'Ivoire, West Africa since March of 2010.
Last week I had the privilege to visit this evolving economy that has been "reset" since the dark days of 2008-2009.

It's truly remarkable to see the developments and "incubator economies" of the villages directly tied to the growth of the Côte d'Ivoire.

mineral exploration & energy expansion of
The First & Perhaps a Second Ivoirian Miracle:

The Ivorian Miracle was the name given to a period of economic prosperity occurred in Côte d'Ivoire in the years 1960 - 1970. The country benefited from several concurrent factors:

- The rising price of commodities, including coffee and cocoa whose country was the world's largest producer.
- The fact that France needed a showcase of its Africa policy.
- The lack of stability of surrounding countries (slump in Guinea of Sekou Toure, instability in Ghana, etc.) which referred to the Ivory Coast economic activity.
- Strong growth overall in industrialized countries.
- The dismantling of the French West Africa.
"...This brings me to my third topic this morning—how Côte d'Ivoire can fulfill its destiny. The government already has an ambitious plan to turn Côte d'Ivoire into a full-fledged emerging market by 2020. This is not just wishful thinking—it is based on concrete policies laid out in the National Development Plan and generous financial support promised by Côte d'Ivoire's partners and friends at the Consultative Group meeting in Paris in December 2012. Your goal is to generate enough growth to double national income by 2020. In reality, you are seeking a second Ivoirien miracle. It can be done—of that I have no doubt... ...First, investment. This is the first building block of growth and prosperity. It is fitting that capital investment and upgrading infrastructure feature heavily in the National Development Plan... ...This country has already seen the rise and fall of its first Ivoirien miracle. Now is the time to lift the pickaxes and trowels and rebuild your nation once again, to create that second Ivoirien miracle, to do again what your forefathers have done before—with patience and perseverance, with courage and confidence, with faith and fortitude. Let me assure you that the IMF will continue to stand with you along the way..." --- Christine Lagarde: Toward a Second Ivoirien Miracle

Managing Director, International Monetary Fund
National Assembly, Abidjan, 2013

As the world's largest cocoa producer and simultaneously in the midst of a mining, energy and infrastructure renaissance - Côte d'Ivoire is on pace to be one of the fastest growing economies in the world and perhaps be considered an "emerging market" as early as 2020 according to the Managing Director of the IMF. The trajectory and velocity of the rise will of course be heavily dependent commodity prices (in particular agricultural commodities) and overall global growth.

Chart
It's anticipated that strong growth will occur in cities like Yamoussukro (the capital of Côte d'Ivoire since 1983), Bouake' and the port city of San Pedro not just the financial capital of Abidjan.
Photo taken in between the Presidential Hotel, the future two lane divided highway and Basilique Notre-Dame de la Paix - the site of Sama Resources future Ivorian Headquarters in Yamoussoukro, Côte d'Ivoire.

Matt Johnston - Corporate Advisor, Koffi Michel Marc Kouadio - Exploration Geologist, Dr. Marc-Antoine Audet - President & CEO, Bakayoko Bouake - Exploration Manager, Bryan McKenzie - CFO)
Integration to the Local Community:

It is the opinion of this author that Sama Resources (TSX.V:SME | US: LNZCF) has done more for the local people of Yorodougou than any other nano-cap company operating in Africa today. Even at pre-production/advanced exploration Sama is one of the largest employers in the Western most portion of Côte d'Ivoire. Sama employs no expatriates and has integrated Falconbridge/Xstrata's exploration and development team dating back to the mid 1990's. This effort has been led (as many of our readers know) by Sama's President & CEO Dr. Marc-Antoine Audet who spent 22 years with the mining giants (a large portion of which was spent developing the now Glencore project summarized above as head of exploration). Needless to say this area in Côte d'Ivoire is very dear to Dr. Audet's heart and anyone who visits the project easily can understand why.

The work ethic, drive, ingenuity and warmth of the Ivorian's of the Western most portion of Côte d'Ivoire is obvious and apparent to anyone fortunate enough to visit. What Dr. Audet's team has been able to build in just 3 years is truly remarkable.
Even at the current pre-production stage of development the village of Yorodougou in Côte d'Ivoire has benefited greatly from Sama's presence in the area. Building schools, clean water pumps, infrastructure and a waste management program. It's fascinating to witness the incubator economy that is being developed in this remote village.
As a visitor you begin to sense a community and society that's becoming the beneficiary of the
resurgence in exploration and development activity taking place in this area.

Potential World-class Discovery in Côte d'Ivoire, West Africa:
Samapleu nickel-copper-palladium Project - Côte d'Ivoire, West Africa

Project Highlights:

- Potential for multiple world class nickel-copper-palladium deposits
- Near-surface massive sulphide mineralization
- Low-cost core drilling using company's 100% owned Coretech CSD 1300G drill rigs

Samapleu drilling intersections have returned assays up to:

- 3.71% nickel, 2.84% copper and 2.47 gpt palladium over 6.65 metres (massive sulphide)
- 3.65% nickel, 2.60% copper and 2.89 gpt palladium over 7.70 metres (massive sulphide)
- 1.95% nickel, 1.95% copper and 1.50 gpt palladium over 17.60 metres (massive sulphide)
Current NI 43-101 Resource:

- **Indicated:** 14,159,000 tonnes grading 0.24% nickel (74,500,000 lbs), 0.20% copper (61,200,000 lbs), 0.29 gpt palladium (128,316 ounces)
- **Inferred:** 26,480,000 tonnes grading 0.24% nickel (134,000,000 lbs), 0.18% copper (107,200,000 lbs), and 0.31 gpt palladium (256,525 ounces)

![Sama Resources Compound in the village of Yorodougou Côte d'Ivoire, West Africa](image)

Dr. Audet's team has built (from scratch) a development operation that could easily be confused with that of a major (though it currently sits with a market cap of just $21,000,000). Using the companies 100% owned Coretech CSD 1300G drill rigs (both of which can touch depths of up to 750 metres) Sama with it's current no debt treasury can do a tremendous amount of discovery and development drilling at an estimated $30 per metre ($9.15 per foot).
Thanks to the work of Dr. Audet and his team from my perspective Sama now has everything it needs to establish itself as an elite nano-cap development company. As the company is about to commence drilling at the newly discovered Yepleu Prospect (please see video below), Sama’s future could prove to be very bright indeed.

Sama has utilized innovative exploration techniques including 3D Mag, Radiometric, HTEM and InfiniTEM survey’s to identify potential ultramafic targets and will begin to test these new targets this fall.
We've put together a short (3:45 sec) HD video to highlight the potential of the new Yepleu Prospect - hope you enjoy!

Finally, Sama's largest institutional shareholders are impressive as well - MMG Limited at 17.74% and IFC (World Bank Group) at 12.09%. It's worth noting this is the first time the IFC has ever invested in Côte d'Ivoire is in this little $21,000,000 market cap company.
We will watch the economic renaissance of Côte d’Ivoire, West Africa with keen interest and have front row seats for perhaps the “Second Ivoiren Miracle”. I am a paid advisor of Sama Resources Inc. and own shares in the company. Johnston-Sequoia owns shares in Sama Resources as well.
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