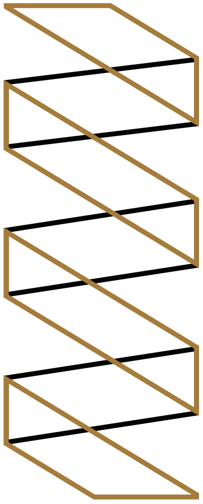
Risk publications



Risk Awards 2025 WINNER

Sovereign risk manager of the year

Côte d'Ivoire Direction Générale des Financements

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As bond issuances go, Côte d'Ivoire's $2.6 billion deal last January was quite a statement.

The bond was the largest ever by a sub-Saharan African sovereign. It was Côte d'Ivoire's first US dollar issuance since 2017, and was coupled with a cross-currency swap to reduce foreign currency risk against the West African franc, which is pegged to the euro. It was also the first bond issued by Côte d'Ivoire to have an environmental, social and governance (ESG) component.

The bumper deal can be traced back to the country's new loan programme with the International Monetary Fund in May 2023. Under the terms of the programme, Côte d'Ivoire agreed to examine steps that would improve the government's debt sustainability metrics.

From this, two main priorities emerged for the Direction Générale des Financements, an agency overseen by the country's finance ministry. The first was a liability management exercise to replace and refinance existing debt, including around €1.2 billion ($1.3 billion) in short-term commercial loans. These had predominantly floating rates, and had therefore become more expensive as interest rates rose. The second was investor appetite for bond issuance in dollars rather than euros.

After a lengthy absence from the public market – the country hadn't issued any foreign currency bonds since 2021 – the DGF undertook a series of meetings with banks to sound out demand for new debt. This included a non-deal roadshow in November last year, where agency staff held talks with prospective investors in London, Boston and New York.

"We wanted to reconnect just to make sure that they had appetite to support new issuance, and we also wanted to better understand the ideal structure that the market will welcome," says Lanciné Diaby, DGF director-general.

Like many emerging market sovereigns, Côte d'Ivoire was forced to postpone public issuance of foreign currency bonds after interest rates in the US and Europe started to rise in 2022. Indeed, in sub-Saharan Africa, there was no public foreign currency issuance after April 2022, and for the whole of 2023.

Against this backdrop, the size of this year's $2.6 billion dual-tranche deal was a surprise even for some within the DGF, Diaby says.

"I believe in the past we never crossed the $1.8 billion mark in terms of the size of previous Eurobonds, so there was some scepticism internally on the target," he says.

In the event, the DGF's optimism proved justified, with the issue being 300% oversubscribed, as a significant number of new names joined the sovereign's existing investor base.

In addition to budgetary financing, the deal allowed Côte d'Ivoire to replace bilateral loans that had average rates of almost 9% with two new bonds that had a blended coupon of 6.6%. Moreover, the sovereign also launched a tender for outstanding bonds maturing in 2025 and 2032, accepting around 88% of offers for the outstanding shorter-dated paper and 60% of the longer-dated bond, totalling just over €500 million.

"That was the first time when we also included buying back private debt in a liability management exercise; before, it was primarily buying bonds," says Diaby. "The innovation was really to combine it with buying back debt in the private portfolio – that's why it was a large transaction… and it really improved our debt sustainability analysis."

The two newly issued bonds carry maturities of 13 years and nine years, extending the government's maturity profile. Instead of a bullet repayment at the end, the principal is repaid over two years. Diaby says the knowledge among investors that much of the proceeds would be used to refinance existing debt rather than increasing the overall level of hard currency debt was an important part of the deal's success. All of this was designed with one eye firmly fixed on the IMF loan programme.

"We paid a lot of attention in terms of the maturities that we picked, because everything that we do when we raise a new instrument has to fit with the debt sustainability analysis," says Diaby. "We analysed which are the years where we had more headroom to absorb repayments."

Trailblazer

To reduce the foreign exchange risk posed by issuing in dollars in a country where the national currency is pegged to the euro, Côte d'Ivoire also executed sub-Saharan Africa's first ever simultaneous cross-currency swap on the entire amount of the Eurobonds. The swap counterparties included leading US and European investment banks, Diaby says.

The resulting all-in cost of 6.6% was around 150 basis points lower than the standalone dollar coupon rate would have been. This was also the largest euro-dollar swap ever executed in sub-Saharan Africa.

Diaby says the DGF was able to draw on its track record of smaller cross-currency swaps that have enabled it to ensure foreign exchange liabilities do not exceed around 10% of the total, which helps protect the West African franc's peg to the euro. The Eurobond managers were the priority counterparties for the swap deal, and this familiarity with the sovereign's risk profile meant there was no requirement for Côte d'Ivoire to post collateral.

"Even though we gave priority to the banks in the [Eurobond] consortium, we also invited some other banks, and we basically had more interest from them than we were able to serve," says Diaby.

He adds that there is further appetite among swap counterparties, with the DGF receiving reverse enquiries to swap some of the residual dollar risk in the sovereign liability portfolio into euros.

In the months that followed the deal, the improved debt sustainability analysis drove credit ratings upgrades from Moody's and S&P, to Ba2 and

BB respectively. For Diaby, an even more important move came in April 2024 when the World Bank granted Côte d'Ivoire access to long-term guarantee products from the Multilateral Investment Guarantee Agency for the first time.

"Obviously, it has generated more appetite from investors, including the ability to use this new product from the World Bank, the long-term guarantee for private debt offerings," says Diaby.

The bond has led to further issuances from other sub-Saharan sovereigns. Benin launched a debut Eurobond in February, followed by new issues from Kenya in the same month, Senegal in June and Cameroon in July, all with a combined value of $3.55 billion. Like Côte d'Ivoire, Benin and Senegal are members of the West African franc zone, with a common central bank and pooled foreign currency reserves, so their deals have a wider regional significance.

"For a number of years during Covid and then with the Ukrainian situation, our FX reserves were coming down, partly because we did not have access to international capital markets to raise hard currency," says Diaby. "The fact that we were able to issue and that Benin and Senegal followed is very good news for our external position, because it helped us shore up our level of reserves."

Lanciné Diaby, DGF director-general

ESG efforts

The nine-year tranche of $1.1 billion was also the country's first Eurobond to comply explicitly with environmental, social and governance (ESG) principles, drawing in a number of new investors who explicitly wanted those characteristics, especially in Europe.

"During the non-deal road show, we figured out there was some appetite for an ESG-type instrument," says Diaby. "We had also made a foray into the private debt market using our ESG framework, which was first adopted in 2021 and updated in 2023…so we wanted to build on the success we had on the international private debt market and replicate that in the bond market."

The funds raised from the ESG bond were not allocated to specific projects at the time of issuance. Instead, the country's ESG framework covers both green and social bonds, and the government has committed to using the funds raised from the tranche to invest in sectors that meet the relevant criteria. The key performance indicators (KPIs) for the resulting projects will be tracked and reported to investors to check against the objectives of the ESG tranche, with help from the United Nations Development Programme and the Global Center on Adaptation.

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>
> Lanciné Diaby, DGF

"We are trying to move to the next phase, which will be to update that framework to include sustainable-linked bonds," says Diaby. "That means we will not have to tie the resources to specific projects, but to overall objectives in terms of sustainability KPIs."

The DGF began receiving technical assistance from the World Bank to upgrade the ESG framework two months ago, Diaby says. Once the upgrades are complete, the country will be able to issue debt in the desired sustainability-linked format.

"The timing for us is dictated by this instrument, so if we would like to raise it – let's say – before the end of the first quarter next year, that means the update of the framework will have to have happened clearly before the end of this year," Diaby says.

Reaching out

Since it was spun out of the finance ministry in 2021, the DGF has established an investor relations team and strategy, to help build contact with the market. The team held its first global investor call in mid-2024, and is planning to make that a biannual fixture. Consequently, the communication has improved in both directions – better provision of data and KPIs to investors, and a clearer view of market sentiment and financing opportunities at the DGF.

At present, in addition to developing its capacity to issue ESG-compliant instruments, the DGF is examining other ways to diversify the sovereign's investor base. As China liberalises its capital markets to allow foreign issuers onshore, Côte d'Ivoire might seek to tap the panda bond market.

"We are also exploring samurai bonds, because a number of Japanese banks are now investors in our private debt, so we sense there is some appetite as well in their capital markets for Côte d'Ivoire paper," says Diaby.

These initiatives are just beginning, and Diaby does not necessarily expect them to bear fruit in the next year. Rather, the plan is for the DGF to get to know those markets better, and for investors in those markets to become more familiar with Côte d'Ivoire. ■