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REPUBLIC OF CÔTE D'IVOIRE

Union – Discipline – Work
Ministry of Economy and Finance
National Public Debt Committee (CNDP)

MEDIUM-TERM DEBT MANAGEMENT STRATEGY

2023 – 2026

October 2023

I. INTRODUCTION

1. The Medium-Term Debt Management Strategy (MTDS), adopted, annexed to the Finance Law at the beginning of the year and implemented by the Government, defines the State's orientations for the medium-term financing of public policies set out in the National Development Plan (NDP). It is updated each year. The MTDS takes into account changes in the macroeconomic and budgetary frameworks, which reflect the NDP, through the implementation of priority actions defined by the Government each year.
2. This MTDS is the strategy for the period 2023–2026. It was developed in the context described below.
3. The macroeconomic framework remains dynamic and favourable, characterised by sustained real GDP growth maintained at its projected average of 7.1% over the period 2023–2026. At end-2023, economic growth is expected at 7.2%, up from 6.7% in 2022.
4. The budget deficit would stand at 5.2% of GDP in 2023 and should improve to reach 3.0% of GDP from 2025 onwards, in line with the WAEMU convergence criteria.

II. STATUS OF IMPLEMENTATION OF THE 2022 FINANCING PLAN

5. The MTDS 2022–2026 recommended recourse to financing in an average ratio of 45%–55% of external and domestic resources.
6. The 2022 annual financing plan proposed mobilisation at approximately 49%–51% of external and domestic resources. The end-2022 assessment of this plan indicates total disbursements of CFAF 5,273.2 billion against a forecast of CFAF 4,765.3 billion, an increase of CFAF 508.1 billion (+10.7%), linked to the occurrence of the Russia-Ukraine crisis.
7. Notwithstanding this situation, the financing structure remained at 49%–51% of external and domestic resources, not deviating from the initial proportions of the end-2022 financing plan.

Table 1 — Status of implementation of the 2022 Financing Plan (CFAF billions)

Item	Planned	%	Actual	%	Variance
Total disbursements	4,765.3		5,273.3		+508.1
External disbursements	2,334.2	49%	2,598.0	49%	+263.8
Project loans	1,466.0	31%	1,433.0	27%	-33.0

Programme loans	466.7	10%	542.3	10%	+75.6
World Bank	–	0%	264.2	5%	+264.2
AfDB	132.2	3%	137.7	3%	+5.5
AFD	107.6	2%	110.9	2%	+3.3
Germany	–	0%	29.5	1%	+29.5
Other potential financing	226.9	5%	–	1%	-197.4
Other FX financing	401.4	8%	622.7	12%	+221.3
Domestic disbursements	2,431.1	51%	2,675.3	51%	+244.2

Source: CNDP

III. OBJECTIVES AND SCOPE OF THE MTDS 2023–2026

8. The objectives of the MTDS 2023–2026 are as follows:
 - To meet the State's financing needs and payment obligations at the lowest possible cost;
 - To ensure that risks associated with the public debt portfolio remain within acceptable limits;
 - To maintain debt sustainability indicators below defined thresholds;
 - To contribute to the development of the domestic market.
9. The coverage scope of the MTDS is limited to the debt of the Central Government.

IV. COMPOSITION OF THE DEBT PORTFOLIO AT END-2022

10. The outstanding debt of the Central Government is estimated at CFAF 24,774.4 billion (56.7% of GDP) at end-2022, compared with CFAF 20,269.8 billion (51.7% of GDP) at end-2021. It comprises CFAF 14,837.5 billion (59.9%) of external debt and CFAF 9,936.9 billion (40.1%) of domestic debt. Total public and publicly guaranteed debt is estimated at CFAF 25,350.1 billion (58.0% of GDP) at end-2022, composed of CFAF 15,302.2 billion (60.4%) of external debt and CFAF 10,047.9 billion (39.6%) of domestic debt.

Within external debt, the breakdown is: Eurobonds 35.7%, Multilateral 28.4%, Bilateral 17.0%, Commercial 18.8%. Within domestic debt: Bonds 80.7%, BCEAO 8.8%, Treasury bills 2.4%, BOAD 2.2%, BIDC 0.1%, Sukuk 0.3%, Other 5.5%.

13. The currency composition of total public debt remains dominated by CFA franc-denominated debt at 45.2%, down from 46.9% in 2021. The share of foreign-currency debt stands at 54.8%, dominated by the Euro (38.5%) followed by the US Dollar (12.8%). This configuration reflects the Government's commitment to containing the public debt portfolio's exposure to exchange-rate risk.

V. COSTS AND RISKS OF THE DEBT PORTFOLIO AT END-2022

14. The weighted average interest rate of the portfolio is 4.2%, with an average rate of 5.1% for domestic debt and 3.6% for external debt.
15. In the short term, the concentration of domestic debt maturities makes the public debt portfolio vulnerable. Approximately 46.1% of the outstanding domestic debt stock is due for refinancing over the next three years. In the medium term, repayment of Treasury bond maturities could also generate refinancing pressures.
16. Debt exposed to exchange-rate fluctuations represents 16.3% of the total debt portfolio, of which 12.8% is denominated in US dollars. Although US dollar instruments represent less than 20% of the total outstanding debt, fluctuations in the EUR/USD rate remain a vulnerability factor.

Table 2 — Costs and risks of the existing debt portfolio estimated at end-2022

Indicator	External debt	Domestic debt	Total debt
Amount (CFAF billions)	14,837.5	9,936.9	24,774.4
Amount (USD millions)	23,951.5	16,040.7	39,992.2
Nominal debt (% of GDP)	34.0%	22.7%	56.7%
Net present value (% of GDP)	30.4%	22.7%	53.1%
Interest payments (% of GDP)	1.2%	1.2%	2.4%
Average weighted interest rate	3.6%	5.1%	4.2%
Average portfolio maturity (years)	8.1	5.0	6.9
Debt maturing within 1 year (% of total)	5.1%	15.6%	9.3%
Debt maturing within 1 year (% of GDP)	1.8%	3.5%	5.3%
Avg time to interest rate refixing (years)	7.4	5.0	6.4
Debt to be refixed within 1 year (% of total)	20.8%	15.6%	18.9%
Fixed-rate debt (% of total)	82.2%	100.0%	89.2%
Treasury bills (% of total)	0.0%	2.4%	1.0%
FX-denominated debt (% of total)			59.9%
Debt exposed to FX fluctuations (% of total)			16.6%
FX debt service (% of reserves)			14.5%

Source: CNDP | Note: Debt classification is based on the currency criterion for the MTDS exercise. Although the IMF is classified as external debt, repayments are made in CFA francs.

VI. MACROECONOMIC ASSUMPTIONS FOR THE PERIOD 2023–2026

17. Over the period 2023–2026, a consolidation of economic performance is expected in connection with the implementation of the NDP 2021–2025 and the continuation of major public and private investment projects initiated after 2020. Real GDP is projected to grow at an average of 7.1% over the period 2023–2026.
18. Inflation would be contained at an average of 2.6% per year, below the community norm of 3%, thanks to increased supply of food products, stable petroleum product prices, better market supply of other consumer goods, and policies to combat the cost of living.

Table 3 — Macroeconomic aggregates for the period 2023–2026 (CFAF millions unless otherwise stated)

Indicator (CFAF millions)	2023	2024	2025	2026
Public revenues (incl. grants)	7,849,569	8,537,706	9,664,649	10,839,514
Primary expenditure	9,197,471	9,424,258	10,093,972	11,504,726

Total expenditure	10,363,647	10,685,541	11,388,286	12,726,197
Reserves (USD million)	11,204.1	11,202.8	11,200.6	11,198.9
Nominal GDP (CFAF billions)	47,913.3	52,439.7	57,515.1	63,022.9

Source: CNDP

19. Regarding external trade, projections for 2023–2026 assume a continuation of current trends, in a context of satisfactory implementation of the NDP 2021–2025. In particular, imports would increase in line with equipment and intermediate goods requirements generated by the investment programme. The services balance would experience a deterioration in the structural deficit linked notably to freight payments on merchandise imports. Accordingly, the current account deficit would average 5.2% of GDP over the period. The capital account would be in surplus throughout the period and the financial account would show a net inflow of capital.
20. Regarding the monetary and financial sectors, the country's net external assets stock is expected to deteriorate from 2023 to 2026, in line with negative overall balance of payments positions. Claims on the economy would increase, in line with the financing needs of the economy, supported notably by the effective operation of the SME guarantee company.
21. Tax revenues should record an average increase of 13.6% over the period 2023–2026, consistent with the Government's vision focused primarily on the continuous improvement of revenue mobilisation. Tax revenues as a percentage of GDP are projected at an average of 14.5% per year over the same period.
22. Total expenditure as a percentage of GDP is projected at an average of 20.5% per year over the period 2023–2026, reflecting the growing needs of the population.
23. The budget deficit should stand at 5.2% in 2023, due to the Russia-Ukraine crisis, and should reach 3.0% in 2025 in line with community norms. In 2024, the budget deficit would stand at 4.1%.

VII. FINANCING SOURCES AND MARKET CONDITIONS

13. New external financing over the period should be mobilised primarily in the form of semi-concessional loans and commercial loans, following the reduction in concessional resources due to Côte d'Ivoire's emerging economy status.
14. On the international financial market, the baseline scenario assumes a deterioration in market conditions due to the consequences of the Russia-Ukraine crisis. This market environment is generating an increase in Côte d'Ivoire's Eurobond yields. The rise in inflationary pressures due to soaring food, energy and commodity prices, together with supply disruptions, international trade and financial market disturbances caused by the pandemic and the Russia-Ukraine conflict, are aggravating output losses and inequalities, creating strong market uncertainty. In this context, Côte d'Ivoire successfully mobilised CFAF 622.7 billion on the international financial market in 2022 through direct international loans.
15. Regarding domestic financing, recourse to the regional market offers WAEMU countries the possibility of mobilising complementary resources. In this framework, Côte d'Ivoire has issued Treasury bills and bonds. At end-2022, the State's interventions on the money market amounted to approximately CFAF 240.7 billion for Treasury bills, CFAF 862 billion for bonds, and CFAF 1,575.7 billion for bond loans.
16. Resource mobilisation was marked by inaugural issuances of variable-rate bond loans with a 20-year maturity. As part of active debt management, two operations reprofiled CFAF 168 billion of maturities through new securities maturing from 2025 onwards. The success of these public securities issuances on the regional market depends on the continuation of measures to develop the money market and promote best practices in public securities issuance.

VIII. METHODOLOGY

17. The selected financing strategy was tested using the MTDS analytical tool, based on assumptions regarding the debt stock, the TOFE (Government Finance Operations Table), and the real and external sectors for the period 2023–2026. The results enabled the determination of expected objectives in terms of costs, risks and the

external-domestic mix for the year 2026. Given the constraints related to external Debt Sustainability Analysis liquidity indicators and the strong resource mobilisation capacity on the regional market, financing needs should be met on average through a split of approximately 44%–56% of external and domestic resources over the period 2023–2026.

IX. COST AND RISK INDICATOR TARGETS

18. The desired composition of the public debt portfolio by 2026 is a 56–44 split between external and domestic debt, compared with 60–40 in 2022.
19. Debt exposed to exchange-rate fluctuations in 2026 would stand at 18.1%, compared with 16.3% at end-2022.
20. The share of domestic debt maturing within one year should be limited to 11.5% in 2026, compared with 15.6% in 2022, linked to the profile of the existing debt and the investor base which still relies primarily on banks.
21. It should be noted, for all relevant purposes, that the growing weight of Euro-denominated debt in the portfolio currently provides an attenuation of exchange-rate risk, but will ultimately generate significant exposure to developments within the CFA franc zone, particularly in the context of the forthcoming Eco single currency.

X. OPTIMAL STRATEGY

22. In the coming years, the State should favour financing that helps reduce domestic debt refinancing risk, interest rate risk and exchange-rate risk. More specifically, financing needs should be covered on average according to a 44%–56% ratio of external and domestic financing instruments over the period 2023–2026. External resources would comprise concessional, semi-concessional, commercial and international market financing at 21%, 43%, 14% and 22% respectively over the period 2023–2026. Domestic resources would be mobilised through short-, medium- and long-term borrowings at 10%, 34% and 55% (note: 56% average as per source) respectively over the same period.

Table 4 — Financing plan 2023–2026 under the optimal strategy (% of total financing in each year)

Financing source	2023	2024	2025	2026	Average
External financing	63%	40%	37%	36%	44%
Concessional	25%	20%	20%	20%	21%
Semi-concessional	52%	47%	31%	40%	43%
Commercial	13%	10%	23%	10%	14%
International capital markets	10%	23%	26%	30%	22%
Domestic financing	37%	60%	63%	64%	56%
Short-term market (1yr)	10%	10%	10%	10%	10%
Medium-term market	30%	35%	35%	35%	34%
Long-term market	60%	55%	55%	55%	56%

Source: CNDP

23. This strategy favours domestic debt over external debt. The latter should be dominated by euro-denominated, fixed-rate financing.
24. This strategy has been validated by a Debt Sustainability Analysis (DSA), which enables Côte d'Ivoire to maintain its moderate risk of debt distress status.

XI. RECOMMENDATIONS

25. The success of this strategy requires the implementation of the following recommendations:

- Ensure continuous active management of public debt. In 2024, the financing structure requires an external debt reprofile operation;
- Maintain efforts on domestic revenue collection;
- Ensure the dynamism of the current macroeconomic framework;
- Develop the domestic market, in order to increase the liquidity of public securities, by:
 - Developing the secondary market;
 - Strengthening the investor communication framework;
 - Diversifying the investor base, including strengthening the participation of insurance companies and pension funds;
 - Continuing the implementation of new financial instruments;
- Promote public securities among individual investors;
- Implement a more accommodative monetary policy enabling positive dynamics on the primary market for public securities;
- Reduce the mobilisation of variable-rate financing in favour of fixed-rate instruments;
- Move towards innovative financing guaranteeing the viability of public debt, in particular through public-private partnerships (PPPs);
- Accelerate reforms to increase the participation of pension funds, insurance and reinsurance companies, and individuals in public securities issuances;
- Undertake reforms to increase the participation of foreign investors in public securities issuances on the regional market.