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Research Update:

# Côte d'Ivoire Assigned 'BB-/B' Sovereign Ratings; Outlook Stable

**July 6, 2021**


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## Overview

- We expect the Ivoirian economy to rebound by 6% in 2021 and economic growth to average 6.5% over 2022-2024, following the 2020 COVID-19-induced dip.
- Continuous structural economic reforms, supported by the implementation of a third five-year National Development Plan (NDP), underpin strong prospects for economic growth and budgetary consolidation.
- External and government financing will likely decline but remain significant, given large investment needs for key infrastructure and the narrow tax base, reflecting among other things the country's low GDP per capita.
- We assigned our 'BB-/B' long- and short-term ratings to Côte d'Ivoire, with a stable outlook on the long-term ratings.

## Rating Action

On July 6, 2021, S&P Global Ratings assigned its 'BB-/B' long- and short-term foreign and local currency sovereign credit ratings to Cote d'Ivoire. The outlook is stable.

The transfer and convertibility (T&C) assessment is 'BBB-'.

Cote d'Ivoire is the 137th sovereign rated by S&P Global Ratings.

## Outlook

The stable outlook on Côte d'Ivoire reflects the balance between our expectations of strong economic growth, underpinned by improvement in policymaking supporting a decline in the twin deficits in coming years, and the risk of budgetary slippage and remaining sociopolitical tensions.

### Upside scenario

We could raise the ratings if Côte d'Ivoire's budgetary position improves more significantly than we expect, notably thanks to higher government revenue, and if external financing needs decline more than we currently anticipate.

### Downside scenario

Conversely, the ratings could come under pressure if budget deficits do not recede as we expect or we see a significant rise in sociopolitical tensions that hinder economic stability.

## Rationale

Our ratings on Côte d'Ivoire are supported by the steady strengthening of political and economic stability, as well as predictability of political institutions since the political crisis in 2011, as reflected by a series of pro-growth reforms and improvement in the business environment. This, in our view, contributed to buoyant economic activity before the COVID-19 pandemic, with real GDP growth outperforming peers. We expect further structural reforms, in the context of the 2021-2025 NDP, will allow for a strong economic growth path after the contraction in 2020 induced by the pandemic. Although Côte d'Ivoire's membership of the West African Economic and Monetary Union (WAEMU) constrains its monetary flexibility, in our view, it also reduces country-specific external risks and provides a strong policy anchor.

The ratings are constrained by Côte d'Ivoire's low GDP per capita, which limits its tax base. External and government financing needs are expected to gradually decline but remain large, notably given substantial investment needs in key infrastructure. The remaining sociopolitical tensions, which have eased materially since 2011, also constrain the ratings. We believe that economic performance would suffer if, contrary to our expectations, the security and political situation in the country deteriorated materially.

### Institutional and economic profile: Dynamic economic growth prospects to be supported by the new NDP

- Despite some sociopolitical tensions, institutions' stability and policy predictability have significantly improved since 2011, and we expect the government to pursue ongoing dialogue with the opposition to further ease tensions.
- The country's income levels remain low, with real GDP per capita estimated at $2,313 in 2020.
- However, structural reforms and projects fueled by the NDP 2021-2025 should boost public- and private-sector investments, resulting in economic activity remaining buoyant and the country outperforming peers in the coming years.

Following the pandemic-induced slowdown last year, we expect a broad-based recovery in Côte d'Ivoire, with real GDP growth reaching 6% in 2021. Although the pandemic lingers and the vaccination process is slow, infections have been contained, with only 300 active cases as of June 20, 2021, versus a population of around 26.4 million.

The authorities are implementing measures to support the economic recovery, notably via funds that support the private sector and small and midsize enterprises, specific measures to support agriculture, a fund dedicated to support companies shifting from the informal sector to the formal sector, as well as fiscal incentives. We expect temporary energy shortages in the second quarter of 2021--emanating from a combination of accidents in power plants, drought weighing on hydropower, and pandemic-induced delays in some projects--to have only a marginal effect on economic activity because companies have been able to adapt quickly. The authorities are implementing measures to prevent further energy shortages.

The anticipated recovery builds on a resilient economic performance in 2020. The authorities swiftly implemented extraordinary measures to slow the spread of the virus--such as lockdowns, border closures, and social distancing--and have supported the economy during this severe, albeit temporary, shock. In addition, strong international financial support and a relatively diverse economy allowed the economy to minimize the adverse economic impact of the pandemic, with real GDP growth estimated at 2% in 2020 (compared with a 7.2% forecast before the pandemic). Economic performance was notably supported by investment activity and the construction, energy, and telecommunication sectors, which showed growth of 6%, 11%, and 30%, respectively.

Over the medium term, we expect economic activity to remain very dynamic and the country to outperform its peers, with real GDP growth averaging 6.5% over 2022-2024, notably thanks to the services, construction, manufacturing, and energy sectors. We anticipate that implementation of the NDP--the third five-year plan since the 2011 crisis--will continue to address structural bottlenecks in the economy through 2025. The plan aims to improve the business environment and governance. In our view, the steadfast implementation of this plan will attract private investment, support economic diversification into products and services with more value added, and boost economic growth. Expected financing of the plan is estimated at CFA franc (XOF) 59 trillion (over $110 billion; about 170% of 2020 GDP), 74% of which is from the private sector.

The main objectives of the plan are to accelerate industrialization and increase local value added in exports, develop human capital, support investment and private sector growth, while continuing to strengthen national unity, reinforce social actions and regional development, fight climate change, improve governance, and modernize the state. In addition to reforms, the plan includes notably key infrastructure projects in transportation, real estate, and energy. The authorities aim to boost energy production via several ongoing projects, to 3,428 megawatts (MW) in 2025 from 2,229 MW in 2020, with over 640 MW being added in the short term.

The country's economy is relatively diverse and dominated by services, which represent around 50% of real GDP. Over the past five years, construction has been expanding rapidly, reflecting infrastructure investments, accounting for almost 10% of real GDP in 2020, up from 5% in 2015. At the same time, the share of agriculture declined to less than 16% from 20%. Over 60% of agricultural production is export oriented. The country's main export is cocoa, which represents almost 40% of good exports, followed by hydrocarbon and gold exports at about 15% and 10% respectively, and cashew nuts at about 6%.

In our view, policymaking in Cote d'Ivoire has substantially improved since the 2011 post-electoral crisis and the related default on its financial obligations. The authorities' strong reform initiative has led to a strengthening of the country's institutions and supported one of the most dynamic economic performances in the world in terms of real GDP growth. Between 2012 and 2019, the country's real economic growth averaged 8.2% per year. Economic activity has been spurred by the implementation of two five-year NDPs, strongly supported by official international creditors. The two plans focus on improving the business environment, governance, and education, large infrastructure investments, rehabilitating industrial zones, supporting agriculture, and enhancing social safety nets. In terms of investments, the previous NDP 2016-2020 mobilized XOF35.6 trillion, slightly higher than the XOF30.0 trillion initially anticipated, with 78% of total investments coming from the private sector.

The economic structural reforms are in our view reflected in the country's improved standings in terms of business environment, government effectiveness, and perceived corruption. In 2020, Cote d'Ivoire ranked 110 on the World Bank's ease of doing business index, against 161 in 2009. At the same time, its ranking on Transparency International's Corruption Perceptions Index improved to 104 from 154.

While we expect sociopolitical tensions to persist, including sporadic protests, the dialogue between political parties will likely help sustain political stability and the predictability of policymaking. Notwithstanding the progress made in strengthening institutions, risk remains since tensions along ethnic lines remain entrenched. An unexpected and pronounced increase in violence could reduce the country's capacity to service its debt.

The March 2021 parliamentary election was the first since the 2011 political crisis, with all parties, including the opposition, fielding candidates. Although the incumbent's party, the RHPD, lost 30 seats compared with the last election, it won 137 of the 254 seats and kept its parliamentary majority. We anticipate this will allow the government to continue with its ambitious reform agenda in the coming years.

More recently, on June 17, 10 years after the political crisis, former President Laurent Gbagbo came back to Cote d'Ivoire for the first time. This follows his acquittal by the international criminal court and the green light by Ivorian authorities in the name of national reconciliation.

Cote d'Ivoire benefits from solid relationships with international institutions and bilateral partners, which provide access to significant concessional financing and a strong policy anchor. In December 2020, the IMF concluded its four-year program for Cote d'Ivoire that led to the disbursement of $278.2 million and $1.21 billion over the course of the program. In addition to help the country weather the fallout of COVID-19, the IMF disbursed $886 million of emergency financing, leading to a total combined disbursement of over $1.1 billion in 2020. We expect the IMF's involvement with the government's policy to continue, although potentially without a new program.

## Flexibility and performance profile: Budgetary and external imbalances should decline on the back of reform implementation and strong economic growth

- As international demand recovers from the pandemic, we expect the current account deficit to gradually decline in the coming years, but the country to remain vulnerable to swings in the price of cocoa, its main export.
- We anticipate that dynamic economic activity, coupled with reforms to increase government revenue, will help reduce the budget deficit to about 3% of GDP in 2023.
- The country has strong access to international and regional capital markets as well as good relations with international institutions and bilateral partners.
- While Cote d'Ivoire's membership in WAEMU limits monetary flexibility, it has helped contain inflation and provided a buffer against external risks.

As international demand recovers from the pandemic, we expect the current account deficit to narrow and average 2.9% of GDP over 2022-2024. The increase in imports, notably fueled by investment projects, should be more than offset by an increase in exports. The authorities' push for an acceleration of industrialization and gradual diversification toward more value-added products should support exports.

As the country's main goods export, cocoa will remain an important driver of external performance. Côte d'Ivoire and neighboring Ghana are the world's main cocoa producers, with Côte d'Ivoire accounting for over 30% of global cocoa supply. We expect dynamics for the cocoa sector to be favorable, although Cote d'Ivoire remains vulnerable to large swings in prices.

Implementing the living income differential--a $400 premium added to one ton of cocoa aiming to improve producers' livelihoods in both countries--has been difficult, since prices have been affected by the pandemic. Nevertheless, we expect the authorities and multinational companies can reach an agreement for the next harvest, especially as international demand recovers. We expect the primary income account will remain in deficit over the next three years as dividend payments and interest on external debt increase. The secondary income deficit will remain linked to outward remittances to other WAEMU countries.

We anticipate strengthening institutions, an improving business environment, and the implementation of the NDP will support a pickup in foreign direct investment (FDI) in the coming years, although it should stay relatively low, given the size of the economy. In addition, the country has solid access to international debt markets and strong relationships with international partners, which are expected to support the country's development plan. In that context, we expect Cote d'Ivoire to contribute positively to the regionally pooled foreign-exchange reserves.

The adverse economic and budgetary impact of COVID-19 will continue to put pressure on budgetary performance in 2021. In addition to the operation of automatic stabilizers, the implementation of discretionary budgetary measures in response to the pandemic pushed the deficit to an estimated 5.6% of GDP last year from 2.3% in 2019. The authorities implemented two packages of measures to address the consequences of the pandemic. One was to support the response to COVID-19 and the other to help mitigate the pandemic's economic impact on the population and entities in the formal and informal sectors. In 2020, the effective costs of these packages amounted to XOF148 billion and XOF231 billion, respectively, or around 1.1% of GDP in total. The authorities estimate they will spend XOF55 billion and XOF336 billion respectively, on the two plans in 2021, for a total of around 1% of GDP. In addition to pressure from the pandemic and the need to support economic recovery, temporary government spending measures linked to support for the energy sector in the second quarter, and the strengthening of security at the country's northern border will keep the budget deficit high in 2021, at about 5% of GDP.

As the pandemic subsides, and with it the need for extraordinary support measures, the budget deficit should narrow in the coming years and reach 3% of GDP in 2023. In addition to dynamic economic activity, we expect the authorities' focus to shift back to the sustainability of public finances and increasing government's revenue. Besides withdrawing the temporary pandemic-induced budgetary support measures, the authorities will continue to implement measures to contain current expenditure. For example, with the exception of the health care and education sectors, for every two departing civil servants only one will be recruited. This should allow the wage bill to drop well below 35% of government revenue by 2023, from around 40% today. Furthermore, since 2020, the authorities have moved to program budgeting, allowing for a better alignment of the budget with public policy objectives with the aim of improving expenditure efficiency.

Fiscal revenue collection has underperformed in the past but remains crucial for the government to achieve its development goals. In this context, an important package of measures is being implemented. It includes broadening the tax base, the digitalization of tax-reporting and collections systems, improved communication between agencies in charge of tax collection, an update of the land title database, increase of certain taxes such as value-added tax and excise on certain products, as well as the review of tax exemptions.

In this context, we anticipate general government debt will peak at 48.8% of GDP in 2021, before inching down. At the end of 2020, domestic government debt amounted to approximately XOF6.0 trillion and external government debt to almost XOF11.0 trillion, of which around XOF5.5 trillion is commercial. The euro is the main foreign currency exposure, at 61% of total government external debt, limiting risks pertaining to exchange rate fluctuations, followed by the U.S. dollar at 31%.

Currently, external commercial debt service will hover at between XOF418 billion in 2021 and XOF555 billion in 2024 (around 1.2% of GDP) while total external debt service will range between XOF690 billion in 2021 and XOF1.13 trillion in 2024 (between 2% and 2.4% of GDP).

In November 2020, a few weeks after the presidential elections, Côte d'Ivoire successfully issued the first Eurobond in sub-Saharan Africa since the beginning of the pandemic: €1 billion with a yield of about 5% maturing in 2032. This included a liability management exercise that allowed the partial buyback of U.S. dollar-denominated series due 2028 and 2032, and euro-denominated series due 2025, thereby lengthening the average maturity of external debt and smoothing its amortization profile. In February 2021, the country proceeded with a €850 million tap issuance, including the €600 million reopening of the euro-denominated 2032 series (issued in 2020) at a yield of 4.30% and the €250 million euro-denominated 2048 series (issued in 2018) at a yield of 5.75%.

The regional central bank (BCEAO) has been at the forefront of the region's response to the pandemic, implementing measures to help member states weather the crisis. For example, BCEAO has:

- Increased liquidity available to banks;
- Extended the collateral framework to access central bank refinancing to include bank loans to 1,700 prequalified private firms;
- Extended by one year the five-year period initiated in 2018 for the transition to Basel II/III bank prudential requirements. In particular, the regulatory capital adequacy ratio remained unchanged at year-end 2020 compared with 9.5% in 2019, before gradually increasing to 11.5% by 2023 instead of 2022;
- Established a framework in cooperation with banks to support companies with repayment difficulties;
- Allocated XOF25 billion to the trust fund of the West African Development Bank to strengthen concessional resources; and
- Cut, via its Monetary Policy Committee, the ceiling and floor of the monetary policy corridor by 50 basis points, to 4% and 2%, respectively.

In addition, the BCEAO has created a special refinancing window for "COVID-19 T-Bills," issued on the regional market by member states, effectively increasing liquidity available to them at a lower rate than usual. These T-bills can be fully refinanced at a fixed rate of 2.5%.

The December 2019 reforms of the monetary arrangement with France have preserved the currency's peg to the euro and France's unlimited guarantee of convertibility. In December 2019, Ivorian President Alassane Ouattara and French President Emmanuel Macron announced that the West African CFA franc would be renamed. Together with the overhaul of the monetary framework, this ended the requirement for the WAEMU to keep half of its foreign reserves with the French Treasury. It also heralds the departure of French officials from the currency union's central bank board, monetary policy committee, and banking commission. However, the currency reform maintains two key elements of the current monetary arrangement: the fixed exchange rate with the euro, and France's guarantee of unlimited convertibility. This guarantee has long supported confidence in the currency peg, which has helped push down inflation, even during political crises and commodity price shocks, unlike in many other sub-Saharan African countries. The only exception was the 50% devaluation in 1994 following years of rising external and fiscal pressures and significant exchange rate misalignment. Economic indicators show that the WAEMU is much more robust than in the 1980s and early 1990s. Terms of trade have improved, current account and fiscal deficits have reduced, and real GDP growth has been remarkable over the past few years.

## Key Statistics

Table 1

### Cote d'Ivoire--Selected Indicators

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Economic indicators (%)** | | | | | | | | | | |
| Nominal GDP (bil. LC) | 27,086 | 28,424 | 29,955 | 32,222 | 34,299 | 35,125 | 37,902 | 41,012 | 44,377 | 48,017 |
| Nominal GDP (bil. $) | 46 | 48 | 52 | 58 | 59 | 61 | 70 | 76 | 82 | 89 |
| GDP per capita (000s $) | 2.0 | 2.0 | 2.1 | 2.3 | 2.3 | 2.3 | 2.6 | 2.7 | 2.9 | 3.0 |
| Real GDP growth | 8.8 | 7.2 | 7.4 | 6.9 | 6.2 | 2.0 | 6.0 | 6.5 | 6.5 | 6.5 |
| Real GDP per capita growth | 6.1 | 4.5 | 4.7 | 4.2 | 3.6 | (0.6) | 3.3 | 3.8 | 3.8 | 3.8 |
| Real investment growth | 14.6 | 3.2 | 6.1 | 11.1 | 11.8 | 9.3 | 8.8 | 10.5 | 10.5 | 10.5 |
| Investment/GDP | 23.5 | 21.7 | 20.1 | 21.2 | 20.1 | 22.9 | 24.1 | 25.5 | 27.0 | 28.3 |
| Savings/GDP | 23.1 | 20.9 | 18.1 | 17.3 | 17.8 | 19.2 | 20.6 | 22.1 | 23.8 | 25.4 |
| Exports/GDP | 27.4 | 24.6 | 24.9 | 22.6 | 23.8 | 21.4 | 22.0 | 22.0 | 21.8 | 21.5 |
| Real exports growth | 6.9 | (6.6) | 10.0 | 1.5 | 18.6 | (10) | 7.0 | 5.0 | 5.0 | 5.0 |
| Unemployment rate | 3.1 | 2.6 | 3.3 | 3.2 | 3.2 | 3.5 | 3.7 | 3.7 | 3.5 | 3.5 |
| **External indicators (%)** | | | | | | | | | | |
| Current account balance/GDP | (0.4) | (0.9) | (2.0) | (3.9) | (2.3) | (3.7) | (3.6) | (3.5) | (3.3) | (2.9) |
| Current account balance/CARs | (1.5) | (3.3) | (7.7) | (16.4) | (9.2) | (16.3) | (15.2) | (14.9) | (14.3) | (13.0) |
| CARs/GDP | 28.8 | 26.1 | 26.4 | 24.1 | 25.1 | 22.9 | 23.3 | 23.3 | 23.0 | 22.7 |
| Trade balance/GDP | 6.9 | 6.4 | 6.5 | 3.8 | 5.4 | 3.9 | 4.0 | 4.1 | 4.1 | 4.3 |
| Net FDI/GDP | 1.1 | 1.2 | 0.6 | 0.8 | 1.3 | 1.0 | 1.5 | 1.5 | 1.8 | 2.0 |
| Net portfolio equity inflow/GDP | 0.0 | 0.0 | 0.0 | (0.2) | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross external financing needs/CARs plus usable reserves | 95.7 | 101.2 | 103.1 | 109.7 | 109.9 | 117.6 | 103.2 | 104.4 | 101.9 | 100.2 |
| Narrow net external debt/CARs | 90.3 | 64.9 | 75.4 | 118.6 | 106.3 | 96.5 | 89.7 | 85.9 | 83.2 | 80.7 |
| Narrow net external debt/CAPs | 89.0 | 62.8 | 70.0 | 101.9 | 97.4 | 83.0 | 77.8 | 74.8 | 72.9 | 71.4 |
| Net external liabilities/CARs | 144.1 | 126.6 | 132.4 | 154.8 | 143.9 | 141.9 | 132.3 | 132.7 | 135.0 | 135.7 |
| Net external liabilities/CAPs | 141.9 | 122.6 | 123.0 | 133.0 | 131.8 | 122.0 | 114.8 | 115.5 | 118.1 | 120.1 |
| Short-term external debt by remaining maturity/CARs | 26.7 | 35.9 | 32.8 | 42.1 | 48.2 | 63.6 | 46.8 | 45.6 | 41.2 | 39.0 |

Table 1

## Cote d'Ivoire--Selected Indicators (cont.)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Usable reserves/CAPs (months) | 4.0 | 4.4 | 4.1 | 4.6 | 4.8 | 5.5 | 6.0 | 5.6 | 5.5 | 5.5 |
| Usable reserves (mil. $) | 4,702 | 4,956 | 6,198 | 6,365 | 7,398 | 9,370 | 9,441 | 9,895 | 10,386 | 10,917 |
| **Fiscal indicators (general government; %)** | | | | | | | | | | |
| Balance/GDP | (2.0) | (2.7) | (2.7) | (2.6) | (2.3) | (5.6) | (5) | (4) | (3) | (3) |
| Change in net debt/GDP | 4.0 | 2.8 | 2.4 | 5.6 | 3.4 | 5.7 | 5.3 | 4.2 | 3.2 | 3.2 |
| Primary balance/GDP | (0.9) | (1.4) | (1.4) | (1.2) | (0.8) | (3.7) | (3.3) | (2.4) | (1.4) | (1.5) |
| Revenue/GDP | 14.5 | 14.7 | 15.1 | 14.8 | 15.0 | 15.1 | 15.0 | 15.3 | 15.8 | 16.0 |
| Expenditures/GDP | 16.5 | 17.4 | 17.8 | 17.4 | 17.3 | 20.7 | 20.0 | 19.3 | 18.8 | 19.0 |
| Interest/revenues | 7.6 | 8.6 | 8.4 | 9.1 | 10.1 | 12.6 | 11.3 | 10.7 | 10.0 | 9.7 |
| Debt/GDP | 34.2 | 35.6 | 36.9 | 40.1 | 41.2 | 47.8 | 48.8 | 48.6 | 48.1 | 47.6 |
| Debt/revenues | 236.5 | 242.5 | 244.7 | 271.2 | 274.1 | 317.7 | 325.6 | 318.7 | 305.2 | 297.3 |
| Net debt/GDP | 30.7 | 32.1 | 32.9 | 36.2 | 37.4 | 42.2 | 44.4 | 45.2 | 44.9 | 44.7 |
| Liquid assets/GDP | 3.5 | 3.5 | 4.0 | 3.9 | 3.8 | 5.6 | 4.5 | 3.4 | 3.2 | 2.9 |
| **Monetary indicators (%)** | | | | | | | | | | |
| CPI growth | 1.3 | 0.7 | 0.7 | 0.4 | (1.1) | 2.4 | 2.0 | 1.6 | 1.6 | 1.6 |
| GDP deflator growth | 3.1 | (2.1) | (1.8) | 0.6 | 0.2 | 0.4 | 1.8 | 1.6 | 1.6 | 1.6 |
| Exchange rate, year-end (LC/$) | 602.51 | 622.29 | 546.95 | 572.89 | 583.90 | 534.56 | 542.11 | 542.11 | 542.11 | 542.11 |
| Banks' claims on resident non-gov't sector growth | 27.8 | 11.6 | 16.2 | 7.5 | 7.4 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Banks' claims on resident non-gov't sector/GDP | 17.0 | 18.1 | 20.0 | 20.0 | 20.2 | 21.8 | 22.5 | 23.1 | 23.7 | 24.3 |
| Foreign currency share of claims by banks on residents | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Foreign currency share of residents' bank deposits | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Table 1

### Cote d'Ivoire--Selected Indicators (cont.)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Real effective exchange rate growth | (6.6) | 1.4 | (0.7) | 2.4 | (3.9) | 5.1 | N/A | N/A | N/A | N/A |

Sources: Ministry of Finance, World Bank and International Monetary Fund (Economic indicators); BCEAO, International Monetary Fund, Bank for International Settlements (External indicators); Ministry of Finance, BCEAO and International Monetary Fund (Fiscal and debt indicators); BCEAO and International Financial Statistics (Monetary indicators).
Adjustments: To arrive at the net general government (GG) debt, we subtract GG deposits in BCEAO and in financial institutions (liquid financial assets) from the GG debt stock.
Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

## Ratings Score Snapshot

Table 2

### Cote d'Ivoire--Ratings Score Snapshot

| Key rating factors | Score | Explanation |
|---|---|---|
| Institutional assessment | 4 | Despite existing socio-political tensions, Cote d'Ivoire's institutions' stability and policy predictability have significantly improved since the 2011 political crisis and related default, supporting strong growth and a substantial improvement in the business environment. We expect the government to focus on dialogue with the opposition to further appease tensions. The strength of WAEMU's institutions and the arrangement with France further underpin our institutional assessment. |
| Economic assessment | 4 | Based on GDP per capita ($) as per the Selected Indicators in Table 1. |
| | | Above-average economic growth, measured using real GDP per capita trend growth, which is consistently well above that of other sovereigns in the same GDP per capita category. |
| External assessment | 4 | Based on narrow net external debt and gross external financing needs as per Selected Indicators in Table 1. |
| Fiscal assessment: flexibility and performance | 4 | Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1. |
| | | The country's significant shortfalls in basic services to the population and infrastructure are demonstrated, for instance, by its low score under the United Nations Development Program's Human Development Index. This is likely to increase long-term spending pressure. |
| Fiscal assessment: debt burden | 5 | Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per the Selected Indicators in Table 1. |
| | | More than 40% of gross government debt is denominated in foreign currency. |
| | | The banking sector's exposure to the government is over 20% of assets. |
| Monetary assessment | 5 | The local currency (West African CFA franc) is pegged to the euro. |

Table 2

## Cote d'Ivoire--Ratings Score Snapshot (cont.)

| Key rating factors | Score | Explanation |
|---|---|---|
| | | Price stability, one of our key measures of monetary policy credibility, is relatively successfully managed, especially compared with other sub-Saharan African sovereigns. Market-based monetary instruments are in place, but monetary policy effectiveness may be untested in a downside scenario. |
| | | Monetary union membership (Côte d'Ivoire is a member of the West African Economic and Monetary Union) constrains individual countries' monetary flexibility. |
| Indicative rating | bb- | As per table 1 of "Sovereign Rating Methodology." |
| Notches of supplemental adjustments and flexibility | 0 | |
| **Final rating** | | |
| Foreign currency | BB- | |
| Notches of uplift | 0 | We do not believe that default risks apply differently to foreign- and local-currency debt. |
| Local currency | BB- | |

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

## Related Criteria

- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

## Related Research

- Sovereign Ratings Score Snapshot, July 5, 2021
- Sovereign Ratings List, June 9, 2021
- Sovereign Ratings History, June 9, 2021
- Sovereign Risk Indicators, April 12, 2021. An interactive version is available at www.spratings.com/sri
- Default, Transition, and Recovery: 2020 Annual Sovereign Default And Rating Transition Study, April 12, 2021

- Sovereign Debt 2021: Global Borrowing Will Stay High To Spur Economic Recovery, March 1, 2021
- The Eco Era: What Will West Africa's New Currency Mean For The Region?, Feb. 17, 2020
- Who's Most At Risk From A Devaluation Of Africa's CFA Franc Currencies?, Dec. 4, 2017

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

## Ratings List

| **New Rating** | |
|---|---|
| **Republic of Cote d’Ivoire** | |
| Sovereign Credit Rating | BB-/Stable/B |
| Transfer & Convertibility Assessment | BBB- |