MOODY'S INVESTORS SERVICE

ISSUER IN-DEPTH
5 October 2017

Government of Côte d'Ivoire – Ba3 Stable

Annual credit analysis

RATINGS

Côte d'Ivoire

	Foreign Currency	Local Currency
Gov. Bond Rating	Ba3/STA	Ba3/STA
Country Ceiling	Baa3	Baa3
Bank Deposit Ceiling	Baa3	Baa3

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OVERVIEW AND OUTLOOK

Côte d'Ivoire's (Ba3 stable) credit profile is primarily supported by the economy's growing diversification and high growth prospects, which are underpinned by structural reforms and public investment in infrastructure. Moreover, the sovereign has relatively strong fiscal fundamentals and sustainable debt levels, supported by substantial donor support and debt forgiveness over the last few years. Additional credit support comes from the country's participation in the West African Economic and Monetary Union (WAEMU), and its relatively developed regional financial sector, which has been able to absorb an increasing share of government debt.

Côte d'Ivoire's major credit constraint is its institutional strength. Like many Sub-Saharan African peers, it still scores relatively low on the Worldwide Governance Indicators. However, these have and should continue to improve steadily following the implementation of major institutional reforms. Côte d'Ivoire is also exposed to a "Moderate (-)" susceptibility to event risk, which is driven primarily by political risks. Nevertheless, the re-election of President Alassane Ouattara for a second five-year mandate in October 2015 substantially dispels political uncertainty and ensures that efforts towards reconciliation will continue.

The stable outlook reflects our expectation of balanced upside and downside risks. Côte d'Ivoire's growth rate, institutional strength, and political risk have witnessed an improving trend in recent years. Over the next 12-18 months, however, we expect relative stability in the country's debt metrics and level of political risk. Institutional strength, moreover, still has substantial room for further improvement.

The Ba3 rating could experience upward pressure in the medium term as a result of (1) continued structural reforms that support increases in public and private investment; (2) further material improvements in governance and competitiveness; and 3) a continuation of strong growth that leads to better credit fundamentals, especially concerning debt metrics.

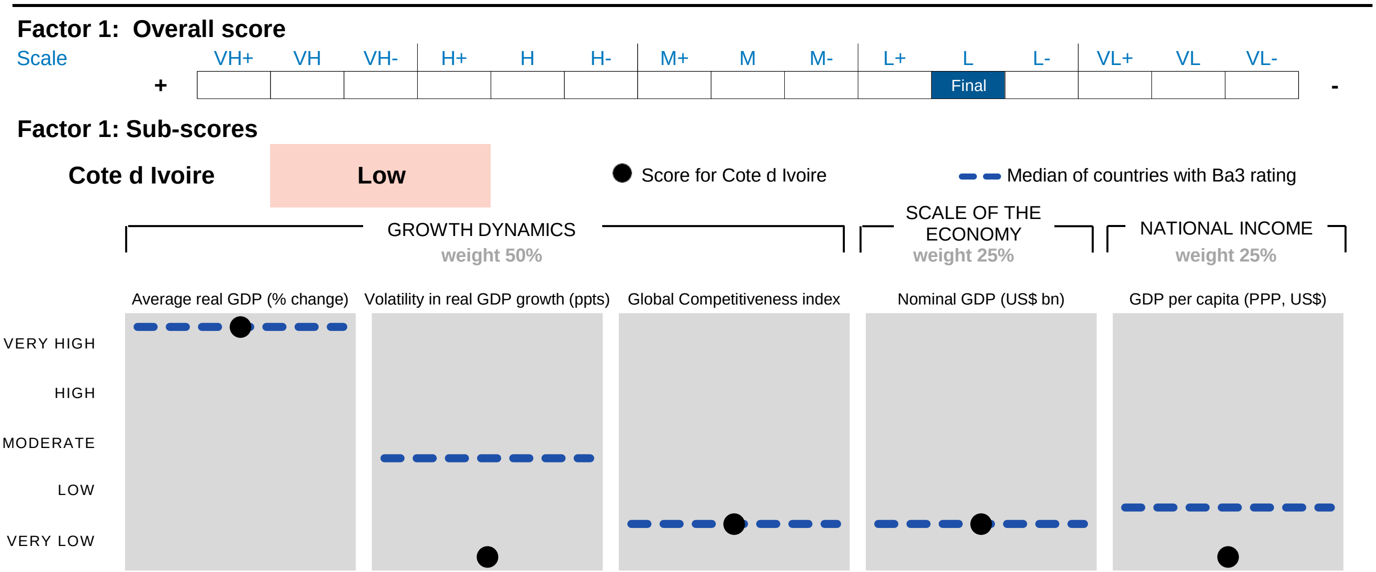
Downward pressure would be exerted on the rating in the event of (1) a reversal of structural reforms; (2) an inability to keep the fiscal deficit at a moderate level; or (3) the re-emergence of significant political and social tensions that would in turn hinder the country's medium-term growth prospects.

This credit analysis elaborates on Côte d'Ivoire's credit profile in terms of economic strength, institutional strength, fiscal strength, and susceptibility to event risk, which are the four main analytic factors in Moody's Sovereign Bond Rating Methodology.

CREDIT PROFILE

Our determination of a sovereign's government bond rating is based on the consideration of four rating factors: economic strength, institutional strength, fiscal strength, and susceptibility to event risk. When a direct and imminent threat becomes a constraint, that can only lower the preliminary rating range. For more information please see our Sovereign Bond Rating Methodology.

Economic strength: Low



Economic strength evaluates the economic structure, primarily reflected in economic growth, the scale of the economy and wealth, as well as in structural factors that point to a country's long-term economic robustness and shock-absorption capacity. Economic strength is adjusted in case excessive credit growth is present and the risks of a boom-bust cycle are building. This 'credit boom' adjustment factor can only lower the overall score of economic strength.

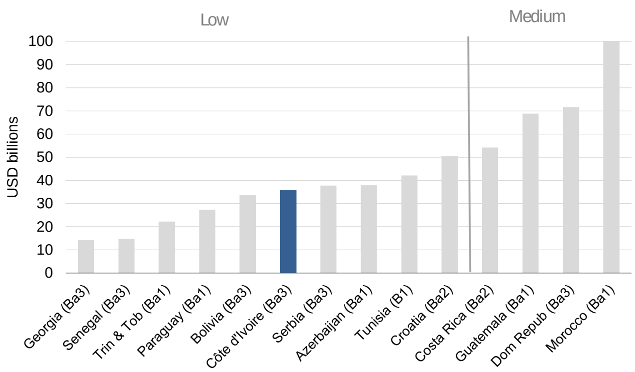
Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

We score Côte d'Ivoire's **economic strength** as "Low", a ranking shared by sovereigns such as Armenia (B1 stable), Ghana (B3 stable), Lebanon (B3 stable) and Trinidad & Tobago (Ba1 stable).

A lower-middle income and medium-sized country, with rapidly increasing per capita income

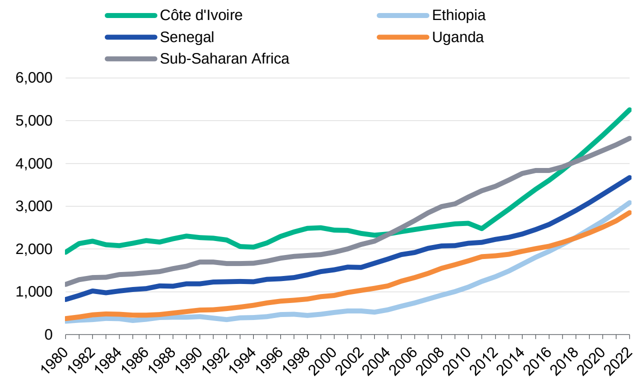
Côte d'Ivoire is a medium-sized country, with an expected GDP of $39.6 billion at the end of 2017 and a fast growing population (2.6% per year) estimated at 24.3 million. Per capita GDP is only $3,609 in terms of purchasing power parity, placing it among the average for Sub-Saharan African countries and ahead of Uganda (B2 stable), Ethiopia (B1 stable), and Senegal (Ba3 stable), as shown in Exhibit 2.

Exhibit 1
Côte d'Ivoire scores "Low" in terms of economic size
Nominal GDP (billions US$, 2016)



Sources: Moody's Investors Service, national authorities

Exhibit 2
Per-capita income ahead of peers
(US$, purchasing power parity)

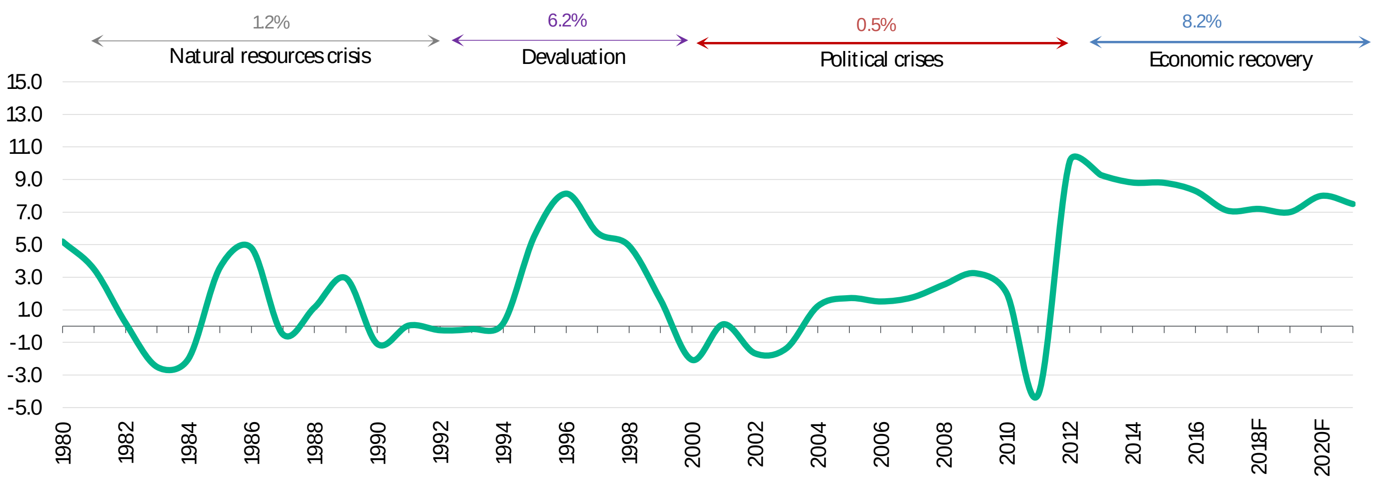


Sources: Moody's Investors Service, IMF

Sustained high growth since political crisis ended in 2011

As Exhibit 3 shows, Côte d'Ivoire's average real growth rate was very low at 0.5% during the successive political crises from the 1999 coup to the short civil war at the beginning of 2011. This led to a very sharp deterioration in social indicators when combined with both population increases and a lack of investment.

Exhibit 3
Successive crises led to two lost decades for Côte d'Ivoire, but growth is recovering strongly
(Real GDP growth %)



Sources: Moody's Investors Service, IMF

However, the return to political stability after President Alassane Ouattara took office in 2011 has supported a quantitative and qualitative acceleration in growth over the past six years, particularly in the manufacturing, construction, and service sectors. After GDP contracted by 4.2% in 2011 – the year of post-electoral conflict – growth averaged 9.1% between 2012 and 2016.

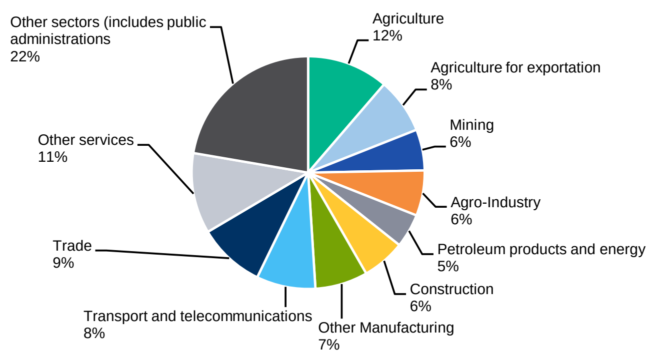
We project that Côte d'Ivoire's medium-term growth will remain above 7%, higher than the average for Sub-Saharan countries. We expect that growth will be supported by the implementation of the government's National Development Plan 2016-2020 (NDP 2016-20). In particular, the authorities would like to revive the "Ivorian economic miracle" when the country recorded robust growth of 8% and investment rates of 20% of GDP annually between 1960 and 1978, driven by the agricultural sector, which provided the country with basic infrastructure.

The NDP 2016-20 aims at a structural transformation of the economy, following five axes: (1) institutions and governance; (2) human capital; (3) industrialisation and manufacturing; (4) infrastructure; and (5) regional integration. Over the five-year period, this ambitious plan includes CFA30 trillion ($54 billion) of investment split between public and private sources (see details in the next section on institutional strength).

Economy driven by competitive, export-oriented agricultural sector that still has very high potential for development

As shown in Exhibit 4, although Côte d'Ivoire's economy is relatively diversified, agriculture remains its largest component. The sector contributes around 20% of GDP and is the largest share of export revenue – 40% of which is related to cocoa. It also provides income for two-thirds of the population.

Exhibit 4
Côte d'Ivoire's GDP is relatively diversified
(Composition of nominal GDP, by sector, 2016)



Source: National authorities

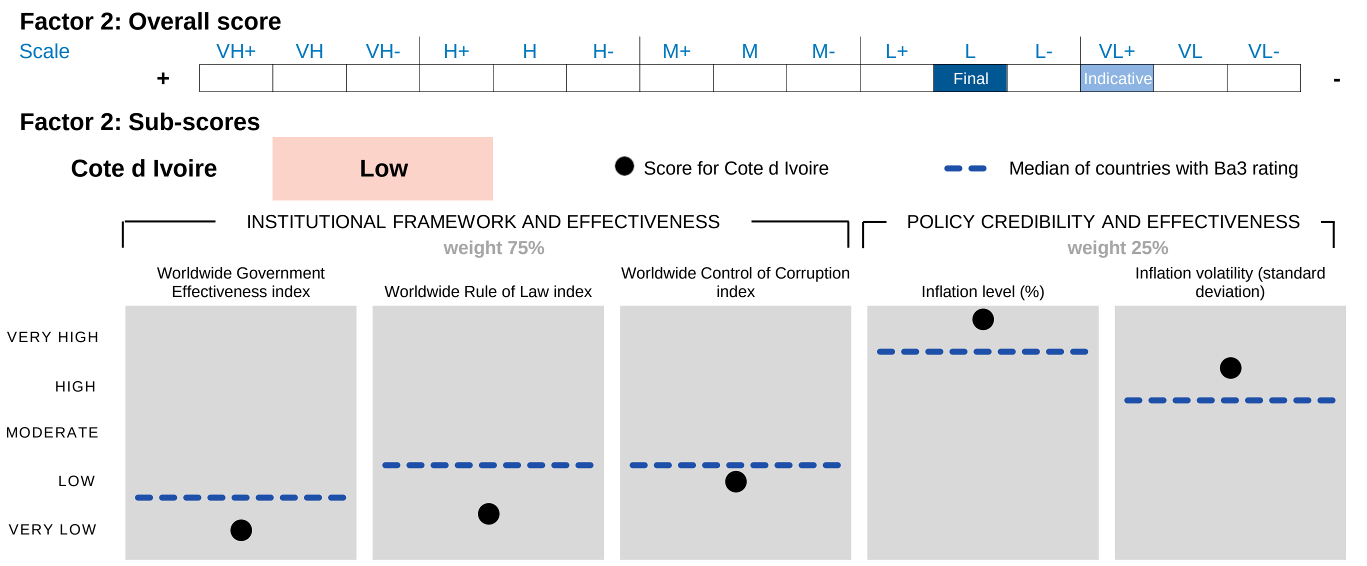
Unlike most other countries in the region where subsistence agriculture dominates, Côte d'Ivoire's agricultural sector is relatively mechanized and export oriented, reflecting the decision by Félix Houphouët-Boigny – the country's long-serving president following independence in 1960 – to base the country's development on agriculture.

In particular, Côte d'Ivoire is the world's leading producer of cocoa (around 40% of global production) and cola nuts; the largest global producer and leading global exporter of cashew nuts; the leading African producer of dry rubber and bananas; the second-largest African producer of palm oil; and the third-largest African producer of cotton and coffee. Accordingly, the economy and largest share of exports will likely remain agriculture-based and therefore subject to commodity price volatility.

Overall economic competitiveness scores in the bottom quarter of rated universe

In the Global Competitiveness Index 2016–2017, Côte d'Ivoire ranked 99th out of 138 countries, down eight places since the last report, and placing it behind Kenya (96th; B1 rating under review for downgrade) and ahead of Gabon (108th; B3 negative) and Ethiopia (109th). The report noted the negative impact of terrorism attacks, policy uncertainty surrounding the election (which has since been resolved), and concerns about institutions. Among the biggest barriers to doing business, the report noted (1) access to financing, (2) corruption, and (3) inefficient government bureaucracy. Côte d'Ivoire was excluded from the 2017-18 Global Competitiveness Report due to insufficient data.

Institutional strength: Low



Institutional strength evaluates whether the country's institutional features are conducive to supporting a country's ability and willingness to repay its debt. A related aspect of institutional strength is the capacity of the government to conduct sound economic policies that foster economic growth and prosperity. Institutional strength is adjusted for the track record of default. This adjustment can only lower the overall score of institutional strength.

Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

We score the **institutional strength** of Côte d'Ivoire in the "Low" category, a ranking shared by countries such as Bolivia (Ba3 stable), Jamaica (B3 stable), Russia (Ba1 stable) and Trinidad & Tobago. Côte d'Ivoire's institutional strength is supported by its membership of WAEMU, reform momentum, and peer comparison analysis. We adjusted upward the institutional strength score to "Low" from the indicative score "Very Low (+)" as per peer comparisons and the positive trend in Cote d'Ivoire's governance indicators, which have been steadily improving in recent years.

Peer comparison table factor 2: Institutional strength

	Cote d Ivoire Ba3/STA	L Median	Bolivia Ba3/STA	Jamaica B3/STA	Russia Ba1/STA	Trinidad & Tobago Ba1/STA	St. Vincent and the Grenadines B3/STA	Lebanon B3/STA
Final score	L		L	L	L	L	L	L
Indicative score	VL+		VL+	L+	VL-	M	H-	VL+
Gov. Effectiveness, percentile [1]	14.9	26.8	21.6	60.4	30.5	54.4	52.9	22.3
Rule of Law, percentile [1]	17.9	26.8	2.2	36.5	13.4	40.2	59.7	11.9
Control of Corruption, percentile [1]	26.8	24.6	21.6	47.7	14.1	42.5	68.6	8.9
Average inflation (%)	1.6	5.0	5.0	5.8	6.2	6.3	0.9	2.1
Volatility in inflation (ppts)	1.9	3.6	3.6	5.4	3.4	2.9	3.6	4.0

[1] Moody's calculations. Percentiles based on our rated universe.

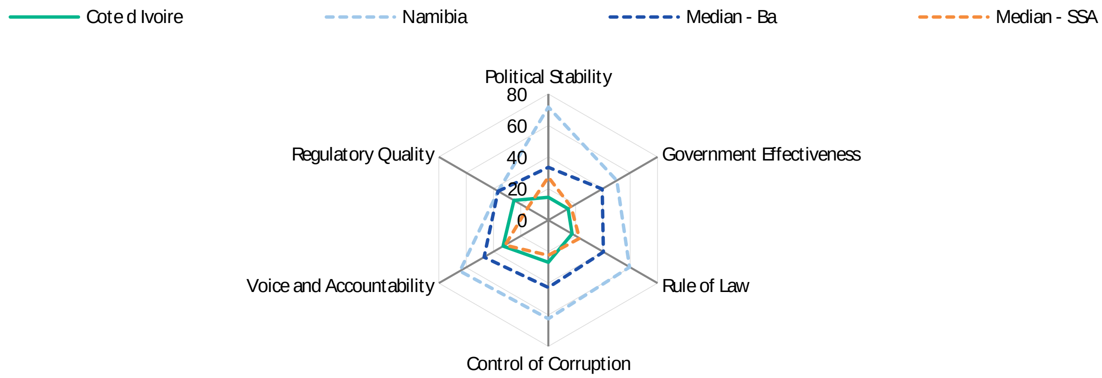
Reforms are markedly improving governance after more than 15 years of political instability

The authorities have made a major push to reform the country's institutions since the return to political stability in 2011. Even though all governance indicators have been improving since 2011 (see Exhibits 5 and 6), we think that current indicators lag and understate the actual progress made by the government on institutional reform. Côte d'Ivoire has ranked several times among the 10 best reformers in the World Bank Group's Doing Business Report. Its rank has improved by 35 places, from 177 to 142, over 2013-17. This rapid progress also reinforces the resolve of the reform-minded staff within the administration. In addition, the overall Country Policy and Institutional Assessment (CPIA) score by the World Bank has also improved since 2013 from 3.2 to 3.4 in 2016, reflecting progress in general governance.

Exhibit 5

2016 Worldwide Governance Indicators are still lower than countries scored "Low" for institutional strength

(% rank, Moody's rated sovereigns)

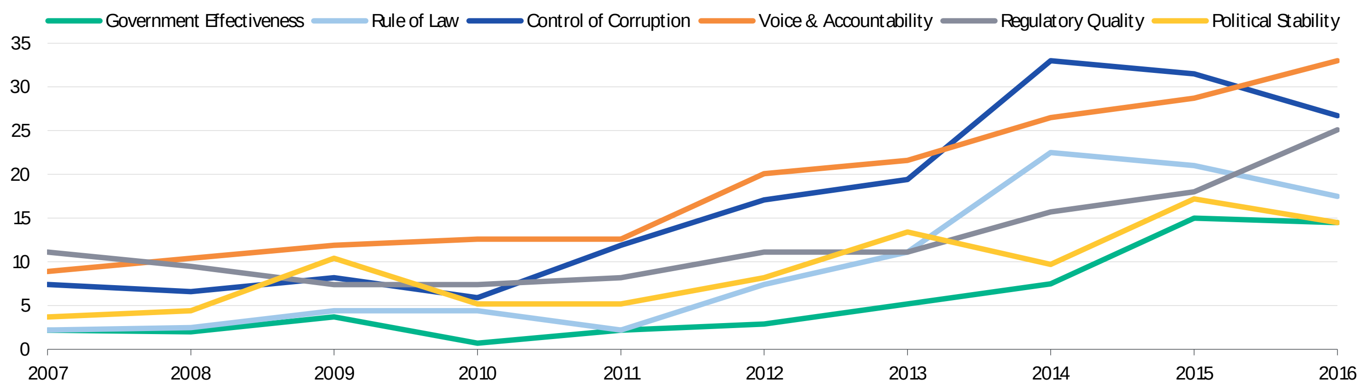


Source: Worldwide Governance Indicators

Exhibit 6

Evolution of governance indicators, showing a strong institutional "takeoff" since 2011

(% rank, Moody's rated sovereigns)



Source: Worldwide Governance Indicators

Côte d'Ivoire also receives support from the international community, in particular the IMF. The latter provided an Extended Credit Facility (ECF) from 2011-15, geared towards strengthening public policy-making institutions through specific performance criteria. A new partnership with the IMF in the form of two programmes was agreed in December 2016, including an ECF and an Extended Fund Facility (EFF), for total support of approximately $660 million. These arrangements were later adjusted to bring total support to nearly $900 million, or 100% of Côte d'Ivoire's quota. The new programmes are comprehensive and will extend over almost all of the NDP 2016-20. Relations with international institutions in general remain excellent.

NDP 2016-20 aims to accelerate structural changes that began under previous plan to achieve emerging status by 2020

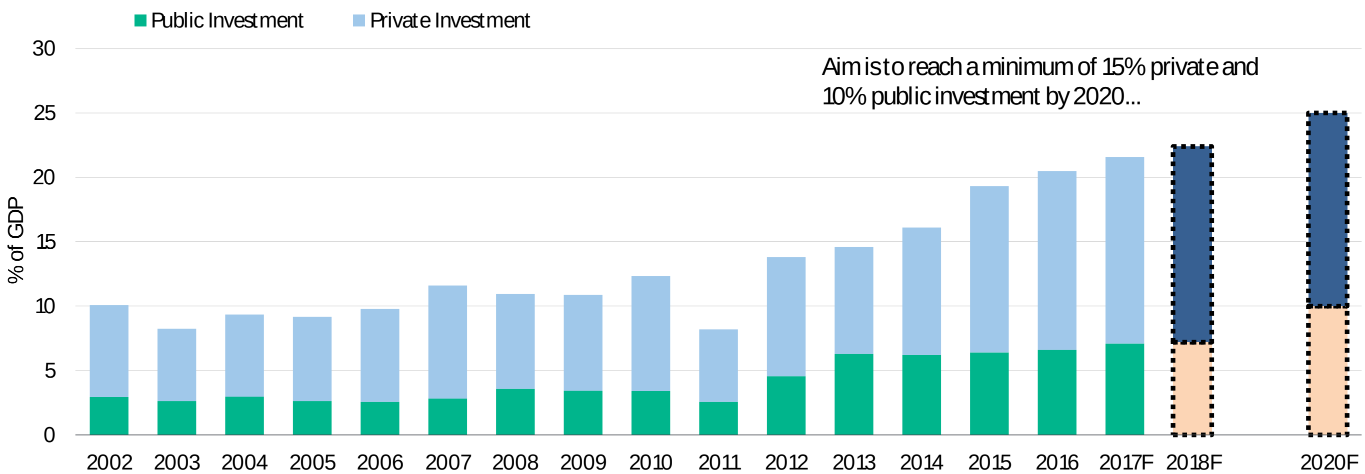
The NDP 2016-20 aims to achieve an increase in foreign direct investment and to foster high growth by creating one of the most competitive business environments in Africa through structural reform. As part of the regulation, the Côte d'Ivoire Investment Promotion Centre (CEPICI) was established to coordinate and streamline all government actions related to investment in the country. Over the 2011-2015 period, CEPICI facilitated CFA1,829 billion of foreign and domestic investment, and aims to encourage CFA5,500 billion more in investment over the course of the NDP 2016-20. Although the 2020 goal to reach emerging status seems ambitious, it has clearly focused officials on improving the business climate and generating results.

Like the previous plan, this new NDP received strong backing from the international community. A consultative group in Paris pledged CFA7,700 billion ($13.8 billion), of which CFA6,350 billion was new funding from bilateral and multilateral institutions. In theory, out of the CFA30,000 billion ($53.9 billion) needed for the plan, about 38% will be funded by the public sector and 62% by the private sector, making the latter the guarantor of a sustainable increase in investment in the Ivorian economy in the long term. The state planned to contribute CFA11,284 billion, starting in 2016 with CFA1,644 billion. Public domestic savings that can be mobilised are estimated at CFA5,215 billion. Consequently, the funding needed was estimated at CFA4,425 billion ($7.9 billion) over 2017-20. The amount pledged in Paris by public institutions far exceeded the estimated funding needed. It remains debatable whether the private sector will be able to invest CFA18,700 billion ($33.6 billion). We believe it will most likely be able to, considering how in the previous NDP, the private sector funded its entire share. In the new plan, as each project is specified with corresponding public investment shares, private sector investment will be facilitated.

Thus far, the results of the previous plan have been encouraging. Growth in private investment has outpaced a strong rise in public investment since 2011 (see Exhibit 7). Public investment geared towards heavy infrastructure such as roads, or social infrastructure such as school construction, rose from 2.4% of GDP in 2011 to an expected 7.1% in 2017, while private investment increased from 5.6% to an expected 14.5% over the same period. While the average investment rate registered by Sub-Saharan African economies was 19.1% of GDP in 2016, according to the World Economic Outlook, Côte d'Ivoire's strongly improving trend of investment has brought its overall investment ratio closer to the Sub-Saharan African average. The government's goal is to reach a minimum of 25% investment to GDP by 2020, of which private investment will represent a minimum of 15%.

Exhibit 7

Private investment has more than doubled recently
(% GDP)



Source: National authorities

In addition, significant progress on social indicators is being achieved. The poverty headcount ratio (share of population living on less than $1.25 PPP per day) has fallen from nearly 50% after the 2011 civil war to 35% in 2015, according to the United Nations Development Programme. Poverty is still high, however, and reducing it remains one of the top priorities of the government. Spending on the poor (including foreign financing) increased from CFA845 billion (7% of GDP) in 2011 to CFA1,770 billion (9.4% of GDP) in 2016.

The supply of electricity to cities and villages has significantly increased from 33% of households connected to the power grid in 2010 to above 60% today. Access to water has also improved. The complete coverage of Abidjan was completed in 2015; previously, the city reported a deficit of 200,000 cubic metres per day. The water distribution network in Abidjan still requires further investment. With the support of bilateral and multilateral partners, access to water will reach 82% at the national level at the end of 2017, split between urban (93%) and rural (69%). Public sector investment is essential for unlocking agricultural output and securing more private investment. In the NDP 2016-20, CFA3,557 billion is earmarked for road development, including the rehabilitation of 5,000 km of dirt roads and 4,500 km of paved roads, and the construction of 1,300 km of paved roads and 140 bridges.

Structural reforms are being implemented across all sectors of the economy to boost its attractiveness

Economic liberalism and trade openness have been integral components of Côte d'Ivoire's economic policy since the country's independence (for example, 24% of the population is made up of non-nationals, according to the 2014 census). As a result, the private sector is traditionally the major driver of economic growth. The country is one of the few where a local sponsor is not needed for foreign investors. In fact, government intervention in the economy slowed sharply after the crisis in the early eighties, when commodity (including agricultural) prices collapsed, and the economy has one of the lowest rates of state ownership among countries in Sub-Saharan Africa.

This liberalism is best exemplified by the electricity sector, which was privatised in the 1990s. As a result, Côte d'Ivoire is one of the few countries to boast a small surplus of electricity production that is exported to the countries in the Sub-Saharan region. Private sector power producers already account for more than half of electricity production and continue to grow, as further investment through public-private partnerships is encouraged. The IT sector, led by the telecommunications industry, is mainly in private hands. While the cocoa and coffee sectors are regulated by the Coffee and Cocoa Board, agriculture has essentially developed based on private stakes in the economy, with small-scale producers composing the vast majority of farmers. Unlike many countries in the Sub-Saharan region, Côte d'Ivoire has eliminated all fuel subsidies, with fuel prices now determined by the market. In addition, the government also implemented a scheme to support small and medium-sized enterprises (SMEs) to increase their contribution to the country's GDP. The goal is to reach a 40% contribution to GDP by 2020, from 18% in 2013. To achieve this, an action plan has been developed to enhance access to finance and to markets to reduce the proportion of informal exchanges and to create new industrial zones. By 2016, the contribution of manufacturing to GDP stood at close to 30%. Industrialisation is likely to come mainly from agribusiness and light manufacturing.

Strategy for the cocoa sector

While Côte d'Ivoire wants to maintain its leadership in the production of cocoa beans, the government is aiming to increase the value added of the sector's exports. To quantify the potential gain, the current price of cocoa beans accounts for around 10% of the price of a chocolate bar. The government will provide financial incentives for industrial companies and exporters to move up the value chain. The export tax on raw beans is 14.6% – it will fall with each additional transformation of the raw product (pasta, semi-finished products (like butter), and finished products). There will be no tax for exports of ready-to-eat chocolate. In 2015, for the first time, Côte d'Ivoire exported 10,000 tonnes of ready-to-eat chocolate.

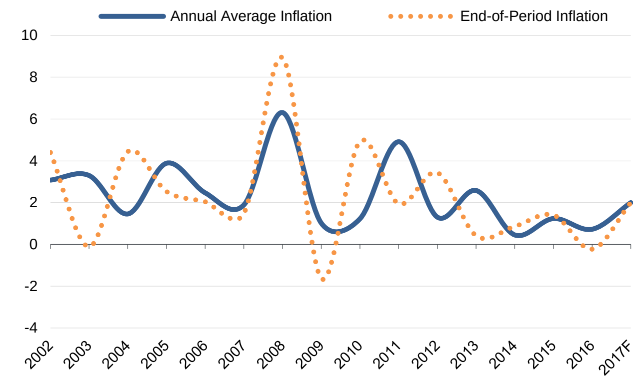
Budget and public finance reforms have been paramount in supporting the government's strategy

To boost the level of investment in the economy – especially by the private sector – the authorities needed to increase capital spending to revive basic infrastructure (electricity, energy, roads, water and sanitation). As spending increased, it became increasingly necessary to secure further public resources. There have been two main axes to increase the efficiency of public finance management: first, to rationalise resource mobilisation; second, to better regulate the execution of the budget. As an example of the former, the government was able to raise the recovery rate of cheques paid at customs offices from 71% to 100%. To achieve this, cheques are now scanned and sent to the tax office for immediate monitoring. If the cheque is not backed by sufficient funds, the exporter (who is now identified by a unique ID number for tax purposes) will have its license to export suspended if the funds are not provided within 10 days. This system has been in place since 2015. Another example is the government reducing the amount of time taken to reimburse VAT owed to economic actors to less than 48 hours from 13.2 months, by modifying the law on VAT so that 10% of VAT receipts were put aside as a fund for reimbursement. These two examples underscore the improved coordination across departments involved in public finance management, ultimately resulting in more predictable revenue collection (and less corruption) and better budget execution. The authorities are promoting the use of IT to streamline public service in all departments. Since 2017, the corporates with turnover above CFA 200 million ($0.35 million) have now the possibility to pay their taxes online.

The WAEMU has been highly beneficial for monetary stability and institutional anchoring

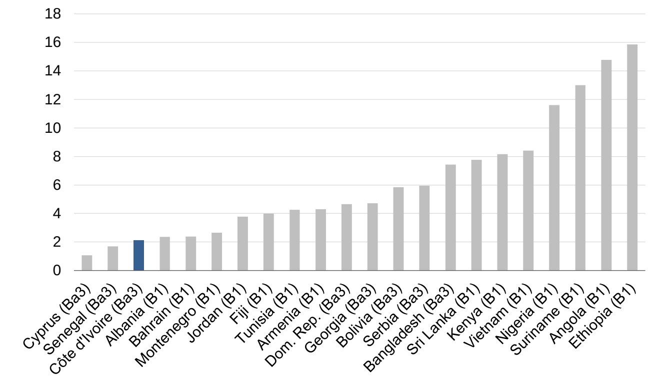
The WAEMU comprises eight countries and 117 million people sharing a common currency, the CFA franc (see Appendix 1 for further information on the CFA zone framework). As a result, it provides a rigid framework for monetary and foreign-exchange policies enforced by the Central Bank of West African States (BCEAO). The latter pursues an inflation target, which has enabled its member countries to maintain outstanding price stability over time (see Exhibits 8 and 9). Among their peers, Côte d'Ivoire and Senegal have the lowest level of inflation.

Exhibit 8
Moderate inflation in Côte d'Ivoire, given WAEMU membership



Sources: IMF, national authorities, Moody's Investors Service

Exhibit 9
Average annual inflation rate has been low(2006-2017F)



Sources: IMF, national authorities, Moody's Investors Service

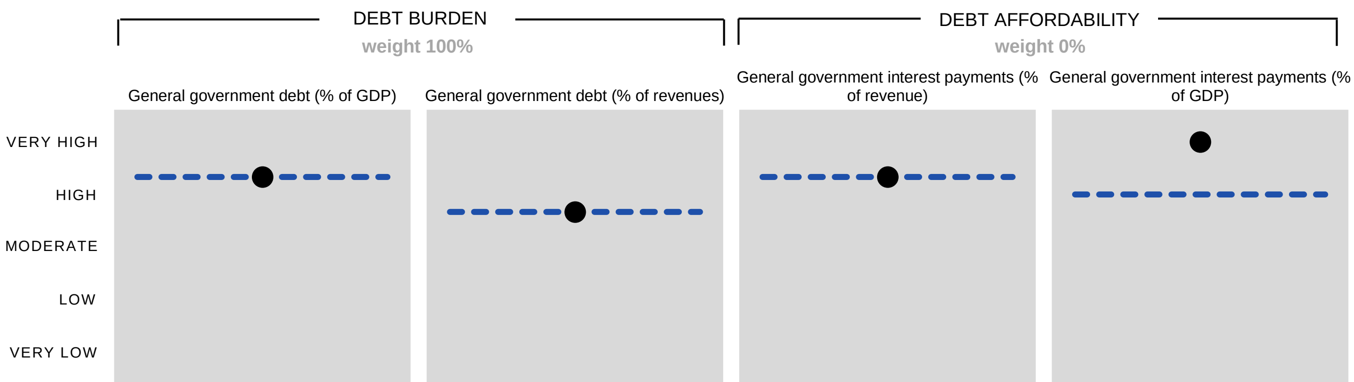
Fiscal strength: Moderate

Factor 3: Overall score

Scale	VH+	VH	VH-	H+	H	H-	M+	M	M-	L+	L	L-	VL+	VL	VL-	
+									Final							-

Factor 3: Sub-scores

Cote d Ivoire **Moderate (-)**



Fiscal strength captures the overall health of government finances, incorporating the assessment of relative debt burdens and debt affordability as well as the structure of government debt. Some governments have a greater ability to carry a higher debt burden at affordable rates than others. Fiscal strength is adjusted for the debt trend, the share of foreign currency debt in government debt, other public sector debt and for cases in which public sector financial assets or sovereign wealth funds are present. Depending on the adjustment factor the overall score of fiscal strength can be lowered or increased.

Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

We score Côte d'Ivoire's **government financial strength** as "Moderate", a score shared by countries such as Cameroon (B2 stable), Namibia (Ba1 negative), Rwanda (B2 stable), Trinidad & Tobago, Uruguay (Baa2 stable) and Vietnam (B1 positive).

Côte d'Ivoire's fiscal strength is supported by the government's relatively low debt burden and the authorities' efforts to improve the government's revenue intake to finance a relatively high level of capital spending – as part of supporting economic development – and to maintain broadly stable debt levels. Government debt remains affordable but is at risk of rising from the government's increased recourse to taking on debt on commercial terms.

Peer comparison table factor 3: Fiscal strength

	Cote d Ivoire Ba3/STA	M- Median	Cameroon B2/STA	Namibia Ba1/NEG	Rwanda B2/STA	Trinidad & Tobago Ba1/STA	Uruguay Baa2/STA	Vietnam B1/POS
Final score	M-		M-	M-	M-	M-	M-	M-
Indicative score	M-		M-	M-	M-	M	L+	M+
Gen. gov. debt/GDP	42.8	42.8	33.0	42.1	39.2	60.4	47.1	52.6
Gen. gov. debt/revenue	206.2	170.1	198.5	128.9	168.4	195.9	168.7	215.1
Gen. gov. interest payments/GDP	1.7	1.9	1.4	2.6	0.9	2.1	2.7	1.9
Gen. gov. int. payments/revenue	8.0	7.9	8.4	7.9	3.9	6.7	9.6	7.9

Healthy government balance sheet thanks to the recent HIPC

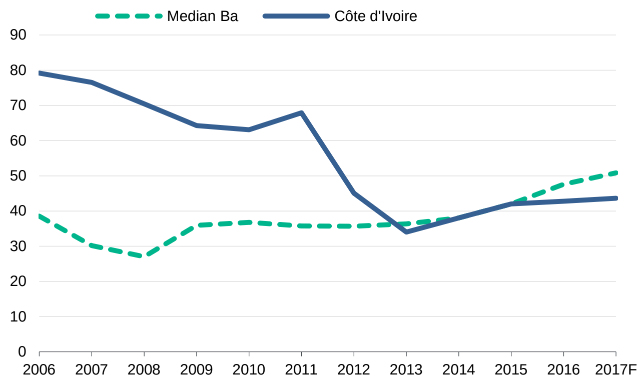
Government debt reached 43% of GDP at the end of 2016, having been on a rising trend since touching a low of 35% of GDP in 2013 following debt relief provided under the Heavily Indebted Poor Countries (HIPC) initiative.

After the country reached its completion point in June 2012, the key lenders of the Paris Club – which includes the leading industrialised countries – granted Côte d'Ivoire relief on its external debt. Moreover, the 2013 Eurobond was restructured - a detailed analysis of Côte d'Ivoire's default in 2011 and the restructuring of the 2013 Eurobond can be found in Appendix 2 at the end of this report. As per the arrangement with the Paris Club, Côte d'Ivoire undertook not to grant a more favorable agreement to any other creditor, whether a bank, a supplier, or a bondholder, meaning that the government has legacy arrears on its external debt dating from that time. However, the government has not accumulated any new external arrears since then.

The government's external debt, as presented by the authorities and the IMF, includes a large proportion of debt reduction and development contracts (C2D) that we do not consider to be debt because being fully fledged debt forgiveness mechanisms. Indeed, the C2D is a debt relief initiative granted by France whereby the debtor country continues to honour servicing the debt that has been cancelled, but receives back the payment as a subsidy from France. The subsidy is deposited in a special account with the BCEAO and is earmarked to fund selected poverty-reduction programmes.

Exhibit 10

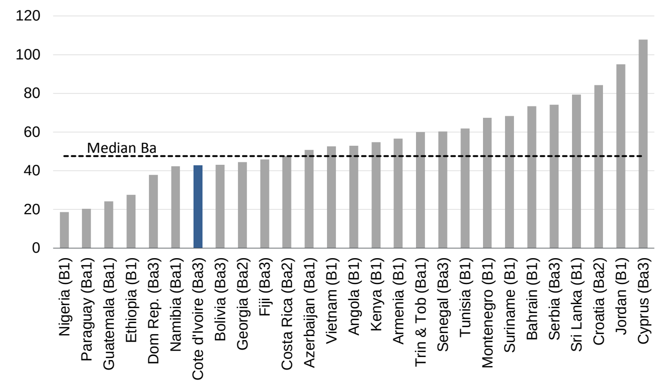
General government debt back in line with Ba median
(Debt as % of GDP, 2016)



Sources: Moody's Investors Service, IMF, national authorities

Exhibit 11

General government debt compared with peers
(Debt as % of GDP, 2016)



Sources: Moody's Investors Service, IMF, national authorities

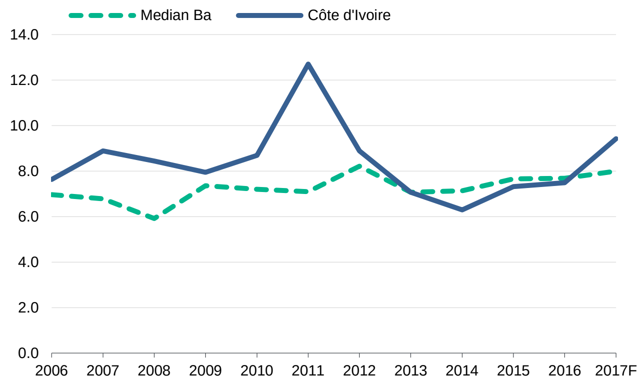
Debt remains affordable and not highly susceptible to foreign exchange risk

Roughly half of Côte d'Ivoire's government debt is external and denominated in foreign currency, while the other half is domestic and denominated in the local currency. Foreign exchange risk remains relatively contained thanks to Côte d'Ivoire's membership of the WAEMU. External debt is primarily owed to bilateral and multilateral lenders, with long maturities and low interest rates, while the rest is held by international banks and Eurobond investors. Its domestic debt is mainly held by banks.

Due to the government debt structure, the debt has long tenures and is affordable, with the government spending 7.5% of its revenue on interest, which will likely decline gradually as the government is increasingly borrowing from commercial sources. Government debt excluding what is owed to the official sector had an average maturity of 8.7 years as of September 2017 according to Bloomberg.

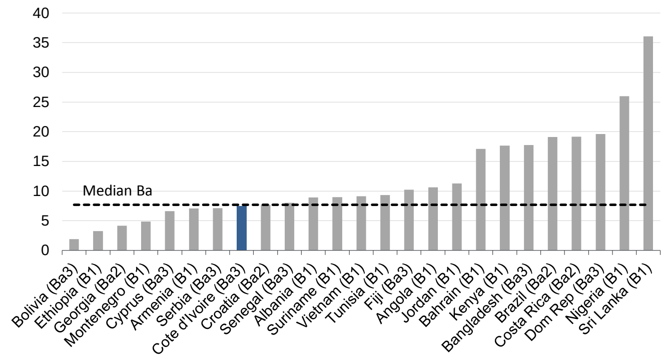
Finally, public-sector companies have low indebtedness, amounting to CFA 443 billion or 2.1% of GDP as a whole as of the end of 2016, implying limited contingent liability risk for the government.

Exhibit 12
General government interest payments/revenue (%, 2016)



Sources: Moody's Investors Service, IMF, national authorities

Exhibit 13
General government interest payments/revenue versus peers (%, 2016)



Sources: Moody's Investors Service, IMF, national authorities

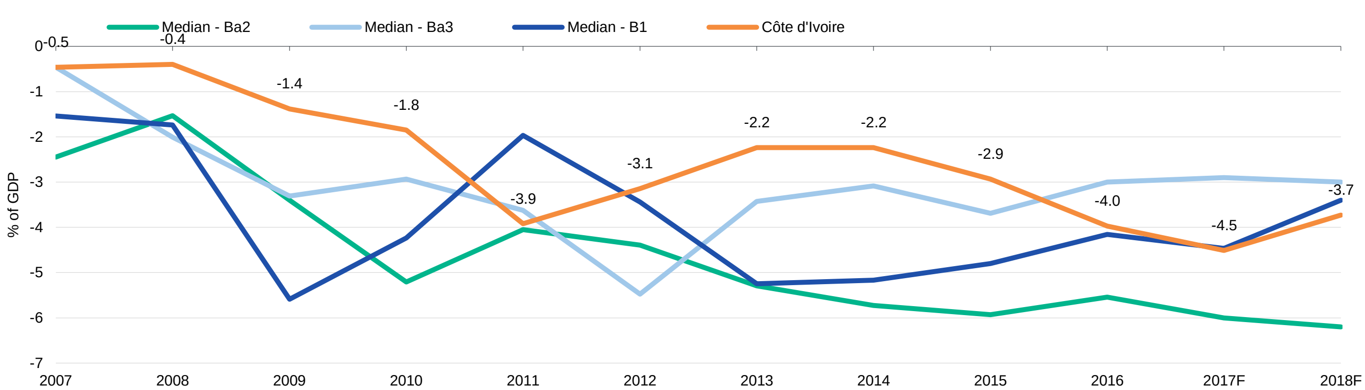
Increasing fiscal space for pro-growth spending, in particular capital spending...

The government has managed to increase its revenue intake substantially over the last five years. It reached 21% of GDP lately. This, in turn, has enabled the government to increase its spending, particularly pro-growth spending such as capital expenditure, which has grown by 32% on a CAGR basis since 2011 versus 15% for operating expenditure, while limiting the fiscal imbalance.

The government's fiscal deficit reached 4.0% in 2016 while capital spending represented a high proportion of overall expenditure – 30%, equivalent to 7.5% of GDP. This means that not only does the government borrow for the sole purpose of financing capital spending but that it self-finances a large part (3.5% of GDP) from its own revenues (20.7% of GDP) which include grants amounting to 1.2% of GDP.

In 2017-18, we expect the fiscal deficit to remain near 4% of GDP (see Exhibit 14). This baseline scenario balances on the one hand the government's commitment to fiscal consolidation – the WAEMU has set a common objective to bring the deficit for all member countries down to 3% of GDP or below by 2019 – and on the other hand, the historic susceptibility of the budget to shocks. The latter resulted in the government missing its budget targets in 2016 and 2017. For instance, in 2016, increased security spending following the terrorist attack in Grand-Bassam and the loss of revenue due to a drop in cocoa prices weighed on the 2016 and 2017 fiscal outcomes. Payments to former rebels and public sector wage settlement aggravated the deficit in 2017 which is likely to reach -4.5%. Given the economy is now on a good footing, we would expect the government to prioritise fiscal consolidation in case of renewed shocks by delaying some of its planned capital spending if needed.

Exhibit 14
Côte d'Ivoire's fiscal deficit in line with Ba3- and B1-medians



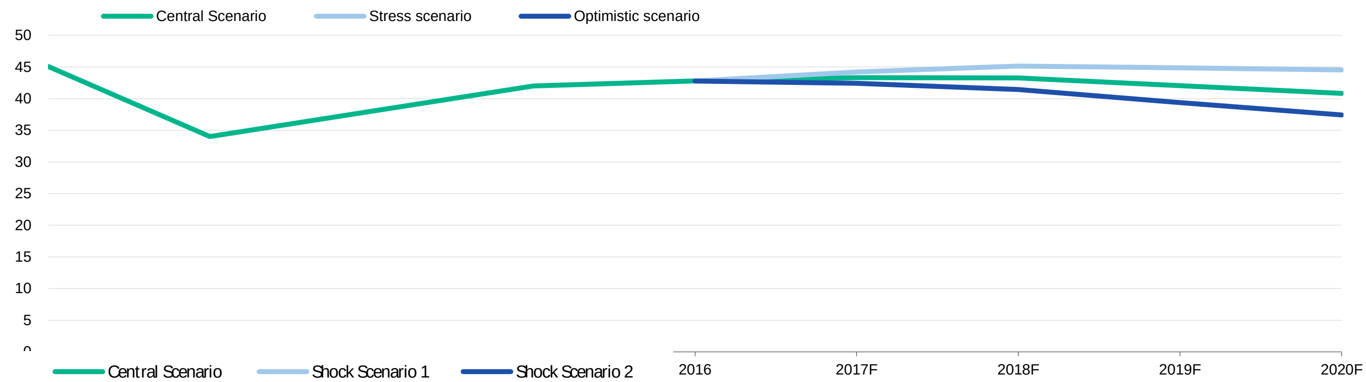
Source: Finance Ministry, Moody's Investors Service

...should continue to support stabilisation in government debt

We project government debt-to-GDP will stabilise around 44% of GDP in 2017-18 thanks to Côte d'Ivoire's elevated nominal growth and the gradual reduction in the government primary balance. Assuming the government continues fiscal consolidation beyond 2018, in line with the WAEMU fiscal norm, and that the growth outlook remains supportive, government debt could even start falling in 2019, as shown in Exhibit 15. Risks surrounding this central expectation are well balanced.

Exhibit 15

Stabilisation of debt levels expected even under stress scenario



Moody's stress scenario is based on the impact of negative shocks on nominal growth, government primary balance, average interest rate on debt and annual change in foreign exchange rate. The shocks are based on a 0.25/annum standard deviation (calculated for 10 years) over the course of the forecast period.

Sources: National authorities, Moody's Investors Service

Susceptibility to event risk: Moderate (-)

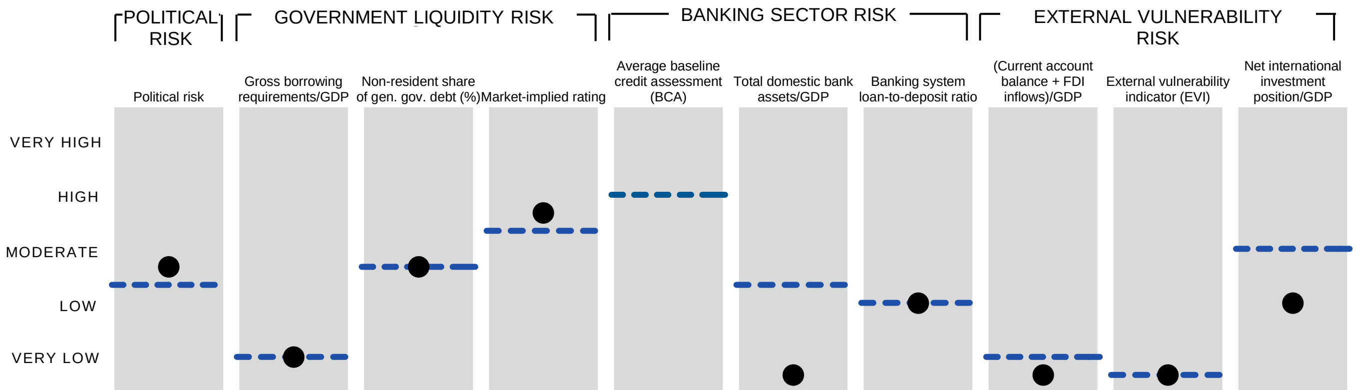
Factor 4: Overall score

Scale	VL-	VL	VL+	L-	L	L+	M-	M	M+	H-	H	H+	VH-	VH	VH+	
+							Final									-

Factor 4: Sub-scores

Cote d Ivoire **Moderate (-)**

● Score for Cote d Ivoire — Median of countries with Ba3 rating



Susceptibility to event risk evaluates a country's vulnerability to the risk that sudden events may severely strain public finances, thus increasing the country's probability of default. Such risks include political, government liquidity, banking sector and external vulnerability risks. Susceptibility of event risk is a constraint which can only lower the preliminary rating range as given by combining the first three factors.
Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

Political risk: Moderate (-)

We score **government political risk** as "Moderate (-)", the same as for Cambodia (B2 stable), Guatemala (Ba1 stable), Honduras (B1 stable) and South Africa (Baa3 negative).

Peer comparison table factor 4a: Political risk

	Cote d Ivoire		South Africa	Honduras	Cambodia	Guatemala	Estonia	Fiji
	Ba3/STA		Baa3/NEG	B1/STA	B2/STA	Ba1/STA	A1/STA	Ba3/STA
Final score	M-		M-	M-	M-	M-	M-	M-
Geopolitical risk	VL	--	VL	VL	L	VL	M-	VL
Domestic political risk	M-	--	M-	M-	M-	M-	VL	M-

Consolidation of political stability continues in President Ouattara's second term

In October 2015, President Ouattara was re-elected for a second five-year mandate in a landslide with 83.6% of the vote. His re-election dispels political uncertainty over the next five years. This event was the main reason we lowered our assessment of the country's political risk by one notch from "Moderate" to "Moderate (-)". Much has been achieved in the ensuing stability since the short 2011 civil war (see Appendix 3 for more details), and is why the president has given clear indications that efforts towards reconciliation will continue during his second mandate, further reducing political risk. While challenges to political stability could rise ahead of the next election in 2020, we believe that those risks are likely to be contained. Sources of such risk could include divisions and weakness in the political opposition, uncertainty over the development of a new generation of political leaders, and economic growth that is not more inclusive in the future.

In November 2016, following a referendum and constitutional reform, the post of vice president was established to provide a head of state should the president be incapacitated. In January, President Ouattara appointed the former prime minister, Daniel Kablan Duncan, as vice president. A new cabinet led by the new prime minister, Amadou Gon Coulibaly, was also appointed shortly afterwards, along with several key ministers, including the finance and budget ministers who retained their posts. The appointments reflect a consolidation of power under the president, and support policy continuity and our assessment of gradually improving institutional strength, which we score at "Low". However, at the start of 2017, social unrest broke out in the form of strikes by civil servants over salary arrears, pension issues and salary increases. This followed government payments of pledges made to former rebels during the 2011/12 civil crisis. The payments were made to more than 8,000 soldiers and may account for up to 0.5% of GDP. The discontent illustrates how some sectors of the population feel they are not sharing in Côte d'Ivoire's high growth and their impatience to benefit from the country's economic expansion. Growing inequality is part of our assessment of domestic political risk and informs our decision to maintain the score at "Moderate (-)".

Political stability has also been strengthened through the good relationships the government has with the international community, particularly France, which maintains a military presence in the country and has, on several occasions, acted as a mediator in major political conflicts. A new Defense Treaty "Partenariat" has been ratified by both countries, and includes a French military base that will eventually host more than 1,000 combat troops and an academy for the whole region. The French military presence in the Sahel region fosters cooperation between the countries and ensures that instability in the region is reduced. Last year's terrorist attack in Grand-Bassam has not had a material impact on the country's stability.

Government liquidity risks: Low (+)

Peer comparison table factor 4b: Government liquidity risk

	Cote d Ivoire Ba3/STA	L+ Median	Senegal Ba3/STA	Serbia Ba3/STA	Dominican Republic Ba3/STA	Ethiopia B1/STA	Fiji Ba3/STA	Croatia Ba2/STA
Final score	L+		L+	L+	L+	L+	L+	L+
Indicative score	L+		L+	L+	L	M	L+	L
Gross borrowing req./GDP	8.0	10.6	9.1	16.6	7.3	11.8	5.0	19.4
Gen. gov. ext. debt/gen. gov. debt	55.1	55.1	67.9	62.7	65.0	62.2	28.0	37.5
Market funding stress indicator	B1	B1	Ba3	Ba1	Ba2	B3	B3	Baa3

The "Low (+)" assessment reflects government financing needs of around 8-10% of GDP in 2016 and 2017, and relatively constrained financing options. The government's financing typically comes from concessional funding from bilateral and multilateral lenders, international bond issuance, and the regional capital markets. Cote d'Ivoire diversified its sources of funding as it gained access to global markets by issuing Eurobonds since 2014. Following the July 2014 issuance of a $750 million, 10-year sovereign bond, the government issued a $1 billion, 12-year Eurobond in February 2015, as well as $1.25 billion, 16-year bond and a €625 million eight-year note both in 2017.

Cote d'Ivoire's access to the developing regional capital markets supports our assessment of government liquidity risk. Côte d'Ivoire has been the largest issuer in WAEMU for years, being its largest economy, and enjoys one of the union's lowest yields. The regional financial system remains relatively underdeveloped with banks accounting for the bulk of government asset purchases. It recently issued the first synthetic local currency bond on the WAEMU market leading the innovation and development of the regional capital market.

The BCEAO has created the agency UMOA-Titres to increase member countries' capacity to access domestic financing. The WAEMU has also established a financial stability fund. The fund's objective is to provide liquidity support to sovereigns when needed, thereby securing sovereign members' debt payments and limiting spillover risks within the CFA franc zone.

Banking system risks are also limited

Peer comparison table factor 4c: Banking sector risk

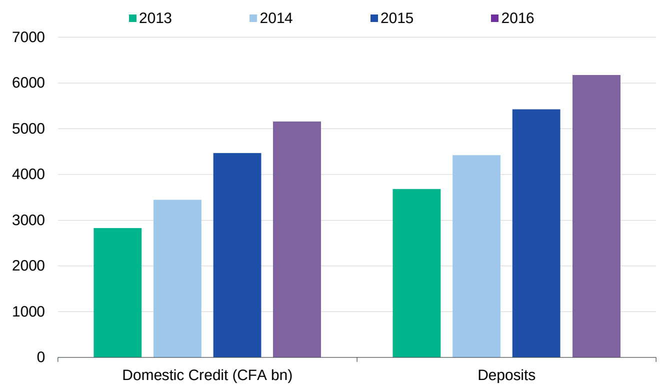
	Cote d Ivoire Ba3/STA	L Median	Angola B1/NEG	Fiji Ba3/STA	Rwanda B2/STA	Senegal Ba3/STA	Cameroon B2/STA	Peru A3/STA
Final score	L		L	L	L	L	L	L
Indicative score	L		L	L	M-	L	L+	L
Baseline credit assessment	--	baa2	b3	--	--	--	--	baa3
Total dom. bank assets/GDP	35.3	117.1	63.2	91.9	35.9	73.0	24.0	59.0
Loan-to-deposit ratio	87.3	93.2	60.2	86.6	100.7	86.8	90.7	132.9

The Ivorian banking system is small, with assets rising to CFA7,684 billion ($13.8 billion) at the end of 2016. In 2016, 26 banks accounted for 80% of the financial services market, with the remainder insurance companies. Most banks are foreign-owned, whilst the three major banks are subsidiaries of foreign banking groups. Banking branches are mainly located in Abidjan, where more than 40% of the country's economic activity is concentrated. As a result, the penetration rate of banking services is weak – though increasing – at 19% at the end of 2015 (but marginally higher when including the micro-finance sector). Market shares are very unevenly distributed as foreign bank subsidiaries dominate the sector, accounting for about 60% of assets. However, they generally have the most robust balance sheets and comply with all prudential requirements.

Strong growth in domestic lending (over 20% annually) over 2013-15, slowed marginally to around 15% in 2016, and reflects in part the correlation between credit to the private sector and public investment in the economy. Growth in net domestic assets has been steady, averaging 18.7% over 2013-16. Deposits have been growing by an average of 20% over 2013-15, but slowed to 12% in 2016. The banking system is relatively liquid, with a loan-to-deposit ratio of 87% at the end of 2016. Roughly 92% of deposits are private sector deposits, which demonstrates the crucial role played by the private sector in the functioning of the banking system (see Exhibits 16 and 17).

Exhibit 16

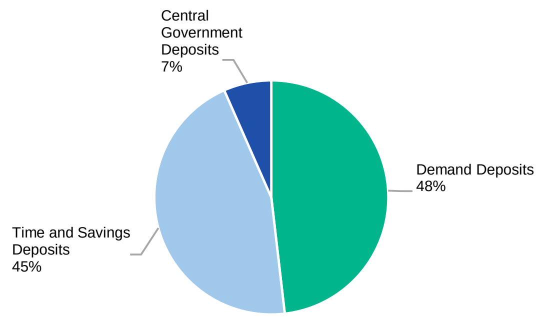
Domestic credit is increasing rapidly, but remains substantially lower than deposits



Sources: IMF, Central Bank of West African States

Exhibit 17

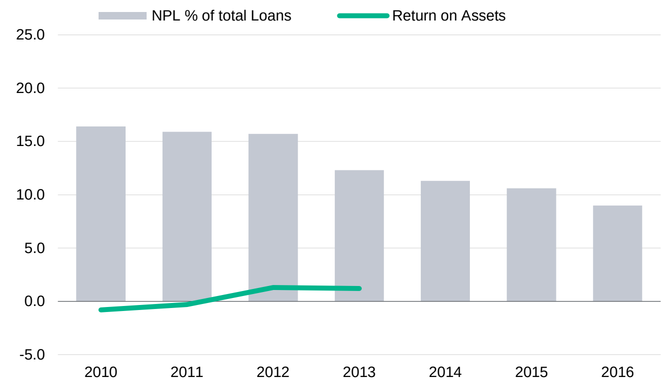
Breakdown of deposits with commercial banks



Sources: IMF, Central Bank of West African States

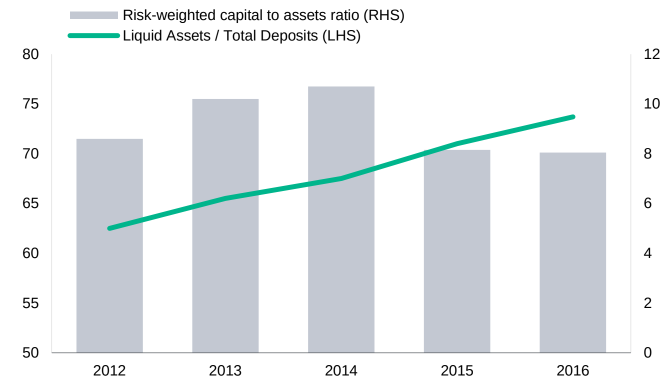
Contingent risks to public finances posed by the banking system are limited. The banking system has proven resilient, with no bank failing despite the adverse effects of the political and security crisis in 2011. Despite some improvement, the overall quality of bank portfolios remains weak, especially among state-owned banks. In 2016, outstanding nonperforming loans (NPLs) accounted for 9% of gross lending (16.9% in 2011) of which 71% was provisioned (see Exhibits 18 and 19). Concerning capitalisation, capital adequacy has been declining to reach 8% at end-2016, just at the 8% threshold of the WAEMU framework. However, this ratio should rise in the future, as the delay to comply with the new regulation from Basel II to Basel III is January 1, 2018.

Exhibit 18
NPLs have gone down and RoA has gone up, since 2010



Sources: IMF, Central Bank of West African States

Exhibit 19
Prudential ratios have significantly improved since 2011



Sources: IMF, Central Bank of West African States

Côte d'Ivoire benefits from currency stability and robust external accounts

Peer comparison table factor 4d: External vulnerability risk	Cote d Ivoire	VL- Median	Guatemala	Serbia	Trinidad & Tobago	Vietnam	Bangladesh	Brazil
	Ba3/STA		Ba1/STA	Ba3/STA	Ba1/STA	B1/POS	Ba3/STA	Ba2/NEG
Final score	VL-		VL-	VL-	VL-	VL-	VL-	VL-
Indicative score	VL-		VL-	VL-	VL-	VL-	VL-	VL-
(Curr. acc. bal. + FDI inflows)/GDP	1.1	6.2	3.0	1.6	1.4	10.7	2.9	3.0
External vulnerability indicator (EVI)	2.2	36.0	34.3	47.5	17.2	49.8	19.3	45.4

Côte d'Ivoire's external vulnerability is "Very Low (-)". A balance of payments crisis is extremely unlikely due to its membership of WAEMU, in which the CFA franc's convertibility is guaranteed by the French Treasury based on a fixed exchange rate with the euro. In addition, Côte d'Ivoire has almost always recorded a trade surplus and a current account with, on average, a slight surplus over the long term (+1.8% of GDP between 2000 and 2016). The country's export market is well diversified with no destination accounting for more than 10% of exports. Moreover, its external debt stands at a relatively low 30.1% of GDP (2016) and debt-service costs have also been reduced following debt cancellation in 2012.

Local banks display positive external positions, with a positive net assets position of $0.5 billion. Banks are required to repatriate at least 80% of export proceeds to the CFA zone, but have failed to do so for a long time. The BCEAO plans to continue to tighten this scheme and could impose fines to encourage compliance, which should continue to rapidly generate a significant structural increase in Ivorian foreign-currency reserves and benefit the wider balance of payments. As a result of all of these factors, the external vulnerability indicator (i.e., external short-term debt plus maturing long-term external debt divided by foreign-exchange reserves) is also very low and projected to fall to 2.2% at the end of 2018, from 2.7% in 2017.

The risk of a CFA franc devaluation remains very low

The main financial risk for Côte d'Ivoire would be a devaluation of the CFA franc, which would instantly increase debt relative to public revenue, given that about half of public debt is denominated in foreign currency. A devaluation would also significantly increase the cost of servicing this debt. A balance of payments crisis for the CFA zone is highly unlikely, since current account deficits have generally been covered by capital inflows. WAEMU is benefitting from the drop in energy prices, and the projections are still pointing towards an increase in official reserves for the zone over the medium term.

In 1994, there was a 50% devaluation of the CFA franc relative to the French franc. At present, we view the risk of such a depreciation being repeated as remote. The last devaluation was spurred by a fall in the BCEAO reserve ratio (bank notes issued and deposits with the central bank) to below 17% in 1993; whenever reserves fall below 20% of the monetary base, the BCEAO is mandated to take measures to contract the monetary base. This scheme is similar to those operated in currency board arrangements. When reserves reach zero, the central bank then implements new measures. This occurred once in 1991, though the French treasury was able to keep the exchange rate intact during this period. Although it failed to generate the desired level of growth, the 1994 devaluation brought the coverage ratio up to 84%. It even exceeded 100% between 1999 and 2012 and stood at 84.3% at the end of 2014. recent issuances by both Côte d'Ivoire and Senegal are certainly supporting the pool of reserves. There is currently a striking difference between the WAEMU region and the central Africa zone Franc on this front, the latter having depleted most of its reserves following the oil shock.

Over the past decade, this 70-year monetary arrangement has been tested by a series of crises in the two monetary sub-regions of the CFA zone and has remained intact in each case. In addition, devaluation would need to be agreed by all the countries in the CFA zone (western and central Africa) and by the French Treasury. As a result, it would be extremely unlikely to take place without a prolonged public debate.

Appendices

Appendix 1: The CFA Zone

Côte d'Ivoire is part of the WAEMU, whose currency (the CFA franc) has been linked to the French franc and then the euro through an agreement between participating countries and the French Treasury for over 70 years. Participation in the CFA franc zone has the following features:

» WAEMU members do not have their own central bank, monetary policy, currency or exchange-rate regime. There is one central bank for the union, the BCEAO, located in Dakar. The central bank sets monetary policy for the monetary union. The exchange-rate regime, in particular the level of the peg to the euro, is reached by a multilateral unanimous decision between the French Treasury and all the countries participating in the CFA zone.

» The currency reserves of the participating countries are pooled at the central bank. In turn, at least 50% of the reserves are deposited in a current account held by the French Treasury at the Banque de France. In addition, they earn an interest rate of EONIA +100 bps.

» The French Treasury acts as guarantor of the exchange-rate regime and ensures unlimited convertibility of the CFA franc with the euro. In practice, this support takes the form of an unlimited overdraft facility granted to the Western African central bank on its account at the Banque de France with the French Treasury. Note that the convertibility is not backed by a monetary arrangement (ECB support) but by an international agreement, with support from the French government.

» There are no capital transactions within the CFA zone, but there are capital controls between the zone and the rest of the world. In particular, the central bank reserves the right to compel private and public institutions within the area to redeem their foreign-currency holdings in return for CFA francs. Export revenue, for example, has to be repatriated and converted to CFA francs.

» Participation in the CFA zone greatly reduces the risk that exchange-rate depreciation raises the cost of servicing foreign-currency debt. It does not eliminate this risk, however, because (1) not all foreign-currency debt is euro-denominated; and (2) the possibility of a devaluation of the CFA franc relative to the euro exists: in 1994, the CFA franc was devalued by 50%.

» The WAEMU is also an economic union with an integrated financial system and unified customs, in which the free movement of people and capital is assured. The WAEMU Treaty establishes the harmonisation of tax systems through common tax bases and brackets and has enabled the establishment of common external tariffs.

Appendix 2: The 2011 default on the 2032 Eurobond

» After reaching the decision point of the HIPC initiative in March 2009, Côte d'Ivoire in April 2010 issued a $2.3 billion Eurobond maturing in 2032, repayable over a 23-year period, including a six-year grace period. This bond replaced the Brady bonds issued after the London Club restructuring in March 1998. After honouring the first coupon in June 2010, the authorities missed the coupon payments for December 2010, June 2011 and December 2011. The total involved $98.4 million.

» Payments resumed in June 2012. In November 2012, an agreement was reached with lenders for Côte d'Ivoire to clear its arrears. The lenders agreed to cancel late penalties on arrears.

» Shortly afterwards, the authorities reopened the 2032 Eurobond issue and issued $187 million, bringing the total to $2.5 billion. The balance for the arrears was extended after the Paris Club's parallel private-debt renegotiations.

» The electoral crisis that began in December 2010 resulted in a deterioration in diplomatic relations with President Laurent Gbagbo's government, which was considered illegitimate by many in the international community.

» This break in relations extended to the country's main lenders and to other WAEMU members. Before the civil war, the economy was pressured by economic sanctions directed against the Gbagbo administration, which was still in control of the southern part of the country and Abidjan.

» The BCEAO also withdrew recognition and refused access to the WAEMU currency pool in Dakar. It recognised access only for elected President Ouattara and his new administration installed at the Hôtel du Golf. President Gbagbo's supporters then moved quickly to seize the cash reserves held by the central bank in Abidjan.

» The Ouattara administration was unable to take possession of the premises of BCEAO's local subsidiary in Abidjan, which held the systems to order payments and details of the recipients of these payments. This is why Côte d'Ivoire was unable to honour the coupon payments on its 2032 Eurobond.

» Ouattara's triumph in March 2011 was followed by the restoration of relations between Abidjan and the BCEAO, and the gradual normalisation of repayments on government debt. In the case of Côte d'Ivoire, default was unrelated to any unwillingness or any inability by its legitimate government to repay its debt because reserves were available at the central bank. Instead, payment was impeded by the new administration's inability to take control of the central bank, a subsidiary of the BCEAO.

» The default was directly due to the political situation and the international community's rejection of the legitimacy of the Gbagbo government. Given the stabilisation of Côte d'Ivoire's political situation since 2011 and the encouraging outlook beyond 2017, we consider that the risk of a second default, similar to that of 2011, as low. Moreover, to mitigate the risk that a new, even fleeting, political crisis would trigger a default by a member country of the CFA zone, WAEMU, concerned about its reputation, created a Financial Stability Fund (FSF) in May 2012 (Decision CN/UMOA/007/05/2012). Once operational with an endowment of CFA383 billion ($795 million), this emergency fund is intended to cover the debt service of states in exceptional circumstances, as determined by its members. The beneficiary member state is then bound to repay the funds applied within five years. Once it is fully funded, the FSF will be able to prevent a default on government bonds in circumstances similar to 2011, because it will take over debt servicing costs. A confrontation between one government and other WAEMU members will pose a risk to a member state's signature only if the crisis becomes prolonged.

Appendix 3: The 2011 short civil war

» The civil war that erupted following the election of President Alassane Ouattara in 2010 was responsible for the death of an estimated 3,000 people and was highly disruptive for the entire country. It led to the displacement of over 700,000 people within the country and more than 250,000 people in the wider Sub-Saharan region. Almost all have returned, while about 38,000 remain abroad, mainly in Liberia. The authorities are working in concert with the UN High Commissioner for Refugees (UNHCR) and the Liberian authorities to facilitate their return, which was delayed by the Ebola outbreak. The conflict reflected deep political divisions within the country that date back to the early nineties when multiparty politics was introduced at the end of President Houphouet-Boigny's reign and when the country had been celebrated as a model for economic development in Sub-Saharan Africa. This was the result of a drawn-out political crisis.

» Events escalated with the 1999 coup of General Guei and the rejection by the Supreme Court of 14 of the 19 candidatures put forward in presidential elections in 2010. The electoral commission eventually announced the victory of Laurent Gbagbo after General Guei was ousted in the wake of mass social demonstrations. In September 2002, a movement formed by rebel soldiers, who eventually called themselves Mouvement des Forces Nouvelles, gradually occupied the north of the country (about 60% of the territory). Although a peacekeeping force of French troops prevented clashes from escalating, the country was split in two. Peace talks started after a cease-fire was declared in October 2002 and resulted in the signing of the Linas-Marcoussis Agreement in France in 2003. A national unity government was formed amid serious and recurring political tensions. In 2004, the UN Security Council authorised the deployment of the United Nations Operation in Côte d'Ivoire (UNOCI) with 10,000 UN peacekeepers, including 4,600 French soldiers. The council continued to extend President Laurent Gbagbo's mandate regularly until the presidential elections of October 2010.

» The protracted political crisis has also brought about increases in inequality, particularly between the north and south of the country. As a consequence, youth poverty and unemployment will be major challenges in the future.

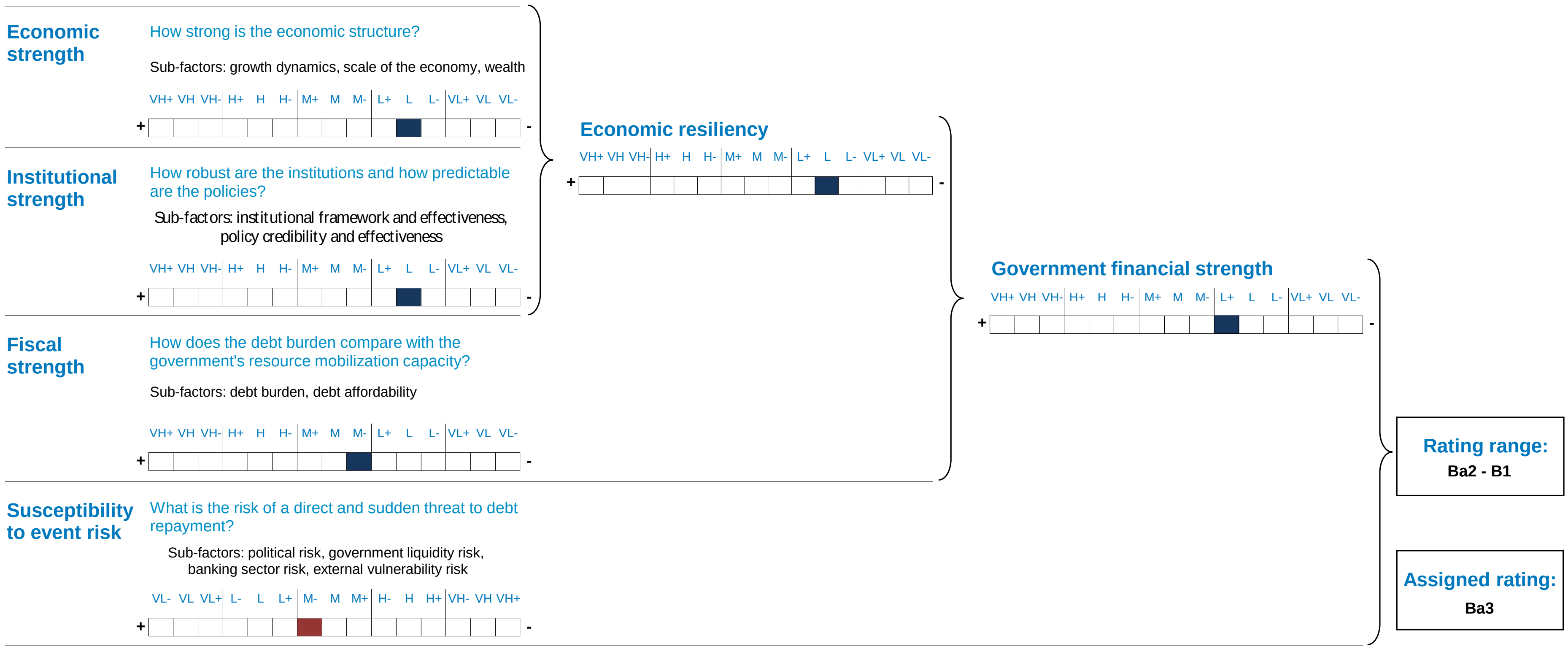
» Many strides have been made towards national reconciliation. In particular, the Commission for Dialogue, Truth, and Reconciliation (Commission Dialogue, Vérité et Réconciliation or CDVR) chaired by Charles Konan Banny[1] was created to shed light on past events. The commission submitted its report to the president of the republic in September 2014 and a compensation fund for the victims was created, starting with CFA10 billion earmarked in 2015. The Commission Nationale pour la Reconciliation et l'Indemnisation des Victimes (CONARIV) has now succeeded to the CDVR. An estimated 500,000 victims will potentially be compensated, though it will take years to process.

Rating range

Combining the scores for individual factors provides an indicative rating range. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the rating range. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the indicative rating range. For more information please see our Sovereign Bond Rating Methodology.

Exhibit 20

Sovereign rating metrics: Côte d'Ivoire



Source: Moody's Investors Service

Comparatives

This section compares credit relevant information regarding Côte d'Ivoire with other sovereigns rated by Moody's Investors Service. It focuses on a comparison with sovereigns within the same rating range and shows the relevant credit metrics and factor scores.

In terms of economic strength, Côte d'Ivoire ranks one notch lower than the Ba3 median of Moody's rated sovereigns. While its average real GDP growth generally ranks above rated peers, its per-capita wealth is lower. In terms of institutional strength, the country ranks below the Ba3 median, though there is good reason to believe that its metrics in this area understate the results the country has been able to achieve fairly rapidly to date. Among its institutional strength features is its membership in the CFA zone, which confers significant balance-of-payments stability, unlike most other Sub-Saharan African countries. As for its fiscal strength, Côte d'Ivoire is in line with rated peers. Its overall debt burden – both debt stock and interest payments relative to its economy and revenue – are in line with Ba3 peers. Côte d'Ivoire's susceptibility to event risk score is determined by domestic political risks. Its external metrics are strong relative to peers, with smaller current account deficits and a smaller external vulnerability indicator.

Exhibit 21

Côte d'Ivoire - key peers

Cote d Ivoire Key Peers

	Year	Cote d Ivoire	Costa Rica	Gabon	Vietnam	Angola	Kenya	Ba3 Median	Sub-Saharan Africa Median
Rating/Outlook		Ba3/STA	Ba2/NEG	B3/NEG	B1/POS	B1/NEG	B1/RUR	Ba3	B1
Rating Range		Ba2 - B1	Ba2 - B1	B3 - Caa2	Ba2 - B1	B1 - B3	B1 - B3	Ba2 - B1	B1 - B3
Factor 1		**L**	**M-**	**L+**	**H-**	**M-**	**M-**	**L+**	**L+**
Nominal GDP (US$ bn)	2016	35.6	57.5	14.0	198.3	100.5	69.9	34.7	24.8
GDP per capita (PPP, US$)	2016	3609.0	16435.8	19056.5	6321.5	6844.4	3496.4	8067.0	3880.3
Avg. real GDP (% change)	2012-2021	8.2	3.9	3.3	6.0	3.6	5.7	5.0	4.9
Volatility in real GDP growth (ppts)	2007-2016	4.7	2.3	3.1	0.6	6.7	2.2	2.5	2.4
Global Competitiveness index	2015	3.9	4.5	3.8	4.4	--	4.0	3.9	3.8
Factor 2		**L**	**M+**	**VL-**	**L+**	**VL**	**L-**	**L+**	**L-**
Government Effectiveness, percentile [1]	2016	14.9	58.9	8.2	42.5	3.7	27.6	26.5	17.1
Rule of Law, percentile [1]	2016	17.9	62.6	20.8	52.2	6.7	23.1	35.4	29.1
Control of Corruption, percentile [1]	2016	26.8	70.1	19.4	33.5	0.0	11.1	32.8	26.8
Average inflation (% change)	2012-2021	1.6	2.8	2.1	5.0	14.3	6.0	3.1	5.7
Volatility in inflation (ppts)	2007-2016	1.9	3.9	1.9	5.1	7.0	3.8	2.5	3.0
Factor 3		**M-**	**L-**	**L+**	**M-**	**L+**	**VL+**	**M-**	**M-**
Gen. gov. debt/GDP	2016	42.8	44.8	54.5	52.6	53.6	54.7	44.6	51.3
Gen. gov. debt/revenue	2016	206.2	307.5	316.9	215.1	290.9	285.3	216.2	255.7
Gen. gov. interest payments/revenue	2016	8.0	19.2	13.4	7.9	11.4	17.2	8.0	9.0
Gen. gov. interest payments/GDP	2016	1.7	2.8	2.3	1.9	2.1	3.3	2.4	2.1
Gen. gov. financial balance/GDP	2016	-4.0	-5.2	-4.9	-5.5	-3.9	-8.0	-3.5	-4.0
Factor 4		**M-**	**L+**	**M+**	**H**	**M+**	**M**	**M-**	**M+**
Current account balance/GDP	2016	-0.6	-3.6	-10.3	4.3	-3.1	-5.2	-4.6	-4.8
Gen. gov. external debt/gen. gov. debt	2016	55.1	23.0	65.2	50.0	46.8	49.1	58.9	63.7
External vulnerability indicator (EVI)	2018F	2.2	117.6	93.1	49.8	47.8	50.7	19.3	47.8

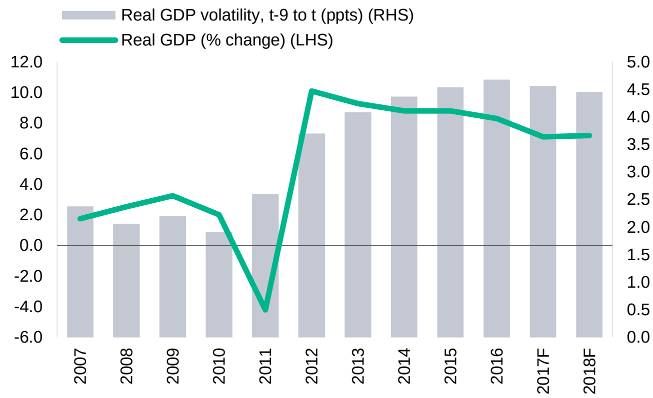
[1] Moody's Investors Service calculations. Percentiles based on our rated universe.
Source: Moody's Investors Service, national authorities, IMF

DATA, CHARTS AND REFERENCES

Chart pack: Côte d'Ivoire

Exhibit 22

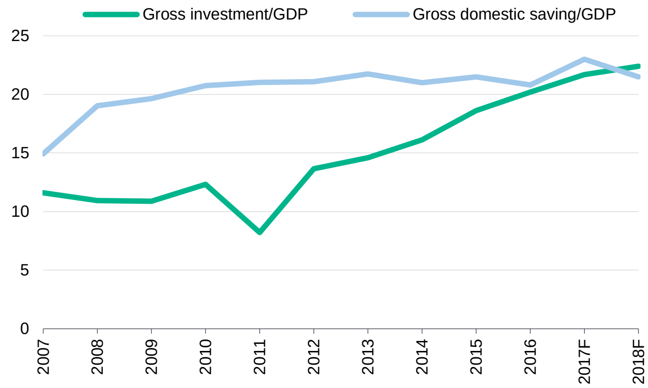
Economic growth



Sources: Moody's Investors Service, national authorities, IMF

Exhibit 23

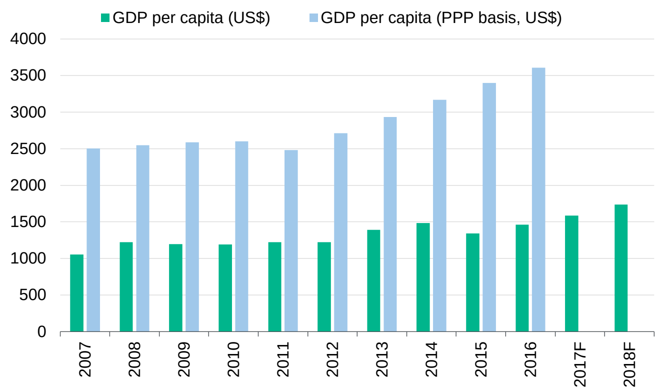
Investment and saving



Sources: Moody's Investors Service, national authorities, IMF

Exhibit 24

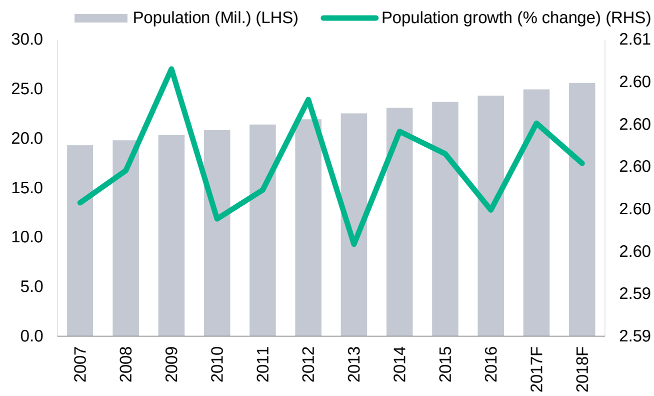
National income



Sources: Moody's Investors Service, national authorities, IMF

Exhibit 25

Population

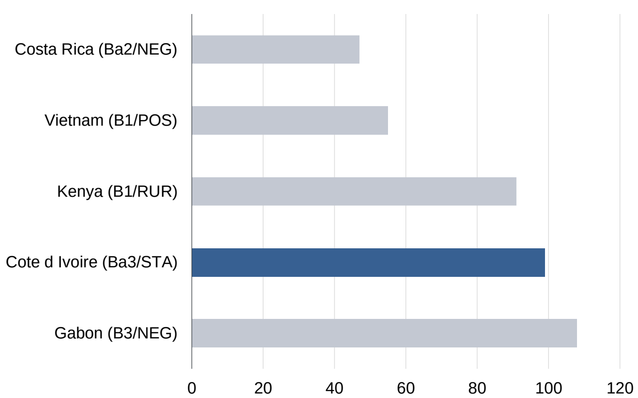


Sources: Moody's Investors Service, national authorities, IMF

Exhibit 26

Global Competitiveness Index

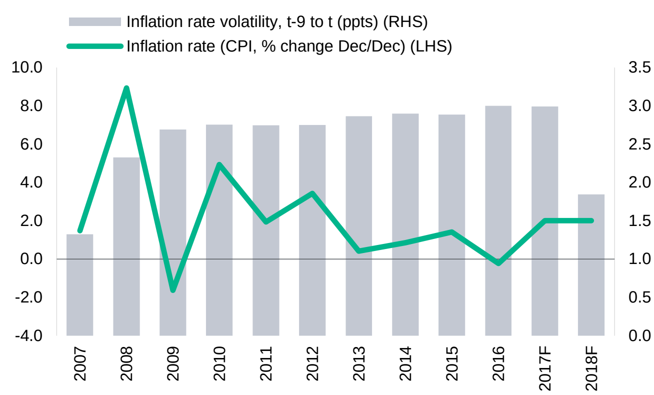
Rank 99 out of 138 countries



Source: World Economic Forum

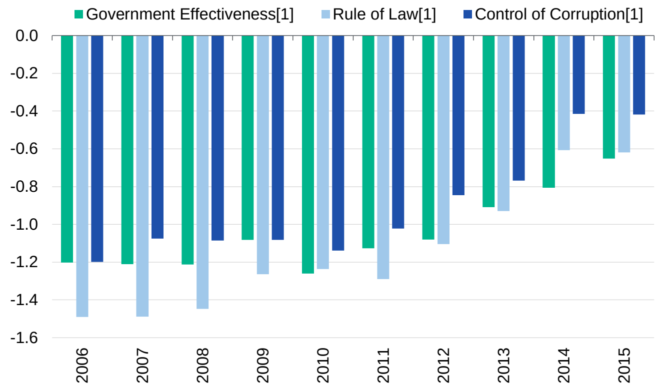
Exhibit 27

Inflation and inflation volatility



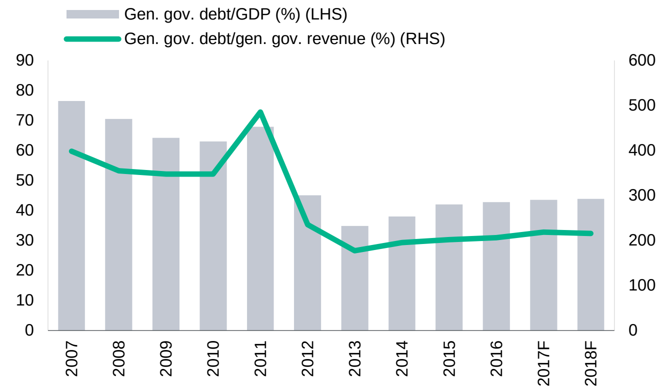
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 28
Institutional framework and effectiveness



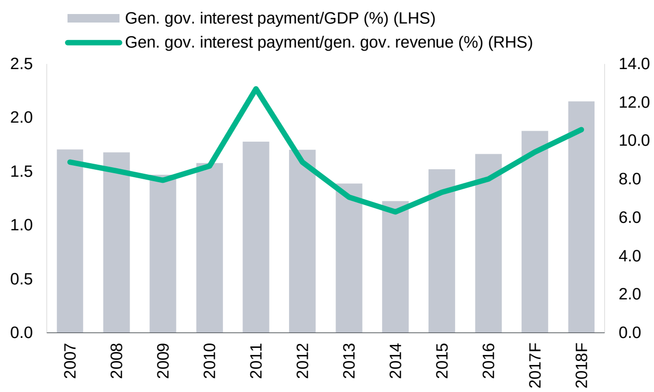
[1] Composite index with values from about -2.50 to 2.50: higher values correspond to better governance.
Source: World Bank Governance Indicators

Exhibit 29
Debt burden



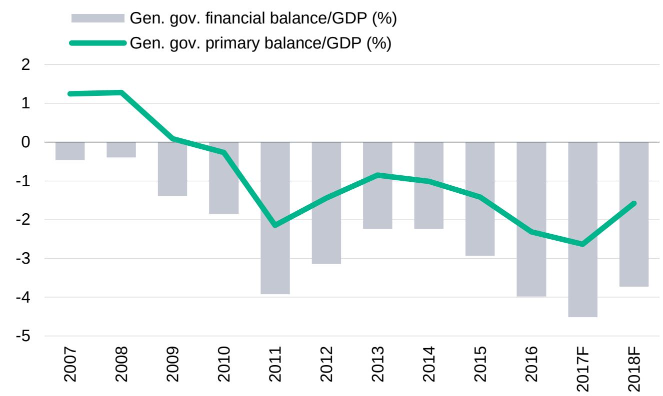
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 30
Debt affordability



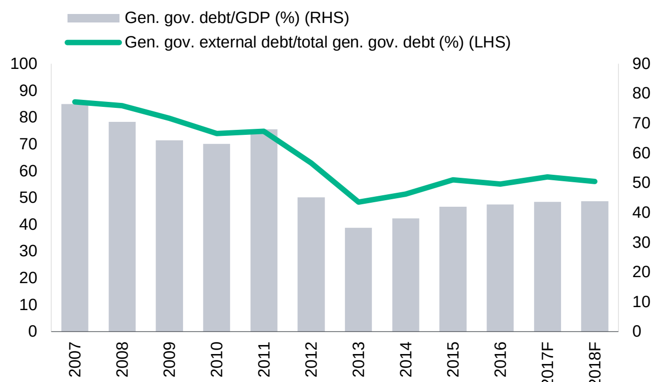
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 31
Financial balance



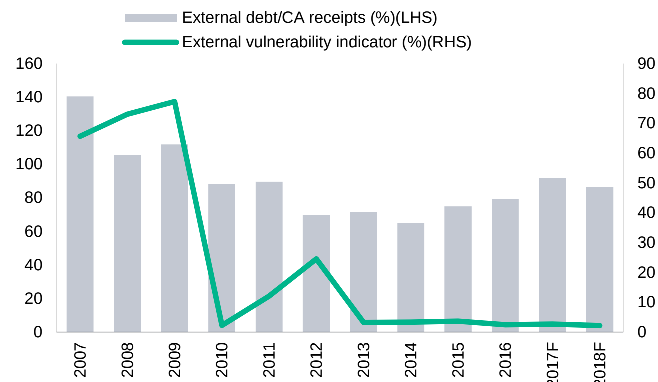
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 32
Government liquidity risk



Sources: Moody's Investors Service, national authorities, IMF

Exhibit 33
External vulnerability risk



EVI = (Short-Term External Debt + Currently Maturing Long-Term External Debt + Total Nonresident Deposits Over One Year)/ Official Foreign Exchange Reserves
Sources: Moody's Investors Service, national authorities, IMF

Rating history

Exhibit 34
Côte d'Ivoire

	Government Bonds			Foreign Currency Ceilings				Date
	Foreign Currency	Local Currency	Outlook	Bonds & Notes		Bank Deposit		
				Long-term	Short-term	Long-term	Short-term	
Rating Upgraded	Ba3	Ba3	Stable	Baa3	P-3	Baa3	P-3	Nov-15
Rating Assigned	B1	B1	Positive	Baa3	P-3	Baa3	P-3	Jul-14

Source: Moody's Investors Service

Annual statistics

Exhibit 35

Côte d'Ivoire

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017F	2018F
Economic structure and performance												
Nominal GDP (US$ bil.)	20.3	24.2	24.3	24.9	26.1	26.8	31.3	34.3	31.9	35.6	39.6	44.5
Population (Mil.)	19.3	19.8	20.3	20.9	21.4	22.0	22.5	23.1	23.7	24.3	25.0	25.6
GDP per capita (US$)	1,054	1,223	1,194	1,193	1,221	1,222	1,389	1,482	1,344	1,462	1,586	1,737
GDP per capita (PPP basis, US$)	2,503	2,550	2,586	2,603	2,480	2,711	2,934	3,167	3,399	3,609	--	--
Nominal GDP (% change, local currency)	4.7	11.3	5.7	7.5	0.1	11.0	12.9	9.5	11.3	11.9	9.5	8.9
Real GDP (% change)	1.8	2.5	3.3	2.0	-4.2	10.1	9.3	8.8	8.8	8.3	7.1	7.2
Inflation (CPI, % change Dec/Dec)	1.5	8.9	-1.6	4.9	1.9	3.4	0.4	0.9	1.4	-0.2	2.0	2.0
Gross investment/GDP	11.6	10.9	10.9	12.3	8.2	13.6	14.6	16.1	18.6	20.2	21.7	22.4
Gross domestic saving/GDP	14.9	19.0	19.6	20.7	21.0	21.1	21.7	21.0	21.5	20.8	23.0	21.5
Nominal exports of G & S (% change, US$ basis)	3.1	18.8	8.2	2.1	8.4	-8.4	9.4	8.6	-11.1	-5.1	0.3	12.3
Nominal imports of G & S (% change, US$ basis)	13.0	13.3	-0.4	11.2	-14.4	17.5	18.7	4.8	-10.5	-6.2	12.7	8.7
Openness of the economy[1]	89.4	87.3	90.8	94.0	87.6	87.1	84.9	82.8	79.4	67.1	64.1	63.0
Government Effectiveness[2]	-1.2	-1.2	-1.1	-1.3	-1.2	-1.1	-0.9	-0.8	-0.7	--	--	--
Government finance												
Gen. gov. revenue/GDP	19.2	19.9	18.5	18.1	14.0	19.1	19.7	19.4	20.8	20.7	19.9	20.4
Gen. gov. expenditures/GDP	19.7	20.3	19.9	20.0	17.9	22.3	21.9	21.7	23.7	24.7	24.4	24.1
Gen. gov. financial balance/GDP	-0.5	-0.4	-1.4	-1.8	-3.9	-3.1	-2.2	-2.2	-2.9	-4.0	-4.5	-3.7
Gen. gov. primary balance/GDP	1.2	1.3	0.1	-0.3	-2.1	-1.4	-0.8	-1.0	-1.4	-2.3	-2.6	-1.6
Gen. gov. debt (US$ bil.)	16.7	16.2	16.2	15.8	16.5	12.4	11.3	11.9	13.1	14.5	17.8	19.5
Gen. gov. debt/GDP	76.5	70.5	64.2	63.0	67.9	45.1	34.9	38.0	42.0	42.8	43.6	43.9
Gen. gov. debt/gen. gov. revenue	398.6	354.6	347.2	347.4	485.4	235.4	177.3	195.5	202.1	206.2	218.8	215.4
Gen. gov. interest payments/gen. gov. revenue	8.9	8.4	7.9	8.7	12.7	8.9	7.1	6.3	7.3	8.0	9.4	10.6
Gen. gov. FC & FC-indexed debt/gen. gov. debt	83.1	81.4	75.0	69.4	70.1	56.1	38.1	40.9	47.0	46.7	48.0	46.5
External payments and debt												
Nominal exchange rate (local currency per US$, Dec)	445.6	471.3	455.3	490.9	507.0	497.2	475.6	540.3	602.5	622.3	565.5	565.5
Real eff. exchange rate (% change)	1.9	4.7	-0.2	-6.1	2.0	-4.0	4.5	1.0	-4.4	0.4	--	--
Current account balance (US$ bil.)	-0.1	0.5	1.6	0.5	2.7	-0.3	-0.4	0.5	-0.2	-0.2	-1.5	-1.2
Current account balance/GDP	-0.7	1.9	6.7	1.9	10.2	-1.2	-1.4	1.5	-0.5	-0.6	-3.8	-2.6
External debt (US$ bil.)	14.4	13.0	14.9	11.7	12.8	9.5	9.7	9.6	10.0	10.7	12.6	13.2
Public external debt/total external debt	81.0	82.0	85.4	80.4	77.4	52.7	64.2	66.8	71.3	80.5	81.7	82.6
Short-term external debt/total external debt	12.8	13.4	0.4	3.3	7.5	1.2	1.3	1.5	1.1	1.0	0.9	0.9
External debt/GDP	70.7	53.5	61.3	47.0	48.9	35.4	31.1	28.0	31.5	30.1	31.8	29.8
External debt/CA receipts[3]	140.4	105.6	111.8	88.3	89.6	69.8	71.6	65.1	75.0	79.3	91.8	86.3
Interest paid on external debt (US$ bil.)	0.2	0.3	0.1	0.1	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.4
Amortization paid on external debt (US$ bil.)	0.3	0.8	0.8	0.6	0.6	0.6	0.8	0.6	0.5	0.5	0.6	0.7
Net foreign direct investment/GDP	2.1	1.8	1.6	1.3	1.1	1.2	1.3	1.2	1.5	1.6	1.8	2.0
Net international investment position/GDP	-64.0	-50.6	-38.3	-33.1	-23.9	5.4	4.2	4.4	3.6	3.2	--	--
Official forex reserves (US$ bil.)	2.5	2.3	2.8	3.2	3.9	3.5	3.8	4.1	4.4	3.9	5.3	5.7
Net foreign assets of domestic banks (US$ bil.)	0.1	0.2	0.2	0.1	0.3	0.5	0.4	0.4	0.4	0.5	--	--
Monetary, external vulnerability and liquidity indicators												
M2 (% change Dec/Dec)	23.6	5.7	17.2	18.2	10.7	6.9	11.4	16.0	19.1	4.1	--	--
Monetary policy rate (% per annum, Dec 31)	3.3	3.8	3.3	3.3	3.3	3.0	2.5	2.5	2.5	2.5	--	--
Domestic credit (% change Dec/Dec)	19.9	7.2	19.1	13.2	1.4	19.6	20.2	19.4	19.7	8.2	--	--
Domestic credit/GDP	20.1	19.4	21.9	23.0	23.3	25.1	26.7	29.2	31.4	30.3	--	--
M2/official forex reserves (X)	2.5	2.8	2.7	2.6	2.3	2.8	3.0	2.9	2.9	3.2	--	--
Total external debt/official forex reserves	570.5	575.9	524.1	365.4	327.7	270.7	254.6	235.5	230.0	271.8	237.2	230.4
Debt service ratio[4]	5.4	9.1	7.3	5.5	5.8	4.9	7.0	5.8	5.8	6.3	6.9	6.8
External vulnerability indicator (EVI)[5]	65.6	73.0	77.3	2.3	12.0	24.5	3.2	3.3	3.6	2.5	2.7	2.2
Liquidity ratio[6]	14.6	14.8	36.6	47.9	45.6	38.1	-14.0	-30.1	-3.1	13.8	--	--
Total liabilities due BIS banks/total assets held in BIS banks	58.8	64.7	119.7	179.0	118.9	104.9	107.8	132.1	74.4	58.3	--	--
"Dollarization" ratio[7]	9.3	8.9	9.1	8.9	7.1	9.8	9.0	10.5	10.4	12.1	--	--
"Dollarization" vulnerability indicator[8]	14.7	15.2	14.5	13.9	10.7	16.0	15.7	18.5	19.0	22.1	--	--

[1] Sum of Exports and Imports of Goods and Services/GDP
[2] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions
[3] Current Account Receipts
[4] (Interest + Current-Year Repayment of Principal)/Current Account Receipts
[5] (Short-Term External Debt + Currently Maturing Long-Term External Debt + Total Nonresident Deposits Over One Year)/Official Foreign Exchange Reserves
[6] Liabilities to BIS Banks Falling Due Within One Year/Total Assets Held in BIS Banks
[7] Total Foreign Currency Deposits in the Domestic Banking System/Total Deposits in the Domestic Banking System
[8] Total Foreign Currency Deposits in the Domestic Banking System/(Official Foreign Exchange Reserves + Foreign Assets of Domestic Banks)

Sources: Moody's Investors Service, national authorities, IMF

Moody's related research

- **Credit Opinion:** Government of Côte d'Ivoire – Ba3 Stable: Regular update, 29 August 2017
- **Issuer Comment:** Côte d'Ivoire and Ghana's Increased Cooperation on Cocoa Production Is Credit Positive, 24 April 2017
- **Announcement:** Moody's: Côte d'Ivoire and Ghana can withstand pressure from cocoa prices at 10-year low, 04 April 2017
- **Rating Methodology**: Sovereign Bond Ratings, 22 December 2016

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Endnotes

1 Former Prime Minister (December 2005-March 2007) and former Governor of the WAEMU (December 1994-December 2005).

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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