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9 October 2019

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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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Contacts

Aurelien Mali +971.4.237.9537
VP-Sr Credit Officer
aurelien.mali@moodys.com

Camille Chautard +971.4.237.9549
Associate Analyst
camille.chautard@moodys.com

Elisa Parisi-Capone +1.212.553.4133
VP-Senior Analyst
elisa.parisi-capone@moodys.com

Matt Robinson +44.20.7772.5635
Associate Managing Director
matt.robinson@moodys.com

Marie Diron +65.6398.8310
MD-Sovereign Risk
marie.diron@moodys.com

Government of Côte d'Ivoire – Ba3 stable

Annual credit analysis

OVERVIEW AND OUTLOOK

The credit profile of Côte d'Ivoire is primarily supported by the economy's resilience, growing diversification, and healthy 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.

Côte d'Ivoire's major credit constraint is its institutional strength. Like many peers, it still scores relatively low on the Worldwide Governance Indicators. However, these scores are likely to continue to improve steadily following the implementation of major institutional reforms. Côte d'Ivoire is also susceptible to event risk, driven primarily by political risks. The next presidential election in 2020 could weaken the economy if it entails sporadic violence.

The stable outlook indicates a balance of upside and downside pressures. On the upside, sustained strong growth through further shifts towards higher value-added exports could raise incomes faster than we expect and contribute to more rapid fiscal consolidation, enhancing fiscal flexibility. On the downside, a reemergence of lasting political tensions could impair investment and weaken the government's balance sheet if government spending increases rapidly to address social demands without a commensurate rise in revenue.

We would consider an upgrade in the event of: (1) continued strong and balanced growth that improves credit fundamentals, particularly fiscal metrics; (2) further material improvements in governance and competitiveness; and (3) a durable reduction in political risk if the demands of parts of the population are addressed without material fiscal costs.

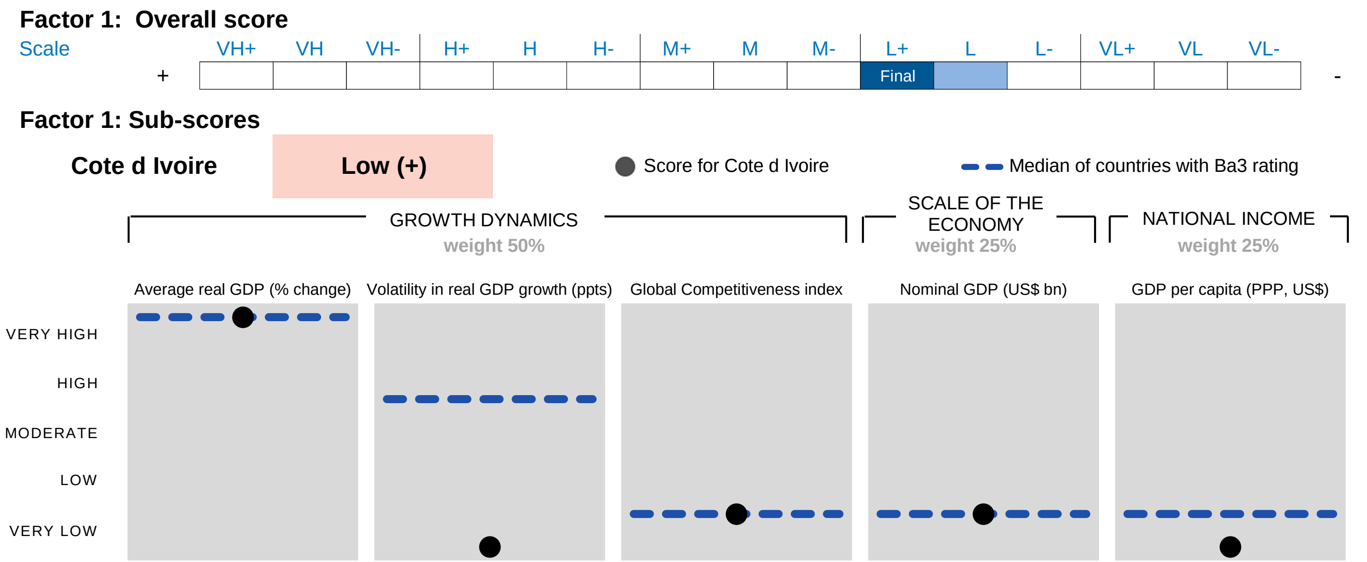
Conversely, we will consider a downgrade in the event of: (1) an inability to keep the fiscal deficit at a moderate level, weakening fiscal strength; (2) a re-emergence of significant political and social tensions that hinder the country's medium-term growth prospects; or (3) rising macroeconomic imbalances that jeopardise the sustainability of growth.

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, the four main analytical factors in our Sovereign Bond Ratings methodology.

CREDIT PROFILE

Our determination of a sovereign's government bond rating is based on 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: The Scorecard-indicated outcome is shown in light blue in the scale above. In case the Scorecard-Indicated outcome and Final scores are the same, only the Final score will appear in the table above.

We assess Côte d'Ivoire's **economic strength** as "Low (+)", one notch above the indicative score of "Low". The final score abstracts from the influence of the economy's contraction during the country's 2011 political crisis that overstates relatively moderate GDP growth volatility experienced since. Côte d'Ivoire shares its score with sovereigns such as Albania (B1 stable), Namibia (Ba1 negative), Bolivia (Ba3 stable) and Senegal (Ba3 stable).

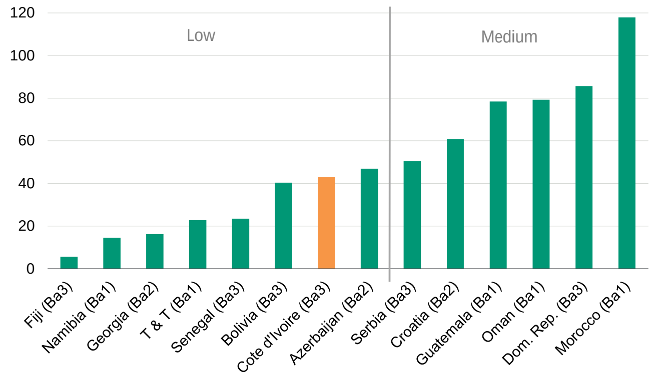
Peer comparison table factor 1: Economic strength

	Cote d Ivoire Ba3/STA	L+ Median	Albania B1/STA	Namibia Ba1/NEG	Bolivia Ba3/STA	Senegal Ba3/STA	Tunisia B2/NEG	Ghana B3/STA
Final score	L+		L+	L+	L+	L+	L+	L+
Scorecard-indicated outcome	L		M	L	L+	L+	M-	L+
Nominal GDP (US$ bn)	43.0	24.0	15.1	14.5	40.3	23.5	39.9	65.5
GDP per capita (PPP, US$)	4,177.6	10,233.6	13,344.5	11,228.8	7,476.9	3,651.2	12,371.7	6,451.7
Average real GDP (% change)	8.0	3.4	3.4	2.2	3.5	6.7	2.4	5.2
Volatility in real GDP growth (ppts)	4.5	2.3	1.1	3.0	1.0	2.1	1.7	4.2
Global Competitiveness Index	3.9	3.9	4.2	4.0	3.5	3.8	3.9	3.7

A medium-sized country with rapidly increasing per capita income

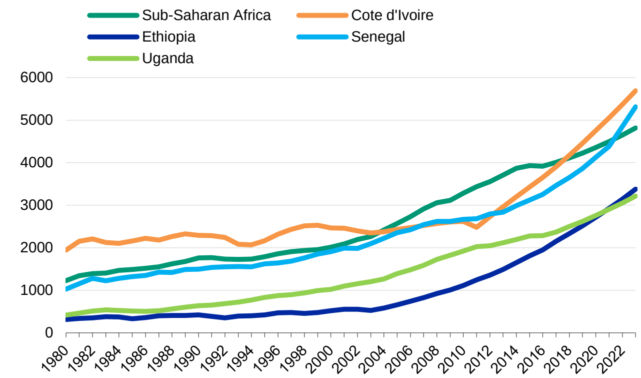
Côte d'Ivoire is a medium-sized country with GDP of $43 billion in 2018 and a fast-growing population (2.6% per year) estimated at 25.6 million. Per capita GDP was $4,177.6 in 2018 on a purchasing power parity (PPP) basis, slighty above the Sub-Saharan Africa median and ahead of Uganda (B2 stable), Ethiopia (B1 negative) and Senegal. It is one of the fastest growing in Sub-Saharan Africa and likely to exceed $5,000 by 2021 (see Exhibit 2).

Exhibit 1
Côte d'Ivoire scores "Low" in terms of economic strength
Nominal GDP ($ billion, 2018)



Sources: Moody's Investors Service, national authorities

Exhibit 2
Côte d'Ivoire's per capita income is ahead of peers
GDP per capita ($, PPP basis)

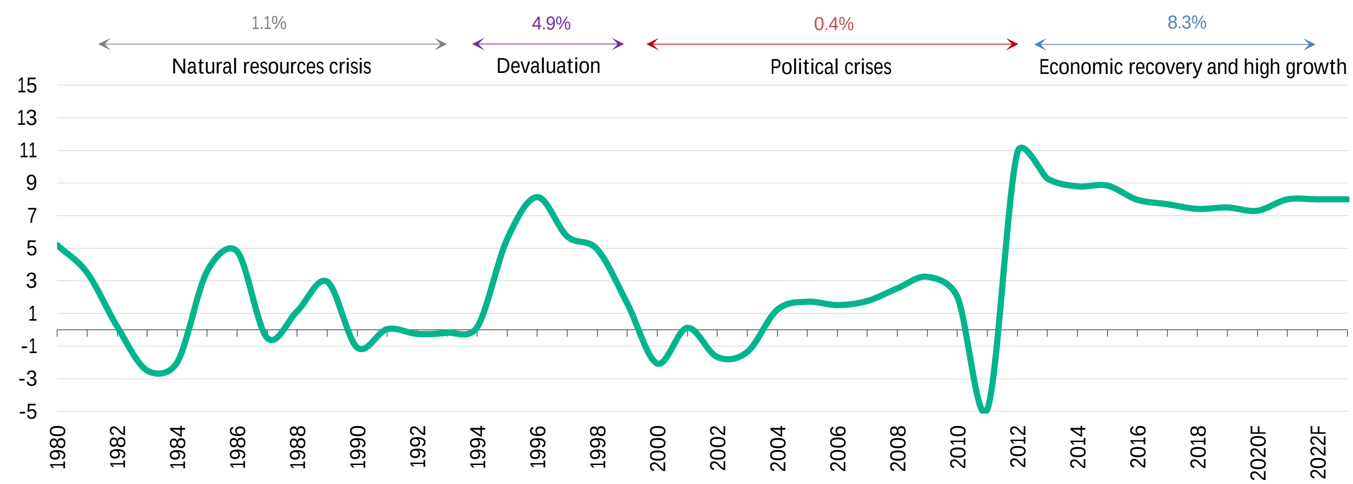


Sources: Moody's Investors Service, IMF

Sustained high growth since the end of the 2011 political crisis

As Exhibit 3 shows, Côte d'Ivoire's average real growth rate was just 0.4% during the successive political crises that spanned the period between the 1999 coup and the country's short civil war at the start of 2011. This caused social indicators to deteriorate sharply when combined with population increases and a lack of investment.

Exhibit 3
Successive crises resulted in two decades of lost growth for Côte d'Ivoire, but growth is recovering strongly
Real GDP growth (%, annual and average per period)



Sources: Moody's Investors Service, IMF

However, the return to political stability since President Alassane Ouattara took office in 2011 has supported a quantitative and qualitative acceleration in growth over the past eight 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 8.7% between 2012 and 2018.

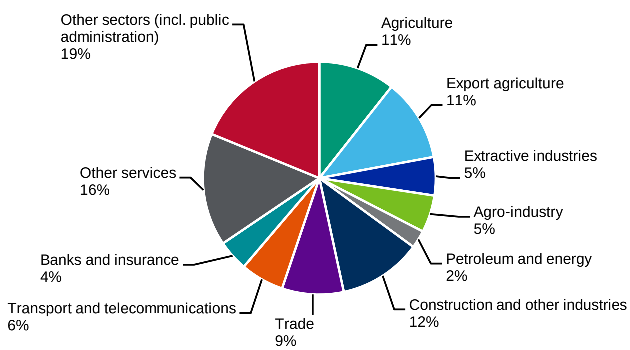
We project medium-term growth of around 8%, higher than the average for Sub-Saharan African countries, and expect this growth to be supported by the implementation of the government's National Development Plan 2016-20 (NDP 2016-20). In particular, the authorities are seeking to revive the "Ivorian economic miracle" of 1960-78, when the country recorded robust growth of 8% and investment rates of 20% of GDP annually, driven by the agricultural sector, which provided the country with basic infrastructure.

The NDP 2016-20 aims to structurally transform the economy along five axes: (1) institutions and governance; (2) human capital; (3) industrialisation and manufacturing; (4) infrastructure; and (5) regional integration. The ambitious plan provides for CFA30 trillion ($50 billion) of investment divided between public and private sources (see Institutional strength section, below).

Relatively diversified economy driven by competitive, export-oriented agricultural sector with still very high development potential...

As Exhibit 4 shows, although Côte d'Ivoire's economy is relatively diversified, the share of agriculture is still large. However, the sector's contribution has declined steadily over the past eight years as the industry and services sector have developed more quickly. At around 20% of GDP, agriculture also accounts for the largest share of export revenue and around 40% of exports relate to cocoa. The sector provides income for two thirds of the population.

Exhibit 4
Côte d'Ivoire's GDP is relatively diversified
Composition of nominal GDP by sector, 2018



Source: National authorities

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

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 are likely to remain agriculture-based and subject to commodity price volatility.

Economic growth is strong and notably without imbalances. The secondary and services sectors' shares of GDP have increased (for the secondary sector to 28% in 2018 from 24% in 2015), reflecting the economy's growing resilience. For example, the manufacturing sector, which is included in industry, grew to 18.8% from 16.3% over the same period.

Côte d'Ivoire's sovereign profile is exposed to environmental risks because of the large agriculture sector, as we identified in our report on environmental risk and their impact on sovereigns. Relatively low income levels increase the potential impact of unfavourable weather conditions, but Côte d'Ivoire has been able to mitigate environmental risks and remain economically resilient. This mainly reflects the diversity of its agricultural products and their geographical dispersion, as well as the structured organisation of the sector, supported by the authorities.

...which has displayed resilience to the cocoa price shock

There is growing evidence that Côte d'Ivoire's economic resilience is strengthening. We expect the value-added content in its exports to continue to increase, gradually reducing the economy's vulnerability to commodity price shocks. In 2016-17, the economy proved resilient to a sharp drop in the price of cocoa, the country's main export. Combined with increased diversification across the processing of agricultural products and mining, this will support strong growth over the next few years of around 8%. In addition, sustained strong growth, if inclusive, will eventually raise living standards and households' capacity to absorb income shocks. Côte d'Ivoire's rapid growth has been realised in tandem with a strengthening of its official reserves and without an increase in macroeconomic imbalances.

Strategy to increase the share of revenues for producers of cocoa

Cocoa bean production has grown steadily (see Exhibit 5). It rose by 29% to 2.112 million tonnes in 2018 from 1.634 million tonnes in 2016, and from 1.5 million tonnes in 2012. Cocoa production is expected to remain close to 2 million tonnes per year over the next few years. Côte d'Ivoire's potential agreement with Ghana (B3 stable) – the second largest cocoa producer globally – reflects an attempt to influence prices to the benefit of producers (both government and farmers), given that the two countries account for around two thirds of global production. Negotiations have begun with all stakeholders, including traders, transformers and manufacturers. The ultimate goal is to ensure the sector's sustainability by increasing the share of rent obtained by the producers, which currently stands at around 6% of the total value of the chocolate industry. Côte d'Ivoire's broader strategy includes maintaining production at around current levels over the next few years to allow the sector to strengthen.

The diversification of agricultural production in other sectors such as cashew nuts, palm oil, bananas, manioc and rubber supports an increase in the value of exports. Côte d'Ivoire's goal is to increase the transformation rate of agricultural goods by the end of the NDP 2016-20. An announcement in 2018 by Barry Callebaut (Baa3 stable), a leading manufacturer of chocolate and cocoa products, that it would extend its Saco plant in Abidjan with an investment of CFA30 billion (around $50 million) will help increase the transformation capacity of agricultural products. The World Bank is supporting the transformation of cashew nuts with funding for new processing plants, which will mostly be established in the north of the country.

Exhibit 5

Production of Côte d'Ivoire's main commodities is likely to stabilise

Tonnes, thousands

Production	2016	2017	2018	2019F	2020F
Cocoa	**1,634.4**	**2,033.5**	**2,112.5**	**2,050.0**	**2,000.0**
Coton	**332.4**	**352.7**	**387.0**	**424.4**	**458.3**
Rice	**2,054.5**	**2,119.6**	**2,006.8**	**2,073.1**	**2,145.6**
Cashew nut	**649.6**	**711.2**	**761.3**	**800.0**	**856.0**
Wood (m3)	**1,318,567.2**	**1,249,673.4**	**1,260,015.9**	**-**	**-**

Source: National authorities

Improvements in the mining sector, energy, and infrastructure will be transformative for the economy as they support the country's industrialisation strategy

The mining sector has high medium-term growth potential. Côte d'Ivoire qualified as an Extractive Industries Transparency Initiative (EITI) Compliant Country in 2013, and introduced a new mining code in 2014 that clarifies the taxation of mining projects with the aim of attracting new foreign investors. While the sector accounted for just 1% of GDP in 2001, its share rose to 5.3% in 2018.

Gold production has stabilised and stood at 24.5 tonnes in 2018 compared with 25 tonnes in the previous two years, having risen from just 12.4 tonnes in 2011. Total production is expected to reach 28 tonnes in 2020. New mines will start operations in the coming years: 170 exploration permits were granted following the introduction of the 2014 mining code. Gold production remains low given that Côte d'Ivoire accounts for one third of West Africa's Birimian greenstone belt. By comparison, Ghana, the region's leading gold producer with production of around 100 tonnes/year, accounts for around 20% of the belt.

Manganese production has grown rapidly, to an estimated 931,000 tonnes in 2018 from 121,000 tonnes in 2012, while nickel production, which began in 2017, is expected to reach 1 million tonnes in 2019. At these levels, manganese and nickel will require new investment in infrastructure to allow further development. Côte d'Ivoire also has significant bauxite, copper, and diamond resources.

Exhibit 6

Mining production has steadily increased

Production	2016	2017	2018	2019F	2020F
Gold (tonnes)	25.1	25.3	24.5	26	28
Manganese (thousands of tonnes)	200	510	931	1000	1100
Diamond (thousands of carats)	16.3	7.4	5.7	6	6.5
Nickel (thousands of tonnes)	-	380	890	1000	1100

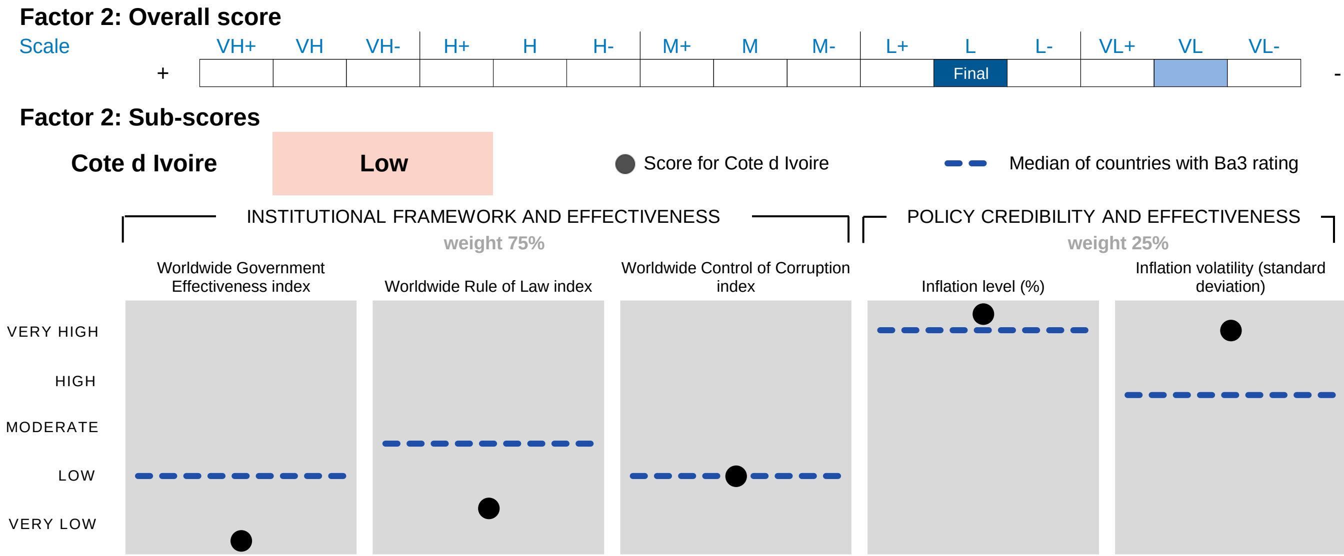
Source: National authorities

The oil and gas sector is developing and holds promise. Of the 40 blocks available, six are in production and 20 are in exploration. Proven offshore reserves total around 189 million barrels (excluding new discoveries), while probable reserves are more than 1 billion barrels. While crude oil production rebounded to 38,000 barrels per day (bpd) in June 2019 from average production of 33,333 bpd in 2018, Côte d'Ivoire remains a net crude oil importer. The country imports Nigerian crude through state-owned refining company Société Ivorienne de Raffinage (SIR) and re-exports refined petroleum products to Nigeria (B2 stable). Full production resumed in the first quarter of 2019 following the completion of repairs. Côte d'Ivoire also has 718 billion cubic feet (120 million barrels (oil equivalent)) of gas reserves. Natural gas production fell slightly in 2018 from total production of 76 million Btu in 2017. There is continued interest from large oil companies.

Improvements to infrastructure including energy infrastructure will support the economy and its competitiveness. Water and electricity infrastructure, road and rail networks, and ports are being rehabilitated and developed to support the development of the agriculture, agro-industry and mining sectors. Electricity production is particularly advanced. Côte d'Ivoire exports 10% of its production to Burkina Faso, Ghana and Liberia, and is likely to increase exports to neighbouring countries in future.

Electricity production is likely to continue to increase. While production capacity is already between 2,200-2,300 MW, the aim has been to reach 4,000 MW in 2020 (with more than 20% exported by 2020) to match an increase in demand estimated at around 150 MW per year and allow the development of agribusiness and mining operations. Although various projects are either being completed (most notably the Soubré dam, which added 275 MW fully in 2018) or have already begun, we expect the 2020 target to be delayed by several years. In addition, while the network is being upgraded (more than 40,000 km of low and medium-voltage lines and 4,650 km of high voltage lines), network losses are still estimated at between 20% and 25%.

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: The Scorecard-indicated outcome is shown in light blue in the scale above. In case the Scorecard-Indicated outcome and Final scores are the same, only the Final score will appear in the table above.

We assess Côte d'Ivoire's **institutional strength** as "Low", a ranking it shares with countries such as Bolivia, Egypt (B2 stable), and Paraguay (Ba1 stable). Reform momentum and peer comparison analysis support our assessment. We have adjusted the score upwards from the indicative score of "Very Low" to reflect the generally positive trend in the country's governance indicators in recent years, as well as Côte d'Ivoire's successful handling of social tensions, strong fiscal management and ability to maintain reform momentum during a shock, which compares favourably with peers.

Peer comparison table factor 2: Institutional strength

	Cote d Ivoire Ba3/STA	L Median	Bolivia Ba3/STA	Egypt B2/STA	Paraguay Ba1/STA	Turkey B1/NEG	Ghana B3/STA	Kenya B2/STA
Final score	L		L	L	L	L	L+	L-
Scorecard-indicated outcome	VL		L	L-	VL+	M-	M-	L-
Gov. Effectiveness, percentile [1]	10.2	23.0	27.7	18.2	9.4	47.4	39.4	31.3
Rule of Law, percentile [1]	21.8	21.1	2.9	25.5	20.4	39.4	57.6	31.3
Control of Corruption, percentile [1]	32.1	30.6	23.3	29.1	21.1	46.7	45.9	9.4
Average inflation (%)	1.5	3.8	3.7	11.8	3.9	11.4	11.4	5.9
Volatility in inflation (ppts)	1.4	2.3	2.3	5.4	1.6	2.9	4.0	3.0

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

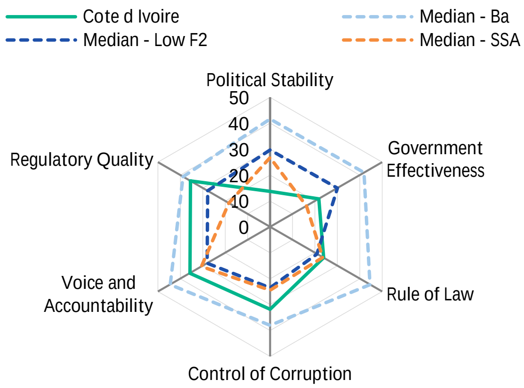
Reforms have improved governance markedly over the past nine years

The authorities have made a major push to reform the country's institutions since the return to political stability in 2011. Although all governance indicators have largely improved since 2011 (see Exhibits 7 and 8), we believe that current indicators do not reflect the actual progress the government has made on institutional reform. Côte d'Ivoire on several occasions has been among the top 10 reformers in the World Bank Group's Doing Business report, while its ranking on the Doing Business survey rose by 55 places, to 122nd from 177th, between 2013 and 2019. This rapid progress has reinforced the resolve of the reform-minded staff within the administration. Côte d'Ivoire's overall World Bank Country Policy and Institutional Assessment (CPIA) score has also improved, to 3.5 in 2018 from 3.2 in 2013, reflecting progress in general governance (the Sub-Saharan African IDA average is 3.1).

Exhibit 7

Côte d'Ivoire's 2018 Worldwide Governance Indicators remain lower than the Ba median

% rank, Moody's-rated sovereigns

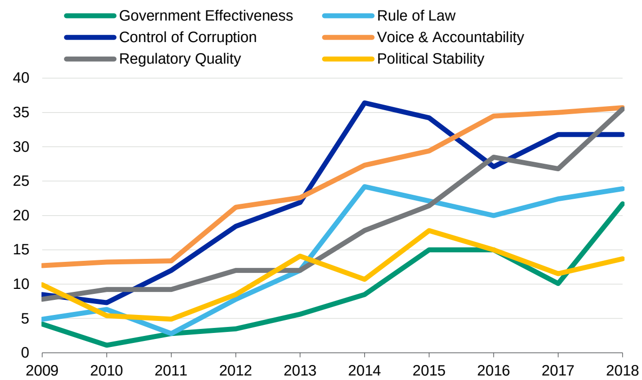


Source: Worldwide Governance Indicators

Exhibit 8

Evolution of governance indicators, showing a strong institutional "take-off" since 2011

% rank, Moody's-rated sovereigns



Source: Worldwide Governance Indicators

Côte d'Ivoire also receives support from the international community, particularly the IMF. The IMF provided an Extended Credit Facility (ECF) between 2011 and 2015 aimed at strengthening public policy-making institutions through the application of 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 around $660 million. These arrangements were subsequently adjusted to bring total support to approximately $900 million, or 100% of Côte d'Ivoire's quota. The new programmes are comprehensive and will be extended by one year to entirely cover the NDP 2016-20. Relations with international institutions in general remain very good.

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

The NDP 2016-20 aims to achieve an increase in foreign direct investment (FDI) and foster high growth by creating one of the most competitive business environments in Africa through structural reform. As part of the new investment framework under the previous NDP, the Côte d'Ivoire Investment Promotion Centre (CEPICI) was established to coordinate and streamline all government actions related to investment in the country. Although the 2020 goal to reach emerging status appears ambitious, it has focused officials' minds on improving the business climate.

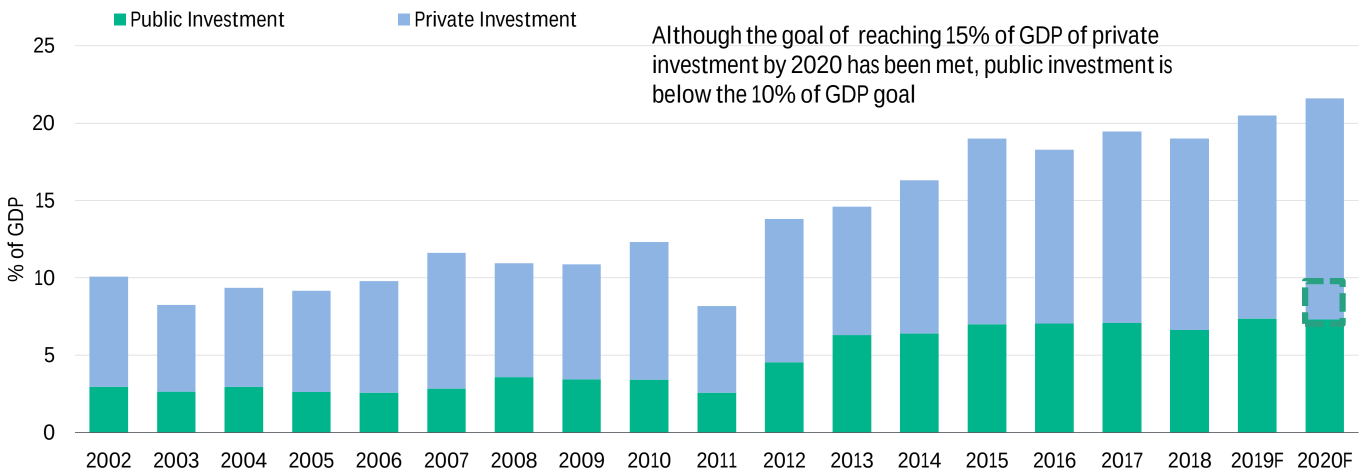
The CEPICI facilitated the creation of more than 57,000 companies employing almost 150,000 people between 2013 and 2018. Half the companies created in 2018 are in the services sector, almost 30% in trade and 13% in construction. FDI has steadily increased, while parliament has approved a new investment code to further accelerate this trend, highlighting the government's willingness to increase the economy's attractiveness to external investors. The code incorporates the agricultural sector, promotes the use of tax credits rather than exonerations, and encourages local participation and participation by small and medium-sized enterprises (SMEs). We believe the new code, which is widely viewed as very favourable to investors, represents an attempt to attract as wide an investor base as possible in the hope that this will ultimately benefit government revenue.

In common with the previous plan, the new NDP received strong backing from the international community. A consultative group in Paris pledged CFA7,700 billion ($12.8 billion), of which CFA6,350 billion was new funding from bilateral and multilateral institutions. At the end of 2018, the amount effectively committed by the official sector to various projects reached $11.6 billion (or 84% of the pledges) in three years. The NDP's overall cost is estimated at CFA30,000 billion ($50 billion), divided between capital spending by the government and the private sector. However, the private sector's contribution is likely to only partially meet the expected CFA18,700 billion ($31.2 billion). Private sector investment is being facilitated because each project is specified with corresponding public investment shares. The plan will be viewed as successful if it fully secures the funds from the official and public sectors.

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 9). Public investment geared towards heavy infrastructure such as roads, or social infrastructure such as school construction, has risen to an expected 7.3% of GDP in 2019 from 2.4% in 2011, while private investment has increased to an expected

15% from 5.6% over the same period. While the average investment rate of Sub-Saharan African economies was 19.1% of GDP in 2016, according to the IMF's World Economic Outlook, Côte d'Ivoire's strongly improving trend has brought its overall investment ratio closer to this 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 15%. However, the government is unlikely to reach 10% of GDP of public investment because of fiscal consolidation efforts, while private sector investment is currently around 15%.

Exhibit 9
Private investment has more than doubled in recent years
% GDP



Source: National authorities

Côte d'Ivoire is also making significant progress on social indicators. The country's poverty headcount ratio (the share of the population living on less than $1.25 PPP per day) fell to 35% in 2015 from nearly 50% after the 2011 civil war, according to the United Nations Development Programme. However, poverty levels remain high, and reducing poverty remains one of the government's top priorities. Spending on the poor (including foreign financing) has increased significantly in nominal terms, to CFA2,361 billion (9.9% of GDP) in 2018 from CFA845 billion (7% of GDP) in 2011.

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 independence, while non-nationals account for around 25% of the population according to the country's 2014 census. As a result, the private sector has traditionally been the main driver of economic growth. Côte d'Ivoire is one of the few countries where foreign investors do not need a local sponsor. Government intervention in the economy slowed sharply after a crisis in the early 1980s when commodity (including agricultural) prices collapsed, and levels of state ownership are among the lowest in Sub-Saharan Africa.

This liberalism is best exemplified by the electricity sector, which was privatised in the 1990s. Côte d'Ivoire is one of the few countries that has a small surplus of electricity production, which it exports to countries in West Africa. Private sector power producers already account for more than half of total electricity production and continue to grow, as further investment through public-private partnerships is encouraged. The information technology sector, led by the telecommunications industry, is mostly privately owned. While the Coffee and Cocoa Council regulates the cocoa and coffee sectors, agriculture has essentially developed based on private stakes in the economy, with small-scale producers comprising the vast majority of farmers.

Unlike many Sub-Saharan countries, Côte d'Ivoire has eliminated all fuel subsidies, and the market now determines fuel prices. The government has also implemented a scheme to help SMEs increase their contribution to GDP. The goal is for the industry sector, including manufacturing, to reach 40% of GDP by 2020 from 29% currently. Although this goal is unlikely to be reached, the strategy's implementation has strengthened the manufacturing sector, including through the opening of new cement factories. An action plan has been implemented to increase access to finance and markets to reduce the proportion of informal exchanges and create new industrial zones. The PK24 industrial zone in Abidjan, for example, has been rehabilitated and extended by 127 hectares. Industrialisation is likely to come mainly from agribusiness and light manufacturing.

Strategy to increase the transformation rate of cocoa

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 less than 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% and reduces with each additional step of transformation of the raw product (from paste to semi-finished products such as cocoa butter to finished products). There will be no tax on exports of ready-to-eat chocolate, of which Côte d'Ivoire exported 16,000 tonnes in 2018. In addition, although the rate of transformation has not increased considerably, production rose sharply to 2 million tonnes in 2018 from 1.2 million tonnes in 2012, along with installed capacity to transform cocoa beans into paste. The quantity of processed cocoa, and therefore the value-added embedded in exports, has also increased and the transformation rate of cocoa is slightly more than 30%.

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

To boost the level of investment in the economy, and particularly by the private sector, the new authorities in 2012 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.

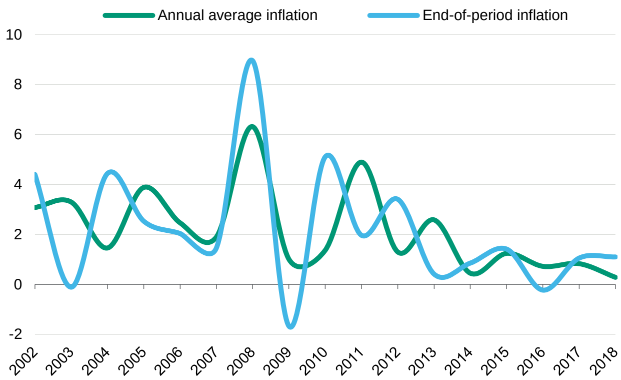
There have been two main avenues to increase the efficiency of public finance management. The first has been to rationalise resource mobilisation, and the second to better regulate budget execution. As an example of the former, the government was able to increase the recovery rate of cheques paid at customs offices to 100% from 71% between 2014 and 2016. 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 identity number for tax purposes) will have its licence to export suspended if the funds are not provided within 10 days. This system has been in place since 2015. Another example is the reduction in the amount of time taken to make VAT reimbursements to less than 48 hours from 13.2 months by modifying the law so that 10% of VAT receipts are set aside for that purpose.

These examples reflect improved coordination across the departments involved in the management of public finances, which ultimately results in more predictable revenue collection (and lower levels of corruption) and better budget execution. In addition, the authorities are promoting the use of information technology to streamline public service in all departments. Since 2017, companies with turnover of more than CFA200 million ($0.33 million) have been able to pay their taxes online.

The WAEMU has been highly beneficial for monetary stability

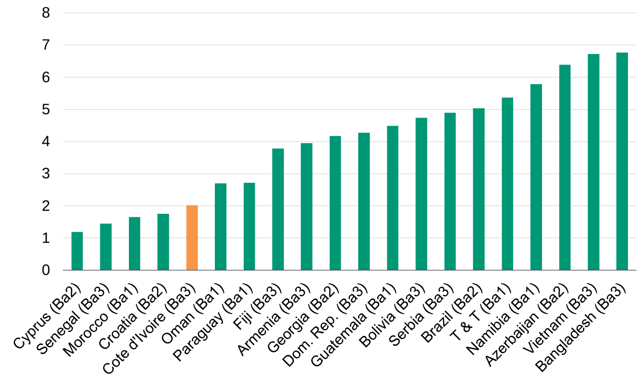
The West African Economic and Monetary Union (WAEMU) comprises eight countries and 122 million people sharing a common currency, the CFA franc (see Appendix 1 for further information on the CFA zone framework), and provides a rigid framework for monetary and foreign-exchange policies enforced by the Central Bank of West African States (BCEAO). The latter pursues an inflation target that has enabled member countries to maintain outstanding price stability over time (see Exhibits 10 and 11). Among peers, Côte d'Ivoire and Senegal have the lowest levels of inflation.

Exhibit 10
Côte d'Ivoire's moderate inflation reflects its WAEMU membership
% change, average of period and end of period



Sources: Haver Analytics, Moody's Investors Service

Exhibit 11
Average annual inflation has been low compared with peers
Average annual inflation, 2006-23F



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

WAEMU membership also positively influences fiscal policy because the BCEAO may not act as a lender of last resort and therefore cannot finance government deficits, which has contributed to an improvement in the efficiency of some member countries' tax systems. The BCEAO also guarantees the banking regulator's independence.

The WAEMU acts as a catalyst for structural reforms, encouraging member states to adopt specific common regulations to foster economic integration among themselves. For example, convergence criteria requiring member states to achieve a 3% of GDP deficit by 2019 supports fiscal consolidation in the region. Various institutions also help member countries to monitor and put pressure on those countries that are not on track to meet their targets. (Please see the External Vulnerability risk section, below for information about the potential creation of the eco (common currency)).

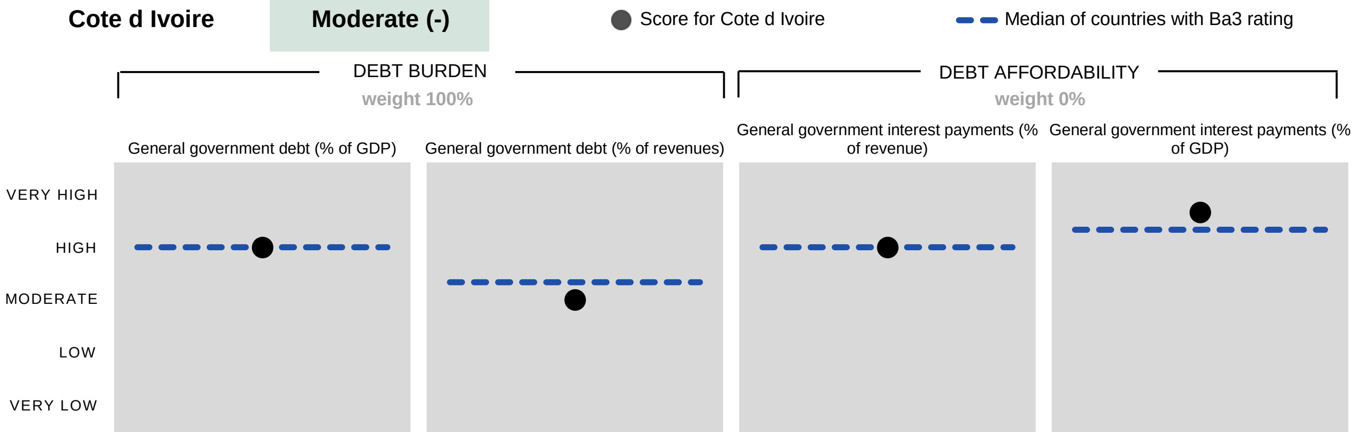
Fiscal strength: Moderate (-)

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: The Scorecard-indicated outcome is shown in light blue in the scale above. In case the Scorecard-Indicated outcome and Final scores are the same, only the Final score will appear in the table above.

We assess Côte d'Ivoire's **fiscal strength** as “Moderate (-)”, a score it shares with countries such as Bangladesh (Ba3 stable), Trinidad & Tobago (Ba1 stable), Uruguay (Baa2 stable) and Vietnam (Ba3 RUR-).

Côte d'Ivoire's fiscal strength is supported by the government's moderate debt burden and the authorities' efforts to improve government revenue to finance a relatively high level of capital spending to support economic development and keep debt levels broadly stable. Government debt remains affordable, though the government is increasingly borrowing on commercial terms.

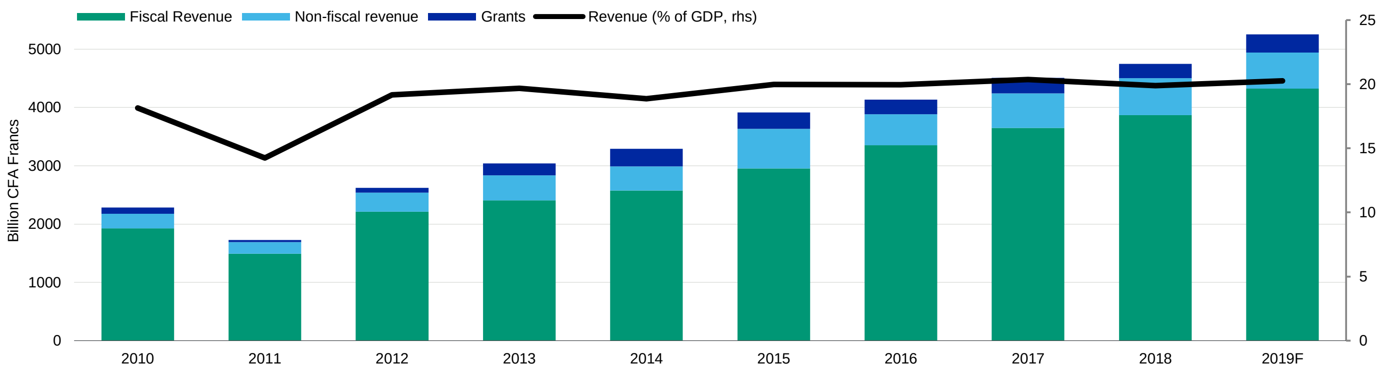
Peer comparison table factor 3: Fiscal strength

	Cote d Ivoire Ba3/STA	M- Median	Trinidad & Tobago Ba1/STA	Bangladesh Ba3/STA	Uruguay Baa2/STA	Vietnam Ba3/RUR	Colombia Baa2/STA	Honduras B1/STA
Final score	M-		M-	M-	M-	M-	M-	M-
Scorecard-indicated outcome	L		M-	M-	L+	M+	M-	M-
Gen. gov. debt/GDP	48.6	51.0	62.9	27.9	52.0	49.9	52.6	41.2
Gen. gov. debt/revenue	244.3	194.1	224.2	288.8	177.6	194.2	198.7	155.8
Gen. gov. interest payments/GDP	1.8	2.1	2.8	1.9	2.8	2.0	2.9	2.2
Gen. gov. int. payments/revenue	9.1	8.8	10.3	19.2	9.6	7.9	10.8	8.4

Government revenue has increased, allowing high and sustained capital spending

The government has increased its revenue intake substantially since 2011 to around 20% of GDP (including grants). As we explain in the Institutional strength section, above, management of public finances has markedly improved, allowing government revenue to keep pace with or even exceed high nominal GDP growth over the period (see Exhibit 12). The government's ability to collect taxes has continued to improve – for example, direct taxes increased by 50% between 2016 and 2019. Government revenue is also less dependent on cocoa prices, with cocoa-related revenue accounting for around 10% of total revenue.

Exhibit 12
Government revenue has more than doubled over ten years in nominal terms
CFA francs, billion (left), and % of GDP (right)

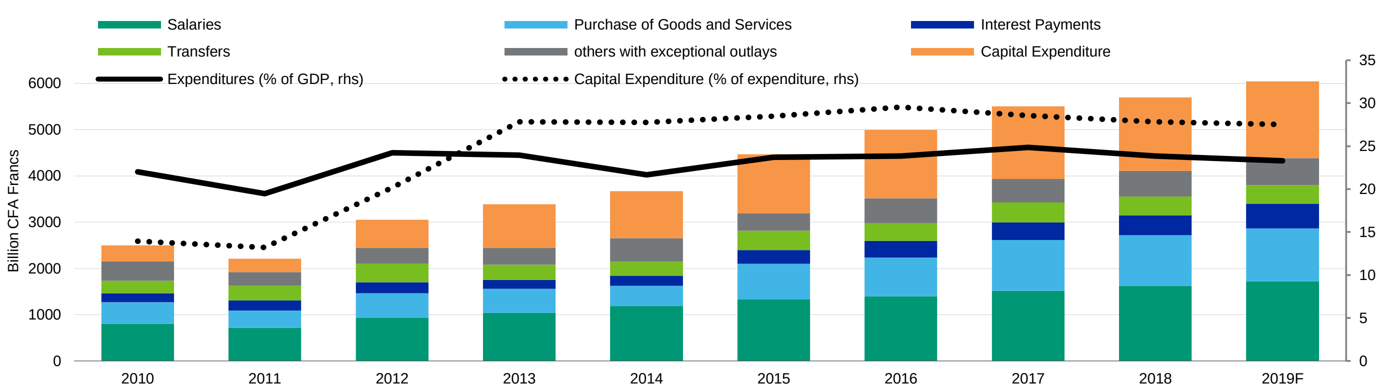


Sources: National authorities, Moody's Investors Service

This continuing effort has allowed the government to increase spending, particularly pro-growth spending such as capital expenditure (which has risen by around 24% on a compound annual growth rate basis since 2011 compared with 14% for total expenditure), while limiting the impact on the fiscal balance. Over the last four years, the government has also reduced salaries and wages as a percentage of total revenue, which have declined to an expected 39.8% in 2019 from 46% in 2014. The quality of spending has clearly improved. Savings from structural reforms are directed towards capital expenditure (see Exhibit 13).

The fiscal deficit reached 4% in 2018, with capital spending representing a high proportion of overall spending (around 28%, or 6.6% of GDP). This suggests not only that the government borrows solely to finance capital spending, but that it self-finances a large portion from its own revenue, including grants which amounted to 1% of GDP that year.

Exhibit 13
Capital spending is increasing faster than total expenditure
CFA francs, billion (left), and % (right)



Sources: National authorities, Moody's Investors Service

Authorities remain committed to fiscal consolidation

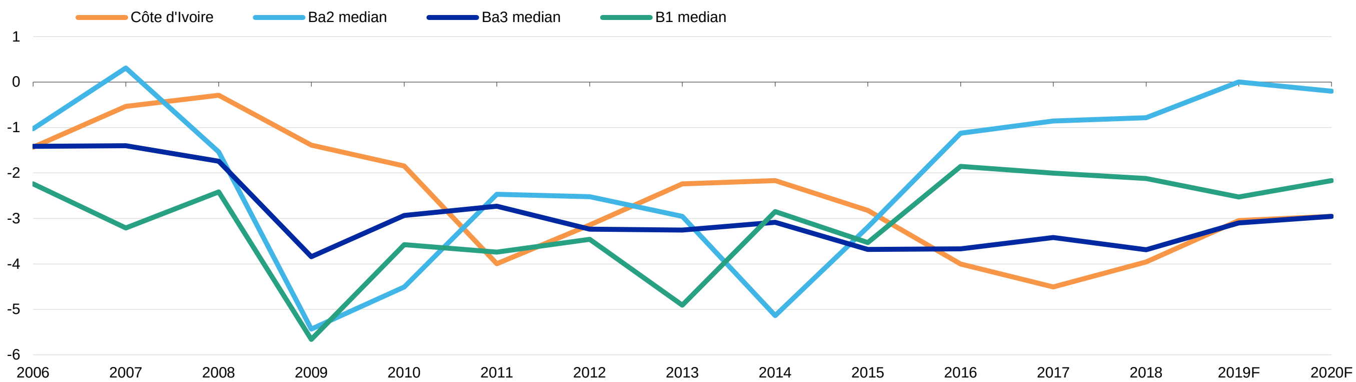
As the global environment remains supportive for Côte d'Ivoire (moderate oil prices and a rebound in cocoa prices since 2016), we expect the government to continue to prioritise fiscal consolidation, as agreed with the IMF, despite spending pressures relating to the 2020 electoral cycle. The government wants to respect the WAEMU common objective of reducing the deficit for all member countries to 3% of GDP or below by 2019.

This baseline scenario balances the government's commitment to fiscal consolidation with the budget's historic susceptibility to shocks, which resulted in larger than expected deficits in 2016 and 2017. Increased security spending following a terrorist attack in

Grand-Bassam in March 2016 and a loss of revenue due to a fall in cocoa prices weighed on the 2016 and 2017 fiscal outcomes. Payments to former rebels and a public sector wage settlement also aggravated the deficit in 2017, which rose to 4.5% of GDP, the maximum level agreed with the IMF.

The fiscal deficit was 4% of GDP in 2018 because of the compound effects of a downward revision of 2016 GDP. We expect it to fall to 3% of GDP in 2019 and to remain at that level over the next few years (see Exhibit 14). A 1 percentage point reduction in the deficit in 2019 will be divided between higher revenue and lower spending. At the end of June 2019, tax revenue was on course to increase by 0.5pp of GDP to 17.9%. Spending cuts will allow for a further 0.5pp of GDP, including a cap on capital spending and a reduction in subsidies.

Exhibit 14
Côte d'Ivoire's fiscal deficit is in line with peers
General government financial balance, % nominal GDP



Sources: Côte d'Ivoire Ministry of Economy and Finance, Moody's Investors Service

Government debt has increased since debt relief in 2012

General government debt stood at 48.6% of GDP at the end of 2018, compared with a low of 35% of GDP in 2013, following debt relief provided under the World Bank's Enhanced Heavily Indebted Poor Countries (HIPC) initiative. While fiscal deficits averaged 2.6% of GDP between 2012 and 2015, they averaged 3.9% between 2016 and 2019. Higher deficits, mainly due to external and domestic shocks associated with the strengthening of the US dollar vis-à-vis the euro, explain a significant portion of the increase in the country's debt to GDP ratio.

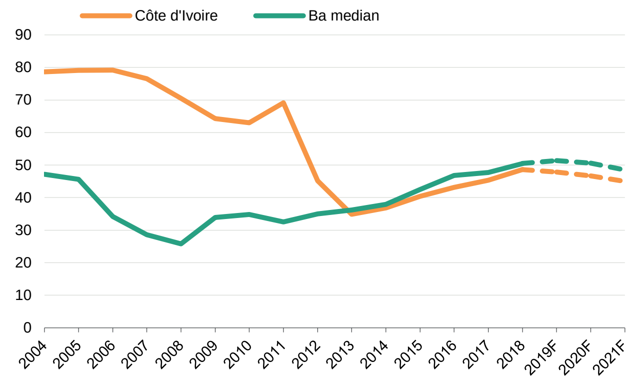
Côte d'Ivoire embarked on the HIPC initiative after it defaulted in 2011 following the civil conflict at the start of that year (see Appendix 3). After completing the initiative in June 2012, key lenders of the Paris Club of international creditors, which includes the world's leading industrialised countries, granted relief on its external debt. A $2.3 billion eurobond that Côte d'Ivoire issued in 2010 was restructured in 2012 (see Appendix 2). According to the terms of the arrangement with the Paris Club, Côte d'Ivoire committed to not granting a more favourable agreement to any other creditor, which means that the government has legacy arrears on its external debt dating from that time. However, it has not accumulated 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) which we do not consider as debt because they are part of fully fledged debt-forgiveness mechanisms. The C2D is a debt relief initiative granted by France (Aa2 positive) under which the debtor country continues to service the debt that has been cancelled but receives the payment back as a subsidy from France. The subsidy is deposited in a special account with the BCEAO and earmarked for selected poverty-reduction programmes.

Exhibit 15

Côte d'Ivoire's debt has been in line with the Ba median since 2013

General government debt as % of GDP, 2004-19F

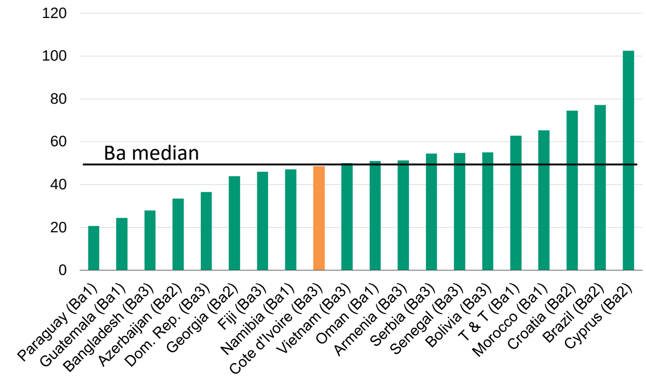


Sources: Moody's Investors Service, IMF, national authorities

Exhibit 16

Côte d'Ivoire's debt is in line with the median debt ratio of Ba-rated peers

General government debt as % of GDP, 2018



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

Fiscal consolidation efforts will cause government debt to GDP to decline steadily

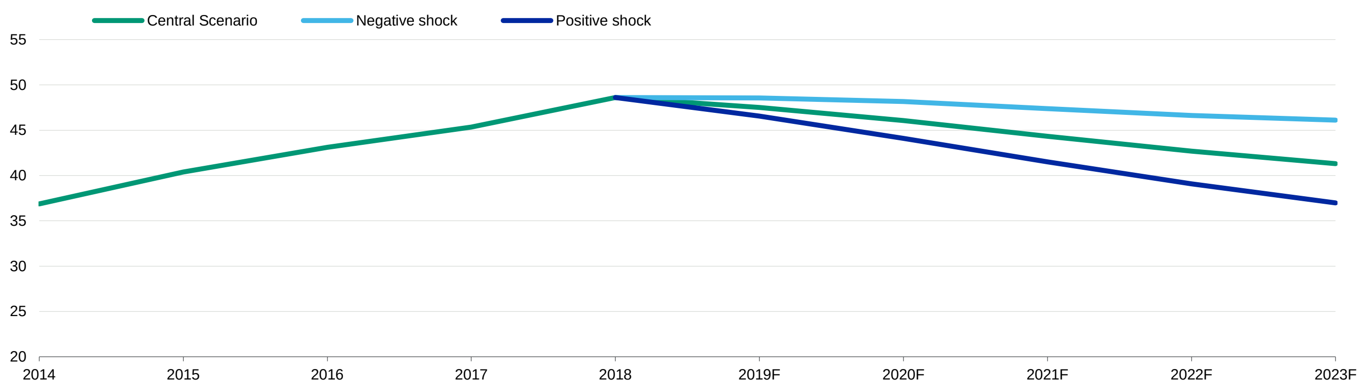
We expect government debt to GDP to stabilise below 50% as a result of high nominal growth and a gradual reduction in the government's primary balance. Assuming that the government persists with fiscal consolidation beyond 2020, in line with the WAEMU's fiscal norm, and the growth outlook remains supportive, government debt is likely to fall further, as Exhibit 17 shows. The risks surrounding this central scenario are well-balanced.

Public sector companies are also less likely to require government financial support. The total debt of public sector companies – 58% of which is guaranteed – amounted to CFA841.4 billion, or 3.5% of GDP, at the end of 2018. The country's two largest public companies, national refinery company SIR and national electricity company CI-Energies, have had their existing debt restructured over the last 12 months, significantly reducing the risk that contingent liabilities could crystallise on the government balance sheet. This is also due to the fact that, in SIR's case, a tax on oil at the pump ensures the repayment of loans of €525 million. In the case of CI-Energies (€450 million), no new arrears are likely to accrue because the average cost of electricity has declined significantly in tandem with the commission of new infrastructure, including the Soubré dam.

Exhibit 17

General government debt levels are likely to stabilise even under a stress scenario

% of GDP



Note: Moody's stress scenarios are based on the impact of cumulative negative/positive shocks on nominal growth, the government primary balance, the average interest rate on debt and the annual change in the foreign-exchange rate. The shocks are based on a 0.25/annum standard deviation (calculated for 10 years) for each of the four variables over the forecast period.
Sources: National authorities, Moody's Investors Service

Debt remains affordable and is increasingly less sensitive to foreign-exchange risk

Around 60% of government debt was external and foreign currency-denominated at the end of 2018, with the remainder domestic and local currency-denominated. The equivalent figure in 2013 was just 40%. The growing share of external debt can be partly explained by large euro-denominated eurobond issuances in 2017 and 2018.

Foreign-exchange risk is relatively contained because of Côte d'Ivoire's WAEMU membership and increasing issuance in euros. It has also swapped the servicing of its dollar-denominated eurobonds into euros until 2022, and its external debt payments are consequently 95% covered in euros until that date. A large but falling share of external debt is owed to bilateral and multilateral lenders, with long maturities and low interest rates. The remainder is held by international banks and eurobond investors. Banks are the main holders of domestic debt.

Government debt is characterised by long tenures and is affordable – the government spent 9.1% of its revenue on interest in 2018. Debt affordability has risen since 2014 (6.3%) as the government has increased its borrowing from commercial sources, but we expect it to remain broadly stable at around 10%, in line with the median of Ba3-rated peers. The maturity of government debt is increasing and averaged 8.2 years at the end of 2018, including 4.5 years for domestic debt and 10.5 years for external debt, a trend we expect to continue. For example, eurobond issuances in 2018 (see below) raised the average maturity by more than one year.

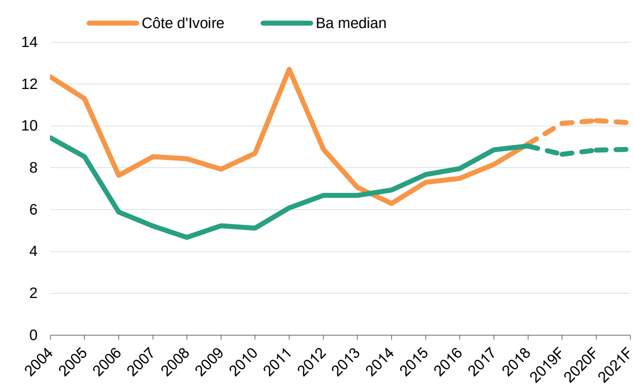
Côte d'Ivoire is likely to increasingly issue in euros with very long maturities. It has been able to issue longer maturities in euros at a rate below long-term local-currency issuances, and aims to continue issuing euro-denominated debt while attempting to promote concessional lending. This suggests that, while external debt is growing, exchange-rate risk is falling. Côte d'Ivoire prepaid $750 million on its 2024 and 2032 US dollar eurobonds in June 2017.

While the WAEMU pool of reserves is likely to continue to grow, exchange-rate risk with the euro is very low. Côte d'Ivoire in March 2018 issued €1.7 billion in two equal tranches of 12- and 30-year maturities, with yields of 5.2% and 6.6%, respectively, further supporting the WAEMU's reserves. In 2019, the government opted for semi-concessional loans from commercial banks, with three loans amounting to around €750 million. The authorities are likely to continue to adopt an opportunistic approach to borrowing.

Exhibit 18

Côte d'Ivoire's interest payments have been in line with the Ba median since 2012

General government interest payments to revenue, %

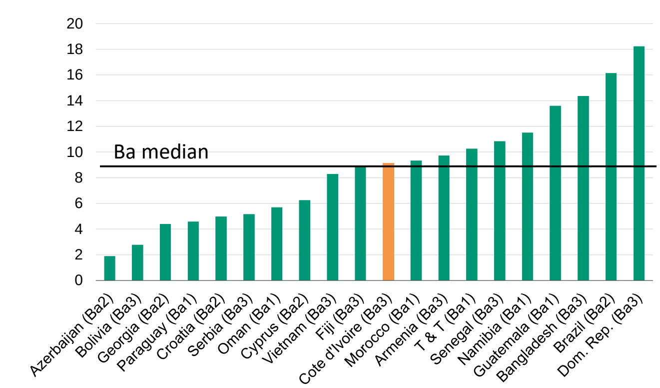


Sources: Moody's Investors Service, IMF, national authorities

Exhibit 19

Interest payments are in line with peers

General government interest payments to revenue, %, 2018



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

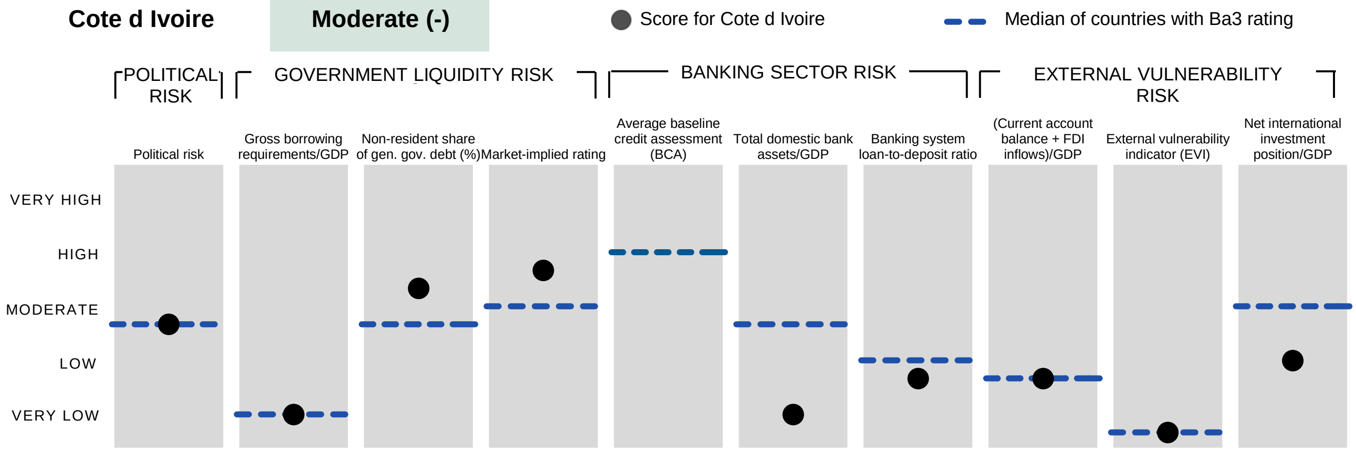
Susceptibility to event risk: Moderate (-)

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 (-)**



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 Scorecard-Indicated outcome and Final scores are the same, only the Final score will appear in the table above.

Political risk: Moderate (-)

We assess Côte d'Ivoire's government political risk as "Moderate (-)", a score it shares with Angola (B3 stable), Guatemala (Ba1 stable) and Italy (Baa3 stable).

Peer comparison table factor 4a: Political risk

	Cote d Ivoire Ba3/STA		Angola B3/STA	Guatemala Ba1/STA	Italy Baa3/STA	Morocco Ba1/STA	Spain Baa1/STA	Greece B1/STA
Final score	M-		M-	M-	M-	M-	M-	M-
Geopolitical risk	VL	--	VL	L-	VL	L+	VL	VL
Domestic political risk	M-	--	M-	M-	M-	M-	M-	M-

Consolidation of political stability has continued during the president's second term

While the country's main political actors are starting to prepare for the 2020 presidential election, a number of uncertainties remain, including alliances between the main political parties and the identities of their candidates. In 2018, the Parti Démocratique de Côte d'Ivoire (PDCI) left the governing coalition with President Alassane Ouattara's Rassemblement des Républicains (RDR) over a disagreement over the identity of the coalition's candidate in the elections. The RDR subsequently created the Rassemblement des Houphouetistes pour la Démocratie et la Paix (RHDP), which combined the RDR, a number of senior PDCI members and respected members of civil society. The newly created coalition largely prevailed in local elections in the north of the country in October 2018, but the south remained divided and had a high abstention rate, in common with the last elections in 2013.

The RHDP controls two thirds of the seats in both parliamentary chambers. The third largest party, the Front Populaire Ivoirien (FPI), has split in two factions: loyalists of former president Laurent Gbagbo and moderates led by FPI president Pascal N'Guessan.

A prosecutor of the International Criminal Court (ICC) in September 2019 appealed Gbagbo's acquittal on all charges relating to crimes against humanity over his involvement in the 2010-11 political unrest and civil conflict. As a result, the former president will not be released from house arrest in Brussels and will most likely be prevented from running in next year's polls. The position of Gbagbo loyalists remains uncertain. The PDCI is likely to field its own candidate alongside N'Guessan, while several less well-known opposition politicians have also announced their candidatures. The opposition appears fractured, reducing the prospect that it will win, though alliances are likely to be formed in the second round of the election should there be one. In the meantime, the political landscape is likely to become increasingly polarised as parties announce their candidates in the first half of next year. Ouattara has not officially declared that he will not run again, and his party has not chosen a successor.

Although the political environment remains characterised by a degree of unpredictability, our central scenario remains that while sporadic violence is possible in the run-up to the polls, widespread instability and a substantial impact on the economy are unlikely. The UN and the EU will send observers and provide an opinion on the elections' fairness and the result. While a post-electoral contest is probable, it would be unlikely to be protracted once the international community supports the official result.

Growing inequality could lead to social unrest

Social considerations are material to Côte d'Ivoire's rating. Notwithstanding high levels of growth over the last decade, low wealth levels and high, albeit improving, levels of poverty persist, and growing income inequality could threaten political stability in future. Notable progress has been made in respect of access to basic services such as water and electricity due to government efforts to improve the country's overall physical and social infrastructure.

Social unrest at the beginning of 2017 took the form of strikes by civil servants over salary arrears, pension issues and salary increases. The unrest was followed by government payments to former rebels who had been integrated into the army after the 2011 civil conflict. Such discontent highlights how some parts of the population feel they are not sharing in Côte d'Ivoire's high growth, as well as their impatience to benefit from the country's economic expansion. Growing inequality forms part of our assessment of domestic political risk and informs our decision to position Côte d'Ivoire's score for susceptibility to event risk at "Moderate (-)".

Government liquidity risk: Low (+)

Peer comparison table factor 4b: Government liquidity risk

	Cote d Ivoire Ba3/STA	L+ Median	Senegal Ba3/STA	Dominican Republic Ba3/STA	Ethiopia B1/NEG	Serbia Ba3/POS	Nigeria B2/STA	Jamaica B3/POS
Final score	L+		L+	L+	L+	L+	L+	L+
Scorecard-indicated outcome	L+		L+	L+	M-	L	L+	L+
Gross borrowing req./GDP	6.3	7.9	10.4	9.0	7.0	10.3	7.5	7.9
Gen. gov. ext. debt/gen. gov. debt	65.6	65.6	87.6	67.1	57.0	58.1	31.8	62.3
Market funding stress indicator	B1	Ba3	Ba3	Ba3	B2	Baa3	B1	Ba3

We assess government liquidity risk as "Low (+)", reflecting expected government financing needs of 6.3% of GDP in 2019, down from 8.5% in 2017 because of the higher average maturity of Côte d'Ivoire's debt. Government financing typically takes the form of concessional funding from bilateral and multilateral lenders (although this share is declining), international bond issuance and regional capital markets.

Côte d'Ivoire has diversified its sources of funding since 2014, when it regained access to global capital markets by issuing a eurobond. Having issued a $750 million, 10-year sovereign bond in July 2014, it issued a $1 billion, 12-year eurobond in February 2015, a $1.25 billion 16-year bond and a €625 million eight-year note in 2017, and a €1.7 billion eurobond in two equal tranches (with 12- and 30-year maturities and yields of 5.2% and 6.6%, respectively) in 2018. The issuances highlight the country's access to international markets. Also in 2019, Côte d'Ivoire will have externally funded almost €750 million with seven-year semi-concessional euro-denominated loans at international banks.

Côte d'Ivoire's access to developing regional capital markets (the WAEMU market) supports our assessment of relatively low government liquidity risk. As the largest economy in the WAEMU, it has been its largest issuer for several years, while its debt instruments enjoy the status of regional risk-free assets that define the yield curve, with maturities of more than 12 years.

Côte d'Ivoire returned to the regional market in 2019 with new issuances, as well as rolling over its existing domestic debt. However, we expect the stock of domestic debt as a percentage of GDP to decline because of the authorities' strategy of lengthening maturities for both domestic and external debt instruments while increasing the share of euro-denominated debt. The average maturity of domestic debt stood at 4.5 years at the end of 2018 compared with 3.5 years in 2013, while that of external debt was 10.5 years. CFA-denominated debt fell to 42% from 61%.

Côte d'Ivoire is also one of the few countries at its stage of development in which foreign investors are buying domestic issuances. The country has twice issued the equivalent of $300 million in the form of sukuks (Islamic bonds), which were largely bought by institutional investors in the Gulf.

The BCEAO has created the UMOA-Titres agency to increase member states' capacity to access domestic financing, while the WAEMU has also established a financial stability fund. The fund's objective is to provide liquidity support to sovereigns when needed, securing sovereign members' debt payments and limiting spillover risks within the CFA franc zone. However, the regional financial system remains relatively underdeveloped, and banks still account for most government asset purchases.

Banking system risks are limited

Peer comparison table factor 4c: Banking sector risk

	Cote d Ivoire Ba3/STA	L Median	Angola B3/STA	Austria Aa1/STA	Bermuda A2/STA	South Africa Baa3/STA	Finland Aa1/STA	Taiwan Aa3/STA
Final score	L		L	L	L	L	L	L
Scorecard-indicated outcome	L-		VL+	L	L-	L+	L-	L
Baseline credit assessment	--	baa2	caa1	baa2	baa2	baa3	a3	baa2
Total dom. bank assets/GDP	41.3	128.8	52.9	219.0	331.9	113.1	270.8	296.9
Loan-to-deposit ratio	80.0	98.2	58.8	104.0	44.7	105.0	159.8	73.8

Our assessment of banking sector risk is "Low", above the scorecard-indicated score of "Low (-)", because the banking system's capitalisation is relatively low. The system is small, with assets of CFA9,872.6 billion (41.3% of GDP) at the end of 2018. As of the end of June 2019, 29 banks accounted for more than 80% of the financial services market, with insurance companies making up the remainder. Most banks are foreign-owned and the four major banks are subsidiaries of foreign banking groups.

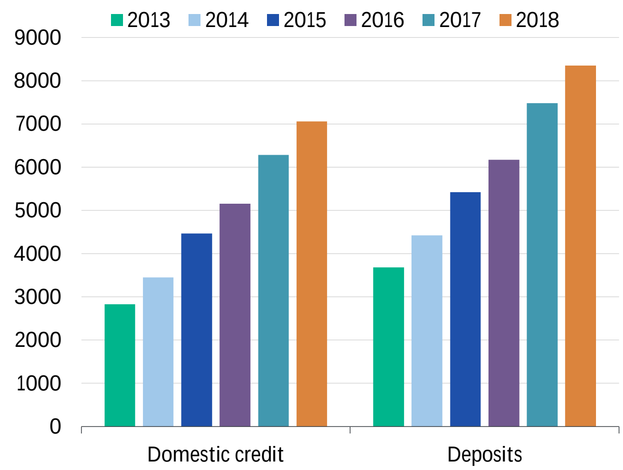
Banking branches are mainly located in Abidjan, where most of the country's economic activity is concentrated. As a result, the penetration rate of banking services is weak (though increasing), and stood at 15% at the end of 2017 (40% if including mobile money accounts and microfinance). Market shares are unevenly distributed because subsidiaries of foreign banks dominate the sector (the five largest banks account for 62% of assets). However, they generally have the most robust balance sheets and comply with all prudential requirements.

Rapid loan growth in recent years has mirrored strong nominal growth and reached 12.3% in 2018, partly reflecting the correlation between credit to the private sector and public investment in the economy. Bank assets rose by 11% in 2018 after growing by 10% in 2017. The banking system is mostly funded by customer deposits, which rose by an average 12% between 2016 and 2018, having risen by 20% in 2014-15. The system is relatively liquid and had a loan to deposit ratio of 80% at the end of 2018 (see Exhibits 20 and 21).

Exhibit 20

Domestic credit is rapidly increasing but remains lower than deposits

CFA Francs, billion

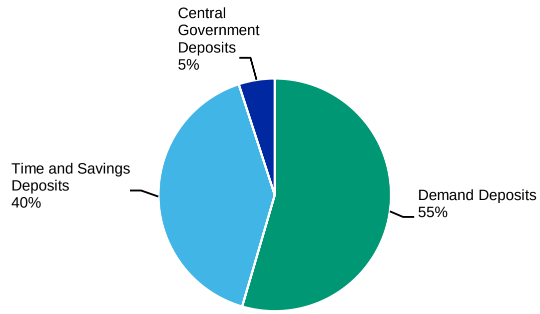


Sources: IMF, Central Bank of West African States

Exhibit 21

Breakdown of deposits with commercial banks

2018



Sources: IMF, Central Bank of West African States

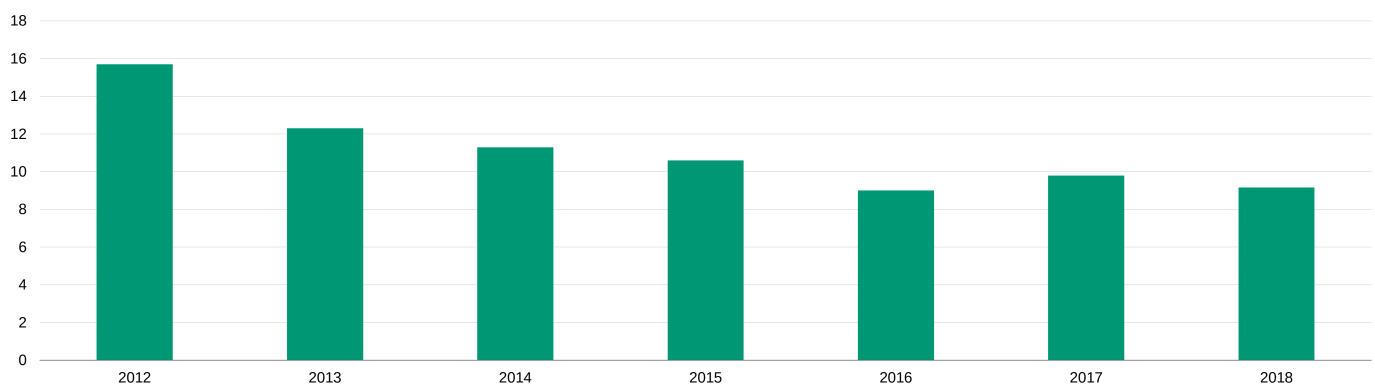
The banking system poses limited contingent risks to public finances and has proved resilient. No bank has failed despite the adverse effects of the political and security crisis of 2010-11. However, despite some improvement, the overall quality of bank portfolios remains weak, particularly those of state-owned banks. The authorities have privatised and divested from some banks over the last few years, but retain a presence in Banque Nationale d'Investissement (BNI) and Caisse Nationale des Caisses d'Epargne (CNCE), the latter of which is being restructured.

Outstanding gross nonperforming loans (NPLs) accounted for 8.3% of lending at the end of June 2019, compared with 16.9% in 2011. Of these, 72.3% were provisioned, equivalent to a net NPL ratio of 2.44% (see Exhibits 22 and 23). In terms of capitalisation, capital adequacy declined to 9.1% at the end of June 2018 from 8.3% at the end of 2017. The ratio is expected to reach 9.5% at the end of 2019 and is likely to rise to 11.25% at the end of 2022 as the BCEAO implements the new Basel III regulations.

Exhibit 22

Nonperforming loans have broadly fallen since 2012

NPLs as % of total loans



Source: 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 Ba3/STA	VL Median	Austria Aa1/STA	Kuwait Aa2/STA	Benin B2/POS	Mali B3/STA	Senegal Ba3/STA	Ghana B3/STA
Final score	VL		VL	VL	VL	VL+	VL+	M-
Scorecard-indicated outcome	VL		VL	VL+	VL	VL+	VL+	L+
(Curr. acc. bal. + FDI inflows)/GDP	-2.6	4.7	4.8	11.8	-5.5	-4.6	-5.3	3.0
External vulnerability indicator (EVI)	23.2	28.2	--	93.6	19.1	21.0	18.8	133.4

We assess Côte d'Ivoire's external vulnerability risk as "Very Low". A balance of payments crisis is very unlikely because of its WAEMU membership, under which the French Treasury guarantees the CFA franc's convertibility based on a fixed exchange rate with the euro.

Côte d'Ivoire has, on average over a long period, recorded a small current-account surplus, supported by a trade surplus (1.2% of GDP on average between 2000 and 2018). However, due to higher imports (equipment related to infrastructure projects) and cocoa price volatility, the current-account deficit expanded to 4.7% in 2018. We expect the deficit to fall in the coming years due to higher prices for agricultural goods. Rising FDI levels finance almost half the deficit. The overall balance of payments has been positive (CFA269 billion or €410 million at the end of 2018) because of government external borrowing. In addition, Côte d'Ivoire's export market is well-diversified, with export destinations mostly across Europe and Africa. External debt remains relatively low at 41.1% of GDP in 2018, while debt-service costs have fallen following the cancellation of debt in 2012.

Local banks had a positive net external assets position of $600 million in 2018. Banks are required to repatriate at least 80% of export proceeds to the CFA zone, though they have failed to do so for a prolonged period. The BCEAO intends to continue to tighten this scheme and could impose fines to encourage compliance. Doing so would be likely to rapidly generate a significant structural increase in foreign-currency reserves and benefit the wider balance of payments. As a result of these factors, the repatriation rate rose to 61.8% in 2018 from 29.5% in 2017.

Regarding Côte d'Ivoire's external vulnerability indicator (EVI, external short-term debt plus maturing long-term external debt divided by foreign-exchange reserves), we look at the entire WAEMU zone rather than individual countries. The WAEMU's EVI was a low 22.4% at the end of 2018 and is likely to remain around 20%.

Creation of common currency is a distant prospect, while the risk of a CFA franc devaluation remains very low

A devaluation of the CFA franc is the main financial risk that Côte d'Ivoire faces. Such a development would instantly increase debt relative to public revenue because close to 60% of public debt is foreign currency-denominated. A devaluation would also significantly increase the cost of servicing this debt. However, a CFA zone balance of payments crisis is highly unlikely because capital inflows have generally covered current-account deficits. We expect the CFA zone's official reserves to increase in the medium term.

Although the CFA franc devalued by 50% relative to the French franc in 1994, we view the risk of a repeat of this as unlikely. The 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 required to take measures to reduce the monetary base, a scheme similar to those operated in currency board arrangements. When reserves reach zero, the central bank implements new measures. This has occurred once, in 1991, though the French Treasury maintained the exchange rate during this period.

While it failed to generate the desired level of growth, the 1994 devaluation increased the coverage ratio to 84%. The ratio even exceeded 100% between 1999 and 2012, though it fell to 73.4% at the end of 2017. Several large issuances by both Côte d'Ivoire and Senegal over the last five years support the pool of reserves. There is a striking difference between the WAEMU region and the Central Africa franc zone, the latter having depleted most of its reserves in the wake of the oil price shock.

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

The eco

In July 2019, 15 ECOWAS members (eight of which are already part of the WAEMU, including Côte d'Ivoire, and seven others with their own currencies, such as Ghana and Nigeria) agreed to adopt a common currency, the eco, by 2020. The first step is to change the name of the CFA franc to the eco by July 2020. All members will have to agree a transition mechanism. There are no details on what the current currency arrangement with France – under which the French Treasury guarantees the CFA franc's convertibility – will become.

Even if the ultimate goal is to have a flexible currency for the ECOWAS region (which has always been the goal of the union's founding fathers), this is a long-term goal and unlikely to occur in 2020. To date, the political will to make progress on that goal has been present and the name of the common currency has been agreed. All other aspects will be negotiated in future, particularly the convergence criteria allowing other countries to join. There has been no indication of how the peg to the euro would be modified. France's support for the CFA zone is unquestionable for the francophone countries but it remains open to consensual change, as long as this is carefully and progressively implemented.

ESG considerations

How environmental, social and governance risks inform our credit analysis of Côte d'Ivoire

We take account of the impact of environmental, social and governance factors when assessing sovereign issuers' economic, institutional and fiscal strength and their susceptibility to event risk. In Côte d'Ivoire's case, we assess the materiality of ESG to the credit profile as follows:

Environmental considerations are material to Côte d'Ivoire's rating. The country is significantly exposed to environmental risks. A large part of the population relies on agriculture, and the country is a leading exporter of agricultural products. As a result, it is vulnerable to climate change, including draughts, deforestation and land degradation. A significant environmental shock could influence some key credit metrics such as GDP growth, household income and agricultural export earnings. For example, a 5% decline in cocoa production would reduce growth by 0.8%. We identified Côte d'Ivoire as one of the countries whose credit profiles are most susceptible to climate change in our report, Credit profiles of small, agriculture-reliant sovereigns most susceptible to climate change risk.

Social considerations are material to Côte d'Ivoire's rating. Notwithstanding its high levels of growth over the last decade, low wealth levels and high, albeit improving, levels of poverty remain. Growing income inequality could threaten political stability in future. Due to the government's efforts to improve overall physical and social infrastructure, notable progress has been made on access to basic services such as water and electricity.

Governance considerations are material to Côte d'Ivoire's rating. The country's governance assessment, as measured by the Worldwide Governance Indicators, was very low at the time of the civil conflict in 2011. Since, it has seen a positive trend, with all indicators on average reaching the 25th percentile in 2018 from below the 10th percentile in 2011. Côte d'Ivoire defaulted in 1998 and again in 2011 (see Appendix 2), which also highlights the weak but improving institutional framework.

We discuss these considerations further in "Detailed credit considerations", above. Our approach to ESG is explained in our report entitled How ESG risks influence sovereign credit profiles and our cross-sector methodology, General Principles for Assessing ESG Risks.

Appendices

Appendix 1: The CFA zone

Côte d'Ivoire is part of the West African Economic and Monetary Union (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 more than 70 years. Participation in the CFA franc zone has the following features:

» WAEMU members do not have individual central banks, monetary policies, currencies or exchange-rate regimes. There is one central bank for the union, the BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest), located in Dakar (Senegal). The central bank sets monetary policy for the monetary union. The exchange-rate regime, particularly 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. They earn an interest rate of EONIA +100 basis points.

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

» While there are no capital transactions within the CFA zone, 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. For example, 80% of export revenue must be repatriated and converted to CFA francs.

» Participation in the CFA zone greatly reduces the risk of exchange-rate depreciation increasing the cost of servicing foreign-currency debt. However, it does not eliminate this risk 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: the CFA franc was devalued by 50% in 1994. However, we believe this risk is very low.

» 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 common external tariffs to be established.

Appendix 2: The 2011 default on the 2032 eurobond

» After reaching the decision point of the Heavily Indebted Poor Countries (HIPC) initiative in March 2009, Côte d'Ivoire in April 2010 issued a $2.3 billion eurobond maturing in 2032 and repayable over 23 years, including a six-year grace period. The 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 was $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 of diplomatic relations with President Laurent Gbagbo's government, which many in the international community considered illegitimate. This break in relations extended to the country's main lenders and also to other WAEMU members. Before the civil war, the economy had been pressured by economic sanctions on the Gbagbo administration, which still controlled the south 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 Alassane Ouattara and his new administration. 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 the city, 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 victory 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 inability by its legitimate government to repay its debt because reserves were available at the central bank. Rather, 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 linked 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 the risk of a second default on a par with that in 2011 to be 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 in May 2012 (Decision CN/UMOA/007/05/2012).

» 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 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 is prolonged.

Appendix 3: The 2010-11 civil war

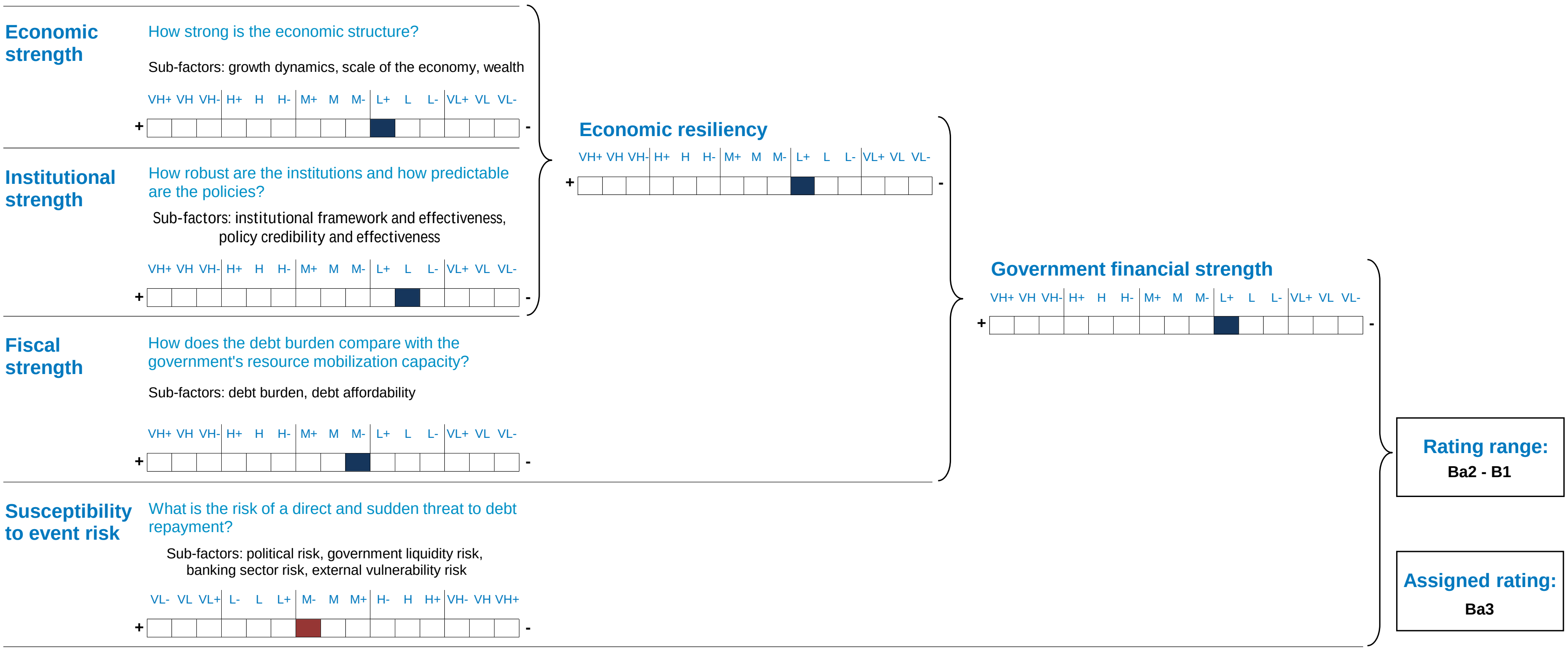
- The civil conflict that erupted following the election of President Ouattara in 2010 was responsible for the deaths of an estimated 3,000 people and was highly disruptive for the entire country. It resulted in the displacement of more than 700,000 people within the country and more than 250,000 people in the wider Sub-Saharan region. Almost all have returned, though around 38,000 remain abroad, mainly in Liberia. The authorities are working in concert with the UN High Commissioner for Refugees 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 1990s, when multiparty politics was introduced at the end of President Houphouët-Boigny's mandate and the country had been celebrated as a model for economic development in Sub-Saharan Africa. These are the results 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 candidates put forward in presidential elections in 2010. The electoral commission eventually announced the victory of Laurent Gbagbo after Guei was ousted in the wake of mass social demonstrations. In September 2002, a movement formed by rebel soldiers, who eventually called themselves the Mouvement des Forces Nouvelles, gradually occupied the north of the country (around 60% of the country's territory). Although a peacekeeping force of French troops prevented clashes from escalating, the country was split in two.
- Peace talks began after a ceasefire 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 with 10,000 UN peacekeepers, including 4,600 French soldiers. The council continued to extend President Gbagbo's mandate regularly until presidential elections in October 2010.
- The protracted political crisis increased inequality, particularly between the north and south of the country. 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) 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, beginning with CFA10 billion earmarked in 2015. The Commission Nationale pour la Reconciliation et l'Indemnisation des Victimes has succeeded the CDVR. An estimated 500,000 victims could be compensated, though payments will take several 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 those that the rating range implies. 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 Ratings methodology.

Exhibit 23

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 that we rate. It focuses on a comparison with sovereigns within the same rating range and shows the relevant credit metrics and factor scores.

Côte d'Ivoire's factor scores are in line with the Ba3 median of Moody's-rated sovereigns. The country receives a score of "Low (+)" for economic strength. Average real GDP growth generally ranks above rated peers, but its per capita wealth is lower. We assess institutional strength as "Low", though Côte d'Ivoire's metrics in this area may understate the results it has been able to achieve relatively rapidly to date. In terms of fiscal strength, Côte d'Ivoire's debt stock and interest payments relative to its economy and revenue are in line with Ba3 peers. The country's susceptibility to event risk score is determined by domestic political risks. External metrics are strong relative to peers, with smaller current-account deficits and a lower external vulnerability indicator.

Exhibit 24
Côte d'Ivoire: key peers

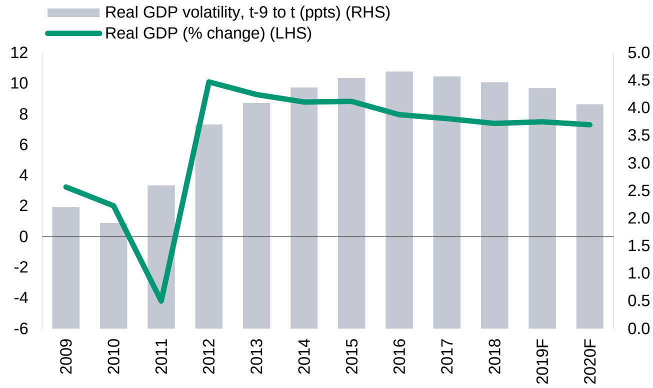
	Year	Cote d Ivoire	Senegal	Tanzania	Dominican Republic	Bangladesh	Armenia	Ba3 Median	Sub-Saharan Africa Median
Rating/Outlook		Ba3/STA	Ba3/STA	B1/NEG	Ba3/STA	Ba3/STA	Ba3/STA	Ba3	B2
Rating Range		Ba2 - B1	Ba2 - B1	Ba3 - B2	Ba3 - B2	Ba1 - Ba3	Ba1 - Ba3	Ba1 - Ba3	B1 - B3
Factor 1		**L+**	**L+**	**M-**	**M**	**M+**	**M-**	**M-**	**L+**
Nominal GDP (US$ bn)	2018	43.0	23.5	57.1	85.7	274.1	12.4	43.0	23.5
GDP per capita (PPP, US$)	2018	4177.6	3651.2	3443.7	18424.6	4619.8	10176.1	7476.9	3828.2
Avg. real GDP (% change)	2014-2023	8.0	6.7	6.3	5.8	7.0	4.8	5.8	5.2
Volatility in real GDP growth (ppts)	2009-2018	4.5	2.1	1.6	2.4	0.8	6.2	2.1	2.1
Global Competitiveness index	2017	3.9	3.8	3.7	3.9	3.9	4.2	3.9	3.7
Factor 2		**L**	**M-**	**VL+**	**L-**	**L-**	**M**	**L+**	**VL+**
Government Effectiveness, percentile [1]	2018	22.4	33.3	15.9	29.7	10.1	43.4	33.3	15.9
Rule of Law, percentile [1]	2018	23.9	42.7	28.9	30.4	19.5	47.1	39.8	28.2
Control of Corruption, percentile [1]	2018	33.3	55.0	34.7	21.0	13.7	39.1	33.3	28.2
Average inflation (% change)	2014-2023	1.5	0.8	5.0	2.9	5.8	2.5	2.9	3.9
Volatility in inflation (ppts)	2009-2018	1.4	1.5	4.1	2.3	1.2	2.9	2.3	2.3
Factor 3		**M-**	**L-**	**L-**	**VL+**	**M-**	**L**	**M-**	**L-**
Gen. gov. debt/GDP	2018	48.6	54.7	40.8	36.5	27.9	51.3	50.0	53.8
Gen. gov. debt/revenue	2018	244.3	294.3	268.0	257.4	237.9	222.7	222.7	256.0
Gen. gov. interest payments/revenue	2018	9.1	10.9	10.5	18.2	14.4	9.7	9.1	10.8
Gen. gov. interest payments/GDP	2018	1.8	2.0	1.6	2.6	1.7	2.2	2.0	2.0
Gen. gov. financial balance/GDP	2018	-4.0	-3.7	-1.3	-2.3	-4.8	-1.6	-3.7	-3.8
Factor 4		**M-**	**L+**	**M-**	**L+**	**M**	**M**	**M-**	**M+**
Current account balance/GDP	2018	-4.7	-7.5	-3.3	-1.4	-3.6	-9.4	-4.9	-4.6
Gen. gov. external debt/gen. gov. debt	2018	65.6	87.6	70.9	67.1	43.8	79.8	58.1	61.2
External vulnerability indicator (EVI)	2020F	23.2	18.8	58.2	80.4	50.1	121.1	42.0	40.8

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

DATA, CHARTS AND REFERENCES

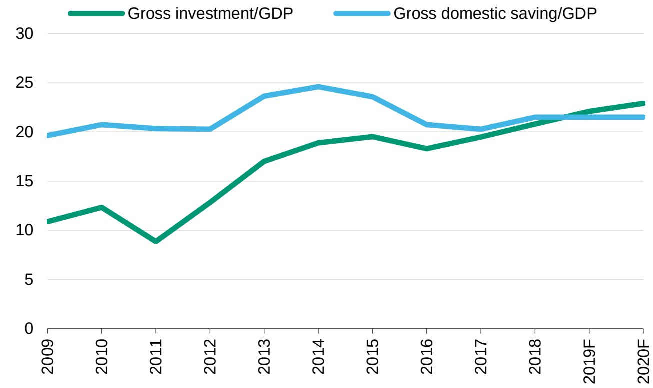
Chart pack: Côte d'Ivoire

Exhibit 25
Economic growth



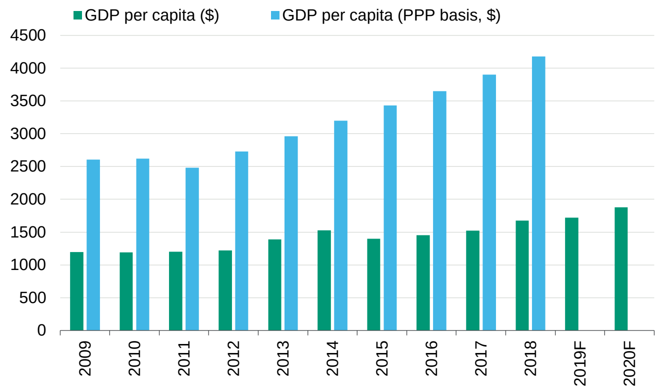
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 26
Investment and saving



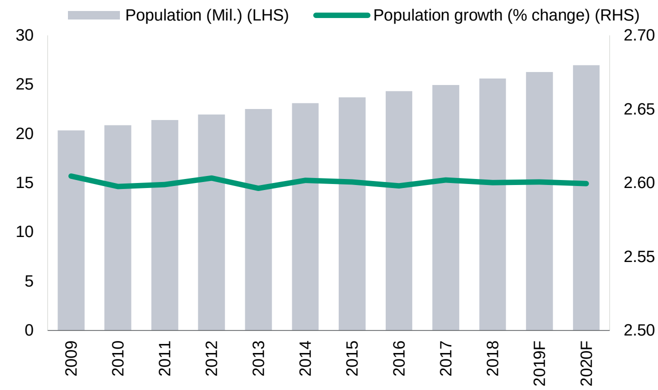
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 27
National income



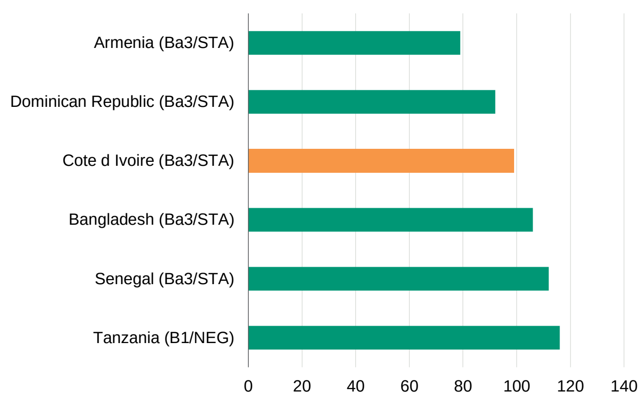
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 28
Population



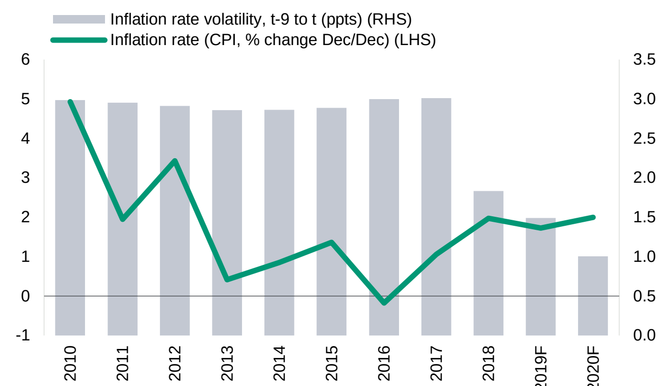
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 29
Global Competitiveness Index, 2016-17
Rank 99 out of 138 countries



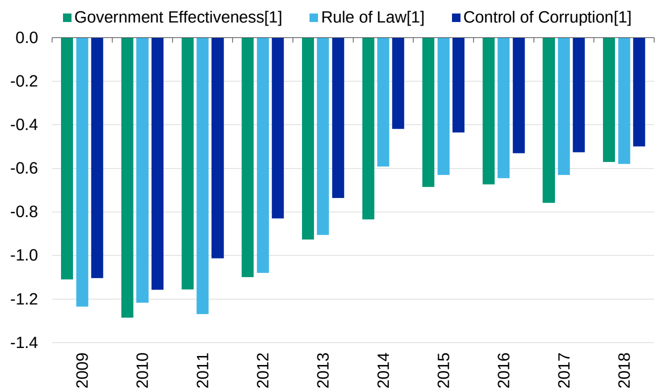
Source: World Economic Forum

Exhibit 30
Inflation and inflation volatility



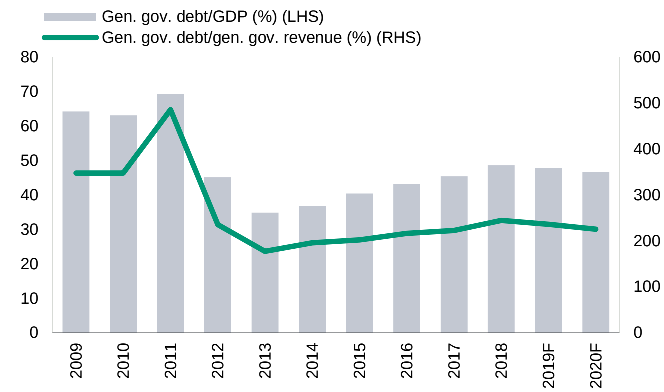
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 31
Institutional framework and effectiveness



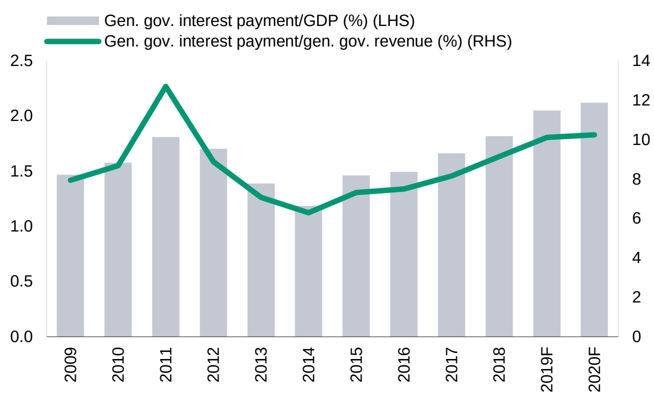
[1] Composite index with values from about -2.50 to 2.50: higher values correspond to better governance.
Source: Worldwide Governance Indicators

Exhibit 32
Debt burden



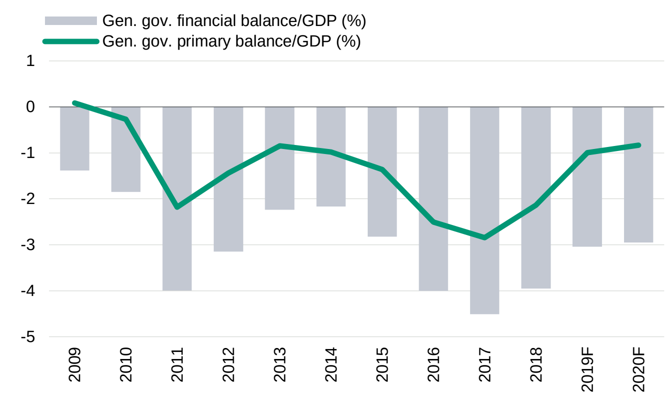
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 33
Debt affordability



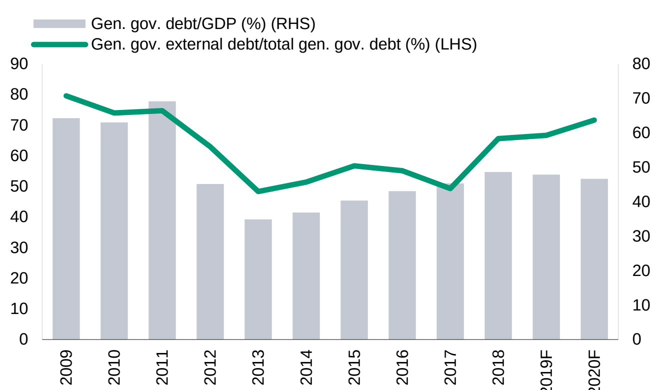
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 34
Financial balance



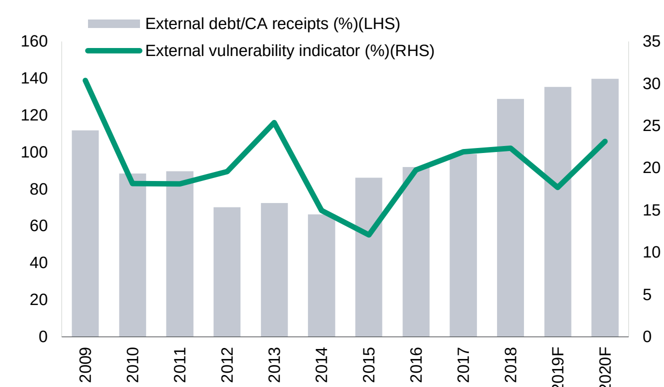
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 35
Government liquidity risk



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

Exhibit 36
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 37

Côte d'Ivoire

	Government Bonds			Foreign Currency Ceilings				
				Bonds & Notes		Bank Deposit		
	Foreign Currency	Local Currency	Outlook	Long-term	Short-term	Long-term	Short-term	Date
Rating Affirmed	--	--	--	--	--	--	--	Mar-18
Rating Raised	Ba3	Ba3	Stable	--	--	--	--	Nov-15
Rating Assigned	B1	B1	Positive	Baa3	P-3	Baa3	P-3	Jul-14

Source: Moody's Investors Service

Annual statistics

Exhibit 38
Côte d'Ivoire

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F
Economic structure and performance												
Nominal GDP (US$ bil.)	24.3	24.9	25.7	26.8	31.3	35.3	33.1	35.3	38.1	43.0	45.2	50.6
Population (Mil.)	20.3	20.9	21.4	22.0	22.5	23.1	23.7	24.3	25.0	25.6	26.3	27.0
GDP per capita (US$)	1,195	1,193	1,200	1,220	1,388	1,528	1,397	1,451	1,525	1,678	1,719	1,877
GDP per capita (PPP basis, US$)	2,605	2,620	2,480	2,732	2,960	3,198	3,429	3,648	3,902	4,178	--	--
Nominal GDP (% change, local currency)	5.7	7.5	-1.7	12.9	12.9	13.0	12.2	6.8	5.8	7.8	8.7	9.0
Real GDP (% change)	3.3	2.0	-4.2	10.1	9.3	8.8	8.8	8.0	7.7	7.4	7.5	7.3
Inflation (CPI, % change Dec/Dec)	-1.6	4.9	1.9	3.4	0.4	0.9	1.4	-0.2	1.1	2.0	1.7	2.0
Gross investment/GDP	10.9	12.3	8.9	12.8	17.0	18.9	19.5	18.3	19.5	20.8	22.1	22.9
Gross domestic saving/GDP	19.6	20.7	20.3	20.3	23.6	24.6	23.6	20.7	20.3	21.5	21.5	21.5
Nominal exports of G & S (% change, US$ basis)	8.3	2.0	8.4	-4.0	-0.9	6.8	-9.9	-5.7	8.8	-0.1	3.9	9.6
Nominal imports of G & S (% change, US$ basis)	-0.2	11.2	-12.1	26.6	0.7	0.8	-6.7	-5.6	10.3	6.4	0.4	7.3
Openness of the economy[1]	90.7	93.9	90.1	93.7	80.1	73.7	72.0	63.7	64.8	59.1	57.4	55.6
Government Effectiveness[2]	-1.1	-1.3	-1.2	-1.1	-0.9	-0.8	-0.7	-0.7	-0.8	--	--	--
Government finance												
Gen. gov. revenue/GDP	18.5	18.1	14.2	19.2	19.7	18.9	20.0	20.0	20.4	19.9	20.3	20.7
Gen. gov. expenditures/GDP	19.9	20.0	18.2	22.3	21.9	21.0	22.8	24.0	24.9	23.8	23.3	23.6
Gen. gov. financial balance/GDP	-1.4	-1.8	-4.0	-3.1	-2.2	-2.2	-2.8	-4.0	-4.5	-4.0	-3.0	-3.0
Gen. gov. primary balance/GDP	0.1	-0.3	-2.2	-1.4	-0.9	-1.0	-1.4	-2.5	-2.8	-2.1	-1.0	-0.8
Gen. gov. debt (US$ bil.)	16.2	15.8	16.5	12.4	11.3	11.9	13.1	14.5	18.4	20.3	21.9	23.8
Gen. gov. debt/GDP	64.2	63.0	69.2	45.1	34.9	36.9	40.4	43.1	45.3	48.6	47.9	46.7
Gen. gov. debt/gen. gov. revenue	347.2	347.4	485.4	235.4	177.3	195.5	202.1	216.0	222.7	244.3	236.3	225.8
Gen. gov. interest payments/gen. gov. revenue	7.9	8.7	12.7	8.9	7.1	6.3	7.3	7.5	8.2	9.1	10.1	10.3
Gen. gov. FC & FC-indexed debt/gen. gov. debt	75.0	69.4	70.1	56.1	38.1	40.9	47.0	44.1	49.0	57.6	57.0	61.5
External payments and debt												
Nominal exchange rate (local currency per US$, Dec)	455.3	490.9	507.0	497.2	475.6	540.3	602.5	622.3	547.0	572.9	567.2	554.3
Real eff. exchange rate (% change)	0.3	-6.8	2.2	-4.7	3.4	0.5	-6.7	1.3	-0.7	2.3	--	--
Current account balance (US$ bil.)	1.6	0.5	2.7	-0.3	-0.4	0.5	-0.2	-0.4	-1.0	-2.0	-1.7	-1.6
Current account balance/GDP	6.7	1.9	10.4	-1.2	-1.4	1.4	-0.6	-1.2	-2.8	-4.7	-3.7	-3.2
External debt (US$ bil.)	14.9	11.7	12.8	9.5	9.9	9.8	11.4	11.5	13.4	17.7	19.4	22.0
Public external debt/total external debt	85.4	80.4	77.4	52.9	64.7	67.6	74.8	72.5	77.7	79.3	80.9	82.8
Short-term external debt/total external debt	--	--	--	--	--	--	--	--	--	--	--	--
External debt/GDP	61.3	47.0	49.8	35.6	31.5	27.7	34.3	32.7	35.3	41.1	42.9	43.4
External debt/CA receipts[3]	111.8	88.4	89.7	70.1	72.5	66.3	86.2	92.0	99.1	128.8	135.3	139.8
Interest paid on external debt (US$ bil.)	0.1	0.1	0.2	0.1	0.2	0.2	0.3	0.3	0.4	0.5	0.6	0.7
Amortization paid on external debt (US$ bil.)	0.8	0.6	0.6	0.5	0.8	0.7	0.5	1.2	1.8	1.3	1.0	0.7
Net foreign direct investment/GDP	1.6	1.3	1.1	1.2	1.3	1.2	1.4	1.6	2.5	2.0	2.2	2.2
Net international investment position/GDP	-37.3	-32.0	-21.8	8.4	7.1	7.3	6.7	5.4	4.8	3.2	--	--
Official forex reserves (US$ bil.)[4]	11.3	11.2	11.4	11.0	10.9	10.5	10.0	8.2	10.4	11.9	11.0	11.2
Net foreign assets of domestic banks (US$ bil.)	0.2	0.1	0.3	0.6	0.5	0.4	0.4	0.6	0.4	0.6	--	--

Exhibit 39

Monetary, external vulnerability and liquidity indicators												
M2 (% change Dec/Dec)	5.7	17.2	18.2	10.7	6.8	11.4	16.0	19.1	12.1	16.5	--	--
Monetary policy rate (% per annum, Dec 31)	3.8	3.3	3.3	3.3	3.0	2.5	2.5	2.5	2.5	2.5	--	--
Domestic credit (% change Dec/Dec)	7.2	19.1	13.2	1.4	19.6	20.2	19.4	19.7	18.8	13.5	--	--
Domestic credit/GDP	19.4	21.9	23.0	23.3	25.1	26.7	29.2	31.4	33.3	34.4	--	--
M2/official forex reserves (X)	2.8	2.7	2.6	2.3	2.8	3.0	2.9	2.9	3.5	3.2	--	--
Total external debt/official forex reserves	575.9	524.1	365.4	327.7	271.6	257.6	239.7	260.6	293.3	270.0	276.0	275.3
Debt service ratio[4]	9.1	7.3	5.5	5.8	4.7	7.1	5.8	5.8	11.5	12.7	11.7	8.0
External vulnerability indicator (EVI)[5]	104.1	108.3	24.2	29.8	37.7	25.1	20.0	11.2	24.9	32.9	11.0	9.9
Liquidity ratio[6]	14.8	36.6	47.9	45.6	38.1	-14.0	-30.1	-3.1	13.8	1.7	--	--
Total liabilities due BIS banks/total assets held in BIS banks	64.7	119.7	179.0	118.9	104.9	107.8	132.1	74.4	58.2	40.9	--	--
"Dollarization" ratio[7]	8.9	9.1	8.9	7.1	9.8	9.0	10.5	10.4	10.8	11.0	--	--
"Dollarization" vulnerability indicator[8]	15.0	14.3	13.8	10.6	15.9	15.5	18.4	18.9	21.2	19.7	--	--

[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 publications

- **Issuer Comment:** Loan to national oil refinery reduces contingent liability risk for the sovereign, a credit positive, 14 January 2019
- **Announcement:** Credit profiles of small, agriculture-reliant sovereigns most susceptible to climate change risk, 15 May 2018
- **Rating Methodology:** Sovereign Bond Ratings, 27 November 2018

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Related websites and information sources

- Sovereign risk group web page
- Sovereign ratings list
- Institut National de la Statistique
- Ministère de l'Economie et des Finances

Authors
Aurélien Mali
Vice President - Senior Credit Officer

Camille Chautard
Associate Analyst

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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