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ISSUER IN-DEPTH
30 November 2020

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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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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 international financial support. Additional credit support comes from the country's participation in the West African Economic and Monetary Union and its relatively developed regional financial sector.

Côte d'Ivoire's institutional strength is its major credit constraint. Like many peers, it still receives relatively low scores on the Worldwide Governance Indicators, though these scores are likely to continue to improve steadily following major institutional reforms over the past decade. Côte d'Ivoire is also susceptible to event risk, driven mostly by political risks given continued heightened political tensions following presidential elections in October 2020 that the opposition boycotted. The coronavirus pandemic will weaken Côte d'Ivoire's credit metrics in 2020 and 2021, particularly growth, the fiscal deficit and the debt burden.

The stable outlook indicates a balance of upside and downside pressures. On the upside, sustained strong growth through further shifts toward 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 would consider a downgrade in the event of: (1) an inability to keep the fiscal deficit at a moderate level, weakening fiscal strength; (2) a reemergence 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, institutions and governance strength, fiscal strength and susceptibility to event risk, the four main analytic factors in our Sovereign Ratings Methodology.

CREDIT PROFILE

Our determination of a sovereign's government bond rating is based on consideration of four rating factors: economic strength, institutions and governance strength, fiscal strength and susceptibility to event risk. When a direct and imminent threat becomes a constraint, that can only lower the scorecard-indicated outcome. For more information, please see our Sovereign Ratings Methodology.

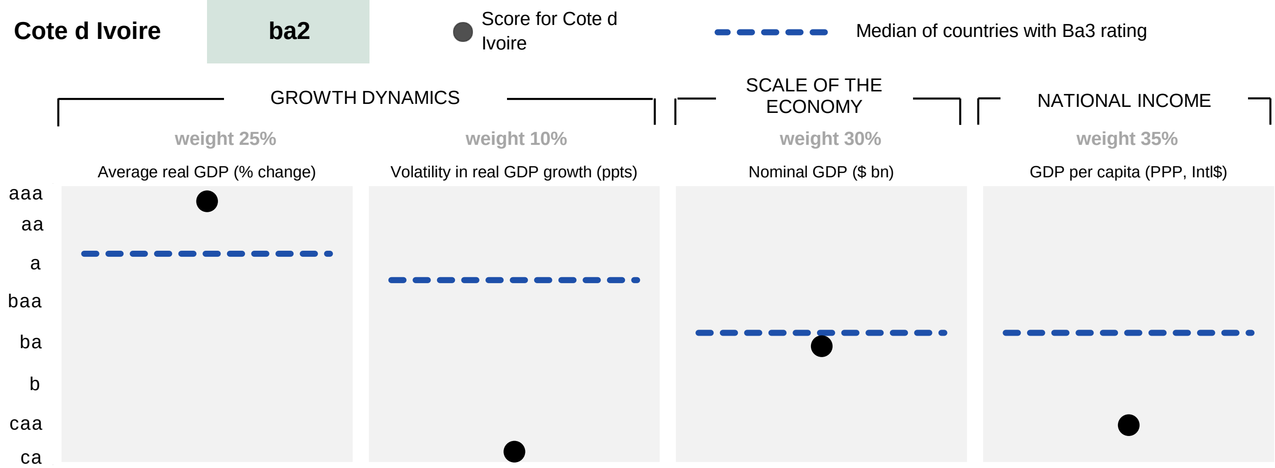
Economic strength score: ba2

Factor 1: Overall score

Scale	aaa	aa1	aa2	aa3	a1	a2	a3	baa1	baa2	baa3	ba1	ba2	ba3	b1	b2	b3	caa1	caa2	caa3	ca	
+												Final									-

Factor 1: Sub-scores

Cote d Ivoire	ba2



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. Adjustments to the economic strength factor score most often reflect our judgement regarding the economy's flexibility, diversity, productivity and labour supply challenges.
Note: the initial factor score is shown in light blue in the scale above. In case the initial and final factor scores are the same, only the final score will appear in the table above.

We assess Côte d'Ivoire's economic strength as "ba2". Our assessment incorporates the economy's relatively small size, with estimated nominal GDP of $58.8 billion in 2019; low per capita income (an estimated $5,327 in 2019 on a purchasing power parity (PPP) basis); high growth and renewed investment in infrastructure; and low but improving economic competitiveness. The economy's structure is increasingly diversified, with high potential in mining and hydrocarbon production. Côte d'Ivoire shares its "ba2" score for economic strength with sovereigns such as Armenia (Ba3 stable), Botswana (A2 negative), and Montenegro (B1 stable).

Exhibit 1

Peer comparison table factor 1: Economic strength

	Cote d Ivoire Ba3/STA	ba2 Median	Armenia Ba3/STA	Botswana A2/NEG	Ghana B3/NEG	Montenegro B1/STA	Iraq Caa1/STA	Tanzania B2/STA
Final score	ba2		ba2	ba2	ba2	ba2	ba2	ba2
Initial score	ba2		ba1	ba2	ba2	ba2	ba1	ba1
Nominal GDP ($ billion)	58.8	58.8	13.7	18.3	67.0	5.5	230.1	61.1
GDP per capita (PPP, Intl$)	5,327.0	11,449.9	14,176.9	17,948.7	5,688.2	22,347.9	11,449.9	2,840.7
Average real GDP (% change)	6.7	3.0	4.3	2.4	4.7	2.5	2.3	5.6
Volatility in real GDP growth (ppts)	4.5	2.5	2.5	3.5	5.4	2.2	5.8	1.6

Sources: National authorities, IMF and Moody's Investors Service

Economy to slow significantly in 2020 because of the coronavirus pandemic

The coronavirus pandemic and the associated global economic downturn have had a severe impact on Sub-Saharan Africa (SSA), with the regional economy contracting for the first time in decades. We expect Côte d'Ivoire's real GDP growth to slow to 1.9% in 2020 from 6.9% in 2019 because of the pandemic's direct impact on the economy via prevention and containment measures.

Nevertheless, the price of cocoa – of which Côte d'Ivoire is the world's largest producer – has been relatively resilient compared with prices for other commodities, for which the global downturn has severely affected demand. Demand for cocoa appears to be largely unaffected, preserving the income levels of Ivorian farmers. The relative diversification of Côte d'Ivoire's economy and particularly the resilience of its large export-oriented agricultural sector has protected it from a more significant growth shock.

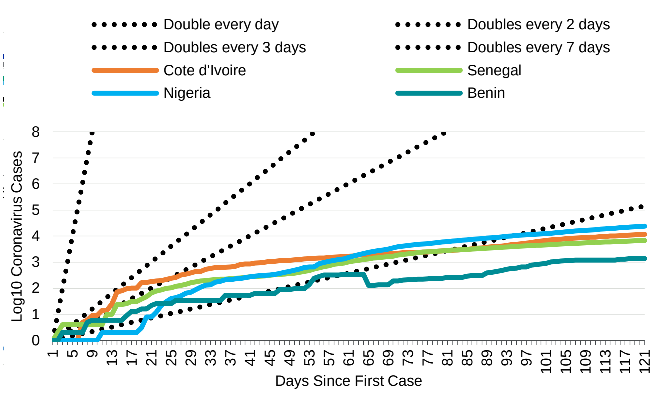
While there is significant uncertainty over the pace of a gradual global recovery, the current shock is likely to continue to affect SSA's real growth in the medium term. Risks remain tilted to the downside, given uncertainty over how long coronavirus-related disruption to the global economy will last with SSA economies particularly exposed given the largely absent social safety net that has softened the economic disruption in larger more advanced economies. However, Côte d'Ivoire is likely to be relatively resilient and recover faster than regional peers because of the structure of its economy (which we detail in the following sections). In our baseline scenario, we expect growth to rebound following the October 2020 presidential election to reach 6.8% in 2021 and remain above 7% on average until 2025, still significantly exceeding the average for SSA countries.

Policy response to pandemic has been timely and relatively effective

As Exhibits 2 and 3 show, Côte d'Ivoire has been relatively successful in containing the spread of the coronavirus, as have other countries in West Africa. Its immediate policy responses to the coronavirus outbreak included containment measures to slow the virus' spread. Measures introduced included a nighttime curfew; the closure of schools, bars and restaurants, and other places of recreational facilities; a ban on international travel; and the prohibition of large gatherings constrained economic activity in key sectors such as trade, construction and agriculture for export, although some of these have been relaxed since May.

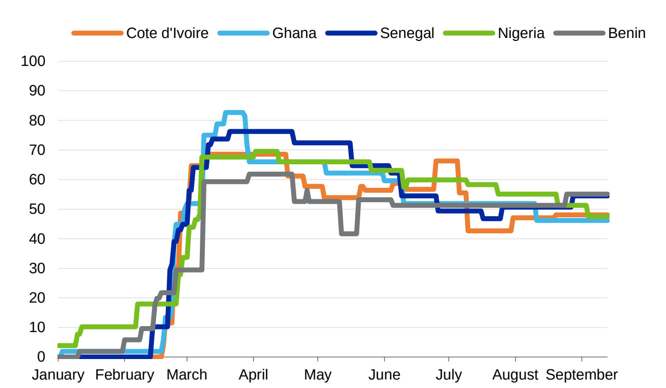
The authorities quickly secured financial support from the international community to fund essential health and social expenditure to mitigate the pandemic's impact on the population and the economy. In particular, the government announced an emergency health plan of CFA96 billion to address the pandemic and an economic package of CFA520 billion to protect the most vulnerable via agricultural input support and expanded cash transfers, by creating four special funds to be spent over two years.

Exhibit 2
Coronavirus cases have stabilised in Côte d'Ivoire
Number of cases on a logarithmic scale



X-axis represents days since the first coronavirus case; Y-axis measured on a log10 scale
Sources: Johns Hopkins University and Moody's Investors Service

Exhibit 3
Côte d'Ivoire's early intervention blocked the spread of the virus
Government Response Index from 0 to 100 (100 = strictest)



This is a composite measure based on nine response indicators including school closures, workplace closures and travel bans, rescaled to a value from 0 to 100 (100 = strictest). The index records how the response of the governments has varied over all indicators, and become stronger or weaker over the course of the outbreak
Source: University of Oxford

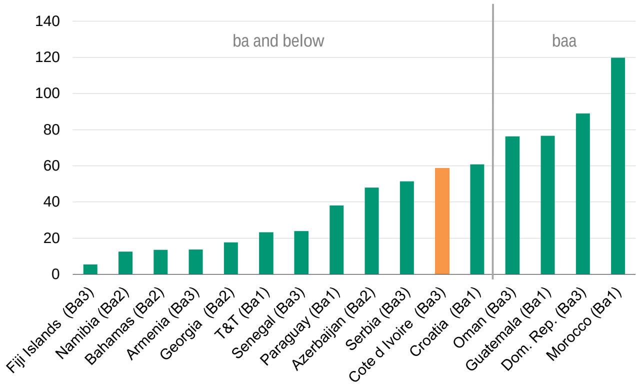
A medium-sized country with rapidly increasing per capita income

Côte d'Ivoire is a medium-sized country with GDP of $58.8 billion in 2019 (see Exhibit 4) and a fast-growing population (2.6% per year), estimated at 26.3 million. Per capita GDP was $5,327 in 2019 on a PPP basis, above the Sub-Saharan Africa median, double that of Uganda (B2 stable) and Ethiopia (B2 negative), and above Senegal (Ba3 negative). Côte d'Ivoire's economy is one of the fastest-growing in Sub-Saharan Africa (see Exhibit 5).

Exhibit 4

Côte d'Ivoire scores "ba3" for economic strength

Nominal GDP ($ billion, 2019) and F1 economic strength score

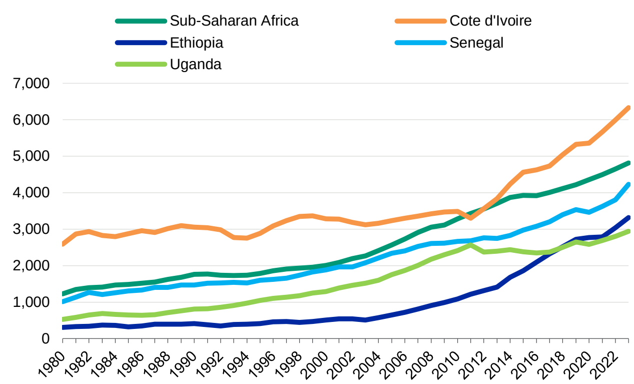


T&T stands for Trinidad and Tobago; Dom. Rep. for the Dominican Republic
Sources: National authorities and Moody's Investors Service

Exhibit 5

Per capita income is ahead of peers

GDP per capita ($, PPP basis)



Sources: IMF and Moody's Investors Service

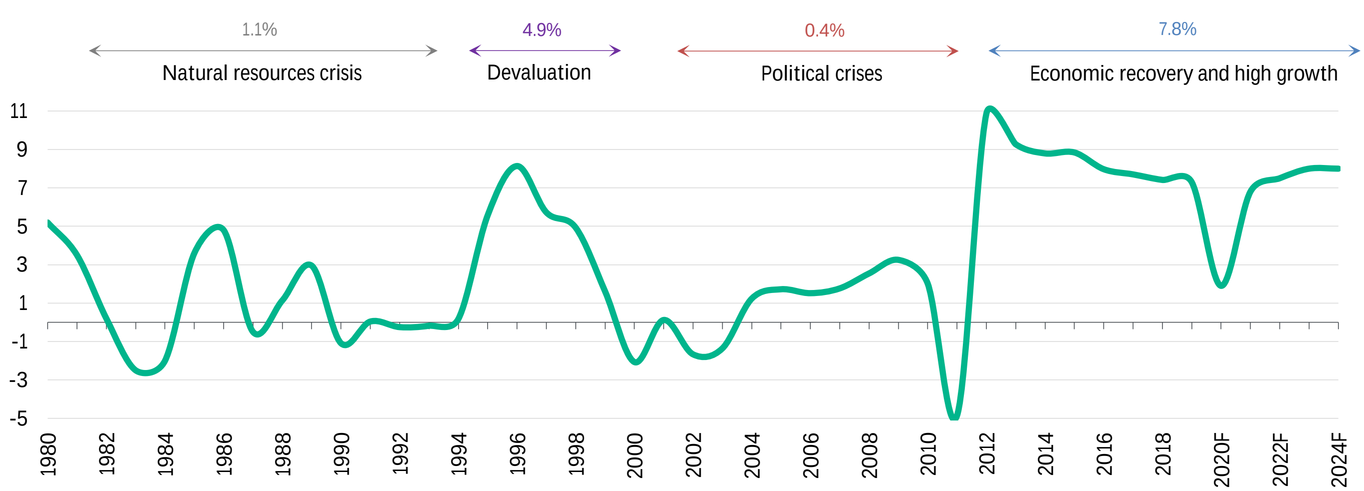
Sustained high growth since the end of the 2011 political crisis

As Exhibit 6 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. Combined with population increases and a lack of investment, this caused its social indicators to deteriorate sharply.

Exhibit 6

Successive crises resulted in two lost decades, but growth has been robust since 2011 with the exception of 2020

Real GDP growth (%, annual and average per period)



Sources: IMF and Moody's Investors Service

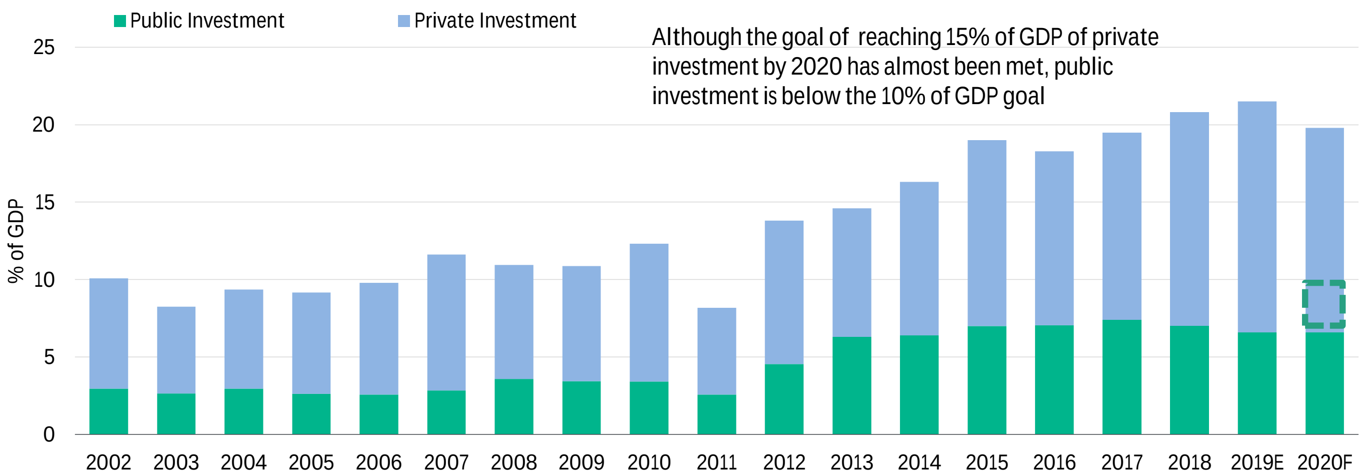
However, since President Alassane Ouattara took office in 2011, his administration has allowed for a quantitative and qualitative acceleration in growth, particularly in the manufacturing, construction and service sectors. After GDP contracted by 4.2% in 2011 – the year of post-electoral conflict – growth averaged 8.5% between 2012 and 2019 (before the 2015 GDP rebasing, see below).

We project that medium-term growth will exceed 7% following the coronavirus shock, and expect the implementation of the new government's National Development Plan 2021-25 (NDP 2021-25), similar to President Ouattara's two previous mandates, to support this growth. 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. National development plans aim to accelerate structural changes in the country.

The NDP 2021-25 will exceed $110 billion according to the authorities, divided between public and private sources, and mainly focus on infrastructure development. The NDP 2016-20 was smaller in size ($50 billion). The results of the previous plan have been encouraging, though mobilisation of private investment fell short of target. Growth in private investment has still outpaced a strong rise in public investment since 2011 (see Exhibit 7).

Public investment geared toward heavy infrastructure such as roads, or social infrastructure such as schools, has risen to around 7% of GDP in the last few years from 2.4% in 2011, while private investment increased to almost 15% in 2019 from 5.6% in 2011. This improving trend brought the country's overall investment ratio to around 22% of GDP in 2019, slightly above the average investment rate for Sub-Saharan economies of 21.2%, according to the IMF's World Economic Outlook. The government's goal was to reach a minimum of 25% investment to GDP by 2020, with private investment representing 15% and public investment 10%. However, the government will not reach its goal of public investment of 10% of GDP because of fiscal consolidation efforts and the pandemic's effects (Exhibit 7).

Exhibit 7
Private investment has more than doubled in recent years
% GDP (not rebased)



Source: National authorities

A relatively diversified economy driven by competitive, export-oriented agriculture with very high development potential...

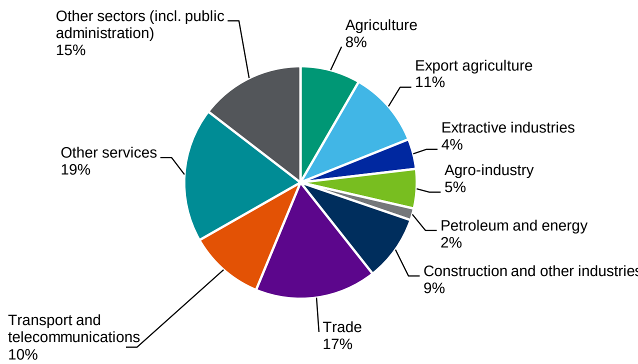
In 2020, Côte d'Ivoire rebased its GDP with 2015 as reference year. This creates a significant break in the series, with real growth for 2015 reaching 55% (12.2% previously without the rebasing). The increase follows a multiyear exercise supported by the World Bank (IBRD, Aaa stable) and African Development Bank (Aaa stable) to better measure the Ivorian economy. While the economy is much larger than previously captured, this suggests that the informal sector is also bigger in absolute terms, which will support the credit if the administration manages to mobilise revenues accordingly. The government taxing the informal sector would support the government's revenue, which now accounts for around 15% of GDP compared with 20% before the rebasing, and allow it to continue to plug the country's infrastructure gap.

Although the economy is relatively diversified, the share of agriculture remains large (see Exhibit 8). However, the sector's contribution has declined steadily over the past eight years as the industry and services sector has 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 8

Côte d'Ivoire's GDP is relatively diversified

Composition of nominal GDP by sector, 2019



Source: National authorities

Unlike most other countries in the region, where subsistence agriculture dominates, Côte d'Ivoire's agriculture 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 one of the largest African producers 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 was strong between 2011 and 2019, and notably without imbalances. The secondary and services sectors' shares of GDP have increased (for the secondary sector, to 21.2% in 2019 from 19.5% in 2015), reflecting the economy's growing resilience. For example, the manufacturing sector, which is included in industry, grew to 18.2% from 16.2% over the same period.

Côte d'Ivoire's sovereign profile is exposed to environmental risks because of its 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. However, 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 agriculture sector, supported by the authorities.

...which has been relatively resilient to cocoa price shocks and the coronavirus pandemic

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 7%-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 revenue for cocoa producers

Cocoa bean production has grown steadily in recent years (see Exhibit 9), rising by 29% to 2.100 million tonnes in 2019 from 1.634 million tonnes in 2016, and 1.5 million tonnes in 2012. Production is expected to remain close to 2 million tonnes per year over the next few years.

An agreement with Ghana (B3 negative) – 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 are ongoing 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 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 was to increase the transformation rate of agricultural goods with ambitious targets to reach in the successive NDPs. 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 9
Production of Côte d'Ivoire's main commodities is likely to stabilise
Tonnes, thousand

Production	2016	2017	2018	2019	2020E	2021F
Cocoa	1,634	2,034	2,113	2,235	2,050	2,100
Coton	332	353	387	482	500	563
Cashew nut	650	711	761	635	640	700
Palm oil	451	482	514	535	540	590
Bananas	427	438	465	500	492	525

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

Côte d'Ivoire's mining sector has high medium-term growth potential. The country qualified as an Extractive Industries Transparency Initiative (EITI) Compliant Country in 2013, and in 2014 introduced a new mining code 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 around 3% today.

Gold production stood at 32.6 tonnes in 2019, compared with around 25 tonnes per year over the previous three years and just 12.4 tonnes in 2011. The government expects total production to reach 33.5 tonnes in 2020. New mines will start operations in the coming years; more than 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 per year, accounts for around 20% of the belt.

Manganese production has grown rapidly to an estimated 1.2 million tonnes in 2020 from 121,000 tonnes in 2012. The government expects nickel production, which began in 2017, to reach 1.1 million tonnes in 2021 (see Exhibit 10). 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 10
Mining production has steadily increased

Production	2016	2017	2018	2019	2020E	2021F
Gold (tonnes)	25.1	25.4	24.5	32.6	32.0	33.5
Manganese (thousands of tonnes)	200	510	798	1,182	1,164	1,300
Diamond (thousands of carats)	16	7	6	4	6	7
Nickel (thousands of tonnes)	-	380	890	660	970	1,100

Source: National authorities

The oil and gas sector is developing and holds promise. Of the 40 blocks available, four are in production and around 20 are in exploration. Proven offshore reserves total around 189 million barrels (excluding new discoveries), while probable reserves are more than 1 billion barrels. Although crude oil production rebounded to 36,148 barrels per day (bpd) in 2019 from an average 32,286 bpd in 2018, Côte d'Ivoire remains a net importer of crude oil. It imports Nigerian crude through state-owned refining company Société Ivorienne de Raffinage (SIR) and re-exports refined petroleum products to Nigeria (B2 negative). Côte d'Ivoire also has 718 billion cubic feet (120 million barrels of oil equivalent) of gas reserves, according to the authorities. Natural gas production increased slightly to 74 billion cubic feet in 2019, from 69 billion cubic feet in 2018. There is continued interest from large oil companies.

Improvements in 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 relative to regional peers. 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. Production capacity rose to 2,800 MW in 2019, but the aim has been to reach 4,000 MW in 2020 (with more than 20% exported) to match an estimated increase in demand of around 150 MW per year and allow the development of agribusiness and mining operations. While various projects are either being completed (most notably the Soubré dam, which added 275 MW 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%.

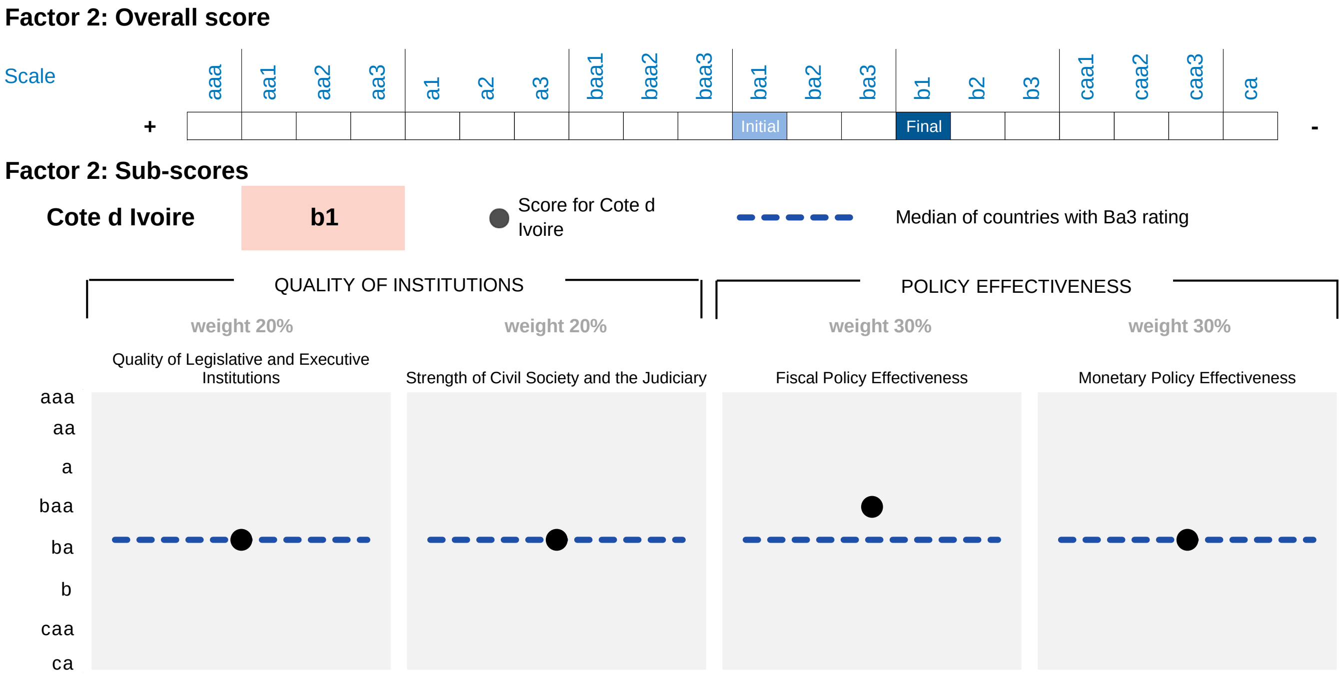
Structural reforms are being implemented across all sectors of the economy to boost its attractiveness

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.

The government has also implemented a scheme to help small and medium-sized enterprises increase their contribution to GDP. The goal was for the industry sector, including manufacturing, to reach 40% of GDP by 2020 from 29% at the end of 2019. Although this goal will not 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.

Institutions and governance strength score: b1



Institutions and governance 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 is the government's capacity to conduct sound economic policies that foster economic growth and prosperity. Institutions and governance strength is most often adjusted for the track record of default, which can only lower the final score.

Note: the initial factor score is shown in light blue in the scale above. In case the initial and final factor scores are the same, only the final score will appear in the table above.

Our "b1" assessment of Côte d'Ivoire's institutions and governance strength includes a "-3" adjustment because of the country's two past defaults, including its 2011 default on the 2032 eurobond (see Appendix 2). Our assessment takes into account the generally positive trend in the country's governance indicators in recent years, including strong fiscal management and the ability to maintain reform momentum during a series of shocks, which compares favourably with peers. We assess fiscal policy effectiveness as "baa", and monetary and macroeconomic policy effectiveness, quality of institutions, and strength of civil society and the judiciary as "ba". The government has put a series of measures in place to boost private-sector activity, including establishing a commercial court, encouraging lending to small and medium-sized enterprises (SMEs), and privatising remaining state-owned enterprises. Côte d'Ivoire also has a sound track record of low and stable inflation because of its WAEMU membership. Countries sharing a "b1" score for institutions and governance strength include Benin (B2 positive), the Dominican Republic (Ba3 stable) and Kenya (B2 negative).

Exhibit 11

Peer comparison table factor 2: Institutions and governance strength

	Cote d Ivoire Ba3/STA	b1 Median	Benin B2/POS	Bolivia B2/STA	Dominican Republic Ba3/STA	El Salvador B3/POS	Kenya B2/NEG	Sri Lanka Caa1/STA
Final score	b1		b1	b1	b1	b1	b1	b1
Initial score	ba1		b1	b1	b1	b1	ba3	b1
Quality of legislative & executive institutions	ba	ba	b	ba	b	ba	ba	ba
Strength of civil society & judiciary	ba	b	b	b	b	b	b	ba
Fiscal policy effectiveness	baa	b	b	b	b	b	b	caa
Monetary & macro policy effectiveness	ba	ba	ba	b	ba	b	ba	ba
Fiscal balance/GDP (3-year average)	-3.9	-6.7	-2.6	-9.6	-6.2	-6.7	-8.0	-8.1
Average inflation (% change)	1.1	3.0	0.7	2.6	3.0	0.9	5.2	4.6
Volatility of inflation (ppts)	1.6	2.3	2.3	2.4	2.3	1.5	2.9	2.1

Sources: National authorities, IMF and Moody's Investors Service

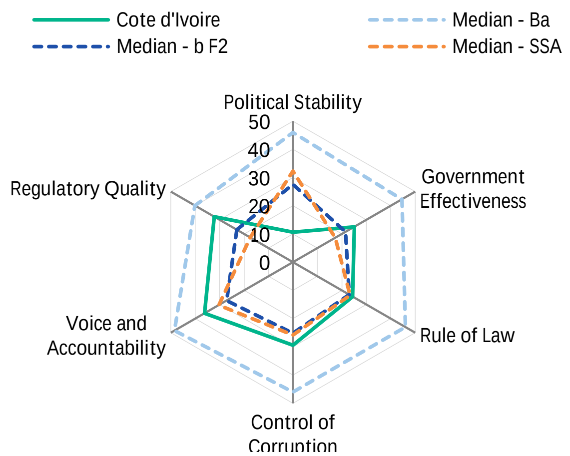
Institutional framework has improved markedly over the past nine years

The authorities have made a major push to reform the country's institutions since President Alassane Ouattara came to power in 2011. Although all Côte d'Ivoire's governance indicators have largely improved since then, except for political stability (see Exhibits 12 and 13), we believe that current indicators are lagging and do not yet reflect the actual progress the government has made on institutional reform. For example, Côte d'Ivoire's ranking in the World Bank Group's Doing Business report rose 67 places, to 110th from 177th, between 2013 and 2020. The country'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). Within Africa, Côte d'Ivoire ranks 18 on the Mo Ibrahim foundation's index of African governance (IIAG), an improvement of 15 places since 2010.

Exhibit 12

Côte d'Ivoire's 2019 Worldwide Governance Indicators remain lower than the Ba median

% rank, Moody's-rated sovereigns

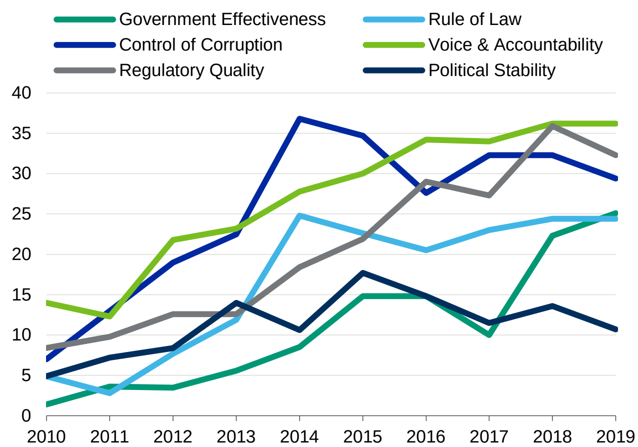


Sources: Worldwide Governance Indicators and Moody's Investors Service

Exhibit 13

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

% rank, Moody's-rated sovereigns



Sources: Worldwide Governance Indicators and Moody's Investors Service

Côte d'Ivoire also receives support from the international community, particularly the IMF, which has provided two consecutive Extended Credit Facilities (ECFs) since 2011. The first was aimed at strengthening public policy-making institutions, while the second offered support in implementing Côte d'Ivoire's second National Development Plan (NDP). These arrangements brought total financial support to approximately $2.3 billion, including $0.9 billion disbursed in April 2020 to fight the coronavirus pandemic. Relations with international institutions in general remain very good and a new programme to oversee the new NDP 2021-25 is likely to be agreed.

Reforms have also allowed Côte d'Ivoire to make 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, especially following the impact of the pandemic. Social spending, particularly on health and education, has been ring-fenced and increased significantly in nominal terms.

Quality of legislative and executive institutions and strength of civil society and the judiciary are relatively weak

While civil society institutions exist in Côte d'Ivoire, their ability to act as an effective check on the exercise of government power is constrained. The recent presidential election, which the opposition boycotted, and violence during and after the election campaign illustrate the fragility of the country's institutions and civil society. Some of Côte d'Ivoire's WGI scores, including government effectiveness, regulatory quality and rule of law, are relatively weak at below zero (composite index with values ranging from -2.5 to 2.5; higher values correspond to stronger governance). Although the government has been able to implement a number of structural reforms since 2011, particularly for the economy, the strengthening of political institutions remains incomplete even after a new constitution was adopted in 2016.

Budget and public finance reforms have been paramount in supporting our assessment of fiscal effectiveness at "baa"

To boost the level of investment in the economy, particularly by the private sector, the authorities since 2012 have sought 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.

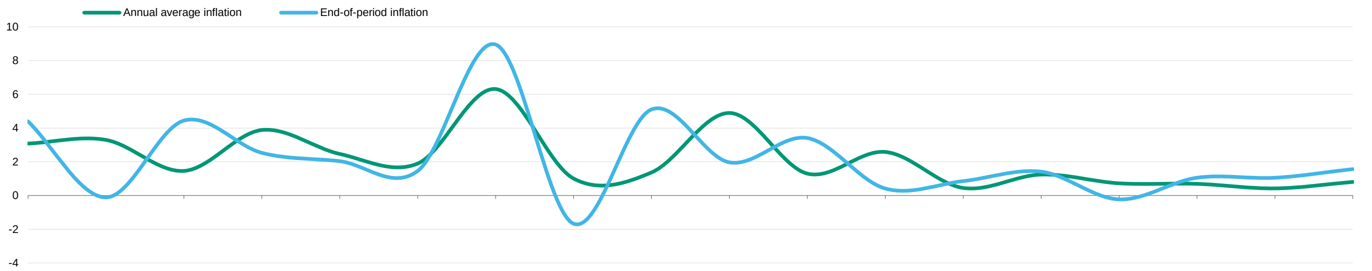
These examples reflect improved coordination across the departments involved in the management of public finances, which ultimately results in more predictable revenue collection (and lower levels of corruption) and better budget execution. In addition, the authorities are promoting the use of information 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.

With the GDP rebasing exercise now fully implemented, the level of government revenue has significantly declined as a share of GDP, to around 15% from 20%. This highlights the significant efforts that remain in terms of additional revenue generation to return to a level of capital spending of between 7% and 8% of GDP pre-rebasing, which will require more challenging structural reforms. Based on its past record, we believe the administration will be able to implement such reforms over the medium term.

WAEMU membership supports our "ba" assessment of monetary policy effectiveness

The West African Economic and Monetary Union (WAEMU) comprises eight countries and 127 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 Exhibit 14). Among peers, WAEMU members such as Côte d'Ivoire and Senegal have the lowest levels of inflation.

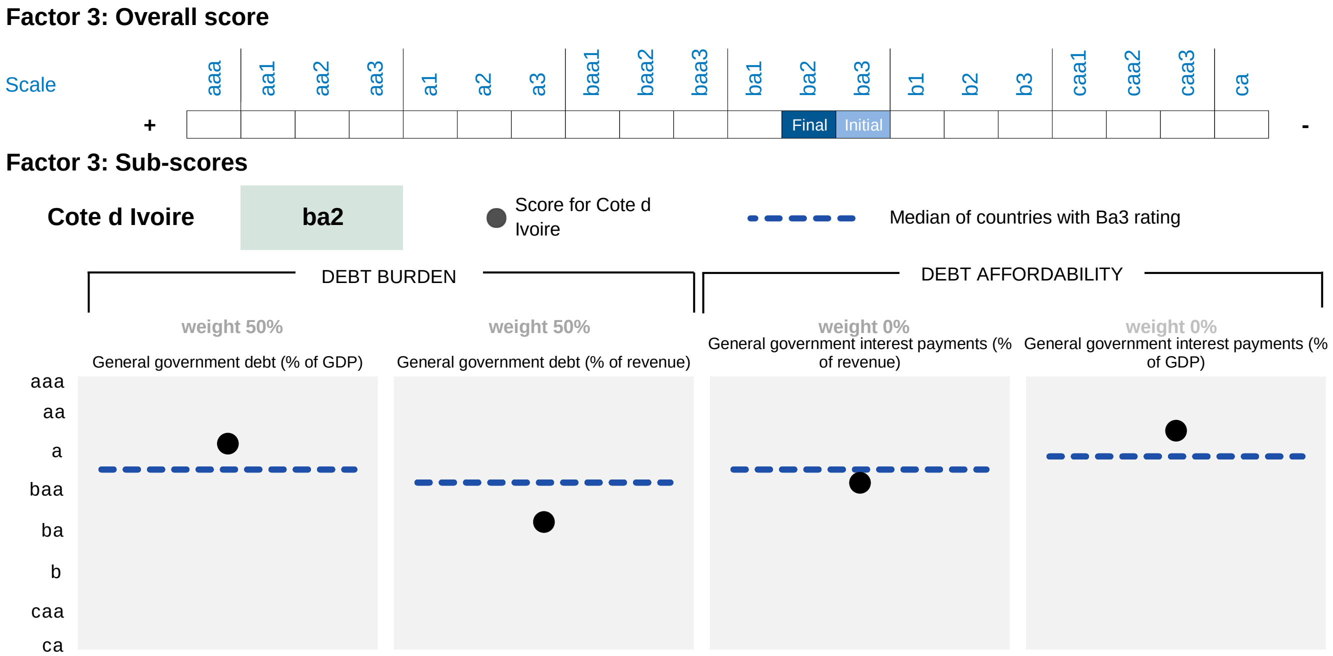
Exhibit 14
Côte d'Ivoire's moderate inflation reflects its WAEMU membership
% change



Source: International Monetary Fund

WAEMU membership also positively influences fiscal policy. This is because the BCEAO may not act as a lender of last resort and therefore cannot finance government deficits, which has helped improve 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 supports fiscal consolidation in the region. Because of the pandemic, however, this objective has been suspended for now. Various institutions also help member countries monitor and put pressure on those countries that are not on track to meet their targets. (See Susceptibility to event risk section below for information on the eco).

Fiscal strength score: ba2



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 initial factor score is shown in light blue in the scale above. In case the initial and final factor scores are the same, only the final score will appear in the table above.

We assess Côte d'Ivoire's fiscal strength as "ba2", one notch above the initial score of "ba3", mainly to reduce the negative impact of the growing foreign-currency share of debt by discounting the euro-denominated share. The WAEMU peg to the euro is credible partly because of the French Treasury's guarantee, which minimises the risk of rapid currency depreciation inflating the debt burden. Côte d'Ivoire's fiscal strength is supported by the government's moderate debt burden and its efforts to improve its revenue to finance a relatively high level of capital spending to support economic development. Government debt remains relatively affordable, although the government has mainly borrowed on commercial terms. Other countries with a "ba2" score include Bangladesh (Ba3 stable), Trinidad & Tobago (Ba1 negative) and Uruguay (Baa2 stable).

Exhibit 15

Peer comparison table factor 3: Fiscal strength

	Cote d Ivoire Ba3/STA	ba2 Median	Bangladesh Ba3/STA	Honduras B1/STA	Mali Caa1/NEG	Trinidad & Tobago Ba1/NEG	Uruguay Baa2/STA	Morocco Ba1/STA
Final score	ba2		ba2	ba2	ba2	ba2	ba2	ba2
Initial score	ba3		ba3	ba1	ba2	b1	b1	ba1
Gen. gov. debt (% of GDP)	37.8	40.4	29.3	40.8	40.0	65.5	56.4	65.2
Gen. gov. debt (% of revenue)	252.1	208.1	293.8	152.2	189.0	220.8	195.4	254.1
Gen. gov. interest payments (% of GDP)	1.5	2.1	1.9	2.3	1.0	3.2	2.7	2.5
Gen. gov. int. payments (% of revenue)	10.3	9.6	19.5	8.6	4.8	10.8	9.5	9.7

Sources: National authorities, IMF and Moody's Investors Service

Coronavirus pandemic is the main cause of a significantly larger fiscal deficit in 2020

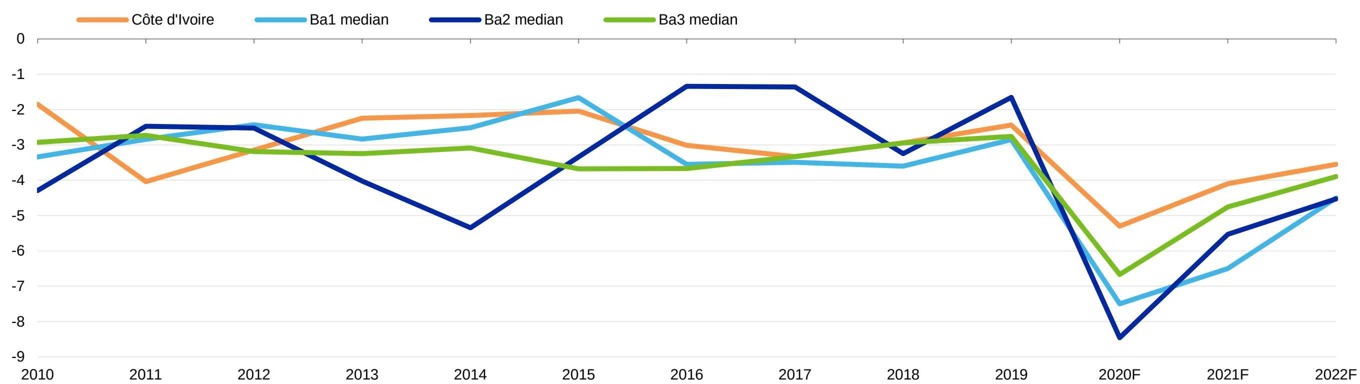
Côte d'Ivoire's fiscal position will deteriorate significantly in 2020 because of the impact of the coronavirus pandemic and the related global downturn. We expect the fiscal deficit to reach 5.3% of GDP in 2020, more than double our forecast of 2.5% before the crisis and 2.4% in 2019. Fiscal consolidation achieved over the last few years is likely to reverse, largely because of the slowdown in economic activity and increased spending.

The authorities successfully consolidated the public finances in 2018 and 2019 following external and domestic shocks in previous years. Those shocks included increased security spending following a terrorist attack in Grand-Bassam in March 2016 and a decline in revenue as a result of lower cocoa prices that 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.

Although Côte d'Ivoire's expected deficit for 2020 is large, it is lower than peers' (see Exhibit 16). The authorities' comprehensive response to mitigate the negative economic and social effects of the pandemic has included health and economic packages targeting the most affected households and companies, amounting to 1.75% of GDP. The IMF estimates revenue losses because of much lower than expected real growth in 2020 at around 1% of GDP.

To ensure an environment conducive to economic recovery, the WAEMU on 27 April announced a temporary suspension of the Convergence Pact (which sets out the criteria for harmonised macroeconomic indicators, including a maximum 3% of GDP fiscal deficit) because of the coronavirus. The authorities remain committed to fiscal consolidation and expect to return to a deficit of 3% of GDP or below in 2023 with the help of the IMF.

Exhibit 16
Côte d'Ivoire's fiscal deterioration is less significant than peers
General government financial balance, % nominal GDP



Sources: Ministry of Economy and Finance and Moody's Investors Service

However, the growth target is at risk given the uncertainty over the pace of the global recovery. According to our baseline scenario, we expect the 2021 deficit to reach 4.1% of GDP. In the meantime, the authorities will favour official support to fund the fiscal deficit and request additional external liquidity and direct budget support from multilateral financial institutions if needed, while also relying on the regional capital markets.

On 17 April, the IMF approved almost $0.9 billion (1.4% of GDP) of financial support to help Côte d'Ivoire address the pandemic, split between a Rapid Credit Facility ($0.3 billion) and a Rapid Financing Instrument ($0.6 billion). On 10 June, the government announced its participation in the G-20 Debt Service Suspension Initiative (DSSI), seeking official-sector debt service relief. The authorities estimate that the DSSI will save approximately CFA38 billion (around $66 million) in external debt service payments to official and bilateral creditors in the remainder of the year (equivalent to 0.1% of GDP), and have excluded participation by private creditors.

Increased revenue mobilisation is key to allow high and sustained capital spending

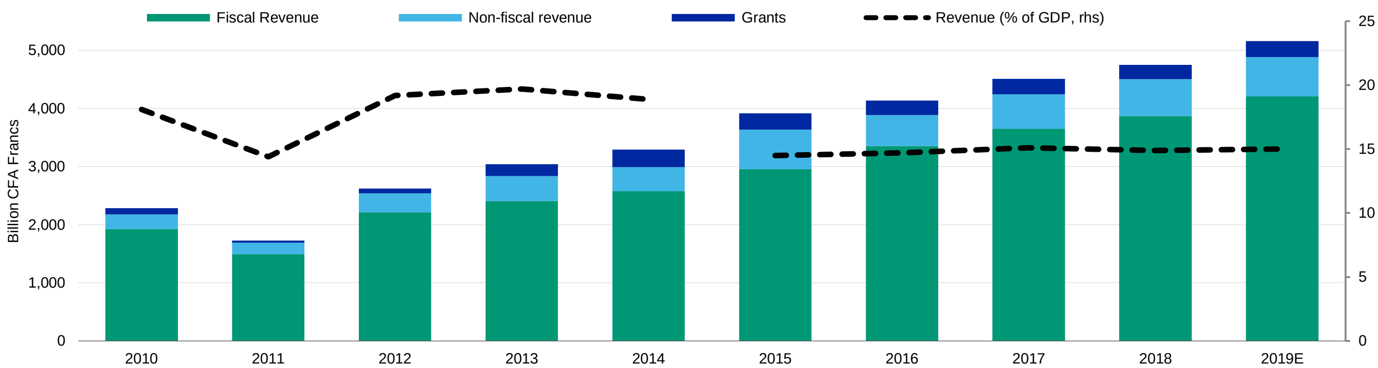
The rebasing of GDP reinforces a credit challenge for Côte d'Ivoire, namely the necessity to expand the tax base if the government wants to continue increasing investment in infrastructure to help reach emerging economy status. The government has increased its revenue intake (including grants) substantially since 2011, to around 20% of GDP in 2019 before the rebasing exercise. Following the rebasing, the tax base is now around 15% of GDP, close to the bottom decile of our rated sovereigns, which includes countries such as Benin (14.2% of GDP in 2019), Ethiopia (12.8%) and Pakistan (B3 stable, 13%).

We expect the government to pursue its efforts to increase tax revenue, particularly now the economy is assessed to be much larger and diversified than prior to the rebasing. As we explain in the section on Institutions and Governance Strength above, management of public finances has improved markedly, allowing government revenue to keep pace with or even exceed high nominal GDP growth since 2011 (see Exhibit 17). 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 in 2019. However, the recent rebasing appears to have erased this progress expressed in percentage of GDP.

Exhibit 17

Government revenue has more than doubled over the past 10 years in nominal terms

CFA francs, billion (left), and % of GDP* (right)



*Series break in 2015 due to GDP rebasing exercise.

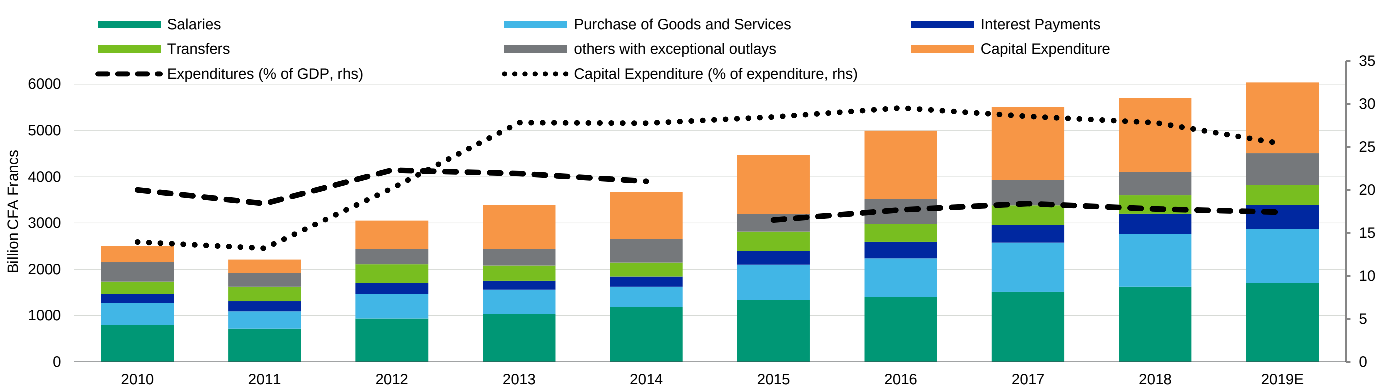
Sources: National authorities and Moody's Investors Service

The continuing effort to increase revenue 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 public sector salaries as a percentage of total revenue, which fell below 40% in 2019 from 46% in 2014. The quality of spending thus has improved. Savings from structural reforms are directed toward capital expenditure (see Exhibit 18).

Exhibit 18

Capital spending has been increasing significantly since 2011 in nominal terms

CFA francs, billion (left) and %* (right)



*Series break in 2015 due to GDP rebasing exercise.

Sources: National authorities and Moody's Investors Service

This prudent approach to public finances has resulted in modest deficits of 2%-4% of GDP since 2012. The fiscal deficit reached 2.4% in 2019, with capital spending representing a high proportion of overall spending (around 25%, or 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. The goal to spend 10% of GDP on capital expenditure has been delayed by the GDP rebasing.

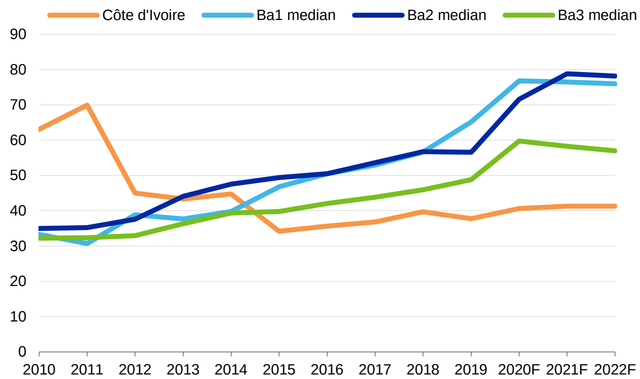
Fiscal metrics will deteriorate because of the pandemic except the debt-to-GDP ratio, which benefited from GDP rebasing

As a consequence of the widening fiscal deficit because of the pandemic, we expect Côte d'Ivoire's fiscal metrics to deteriorate except for the debt-to-GDP ratio, which has benefited from the rebasing exercise. The country's debt-to-revenue and interest payments-to-revenue ratios will deteriorate signicantly in 2020 and are likely to peak at 288% and 12.3%, respectively, compared with 252% and 10.3% in 2019. However, they will remain in line with their Ba3-rated peers . In contrast, we expect general government debt to reach only around 41% of GDP in 2020-21 (against 56% before the GDP rebasing), before declining steadily (see Exhibits 19-22).

Exhibit 19

Côte d'Ivoire's debt-to-GDP ratio benefited significantly from the GDP rebasing and now compares favourably with peers

Debt, % GDP

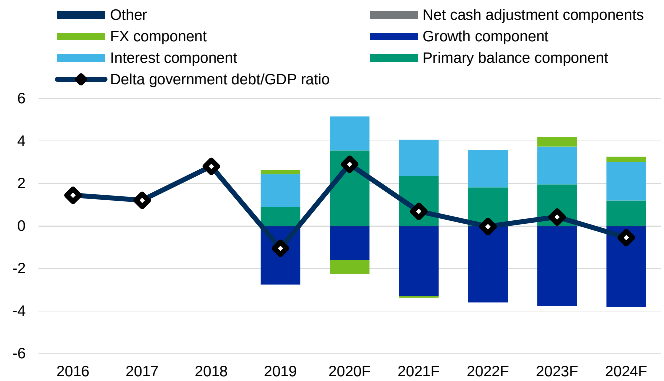


Sources: National authorities and Moody's Investors Service

Exhibit 20

Contribution to changes in government debt

% of GDP

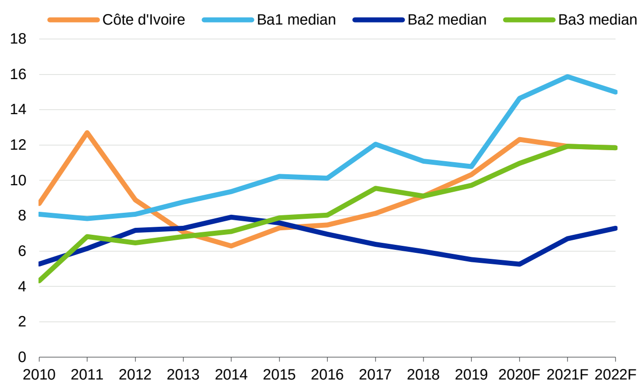


Source: Moody's Investors Service

Exhibit 21

Debt affordability has deteriorated, in line with Ba3-rated peers

Interest payments, % revenue

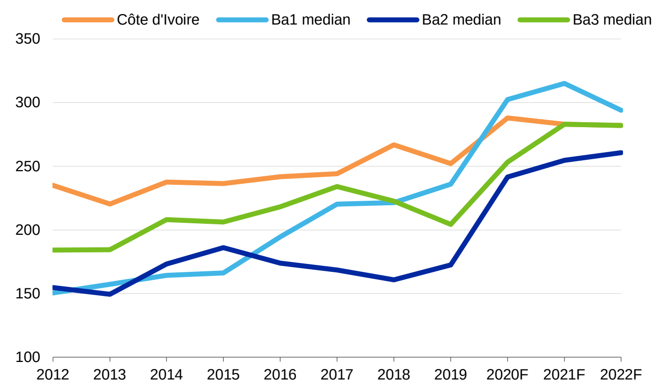


Sources: National authorities and Moody's Investors Service

Exhibit 22

We expect debt to revenue to worsen in 2020

Debt, % revenue



Sources: National authorities and Moody's Investors Service

The GDP rebasing was so large that Côte d'Ivoire's debt is now similar to its level in 2012 following the country's debt reduction by the donor community. At that time, Côte d'Ivoire embarked on the Heavily Indebted Poor Countries (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 stable) under which the debtor country continues to service the debt that has been canceled 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.

In addition, public-sector companies are less likely to require government financial support. The total debt of public-sector companies – 74% of which is guaranteed – amounted to CFA1,044 billion, or 3% of GDP, at the end of 2019. The country's two largest public companies, national refinery company Société Ivorienne de Raffinage (SIR) and national electricity company CI-Energies, had their existing debt restructured in 2019, significantly reducing the risk that contingent liabilities could crystallise on the government balance sheet. The reduced risk was also because, in SIR's case, a tax on oil at the pump ensures the repayment of €525 million of loans. 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 commissioning of new infrastructure including the Soubré dam.

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 2019, with the remainder domestic and local currency-denominated. The equivalent figure in 2013 was just 40%. The growing share of external debt can partly be explained by large euro-denominated eurobond issuances in 2017, 2018 and 2019. Foreign-exchange risk is relatively contained because of Côte d'Ivoire's WAEMU membership and increasing issuance in euros. It has also swapped the majority of its dollar-denominated external debt service into euros until end-2024. As a consequence, its external debt payments are 95% covered in euros until that date. A large but falling share of external debt is owed to bilateral and multilateral lenders at 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 relatively affordable. Although debt affordability has deteriorated since 2014, when it stood at 6.3%, because the government has increased its borrowing from commercial sources we expect it to remain broadly stable at 10%-12% after peaking at more than 12% in 2020 because of the pandemic (see Exhibit 21). In addition, the maturity of government debt is increasing and averaged 8.2 years as of September 2019, including 4.5 years for domestic debt and 10.5 years for external debt. The average maturity is likely to continue to increase following the October 2019 €1.7 billion issuance (for example, similar eurobond issuances in 2018 raised the average maturity by more than one year). Increased reliance on concessional borrowing from international financial institutions such as the IMF and World Bank during the pandemic will support this trend.

Côte d'Ivoire is likely to issue in euros with very long maturities whenever possible. It has been able to issue in euros at longer maturities and at rates 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 on the country's debt is falling whith the decline of debt denominated in euros.

Côte d'Ivoire prepaid $750 million of its 2024 and 2032 US dollar eurobonds in June 2017. In March 2018, it 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 two loans amounting to around €500 million. It also issued €1.7 billion in October 2019, of which €1.5 billion was used in a liability management exercise to reprofile its debt service by buying mostly existing dollar-denominated debt instruments over the next six years. In November 2020, Côte d'Ivoire issued a €1 billion eurobond at a rate of 4.875%, which was five times oversubscribed also mainly used for liability management. The authorities are likely to continue to adopt an opportunistic approach to borrowing.

Susceptibility to event risk score: baa

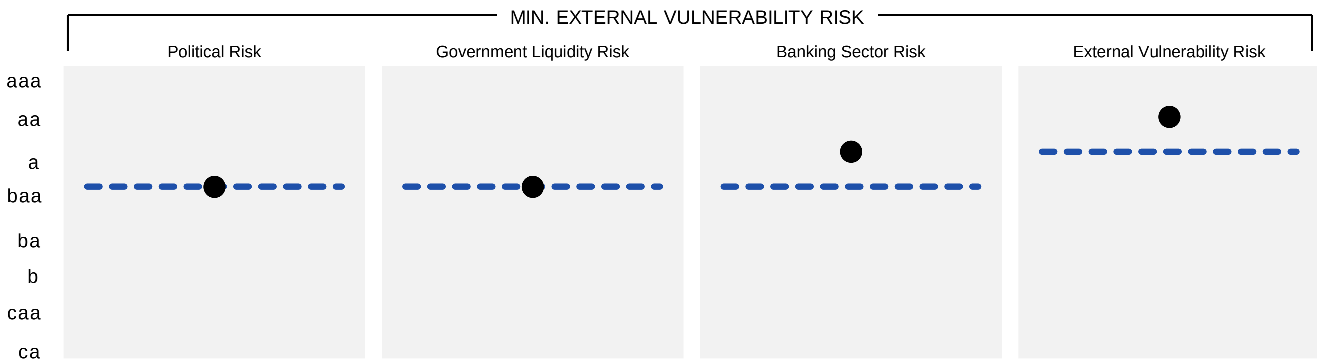
Factor 4: Overall score

Scale	aaa	aa	a	baa	ba	b	caa	ca	
+				Final					-

Factor 4: Sub-scores

Cote d Ivoire **baa** ● Score for Cote d Ivoire - - - - Median of countries with Ba3 rating

Overall adjustment to Factor 4 Susceptibility to Event Risk: **0**



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 scorecard-indicated outcome.
Note: the initial factor score is shown in light blue in the scale above. In case the initial and final factor scores are the same, only the final score will appear in the table above.

Our "baa" assessments of political risk and government liquidity risk drive Côte d'Ivoire's "baa" score for susceptibility to event risk.

Political risk: baa

Growing inequality, as well as the possibility of renewed tensions following the 2020 presidential election, which the main opposition parties boycotted, inform our "baa" assessment of political risk. Although a degree of unpredictability characterises the political environment, our central scenario remains that athough sporadic violence is possible while some members of the opposition continue to call for civil unrest, widespread instability and a substantial impact on the economy are unlikely. Other countries with a political risk score of "baa" include Angola (Caa1 stable), Guatemala (Ba1 negative) and Fiji (Ba3 negative).

Exhibit 23

Peer comparison table factor 4a: Political risk

	Cote d Ivoire Ba3/STA	baa Median	Angola Caa1/STA	Guatemala Ba1/NEG	Fiji Ba3/NEG	Morocco Ba1/STA	Bangladesh Ba3/STA	Vietnam Ba3/NEG
Final score	baa		baa	baa	baa	baa	baa	baa
Voice & accountability, score[1]	-0.2	0.2	-0.8	-0.3	0.1	-0.6	-0.7	-1.4
Political stability, score[1]	-1.0	0.0	-0.3	-0.5	0.9	-0.4	-1.0	0.1

[1] Composite index with values from about -2.50 to 2.50: higher values correspond to better governance.
Source: National authorities, IMF and Moody's Investors Service

Political scene remains highly polarised following the October 2020 presidential election

On 9 November, the Ivorian Constitutional Council declared incumbent President Ouattara the winner of the October 2020 presidential election in the first round, with 94% of the votes. The election was boycotted by the two main opposition parties. Despite the boycott and significant differences in turnout across the country (because of blocked or closed polling stations in some places, as well as allegations of voter intimidation), the overall participation rate was 54%, according to the national electoral commission. The opposition's inability to agree on a common strategy and a single candidate during the election campaign is likely to have compromised its chances of success. The election results imply that heightened political tensions will persist during Ouattara's third term, depending on the success of the President's reconciliation process. However, we do not believe the situation will descend into the type of widespread civil unrest seen in 2010-11 that would derail the country's economic development.

The opposition contests the election's validity because it believes the new constitution established in 2016 should have prevented Ouattara from running for a third term. While the constitution limits the number of presidential terms to two, it was adopted during Ouattara's second term. It therefore only applies from that time, according to the law (principle of non-retroactivity). Ouattara's candidacy was prompted by the sudden death in July 2020 of his chosen successor, Prime Minister Amadou Gon Coulibaly. The opposition is unlikely to recognise the official results, leading to increased tensions in the short term. So far, sporadic violence has led to more than 80 deaths since August. Although some opposition leaders have called for civil unrest, we do not expect this to occur.

Our baseline scenario is that the authorities are likely to respond severely to the most extreme groups while ultimately opening a meaningful dialogue with moderates. In the past, the leaders of the two main opposition parties – Henri Konan Bédié and Pascal Affi N'Guessan – have participated in maintaining political stability. The Parti Démocratique de Côte d'Ivoire, led by Bédié, was the junior partner in the governing coalition with Ouattara's Rassemblement des Républicains until 2018. Meanwhile, the Front Populaire Ivoirien (FPI) split into two factions – loyalists of former president Laurent Gbagbo and moderates led by FPI President N'Guessan – , illustrating the latter's willingness to participate in constructive dialogue with the ruling party (which is currently called the Rassemblement des Houphouetistes pour la Démocratie et la Paix).

Growing inequality could lead to social unrest

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

Social unrest at the start of 2017 took the form of strikes by civil servants over salary arrears and increases, and pension issues. 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 sections of the population feel they are not sharing in Côte d'Ivoire's high growth, as well as their impatience to benefit from its economic expansion. A key challenge facing the new administration is to make economic growth more inclusive, which would support political stability. Growing inequality forms part of our assessment of domestic political risk.

Government liquidity risk: baa

We assess government liquidity risk as "baa", reflecting expected government financing needs of 8.1% of GDP in 2020, up from 5.1% in 2019 because of the pandemic. Before 2020, financing needs had been falling since 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 (though this share is declining), and bond issuance on international and regional capital markets.

Exhibit 24

Peer comparison table factor 4b: Government liquidity risk

	Cote d Ivoire Ba3/STA	baa Median	Armenia Ba3/STA	Fiji Ba3/NEG	Senegal Ba3/NEG	Serbia Ba3/POS	Bangladesh Ba3/STA	Jamaica B2/STA
Final score	baa		baa	baa	baa	baa	baa	baa
Initial score	baa		baa	baa	baa	a	baa	baa
Ease of access to funding	baa	baa	baa	baa	baa	a	baa	baa
Gross borrowing requirements (% of GDP)	8.1	14.6	9.2	15.2	11.0	16.3	9.2	9.6

Source: National authorities, IMF and Moody's Investors Service

Côte d'Ivoire has diversified its sources of funding since 2014, when it regained access to global capital markets. Having issued a $750 million, 10-year sovereign eurobond 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 good access to international markets.

In 2019, Côte d'Ivoire externally funded for almost €500 million of their fiscal deficit with seven-year semi-concessional euro-denominated loans from international banks, as well as €200 million from a €1.7 billion eurobond issuance executed in October 2019. The remaining €1.5 billion of the eurobond issuance was used in a liability management exercise to reprofile its debt service by buying mostly existing dollar-denominated debt instruments over the next six years. This forms part of the government's strategy of prioritising issuance in euros because of its very low exchange-rate risk. For that reason, we net out the share of euro-denominated debt from total external debt to assess the risk of a sudden depreciation in the stock of debt. With the recent issuances, the stock of debt in foreign currency excluding euros accounted for slightly less than 30% of the total at the end of 2019.

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 rollovers of 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. Nonetheless, we expect this decline to slow over the next two years because of the pandemic and increased reliance on the regional capital market.

The average maturity of domestic debt was 4.4 years as of June 2020 compared with 3.5 years in 2013, while that of external debt was 10.4 years. CFA-denominated debt fell to 41% in 2019 from 61% in 2013. Overall, the average maturity is likely to continue to increase because the authorities will favour external concessional borrowing from international financial institutions, which is typically granted over longer maturities. Because of the pandemic, the IMF and World Bank have been supportive of many middle- and low-income countries in 2020, a trend that is likely to continue in 2021.

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. 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 risk: a

Our assessment of banking sector risk is "a". The system is small, with total domestic assets representing 32.5% of GDP at the end of 2019. As of the end of 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. The banking system's capitalisation is relatively low.

Exhibit 25

Peer comparison table factor 4c: Banking sector risk

	Cote d Ivoire Ba3/STA	a Median	Dominican Republic Ba3/STA	Fiji Ba3/NEG	Papua New Guinea B2/STA	Tanzania B2/STA	Uzbekistan B1/STA	Taiwan Aa3/STA
Final score	a		a	a	a	baa	a	a
Initial score	a		a	a	a	baa	a	baa
BCA[1]	--	baa2	b2	--	--	b2	b3	baa2
BSCE[2]	ba1-ba2	baa2	ba1-ba2	baa3	baa3	ba3-b3	ba1-ba2	baa2
Total domestic bank assets (% of GDP)	32.5	132.8	38.0	89.1	39.9	25.9	53.3	292.5

[1] BCA is an average of Baseline Credit Assessments (BCAs) for rated domestic banks, weighted by bank assets.
[2] Where we have no or small rating coverage in a system, we estimate the risk of Banking Sector Credit Event (BSCE) based on available data for aggregate banking system.
Source: National authorities, IMF and Moody's Investors Service

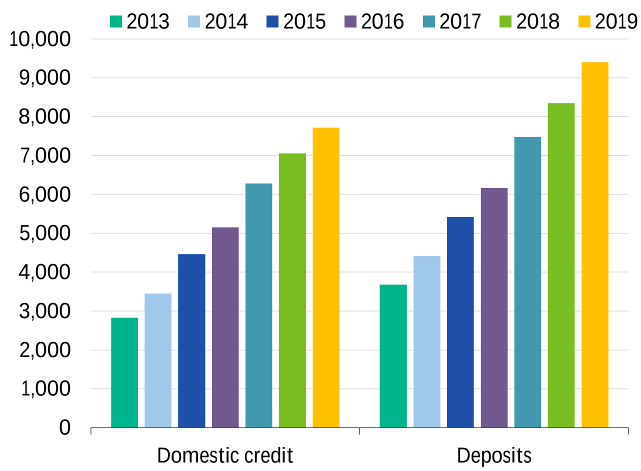
Bank branches are mainly located in Abidjan, where most of the country's economic activity is concentrated. As a result, the penetration rate of banking services is weak (though increasing) at just above 20% at the end of 2018 (almost 65% if mobile money accounts and microfinance accounts are included). Market shares are unevenly distributed because subsidiaries of foreign banks dominate the sector (the five largest banks account for above 60% of assets). However, these subsidiaries generally have the most robust balance sheets and comply with all prudential requirements.

Rapid loan growth in recent years has mirrored strong nominal GDP growth and reached 9.4% in 2019, partly reflecting the correlation between credit to the private sector and public investment in the economy. Bank assets rose by 13% in 2019 after growing by 11% in 2018. The banking system is mostly funded by customer deposits, which rose by an average 15% annually between 2016 and 2019, having risen by 20% annually in 2014-15. The system is relatively liquid and had a loan-to-deposit ratio of 77% at the end of 2019 (see Exhibit 26).

Exhibit 26

Domestic credit is rapidly increasing but remains lower than deposits

CFA francs, billion

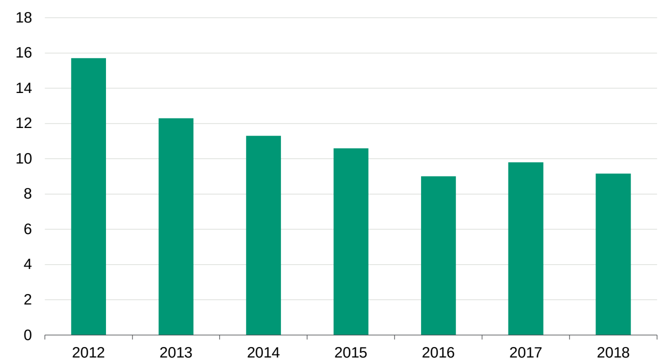


Sources: IMF and Central Bank of West African States

Exhibit 27

NPLs have broadly fallen since 2012

NPLs as % of total loans



Sources: Central Bank of West African States

The banking system poses limited contingent risks to public finances and has proved resilient in the past. No bank has failed despite the adverse effects of the political and security crisis of 2010-11. However, despite some improvement since, 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, Versus Bank, Banque de l'Habitat de Côte d'Ivoire and Banque Populaire de Côte d'Ivoire, the last of which is being restructured.

Outstanding gross nonperforming loans (NPLs) accounted for 8.5% of lending at the end of 2019, compared with 16.9% in 2011 (see Exhibit 27). Of these, 69.8% were provisioned, equivalent to a net NPL ratio of 2.7%. We expect the stock of NPLs to increase following the sharp slowdown in the economy in 2020. In terms of capitalisation, capital adequacy rose to 10.2% as of June 2019 from 9.1% in June 2018. The BCEAO is targeting a ratio of 11.5% at the end of 2022 as it implements the new Basel III regulations.

External vulnerability risk: aa

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

Exhibit 28

Peer comparison table factor 4d: External vulnerability risk

	Cote d Ivoire Ba3/STA	aa Median	Brazil Ba2/STA	Fiji Ba3/NEG	Italy Baa3/STA	Peru A3/STA	Saudi Arabia A1/NEG	Hong Kong Aa3/STA
Final score	aa		aa	aa	aa	aa	aa	aa
Initial score	aa		aa	aa	aa	aa	aa	aa
Current account balance (% of GDP)	-3.0	2.6	-2.8	-12.7	3.0	-1.5	4.8	6.1
Net IIP (% of GDP)[1]	-2.9	3.6	-39.7	-95.9	-1.5	-37.0	84.6	424.7
External debt (% of current account receipts)	131.6	130.4	232.7	31.5	339.8	130.4	60.0	193.8
External vulnerability indicator (EVI)[2]	33.5	33.5	42.2	23.9	--	25.0	15.7	--

[1] Net international investment position (% of GDP).
[2] (Short-term external debt + currently maturing long-term debt + total nonresident deposits over one year)/official foreign exchange reserves.
Source: National authorities, IMF and Moody's Investors Service

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

Côte d'Ivoire recorded a small current-account surplus of 1% of GDP on average between 2000 and 2019, supported by a trade surplus. However, the current-account deficit reached 3.6% in 2018 because of higher imports (equipment related to infrastructure projects) and cocoa price volatility, before narrowing to 3.0% in 2019. We expect Côte d'Ivoire's current account to be resilient to the pandemic shock, supported by a lower energy bill because of significantly lower oil prices, so long as the price of cocoa, the country's main export product, does not fall significantly. Cocoa prices have not been declining since the beginning of the pandemic.

In the next few years, we expect the country's cocoa export receipts to increase following the agreement with Ghana to influence global prices and increase the benefits to producers (both governments and farmers alike). We expect the deficit to narrow slightly in the coming years because of higher prices for agricultural goods. Rising foreign direct investment finances almost half the deficit. The overall balance of payments has been positive (CFA465 billion or €710 million at the end of 2019) 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 33% of GDP in 2019 though debt-service costs, which fell following the cancellation of debt in 2012, have been increasing lately.

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 likely generate a significant and rapid structural increase in foreign-currency reserves and benefit the wider balance of payments. The repatriation rate has been markedly rising to 61.8% in 2018 from 29.5% in 2017; its objective is 80%.

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. We expect the WAEMU's EVI to remain around 30% in 2020-21 as a consequence of the pandemic.

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 continue to increase over the next few years.

Although the CFA franc was devalued by 50% relative to the French franc in 1994, we view the risk of this happening again as very low. 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. Should reserves reach zero, the central bank would need to implement new measures to support reserves like import compression measures. This situation 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. The WAEMU region and the Central Africa franc zone differ markedly with respect to their reserves, with the latter having experienced significant volatility because of the successive oil price shocks in 2015-16 and 2020.

Over the past decade, a series of crises in the two monetary subregions of the CFA zone has tested the 70-year monetary arrangement, which 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 will be delayed by the pandemic

In July 2019, the 15 member countries of the Economic Community of West African States (ECOWAS) – which includes the eight member countries of the WAEMU, as well as seven other countries that have their own currencies, such as Ghana and Nigeria – agreed to adopt a common currency, the eco. The first step was to symbolically change the name of the CFA franc to the eco in 2020. In addition, the share of the WAEMU's foreign-exchange reserves at the Banque de France would be repatriated to Dakar at the BCEAO, where France would no longer be represented. All members that adopted the eco would have to agree on a transition mechanism. A two-tier approach is likely, with those countries now using the CFA franc to adopt the eco first. There are no details on what the current currency arrangement with France – under which the French Treasury guarantees the CFA franc's convertibility – will be in the long run, although it will remain in place for the foreseeable future.

Even if the ultimate goal is a flexible currency for the ECOWAS region (as aimed for by the union's founding fathers), this is a long-term objective. To date, the political will has been present to make progress on achieving that goal and the name of the common currency has been agreed. All other aspects will be negotiated in the future, particularly the convergence criteria that will allow countries to join the monetary union. There has been no indication of how the peg to the euro will be modified. France's support of the CFA zone is very strong for the francophone countries, but it remains open to consensual change, as long as that change is carefully and progressively implemented. However, the pandemic has pushed realisation of the eco still further into the future.

ESG considerations

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

We take account of the impact of environmental (E), social (S) and governance (G) factors when assessing sovereign issuers' economic, institutions and governance and fiscal strength, and their susceptibility to event risk. In the case of Côte d'Ivoire, the materiality of ESG to the credit profile is as follows:

The impact of **environmental** considerations on Côte d'Ivoire's rating are moderate. 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 droughts, 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 the future. Because of 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 then, it has seen a positive trend, with all indicators on average reaching the 25th percentile in 2019 from below the 10th percentile in 2011. Côte d'Ivoire defaulted in 2000 and again in 2011, which also highlights the weak (but improving) institutional framework.

All of these considerations are further discussed in the "Credit profile" section above. Our approach to ESG is explained in our report on 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 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 not all foreign-currency debt is euro-denominated; and 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 afterward, 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 those 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. Côte d'Ivoire's 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 (FSF) 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.

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.

The conflict reflected deep political divisions within the country that date back to the early 1990s, when multiparty politics were 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. The civil confrontations are the results of a drawn-out political crisis.

Events escalated with the 1999 coup of General Robert Guéi and the rejection by the Supreme Court of 14 of the 19 candidates put forward in presidential elections in 2000. The electoral commission eventually announced the victory of Laurent Gbagbo after Guéi 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 that 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, and youth poverty and unemployment will remain major challenges in the future.

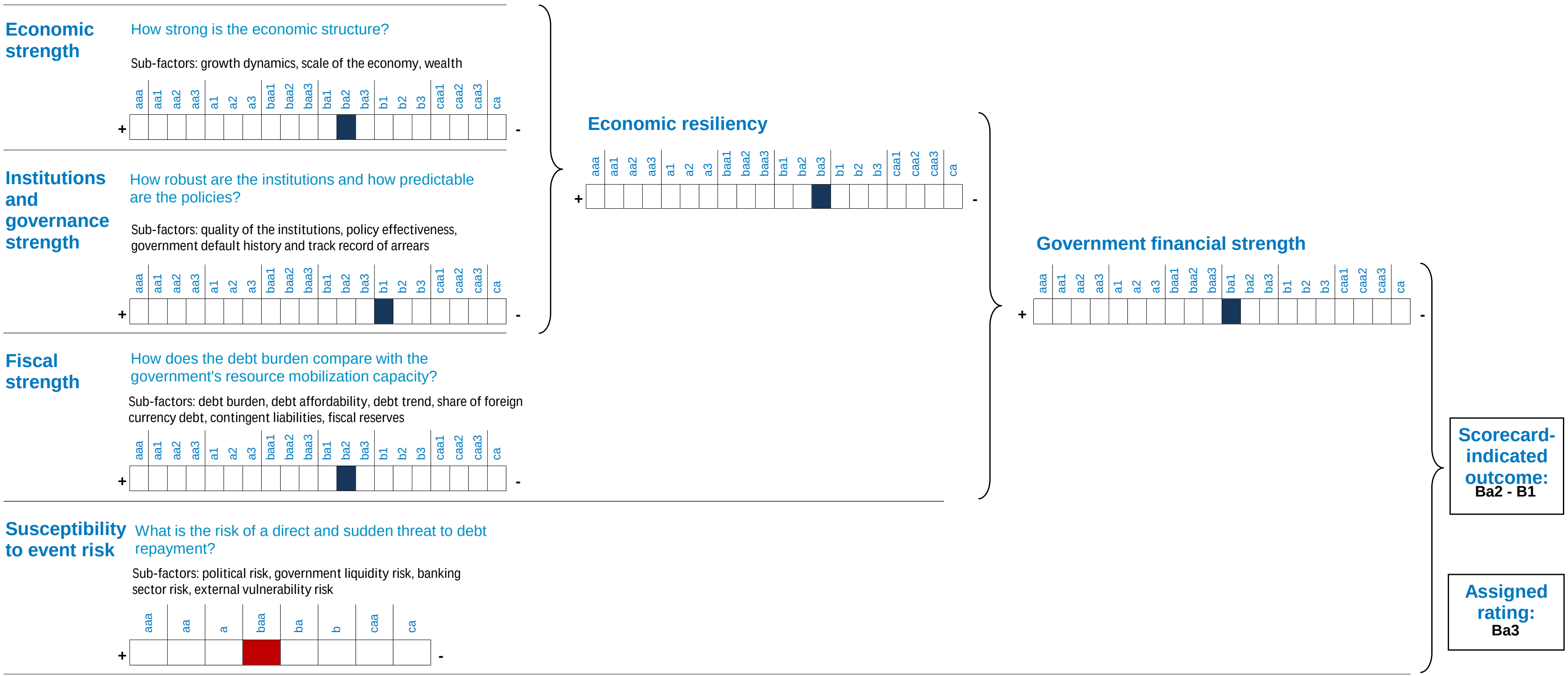
Many strides have been made toward national reconciliation. In particular, the Commission for Dialogue, Truth and Reconciliation (Commission Dialogue, Vérité et Réconciliation; CDVR) chaired by Charles Konan Banny[1] was created to shed light on past events. The commission submitted its report to the president of the republic in September 2014 and a compensation fund for the victims was created, 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.

Scorecard-indicated outcome

Combining the scores for individual factors provides the scorecard-indicated outcome. 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 scorecard-indicated outcome 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 scorecard-indicated outcome. For more information, please see our Sovereign Ratings Methodology.

Exhibit 29

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 scorecard-indicated outcome and shows the relevant credit metrics and factor scores.

One of Côte d'Ivoire's closest peers is Senegal, which has similar economic strength and external vulnerability risk scores but a weaker score for fiscal strength. Overall, Côte d'Ivoire's economic strength is aligned with peers, while its fiscal strength is higher than most peers and on par with Bangladesh. However, its institutions and governance strength score is lower than peers because it is penalised for its 2011 default. Regarding susceptibility to event risk, Côte d'Ivoire's banking sector and external vulnerability risks are lower than peers, while its government liquidity risks are broadly aligned with peers.

Exhibit 30

Côte d'Ivoire's key peers

	Year	Cote d Ivoire	Tanzania	Senegal	Dominican Republic	Armenia	Bangladesh	Ba3 Median	Sub-Saharan Africa Median
Rating/outlook		Ba3/STA	B2/STA	Ba3/NEG	Ba3/STA	Ba3/STA	Ba3/STA	Ba3	B2
Scorecard-indicated outcome		Ba2 - B1	B1 - B3	Ba3 - B2	Ba3 - B2	Ba2 - B1	Ba2 - B1	Ba2 - B1	B1 - B3
Factor 1		**ba2**	**ba2**	**ba3**	**baa2**	**ba2**	**baa3**	**ba1**	**ba3**
Nominal GDP ($ bn)	2019	58.8	61.1	23.9	88.9	13.7	302.6	67.6	23.9
GDP per capita (PPP, Intl$)	2019	5,327	2,841	3,536	19,898	14,177	5,064	13,162	3,856
Avg. real GDP (% change)	2015 - 2024F	11.9	5.6	5.7	4.4	4.3	6.8	4.3	4.1
Volatility in real GDP growth (ppts)	2010 - 2019	17.3	1.6	1.8	1.8	2.5	0.8	1.9	2.0
Factor 2		**b1**	**b3**	**ba2**	**b1**	**baa3**	**b2**	**ba2**	**b3**
Quality of legislative & executive institutions	Latest available	ba	b	ba	b	ba	b	ba	b
Strength of civil society & judiciary	Latest available	ba	b	ba	b	b	caa	ba	b
Fiscal policy effectiveness	Latest available	baa	caa	ba	b	baa	b	ba	b
Monetary & macro policy effectiveness	Latest available	ba	b	ba	ba	a	ba	ba	b
Gen. gov. fiscal balance (% of GDP)	2019 - 2021F	-3.9	-2.6	-5.0	-6.2	-3.7	-6.0	-4.7	-4.3
Average inflation (% change)	2015 - 2024F	1.1	4.1	1.2	3.0	2.2	5.7	2.0	4.1
Volatility of inflation (ppts)	2010 - 2019	1.6	4.0	1.2	2.3	3.0	1.3	1.9	2.1
Factor 3		**ba2**	**b2**	**b3**	**caa3**	**b1**	**ba2**	**ba3**	**b2**
Gen. gov. debt (% of GDP)	2019	37.8	39.7	56.0	41.7	49.9	29.3	49.4	52.4
Gen. gov. debt (% of revenue)	2019	252.1	278.7	280.6	289.8	202.9	293.8	228.2	275.1
Gen. gov. interest payments (% of revenue)	2019	10.3	12.7	9.7	19.1	9.4	19.5	9.5	11.0
Gen. gov. interest payments (% of GDP)	2019	1.5	1.8	1.9	2.7	2.3	1.9	2.2	1.8
Factor 4		**baa**	**ba**	**baa**	**baa**	**ba**	**ba**	**baa**	**ba**
Political risk	Latest available	**baa**	**ba**	**a**	**a**	**ba**	**baa**	**baa**	**ba**
Government liquidity risk	Latest available	**baa**	**baa**	**baa**	**baa**	**baa**	**baa**	**baa**	**ba**
Gross borrowing requirements (% of GDP)	2020F	8.1	5.0	11.0	16.0	9.2	9.2	13.1	13.1
Banking sector risk	Latest available	**a**	**baa**	**baa**	**a**	**baa**	**ba**	**baa**	**baa**
BSCE[1]	Latest available	ba1-ba2	ba3-b3	ba3-b3	ba1-ba2	ba3-b3	caa-c	ba1-ba2	ba3-b3
Total domestic bank assets (% of GDP)	2019	32.5	25.9	54.4	38.0	88.7	65.3	83.8	37.5
External vulnerability risk	Latest available	**aa**	**a**	**a**	**baa**	**baa**	**a**	**a**	**baa**
Current account balance (% of GDP)	2019	-3.0	-1.9	-7.8	-1.4	-7.2	-1.7	-4.2	-3.6
External vulnerability indicator (EVI)	2021F	33.5	74.2	33.5	76.6	119.1	37.7	46.7	57.7
External debt (% of current account receipts)	2019	131.6	187.6	161.4	130.3	162.4	94.6	130.3	127.3
Net international investment position (% of GDP)	2019	-2.9	--	-54.2	-62.9	-72.2	-12.4	-62.9	-42.4

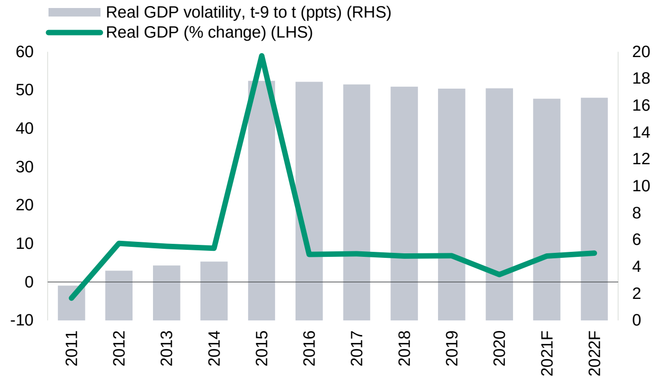
[1] BSCE is our estimate of the risk of a Banking Sector Credit Event (BSCE), which we use for sovereigns where we have no or very limited rating coverage of a system. Otherwise, we use the Baseline Credit Assessment (BCA) for rated domestic banks, weighted by bank assets.

Sources: National authorities, IMF and Moody's Investors Service

DATA, CHARTS AND REFERENCES

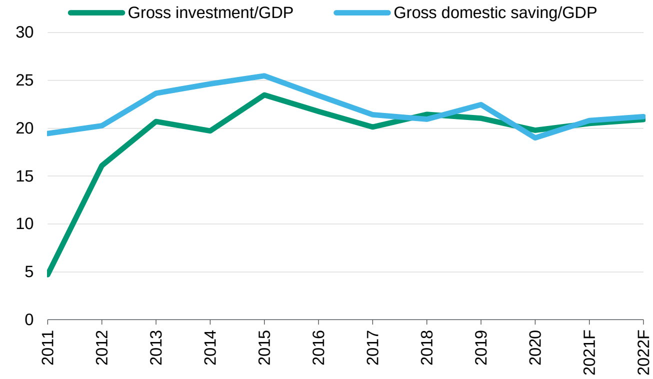
Chart pack: Côte d'Ivoire

Exhibit 31
Economic growth*



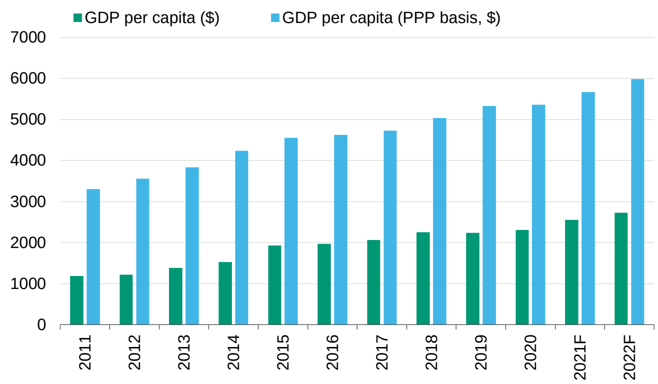
*Series break in 2015 due to GDP rebasing exercise.
Source: Moody's Investors Service

Exhibit 32
Investment and saving



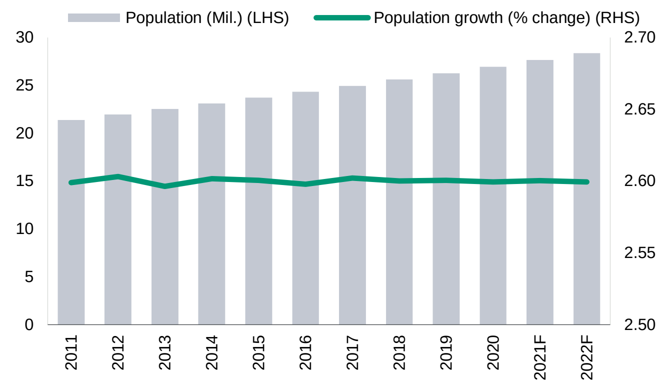
Source: Moody's Investors Service

Exhibit 33
National income



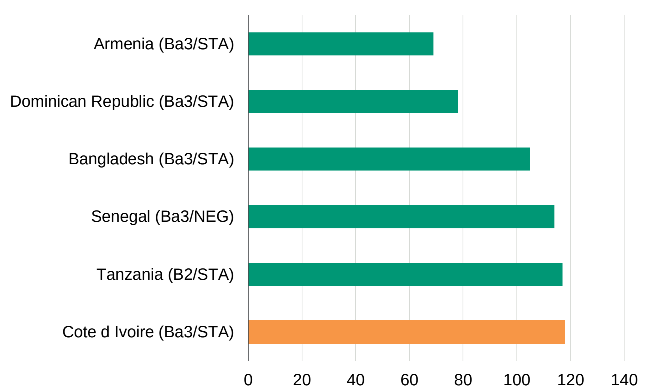
Source: Moody's Investors Service

Exhibit 34
Population



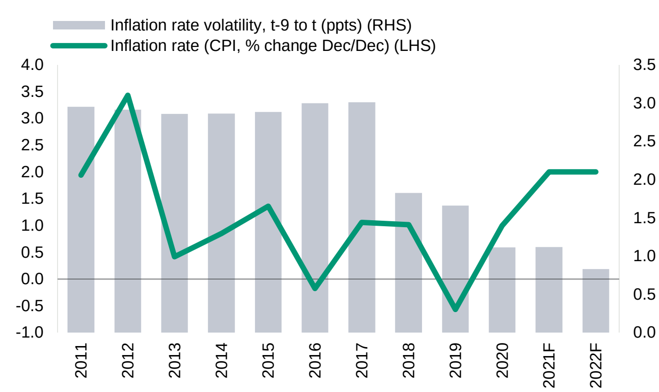
Source: Moody's Investors Service

Exhibit 35
Global Competitiveness Index
Rank 118 out of 137 countries



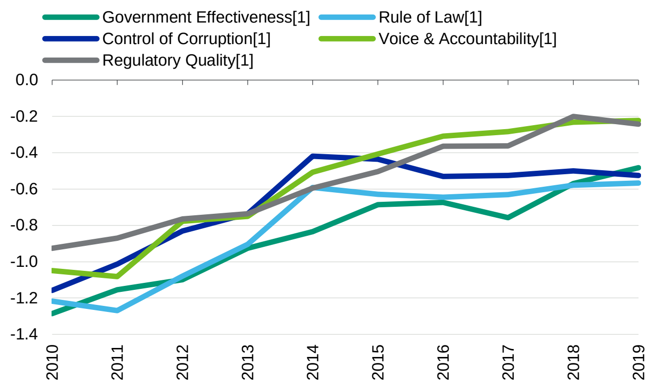
Source: World Economic Forum

Exhibit 36
Inflation and inflation volatility



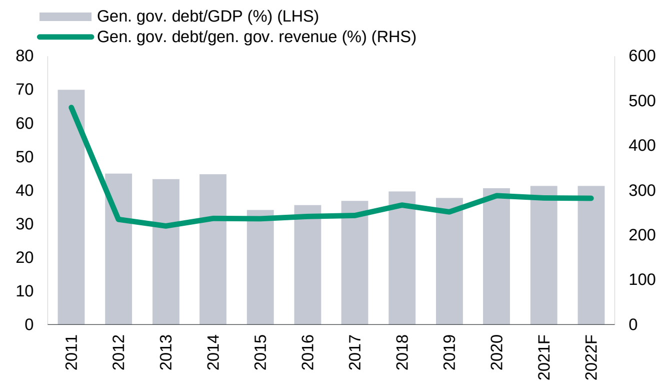
Source: Moody's Investors Service

Exhibit 37
Institutional framework and effectiveness



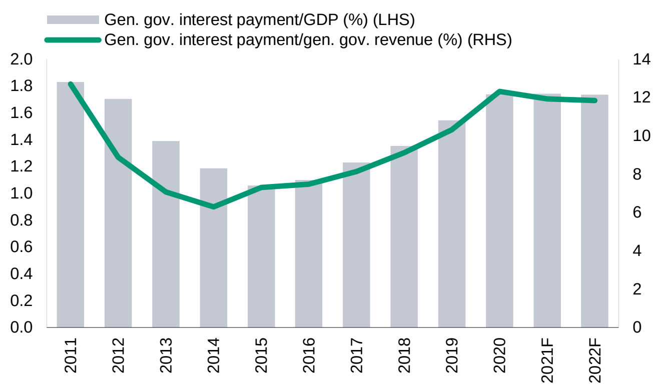
Notes: [1] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions.
Source: Worldwide Governance Indicators

Exhibit 38
Debt burden



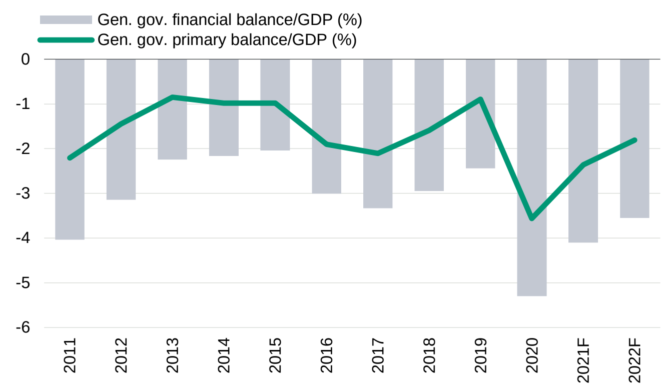
Source: Moody's Investors Service

Exhibit 39
Debt affordability



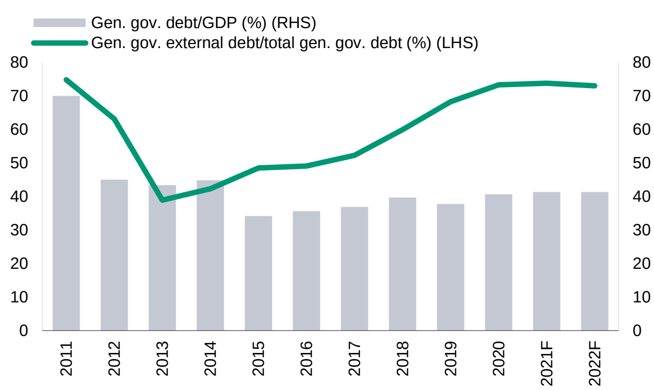
Source: Moody's Investors Service

Exhibit 40
Financial balance



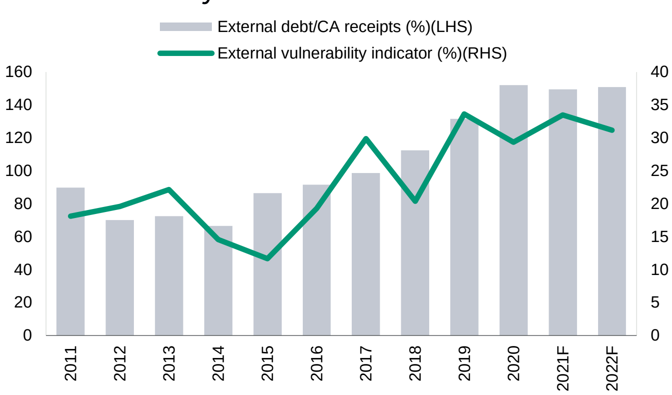
Source: Moody's Investors Service

Exhibit 41
Government liquidity risk



Source: Moody's Investors Service

Exhibit 42
External vulnerability risk



Source: Moody's Investors Service

Rating history

Exhibit 43

Côte d'Ivoire[1]

Long Term Ratings		Outlook	Review Action		Short Term Ratings		Action Date
Foreign Currency	Local Currency		Foreign Currency	Local Currency	Foreign Currency	Local Currency	
Ba3	Ba3	STA			NP	NP	Aug-20
Ba3	Ba3	RUR	Possible Downgrade	Possible Downgrade	NP	NP	Jun-20
Ba3	Ba3	STA	-	-	NP	NP	Nov-15
B1	B1	POS	-	-	NP	NP	Jul-14

Notes: [1] Table excludes rating affirmations and ceilings. Please visit the issuer page for Côte d'Ivoire for the full rating history.
Source: Moody's Investors Service

Annual statistics

Exhibit 44
Côte d'Ivoire

	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	2021F
Economic structure and performance												
Nominal GDP (US$ bil.)	24.9	25.4	26.8	31.3	35.3	45.8	47.9	51.5	57.7	58.8	62.3	70.6
Population (Mil.)	20.9	21.4	22.0	22.5	23.1	23.7	24.3	25.0	25.6	26.3	27.0	27.7
GDP per capita (US$)	1,193	1,186	1,220	1,388	1,528	1,931	1,970	2,062	2,253	2,237	2,311	2,554
GDP per capita (PPP basis, US$)	3,489	3,303	3,563	3,834	4,237	4,558	4,629	4,730	5,041	5,327	--	--
Nominal GDP (% change, local currency)[1]	7.5	-2.8	14.2	12.9	13.0	55.1	4.9	5.4	7.0	7.4	4.3	8.6
Real GDP (% change)[1]	2.0	-4.2	10.1	9.3	8.8	59.0	7.2	7.4	6.8	6.9	1.9	6.8
Inflation (CPI, % change Dec/Dec)	4.9	1.9	3.4	0.4	0.9	1.4	-0.2	1.1	1.0	-0.6	1.0	2.0
Gross investment/GDP	13.4	4.7	16.1	20.7	19.7	23.5	21.7	20.1	21.4	21.0	19.8	20.5
Gross domestic saving/GDP	20.7	19.5	20.3	23.6	24.6	25.5	23.4	21.4	21.0	22.5	19.0	20.8
Nominal exports of G & S (% change, US$ basis)	2.0	8.4	-4.1	-0.9	6.8	-9.7	-5.9	8.8	1.7	6.0	-3.4	12.4
Nominal imports of G & S (% change, US$ basis)	11.2	-12.1	26.5	0.7	0.6	-4.3	-5.4	10.7	9.5	-2.5	0.9	8.9
Openness of the economy[2]	94.0	91.2	93.7	80.1	73.6	52.7	47.5	48.5	45.7	45.6	42.4	41.4
Government Effectiveness[3]	-1.3	-1.2	-1.1	-0.9	-0.8	-0.7	-0.7	-0.8	-0.6	-0.5	--	--
Government finance												
Gen. gov. revenue/GDP	18.1	14.4	19.2	19.7	18.9	14.5	14.7	15.1	14.9	15.0	14.1	14.6
Gen. gov. expenditures/GDP	20.0	18.4	22.3	21.9	21.0	16.5	17.7	18.4	17.8	17.4	19.4	18.7
Gen. gov. financial balance/GDP	-1.8	-4.0	-3.1	-2.2	-2.2	-2.0	-3.0	-3.3	-2.9	-2.4	-5.3	-4.1
Gen. gov. primary balance/GDP	-0.3	-2.2	-1.4	-0.9	-1.0	-1.0	-1.9	-2.1	-1.6	-0.9	-3.6	-2.4
Gen. gov. debt (US$ bil.)	15.8	16.5	12.4	14.1	14.5	15.4	16.3	20.2	22.2	22.3	26.3	29.3
Gen. gov. debt/GDP	63.0	69.9	45.0	43.4	44.8	34.2	35.6	36.9	39.7	37.8	40.6	41.3
Gen. gov. debt/gen. gov. revenue	347.4	485.3	235.0	220.3	237.5	236.5	241.8	244.1	266.9	252.1	288.0	283.0
Gen. gov. interest payments/gen. gov. revenue	8.7	12.7	8.9	7.1	6.3	7.3	7.5	8.1	9.1	10.3	12.3	11.9
Gen. gov. FC & FC-indexed debt/gen. gov. debt	69.4	70.1	56.1	38.1	40.9	47.0	44.1	49.0	57.6	59.3	64.8	66.3

	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	2021F
External payments and debt												
Nominal exchange rate (local currency per US$, Dec)	490.9	507.0	497.2	475.6	540.3	602.5	622.3	547.0	572.9	583.9	555.9	551.2
Real eff. exchange rate (% change)	-6.9	2.2	-4.6	3.4	0.5	-6.6	1.4	-0.6	2.2	-4.0	--	--
Current account balance (US$ bil.)	0.5	2.7	-0.3	-0.6	0.5	-0.2	-0.4	-1.0	-2.1	-1.8	-2.3	-2.1
Current account balance/GDP	1.9	10.5	-1.2	-2.0	1.4	-0.4	-0.9	-2.0	-3.6	-3.0	-3.7	-2.9
External debt (US$ bil.)	11.7	12.8	9.5	9.9	9.8	11.4	11.5	13.4	15.7	19.2	22.0	24.3
Public external debt/total external debt	80.4	77.4	52.9	64.6	67.5	74.7	73.0	77.7	81.1	78.7	91.0	91.8
Short-term external debt/total external debt	--	--	--	--	--	--	--	--	--	--	--	--
External debt/GDP	47.0	50.4	35.6	31.5	27.8	24.9	23.9	26.1	27.1	32.6	35.2	34.4
External debt/CA receipts[4]	88.3	89.9	70.1	72.4	66.6	86.4	91.5	98.6	112.5	131.6	152.0	149.5
Interest paid on external debt (US$ bil.)	0.1	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.4	0.5	0.7	0.7
Amortization paid on external debt (US$ bil.)	0.6	0.6	0.5	0.8	0.7	0.5	1.2	1.8	1.2	2.4	1.0	0.9
Net foreign direct investment/GDP	1.3	1.1	1.2	1.3	1.2	1.0	1.1	0.6	0.8	1.0	0.7	1.1
Net international investment position/GDP	-32.0	-22.0	8.4	7.1	7.3	4.9	4.0	3.6	2.4	-2.9	--	--
Official forex reserves (US$ bil.)[5]	11.2	11.4	11.0	10.9	10.5	10.0	8.2	10.4	11.9	14.1	13.5	14.0
Net foreign assets of domestic banks (US$ bil.)	0.1	0.3	0.6	0.5	0.4	0.4	0.6	0.4	0.6	--	--	--
Monetary, external vulnerability and liquidity indicators												
M2 (% change Dec/Dec)	18.2	10.7	6.8	11.4	16.0	19.1	10.4	8.8	13.5	11.6	--	--
Monetary policy rate (% per annum, Dec 31)	3.3	3.3	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	--	--
Domestic credit (% change Dec/Dec)	13.2	1.4	19.6	20.2	19.4	19.7	11.5	11.0	13.1	11.1	--	--
Domestic credit/GDP	23.0	24.0	25.1	26.8	28.3	21.8	23.2	24.4	25.8	26.7	--	--
M2/official forex reserves (X)	0.8	0.8	0.9	1.1	1.1	1.3	1.6	1.6	1.5	1.4	--	--
Total external debt/official forex reserves	104.9	112.1	87.0	90.2	93.6	114.4	139.0	128.7	131.3	136.1	162.7	173.8
Debt service ratio[6]	5.5	5.8	4.7	7.1	5.9	5.9	11.8	15.6	11.6	20.0	11.2	10.0
External vulnerability indicator (EVI)[7][8]	18.2	18.1	19.6	22.1	14.6	11.7	19.3	29.9	20.4	33.6	29.3	33.5
Liquidity ratio[9]	47.9	45.6	38.1	-14.0	-30.1	-3.1	13.8	1.7	7.7	14.2	--	--
Total liabilities due BIS banks/total assets held in BIS banks	179.0	119.0	108.5	110.7	135.2	74.4	58.2	41.3	30.6	22.5	--	--
"Dollarization" ratio[10]	8.9	7.1	9.8	9.0	10.5	10.4	10.8	11.0	11.0	11.0	--	--
"Dollarization" vulnerability indicator[11]	4.6	4.1	6.2	6.6	8.6	9.7	12.1	12.4	12.1	13.5	--	--

[1] A rebasing exercise from 2015 explains the large GDP growth number that year.
[2] Sum of Exports and Imports of Goods and Services/GDP
[3] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions
[4] Current Account Receipts
[5] Pooled foreign exchange reserves at the Central Bank of the Monetary Union, the BCEAO
[6] (Interest + Current-Year Repayment of Principal)/Current Account Receipts
[7] (Short-Term External Debt + Currently Maturing Long-Term External Debt + Total Nonresident Deposits Over One Year)/Official Foreign Exchange Reserves
[8] At WAEMU level; Public only for long-term debt; Excludes Total Nonresident Deposits Over One Year
[9] Liabilities to BIS Banks Falling Due Within One Year/Total Assets Held in BIS Banks
[10] Total Foreign Currency Deposits in the Domestic Banking System/Total Deposits in the Domestic Banking System
[11] Total Foreign Currency Deposits in the Domestic Banking System/(Official Foreign Exchange Reserves + Foreign Assets of Domestic Banks)
Source: Moody's Investors Service

Moody's related publications

» **Credit Opinion**: Government of Côte d'Ivoire – Ba3 Stable: Update following rating confirmation and change in outlook to stable, 7 August 2020

» **Country Statistics**: Côte d'Ivoire, Government of

» **Rating Methodology**: Sovereign Ratings Methodology, 25 November 2019

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Endnotes

1 Former prime minister (December 2005-March 2007) and former governor of the WAEMU (December 1994-December 2005).

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