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Government of Côte d'Ivoire - Ba3 positive

Annual credit analysis

RATINGS

Côte d'Ivoire

	Foreign Currency	Local Currency
Gov. Bond Rating	Ba3/POS	Ba3/POS
Country Ceiling	Baa3	Baa2

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OVERVIEW AND OUTLOOK

The credit profile of Côte d'Ivoire is primarily supported by the economy's resilience, increasing diversification and healthy growth prospects, which are underpinned by structural reforms and public investment in infrastructure. Moreover, the sovereign has relatively strong fiscal fundamentals bolstered by substantial international financial support. Additional credit support comes from the country's participation in the West African Economic and Monetary Union (WAEMU) and its relatively developed regional financial sector.

Creditworthiness is constrained by Côte d'Ivoire's improving institutions and governance strength. Like many of its regional peers, it still receives relatively low scores on the Worldwide Governance Indicators (WGIs), although 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, led mostly by political risks given heightened political tensions following presidential elections in October 2020 that the opposition boycotted. In addition, the coronavirus pandemic, coupled with shocks in food and energy prices, has led to the deterioration of several credit metrics, in particular both the country's fiscal deficit and debt burden.

The positive outlook reflects broad-based signs of improvements in Côte d'Ivoire's credit profile. Economic strength is increasing, supported by growing diversification and competitiveness. Moreover, Côte d'Ivoire's governance strength is also rising, with a lengthening track record of improving public finance management.

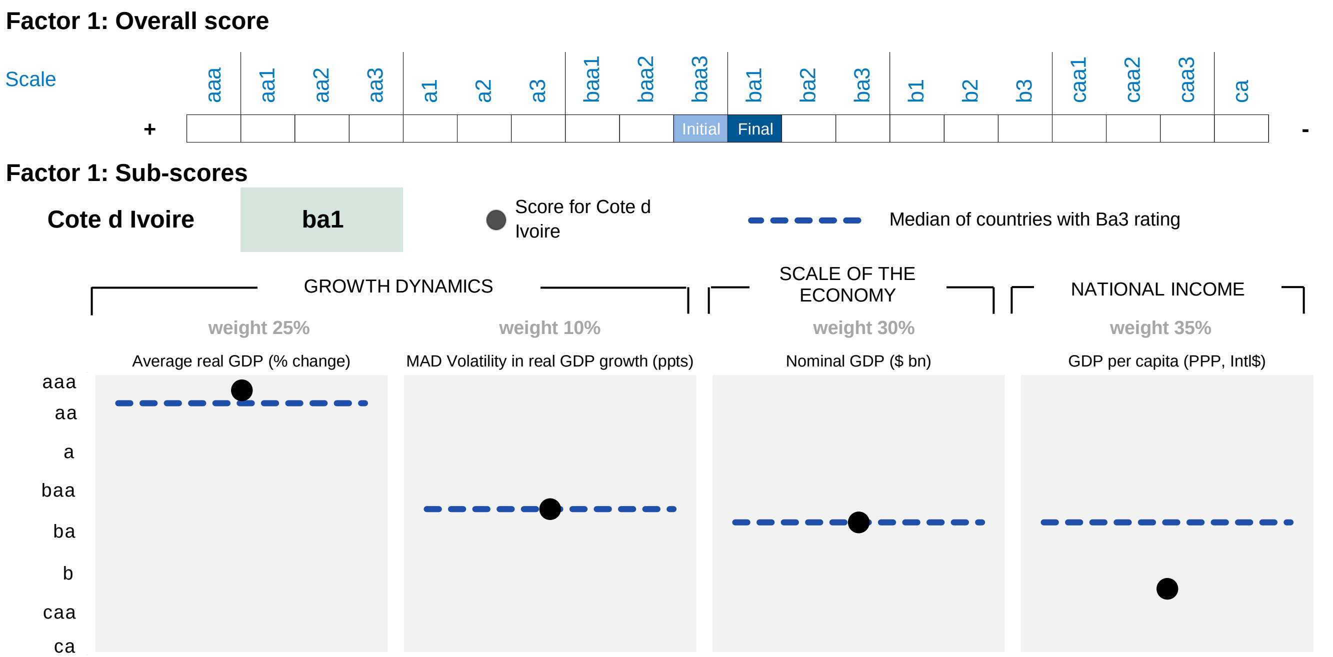
We would consider an upgrade if there is a strong recovery and continuation of robust and balanced growth that lead to better credit fundamentals, especially fiscal metrics; further significant improvements in governance and competitiveness; or a durable reduction in political risk if the demands of the various sections of the population are addressed without significant fiscal costs. Conversely, we would likely change the outlook back to stable if the government was unable to keep the fiscal deficit at a moderate level, pointing to weakening fiscal strength. The reemergence of significant political and social tensions that would hinder the country's medium-term growth prospects would also put downward pressure on the ratings; so would rising macroeconomic imbalances that jeopardise medium- to long-term growth prospects.

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, which are the four main analytic factors in our Ratings Methodology: Sovereigns.

CREDIT PROFILE

Our determination of a sovereign's government bond rating is based on the 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 Ratings Methodology: Sovereigns.

Economic strength score: ba1



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, diversification, productivity and labour supply.

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 "ba1", one notch below the initial score given it remains relatively weaker than baa3-rated peers in terms of market efficiency and diversity of exports. Our assessment incorporates the economy's small size, low per capita income, high growth, renewed investment in infrastructure and low but improving economic competitiveness. The economy's structure is increasingly diversified, with strong potential in mining and hydrocarbon production. Côte d'Ivoire shares its "ba1" score for economic strength with sovereigns such as Armenia (Ba3 stable), Morocco (Ba1 stable) and Jordan (B1 positive).

Exhibit 1

Peer comparison table factor 1: Economic strength

	Cote d Ivoire Ba3/POS	ba1 Median	Armenia Ba3/STA	Jordan B1/POS	Morocco Ba1/STA	Sri Lanka Ca/STA	Senegal Ba3/STA	Kenya B3/RUR
Final score	ba1		ba1	ba1	ba1	ba1	ba2	baa3
Initial score	baa3		baa3	ba1	ba1	ba3	ba2	baa3
Nominal GDP ($ billion)	69.8	47.5	19.5	47.5	134.2	74.8	27.7	113.4
GDP per capita (PPP, Intl$)	6,523.7	14,552.8	17,794.8	12,105.7	9,878.0	14,283.3	4,126.2	6,144.2
Average real GDP (% change)	6.2	2.5	5.0	2.3	2.5	0.6	5.7	4.9
MAD Volatility in real GDP growth (ppts)	1.1	1.6	2.2	0.3	1.6	2.0	0.7	0.7

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

Côte d'Ivoire's strong economic growth is likely to continue over the next few years

Côte d'Ivoire is a medium-sized country with a GDP of $70 billion in 2022 (see Exhibit 2) and a fast-growing population, estimated at 28 million. Per capita GDP was $6,524 in 2022 on a purchasing power parity (PPP) basis, above the Sub-Saharan Africa median (see Exhibit 3), around double that of Uganda (B2 negative) and Ethiopia (Caa2 negative), and above that of Senegal (Ba3 stable), although low by global standards. Côte d'Ivoire's economy has been one of the fastest growing in Sub-Saharan Africa for more than a decade. However, the country has less developed infrastructure than global standards and constraints in doing business (while CDI exceeds many SSA peers) compared with more developed economies.

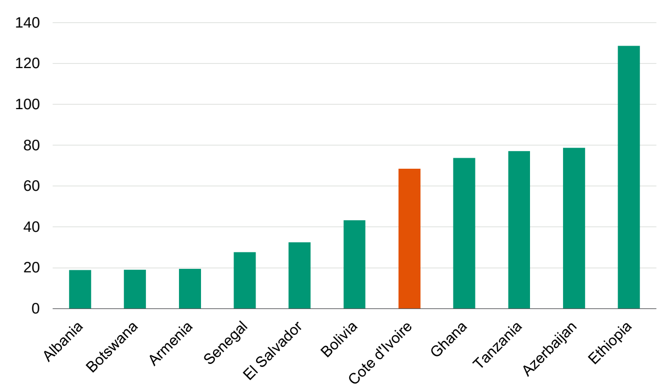
As a result of the global economic slowdown and the falloff in domestic demand because of monetary tightening, Côte d'Ivoire's real GDP grew at a slightly slower pace of 6.7% in 2022 against 7% in 2021. Last year, the country's economic growth was supported by the implementation of the National Development Plan (NDP) 2021-2025. The international community, through official sector lenders, has already pledged $26.1 billion to this plan. Additionally, the IMF recently approved financing of $3.5 billion through an extended fund facility and extended fund facility. Moreover, the combination of Côte d'Ivoire's diversified economic structure and the government's cautious policy-making approach have so far succeeded in mitigating the negative effects of increased food and energy prices.

Following robust real GDP growth last year, we forecast that Côte d'Ivoire's economy will grow by an additional 7.0% in 2023. This growth will be driven by improvements in domestic demand, exports and investment, and an increase in oil production from the Baleine offshore oilfield. The NDP 2021-2025 is set to further support the economy by boosting private sector investment. This plan, along with the government's increased investments in infrastructure (notably in the electricity, transport, and agriculture sectors), will enhance the economy's competitiveness, a key driver of growth. Moreover, initiatives to augment the domestic processing capacity of the agro-industry, coupled with efforts to improve the yield quality of cocoa and other cash crops, will also contribute to economic growth.

Exhibit 2

Côte d'Ivoire's nominal GDP is high compared with peers with similar economic strength scores

Nominal GDP (in $ billions, 2022)

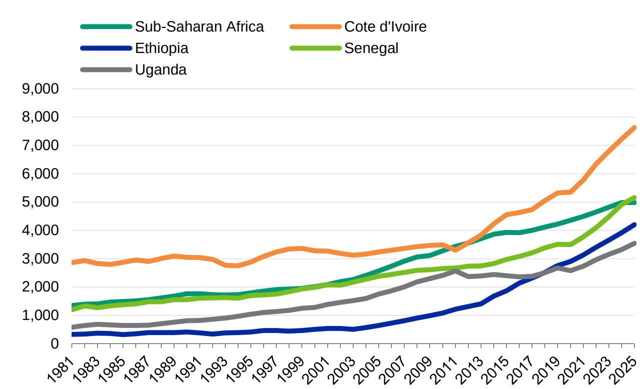


Sources: National authorities and Moody's Investors Service

Exhibit 3

Per capita income is ahead of regional peers

GDP per capita ($, PPP basis)



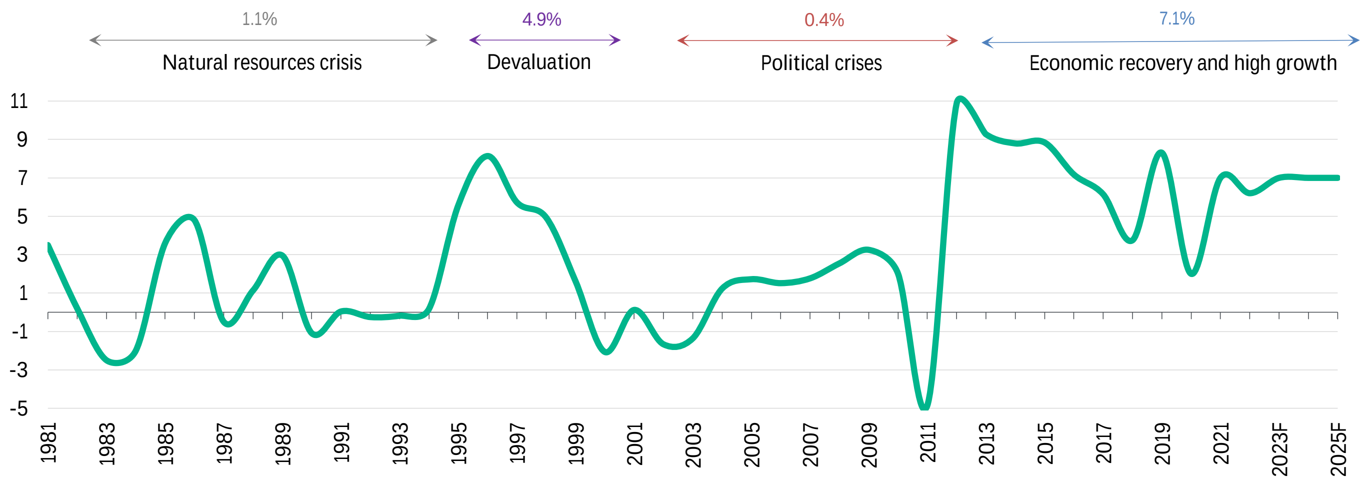
Sources: IMF and Moody's Investors Service

High rate of growth has been sustained for more than a decade with the aim of increasing investment in the economy

As Exhibit 4 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, the political crises caused social indicators to deteriorate sharply.

However, since President Alassane Ouattara took office in 2011, his successive administrations have allowed for a quantitative and qualitative acceleration in growth, particularly in the manufacturing, construction and services sectors. After GDP contracted by 4.2% in 2011 — the year of post-electoral conflict — growth averaged 7.1% between 2012 and 2022. The authorities are seeking to revive the "Ivorian economic miracle" of 1960-78, when Côte d'Ivoire 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. NDPs aim to accelerate structural changes in the country.

Exhibit 4
Successive crises resulted in two lost decades, but growth has been robust since 2011 with the exception of 2020
Real GDP growth (in percentage terms, annual and average per period)

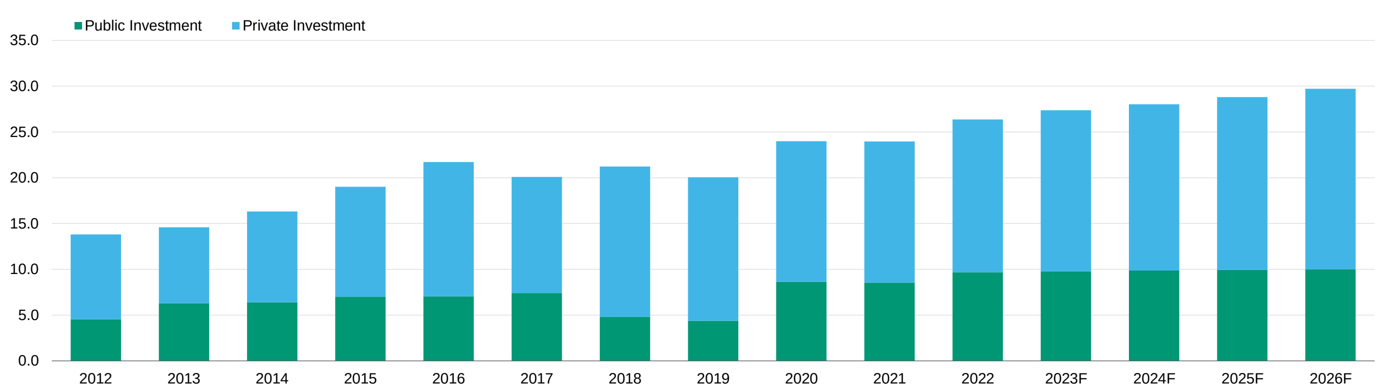


Sources: IMF and Moody's Investors Service

The NDP 2021-25, estimated at around $100 billion, will support the country's growth targets. Most of the NDP funding is likely to come from the private sector (75%), whereas the remaining (25%) will come from the public sector, including the government and the official donor community. A conference was organised to this effect similar to prior NDPs. This time, it was held in Abidjan in June 2022. The official community pledged $26 billion, which is $9 billion more than that expected from bilateral and multilateral institutions. The IMF also recently approved financing of $3.5 billion through an extended fund facility. This will assist the country in its transition to an upper-middle income status by executing the authorities' NDP while maintaining macroeconomic stability.

The previous plan (NDP 2016-20) was smaller in size ($50 billion) and had shown positive results, although mobilisation of private investment fell short of target. Similar to previous NDPs, we expect the pledges from the international community to be entirely delivered to partially fund the NDP 2021-2025. This is already a very large amount to support infrastructure investments and developments in the country. The country expects the poverty rate to decline to 31.5% at the end of 2025. The new NDP assumes a minimum real GDP growth rate of 7% and a stronger level of investment (25%-30% of GDP) compared with the previous NDP.

Exhibit 5
Private investment has notably increased in recent years
Percentage of GDP



Source: National authorities

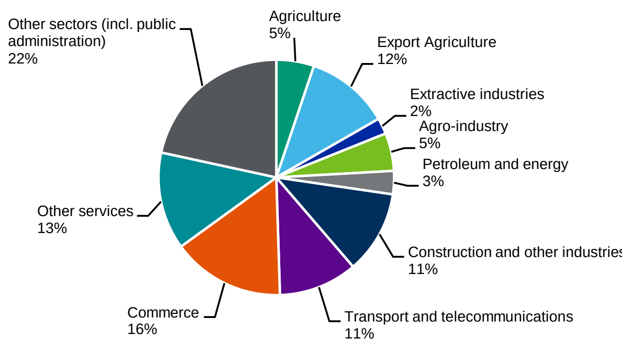
Nonetheless, growth in private investment has still outpaced a strong rise in public investment since 2011 (see Exhibit 5). Public investment geared towards heavy infrastructure such as roads or social infrastructure such as schools has risen to 9.7% of GDP in 2022 from 2.6% in 2011, while private investment increased to almost 16.7% of GDP in 2022 from 5.6% in 2011. This improving trend brought the country's overall investment ratio to almost 27% of GDP in 2022, above the average investment rate of 25% for Sub-Saharan economies.

Relatively diversified economy, driven by a competitive and export-oriented agricultural sector

In 2020, Côte d'Ivoire rebased its GDP with 2015 as the reference year. The rebasing created a significant break in the series, with nominal growth for 2015 reaching 55% (12.2% previously without the rebasing). The increase followed a multiyear exercise supported by the World Bank (IBRD, Aaa stable) and African Development Bank (Aaa stable) to better measure the size of the Ivorian economy. The economy's much larger size than previously assessed suggests the informal sector is also bigger in absolute terms.

The share of the agricultural sector remains quite large at 22% of GDP in 2022 (see Exhibit 6), but has declined steadily over the years, led by the faster growth of the industrial and services sectors. The exception was in 2020, when the industrial and services sectors came under pressure because of the pandemic. Notably, the agricultural sector provides income for two-thirds of the population and accounts for the largest share of export revenue. However, the country is also moderately exposed to environmental risks through droughts, deforestation, and land degradation.

Exhibit 6
Côte d'Ivoire's economy is diversified
Composition of nominal GDP by sector, 2022



Source: National authorities

Unlike most other countries in the region, where subsistence agriculture dominates, Côte d'Ivoire's agricultural sector is relatively mechanised and export-oriented following former President Félix Houphouët-Boigny's efforts 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 the largest share of exports are likely to remain agriculture-based and subject to commodity price volatility.

The secondary sector's share of total GDP increased only slightly in 2022 despite supply-side constraints. For instance, the secondary sector rose to 22.0% of GDP in 2022 from 20.8% in 2021 (19.5% in 2015), reflecting the economy's growing resilience.

Economy has been relatively resilient to cocoa price shocks and the pandemic

Côte d'Ivoire's economy demonstrated resilience in the face of a sharp drop in cocoa prices in 2016-17 because of its relatively diversified structure. Additionally, the value-added content in its exports is likely to continue to rise, which should gradually reduce the economy's vulnerability to commodity price shocks and enhance its resilience.

The diversification of agricultural production into areas such as cashew nuts, palm oil, bananas, manioc and rubber supports an increase in the value of exports. Côte d'Ivoire's goal has been to increase the transformation rate of its agricultural goods, with ambitious targets set in its successive NDPs. However, cocoa production has almost doubled since 2012 to exceed 2 million tonnes. As a result, the transformation rate only slightly increased to over 35% in 2022 from 30% in 2015, falling short of the 50% target.

Increased diversification in the processing of products in the agricultural and mining sectors is likely to support growth of around 7% over the next few years. Moreover, sustained strong growth, if inclusive, will eventually raise living standards and increase households' capacity to absorb income shocks. Historically, this growth has coincided with an increase in official reserves and has not caused any macroeconomic imbalances.

Exhibit 7
Production of Côte d'Ivoire's main commodities is likely to stabilise
Tonnes, in thousands

Production	2016	2017	2018	2019	2020	2021	2022	2023F	2024F
Cocoa	1634.4	2033.5	2113.2	2235.0	2172.7	2228.4	2358.8	2130.0	2090.0
Coton	332.4	352.7	387.0	482.4	506.1	559.5	471.7	570.4	612.0
Cashew nut	649.6	711.2	761.3	634.6	848.7	968.7	1028.2	1050.0	1102.5
Palm oil	451.0	482.0	513.9	535.4	514.5	601.3	541.5	568.6	597.0
Bananas	427.0	438.1	464.7	499.6	508.2	536.5	488.2	509.3	534.7

Source: National authorities

Improvements in the mining, energy and infrastructure sectors will support the country's industrialisation strategy

Côte d'Ivoire's mining sector grew strongly to around 11% of GDP in 2022, compared with 3% in 2021. For example, gold production was 47.4 tonnes in 2022, up from around 38.5 tonnes in 2020, 25 tonnes per year on average during 2016-18 and just 12.4 tonnes in 2011.

The government expects total gold production to be 50 tonnes in 2023 and around 52 tonnes in 2024. New mines will start operations in the coming years; more than 170 exploration permits were granted following the introduction of the 2014 mining code that clarifies the taxation of mining projects. Nonetheless, gold production remains low given that Côte d'Ivoire accounts for one-third of West Africa's Birimian greenstone belt. By comparison, Ghana (Ca stable), the region's leading gold producer with output of around 100 tonnes per year, accounts for around 20% of the belt.

Manganese production has also grown rapidly to around 930,000 tonnes in 2022 from 21,000 tonnes in 2012. Nickel production, which began in 2017, reached 1.8 million tonnes in 2022 (see Exhibit 8). At these levels, new investment in infrastructure will be required to allow further development in manganese and nickel production. Côte d'Ivoire also has significant bauxite, copper and diamond resources.

Exhibit 8
Mining production has steadily increased

Production	2016	2017	2018	2019	2020	2021	2022	2023F	2024F
Gold (tonnes)	25	25	24	33	39	42	47	50	52
Manganese (thousands of tonnes)	200	510	798	1,182	1,326	961	930	900	900
Diamond (thousands of carats)	16	7	6	4	4	4	4	2	2
Nickel (thousands of tonnes)	-	380	890	660	1,348	2	2	2	2

Source: National authorities

The oil and gas sector is also developing, with oil and gas company Eni S.p.A. (Baa1 negative) announcing the discovery of a major offshore oilfield in Côte d'Ivoire's block CI-101 in September 2021. The company revealed the discovery of a substantial offshore oilfield in Côte d'Ivoire's block CI-101. Eni, which owns a 90% stake in the block, with Petroci Holding owning the remaining 10%, confirmed that the discovery includes an estimated 2.5 billion barrels of crude oil (750 million to 1 billion are recoverable) and 3.3 trillion cubic feet of gas (1.4 trillion recoverable). This discovery is considerable, especially considering that proven reserves had previously only been estimated to be around 190 million barrels of oil and 0.7 trillion cubic feet of gas.

In 2023, oil production, which is currently at 25,000-30,000 barrels per day (bpd), is likely to increase by an additional 15,000 bpd. This will contribute to government revenue and diversify export earnings, which have traditionally been dependent on the agricultural sector. The development of the offshore oilfield will be gradual and implemented in phases. Between 2024 and 2026, total oil production is likely to increase even further, reaching 100,000 bpd by 2026, which would turn Côte d'Ivoire into a net oil exporter. However, the final expansion phase of this offshore oil discovery remains uncertain because of the risks associated with the transition to low-carbon energy sources.

Furthermore, the government's dedication to investing in infrastructure, including energy infrastructure, will bolster the economy and enhance its competitiveness. Infrastructure for water and electricity, road and rail networks, and ports, are undergoing rehabilitation and development. These improvements are designed to facilitate the growth of the agricultural, agro-industrial and mining sectors.

Compared with that of regional counterparts, Côte d'Ivoire's electricity production is notably advanced, with the country exporting 10% of its output to Burkina Faso, Ghana and Liberia. The nation's electricity production was 2,548 megawatts (MW) in 2022, and there are plans to boost installed electricity to 3,428 MW by 2025. This target will be realized through the initiation of new power projects that utilise thermal, hydroelectric and solar energy (see Exhibit 9). Once these projects are completed, Côte d'Ivoire will be capable of exporting around 20% of its generated electricity to neighbouring countries. This will align with the increase in domestic demand estimated at around 150 MW per year, and ensure further growth of its agribusiness and mining operations.

The government has also implemented a scheme to help small and medium-sized enterprises (SMEs) increase their contribution to GDP. Its strategy has been to strengthen the manufacturing sector, including by opening new cement factories. An action plan has been implemented to increase SMEs' access to finance and markets to reduce informal exchanges; and to 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.

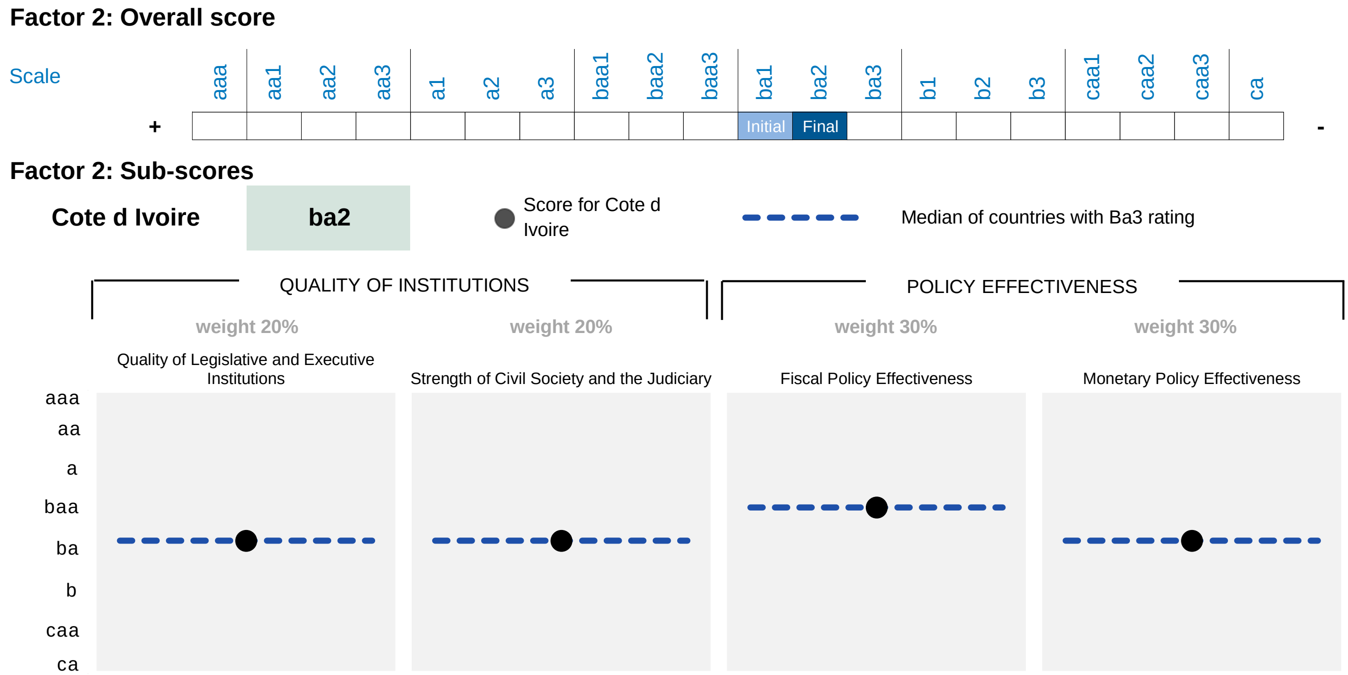
Exhibit 9

Major power projects pipeline

Project	Type	Capacity (MW)
San-Pedro	Coal	700
CIPREL 5 combined cycle thermal power plants	Thermal	390
SONGON	Thermal	372
AZITO 4	Thermal	253
Gribopopoli	Hydroelectric	112
Poro Power	Solar photovoltaic	50
Korhogo Solaire	Solar photovoltaic	50
Singrobo-Ahouaty	Hydroelectric	44
Boundiali	Solar photovoltaic	37.5
Ferké	Solar photovoltaic	25

Source: National authorities

Institutions and governance strength score: ba2



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 "ba2" assessment of Côte d'Ivoire's institutions and governance strength includes a one-notch downward adjustment because of the country's 2011 default. Our assessment takes into account the generally positive trend in the country's governance indicators in recent years from very low levels. In particular, it reflects Côte d'Ivoire's strong fiscal management and the ability to maintain reform momentum during a series of shocks, which compare favourably with those of its peers, balanced by a civil society that remains weak in influencing decisions. Côte d'Ivoire also has a sound track record of low and stable inflation because of its WAEMU membership. However, most subfactor scores are "ba", reflecting long-term constraints on the rating. Countries sharing a "ba2" score for institutions and governance strength include Albania, Bahrain (B2 stable) and Costa Rica (B2 stable).

Exhibit 10

Peer comparison table factor 2: Institutions and governance strength

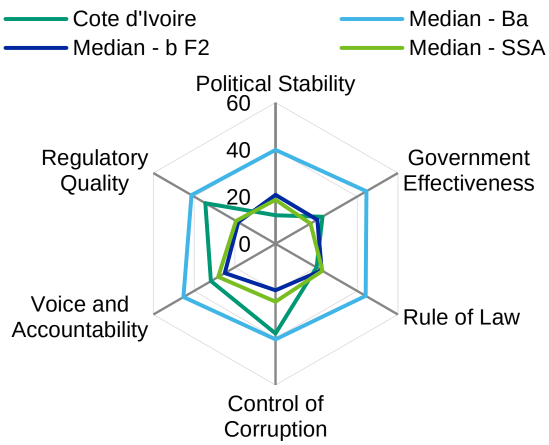
	Cote d Ivoire Ba3/POS	ba2 Median	Albania B1/STA	Bahrain B2/STA	Costa Rica B2/STA	Senegal Ba3/STA	India Baa3/STA	Benin B1/STA
Final score	ba2		ba2	ba2	ba2	ba2	ba1	ba3
Initial score	ba1		ba2	ba2	ba2	ba2	ba1	ba3
Quality of legislative & executive institutions	ba	ba	ba	ba	ba	ba	baa	b
Strength of civil society & judiciary	ba	ba	ba	baa	a	ba	baa	b
Fiscal policy effectiveness	baa	ba	ba	caa	b	ba	ba	ba
Monetary & macro policy effectiveness	ba	ba	ba	baa	ba	ba	ba	ba
Fiscal balance/GDP (3-year average)	-5.4	-2.6	-3.2	-5.0	-2.2	-5.4	-8.2	-4.5
Average inflation (% change)	2.3	3.1	3.1	1.4	3.1	3.1	4.9	1.7
Volatility of inflation (ppts)	1.7	2.1	1.6	1.8	2.5	2.9	1.7	1.4

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

Institutional framework has improved markedly over the past 10 years

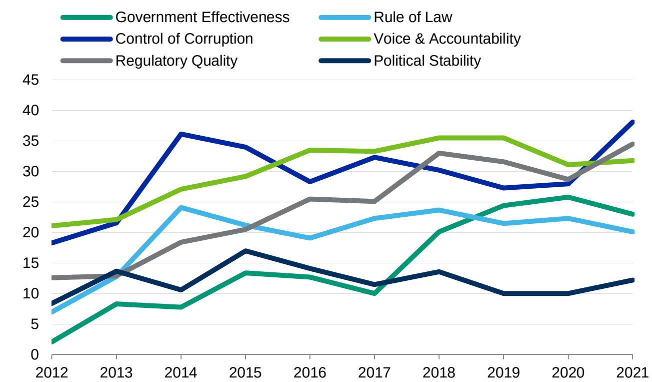
The authorities have made a major push to reform the country's institutions since President Ouattara came to power in 2011. Most of Côte d'Ivoire's WGIs, with the exception of political stability, have largely improved since then (see Exhibits 11 and 12). The country's overall World Bank Country Policy and Institutional Assessment (CPIA) score has also improved to 3.5 in 2021 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 20th on the Ibrahim Index of African Governance, a notable improvement since 2010.

Exhibit 11
Côte d'Ivoire's 2021 WGIs remain lower than the Ba medians
Percentile rank, sovereigns we rate



Sources: WGIs and Moody's Investors Service

Exhibit 12
WGIs have improved steadily since 2011 expect political stability
Percentile rank, sovereigns we rate



Sources: WGIs and Moody's Investors Service

Côte d'Ivoire also receives support from the international community, particularly the IMF, which has provided three extended credit facilities since 2011. The first was aimed at strengthening public policymaking institutions, while the second and third offered support in implementing Côte d'Ivoire's NDPs. These arrangements brought the total financial support to about $5.8 billion, including a $3.5 extended fund facility agreed upon in May 2023.

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 on a PPP basis 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 2020 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 in relation to 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 have sought since 2012 to increase capital spending to improve basic infrastructure (electricity, energy, roads, water and sanitation).

Given limits on the government's balance sheet, it has funded most of these increases through enhanced resource mobilisation and improvements in budget execution. For example, the government was able to increase the recovery rate of cheques paid at customs offices to 100% from 71% between 2014 and 2016. Another example is a reduction in the time taken for value-added tax (VAT) reimbursements to be made. It was reduced to less than 48 hours now from 13.2 months earlier after the law was modified so that 10% of VAT receipts are set aside for the purpose.

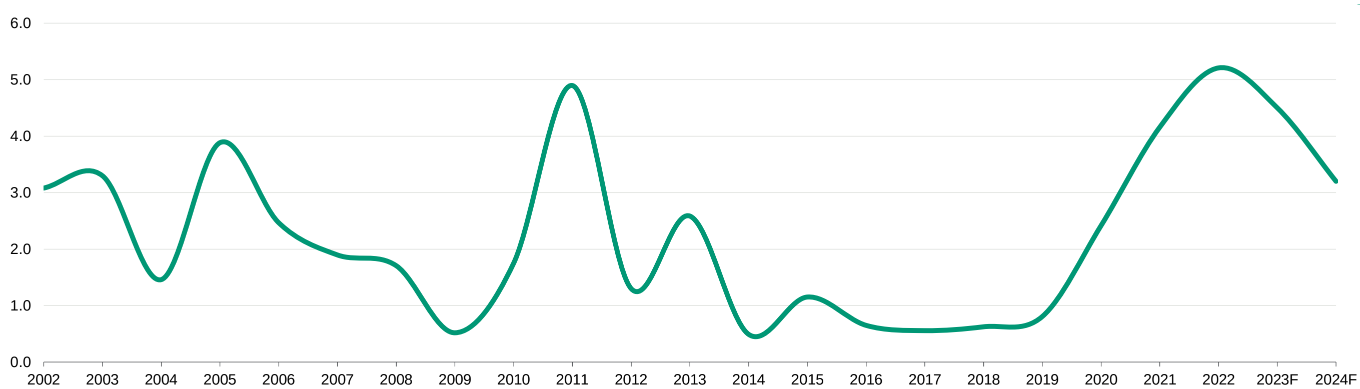
In addition, the authorities are promoting the use of information technology to streamline public services in all departments. Since 2017, companies with a turnover of more than CFA200 million ($0.33 million) have been able to pay their taxes online.

With the 2015 GDP rebasing exercise, the level of government revenue has significantly declined as a share of GDP to around 15% from 20%. This decline highlights the significant effort still required to generate additional revenue to return capital spending to between the pre-rebasing level 7% and 8% of GDP, which will require difficult 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 WAEMU comprises eight countries and 127 million people sharing a common currency, the CFA franc, and provides a rigid framework for monetary and foreign-exchange policies enforced by the Central Bank of West African States (BCEAO). The BCEAO pursues an inflation target that has enabled member countries to maintain outstanding price stability over time (see Exhibit 13). WAEMU members such as Côte d’Ivoire and Senegal have had lower inflation than their rating peers.

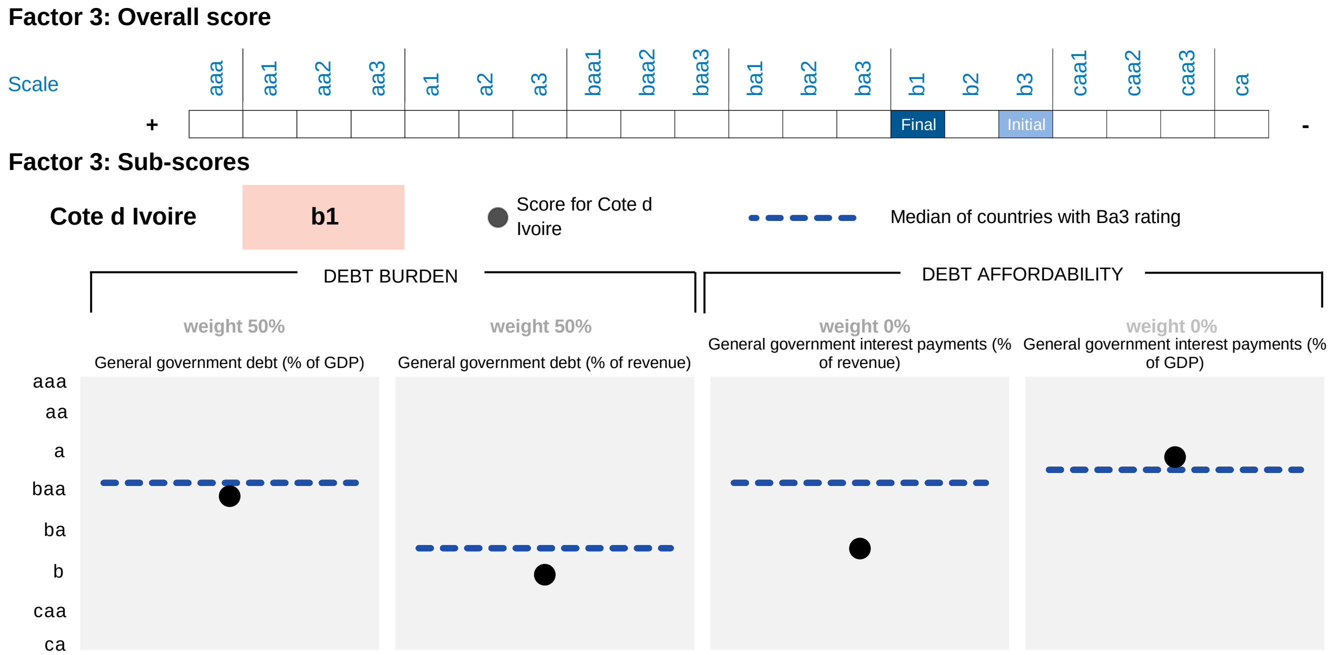
Exhibit 13
Côte d'Ivoire's moderate inflation reflects its WAEMU membership
Percentage change



Source: IMF

Nonetheless, starting from 2021, rising global food and energy prices led to higher inflation levels in Sub-Saharan Africa, including in the WAEMU. Côte d’Ivoire’s inflation rate reached 5.2% in 2022, with Russia’s invasion of Ukraine exacerbating this trend. We expect inflation to decline to an average of 3% in 2024. WAEMU membership also strengthens fiscal policy. Because the BCEAO cannot act as a lender of last resort, it 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. Additionally, WAEMU membership 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 not to exceed 3% of GDP deficit supports fiscal consolidation in the region, although this objective has been suspended because of the pandemic. Various institutions also help member states monitor and put pressure on countries that are not on track to meet their targets.

Fiscal strength score: b1



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 score Côte d'Ivoire's fiscal strength as “b1”, two notches above the initial score of “b3”, mainly to reduce the negative impact of the growing foreign-currency share of debt by discounting the euro-denominated share which accounts for close to two-thirds of the external debt. The WAEMU peg to the euro is credible partly because of the French Treasury's guarantee, which minimises the risk of a 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 generate more revenue to finance a relatively high level of capital spending. In addition, government debt remains relatively affordable, although the government has mainly borrowed on commercial terms. Other countries with a “b1” score include Ethiopia and Italy (Baa3 negative).

Exhibit 14

Peer comparison table factor 3: Fiscal strength

	Cote d Ivoire Ba3/POS	b1 Median	Ethiopia Caa2/NEG	Italy Baa3/NEG	Namibia B1/STA	Mali Caa2/STA	Gabon Caa1/STA	Jordan B1/POS
Final score	b1		b1	b1	b1	b1	ba3	b2
Initial score	b3		baa2	b1	b1	ba3	ba2	ba3
Gen. gov. debt (% of GDP)	56.7	54.6	31.6	144.4	68.9	53.8	55.6	91.9
Gen. gov. debt (% of revenue)	370.6	306.1	343.3	296.0	214.0	261.0	315.9	267.2
Gen. gov. interest payments (% of GDP)	2.2	2.2	0.6	4.4	4.6	1.5	2.4	2.5
Gen. gov. int. payments (% of revenue)	14.6	8.9	6.8	8.9	14.3	7.5	13.9	7.4

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

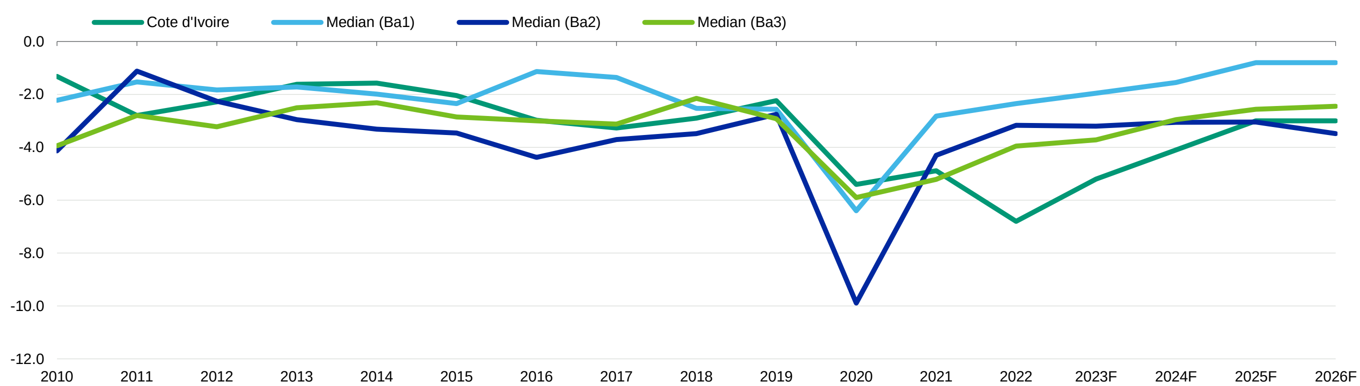
Côte d'Ivoire's public finances weakened last year because of consequences of higher food and energy prices

In 2022, Côte d'Ivoire's public finances came under pressure from a combination of decelerating tax revenue growth and escalating expenditure. Government revenue (including grants) fell to 15.3% of GDP in 2022 from 15.8% in 2021. At the same time, government spending increased to 22.1% of GDP last year against 20.7% of GDP in 2021, resulting in a fiscal deficit of 6.8% of GDP in 2022, up from 4.9% of GDP in the previous year (see Exhibit 15).

Prompted by the surge in global energy and food prices for most of last year, the government took rapid policy actions by prioritising support to the most vulnerable against global inflation shocks. To preserve purchasing power, the government implemented a revaluation of civil servant salaries. Other temporary measures that inflated spending included financial aid to millers to mitigate the rising cost of flour, support for the electricity sector, and price caps for highly consumed products (basic foods and cement). They also provided assistance to women in the food crop sector and increased military spending in response to security unrest in the north of the country.

On the revenue side, tax revenue fell because the government suspended taxes on petroleum products to keep prices at pre-2022 levels, even though the international oil price average rose to $99 per barrel in 2022. Other temporary measures, like the exemption of custom duties on wheat imports, further contributed to the reduction in revenue. Collectively, these government actions led to a widening budget deficit, which increased to 6.8% of GDP from 4.9% in 2021.

Exhibit 15
Côte d'Ivoire's fiscal position was weaker than similarly rated peers in 2022
General government financial balance, percentage of nominal GDP



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

In 2023, we project a decline in the fiscal deficit to 5.2% of GDP. This is likely to be primarily driven by a recovery in total tax revenue. For instance, the authorities have already restored taxes on the sale of petroleum products, reversing a temporary measure that was implemented last year. In addition, the government intends to enhance tax control and improve the management of automatic VAT deductions. It also plans to gradually increase the registration fee rate on cocoa from 3% to 4% of the free-on-board price. In our view, the authorities remain committed to fiscal consolidation with an objective to reduce the deficit to 3% by 2025.

The IMF programme is geared towards increasing revenue. The project to broaden the tax base is directly piloted by a committee at the prime minister's level, and the mobilisation of resources is a multiyear effort. Côte d'Ivoire will benefit from the assistance of international financial institutions and the tax administration of the French Treasury to improve revenue generation. The latter is central in preserving fiscal and debt sustainability. Government revenue excluding grants is likely to increase from 14.8% of GDP in 2022 to 17% in 2025.

Higher government revenue will reduce pressure on public finance and allow the expected rise in capital spending

Between 2011 and 2022, the government steadily increased its revenue intake (including grants) to around 15% of GDP, which kept pace with or even exceeded nominal GDP growth over the same period (see Exhibit 16).

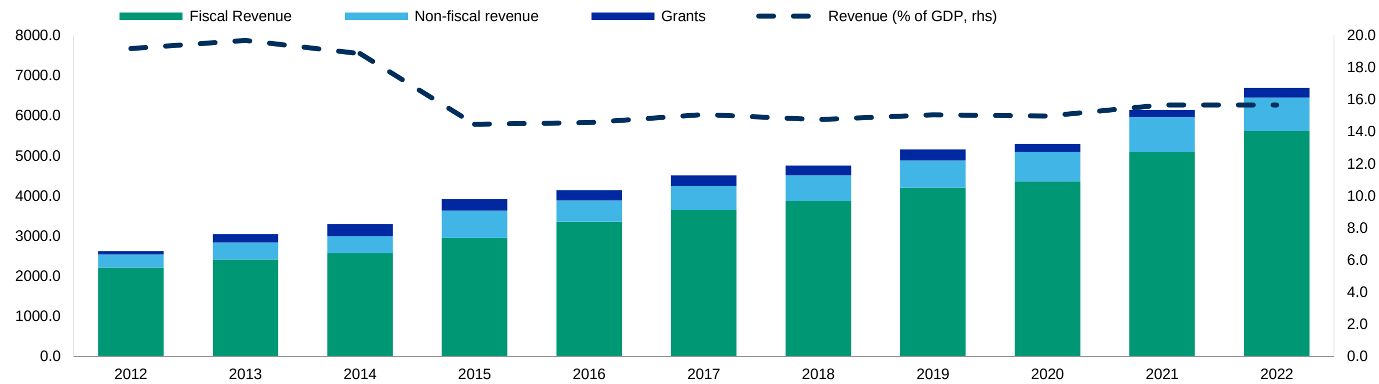
In particular, efforts to improve tax collection increased income from direct taxes by more than 50% between 2016 and 2022. Government revenue is also less dependent on cocoa prices, with cocoa-related revenue accounting for around 10% of total revenue. Following the rebasing exercise, however, revenue was around 15% of rebased GDP in 2022, close to the bottom tenth of the sovereigns we rate, which includes Benin (B1 stable; 14.3% of GDP in 2022), Cameroon (Caa1 stable; 16.1%), and Laos (Caa3 stable;

15.0%). The government is committed to accelerating its efforts to increase tax revenue because the economy is now assessed to be much larger and diversified than previously thought.

Exhibit 16

Government revenue has more than doubled over the past 10 years in nominal terms, keeping pace with high nominal growth of the GDP

CFA francs, in billions (left); and percentage of GDP (right)



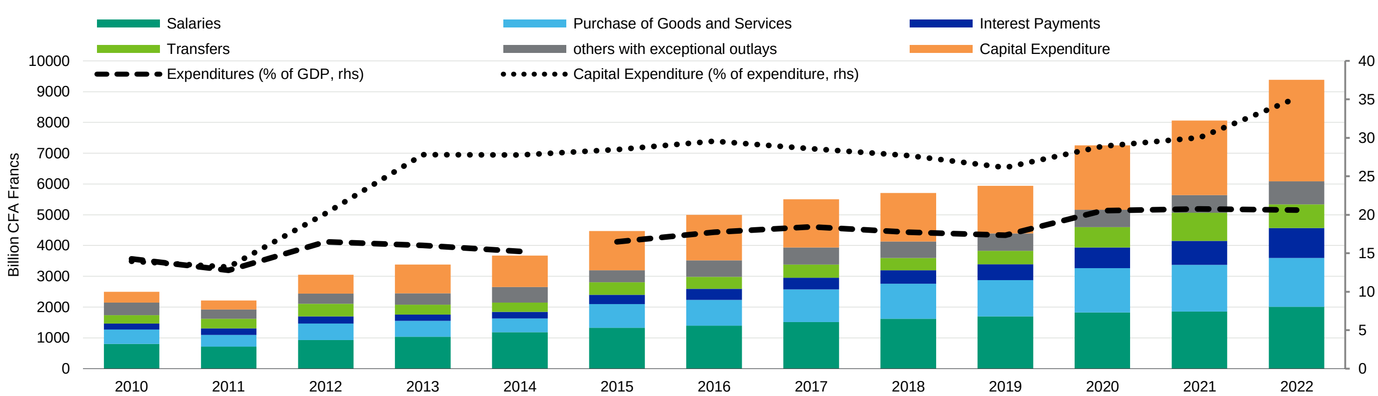
Sources: National authorities and Moody's Investors Service

The government has used much of its additional revenue to finance capital spending, which has risen by a compound annual growth rate (CAGR) of more than 20% since 2011, while total spending has increased by a CAGR of around 15% over the same period (see Exhibit 17). Despite the increase in public-sector salaries last year, which was triggered by the higher cost of living, public-sector salaries accounted for 30% of total revenue (including grants) in 2022, down from 46% in 2014. This prudent approach to public finances has resulted in modest deficits since 2012. Given the significance of the NDP 2021-2025 to the Ivorian economy, the authorities will maintain their commitment to generating higher revenue to avoid altering capital spending.

Exhibit 17

Capital spending has increased significantly since 2011 in nominal terms and averaged 5% of GDP in 2010-22

CFA francs, in billions (left); and in percentage terms (right)

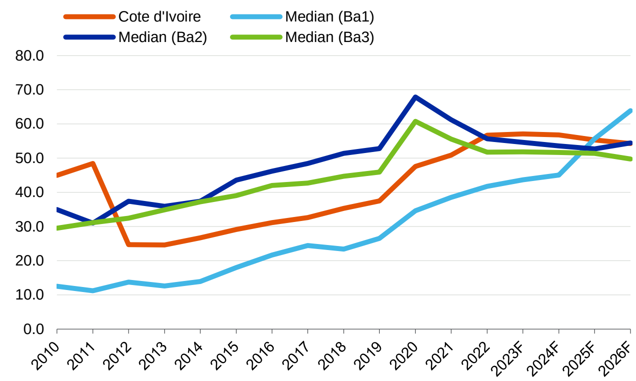


Sources: National authorities and Moody's Investors Service

Debt metrics deteriorated last year, in line with the widening fiscal deficit

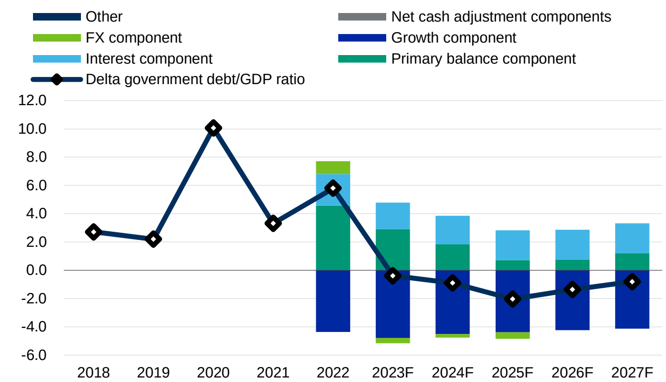
Concurrent with the deterioration in the fiscal position, the country's general government debt escalated to 57% of GDP in 2022. We expect it to average 55% throughout our forecast period (see Exhibits 18-21). The country's debt-to-revenue ratio will fall to an estimated 346.1% in 2023 from 370.6% in 2022, and its interest payments-to-revenue ratio will also decline to 13.9% in 2023, in line with Ba3-rated peers.

Exhibit 18
Debt-to-GDP ratio increased last year in line with the widening fiscal deficit
Debt, percentage of GDP



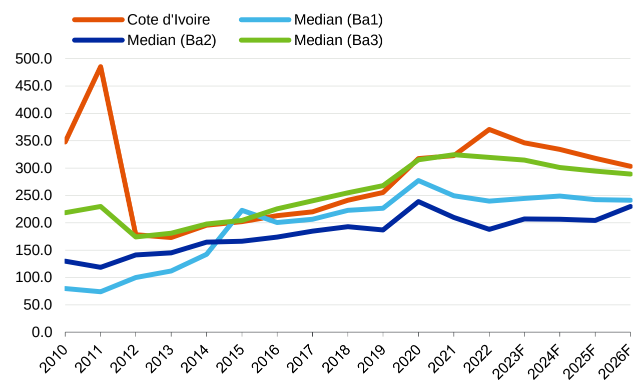
Sources: National authorities and Moody's Investors Service

Exhibit 19
Contribution to changes in government debt
Percentage of GDP



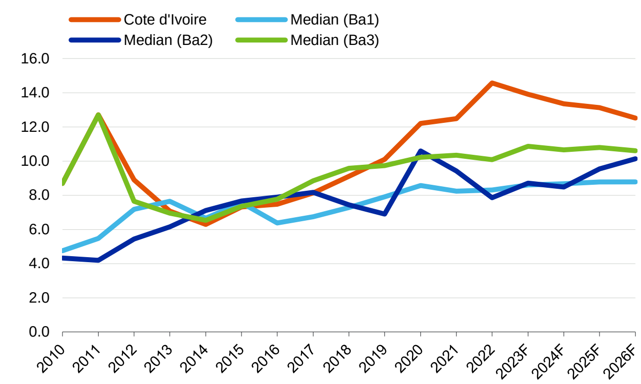
Source: Moody's Investors Service

Exhibit 20
Debt-to-revenue ratio remained high in 2022 ...
Debt, percentage of revenue



Sources: National authorities and Moody's Investors Service

Exhibit 21
... and debt affordability deteriorated
Interest payments, percentage of revenue



Sources: National authorities and Moody's Investors Service

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 to be debt because they are part of full-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 cancelled but receives the payment back as a subsidy from France. The subsidy is deposited in a special account with the BCEAO and earmarked for selected poverty reduction programmes.

Furthermore, public-sector companies are unlikely to require government financial support. The total debt of public-sector companies amounted to CFA1,200 billion or 2.8% of GDP at the end of 2022. The country's two largest public companies, national refinery Société Ivorienne de Raffinage (SIR) and national electricity company CI-Energies, had their existing debt restructured in 2019, significantly reducing the risk of contingent liabilities crystallising on the government's balance sheet. The reduced risk is also because, in SIR's case, a tax on oil at the pump ensures the repayment of €525 million of loans.

Debt has increased but is less sensitive to foreign-exchange risk

Around 53% of government debt was external and foreign currency-denominated at the end of 2022, with the remainder being domestic and local currency-denominated. The equivalent figure in 2013 was just 40%. The foreign-currency debt was around 15.5% of gross debt if we net out euro-denominated liabilities, which accounted for around 70% of foreign-currency debt at the end of 2022. The growing share of external debt can partly be explained by large euro-denominated eurobond issuances during the past decade. Foreign-exchange risk is relatively contained because of Côte d'Ivoire's WAEMU membership and increasing issuance in euros. It has also swapped most of its dollar-denominated external debt service into euros until the end of 2024. Therefore, its external debt payments are 95% covered in euros until that date. A large 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.

An increase in commercial borrowing and a rise in debt have led to a deterioration in debt-affordability (interest/revenue) from 6.3% in 2014 to 14.6% in 2022. We expect it to remain in the 12%-15% range during our forecast period given long tenures. In addition, the maturity of government debt is increasing and averaged more than seven years as of year-end 2022. Greater reliance on concessional borrowing from international financial institutions, such as the IMF and World Bank, during the post-pandemic period will support this trend.

Susceptibility to event risk score: baa

Factor 4: Overall score

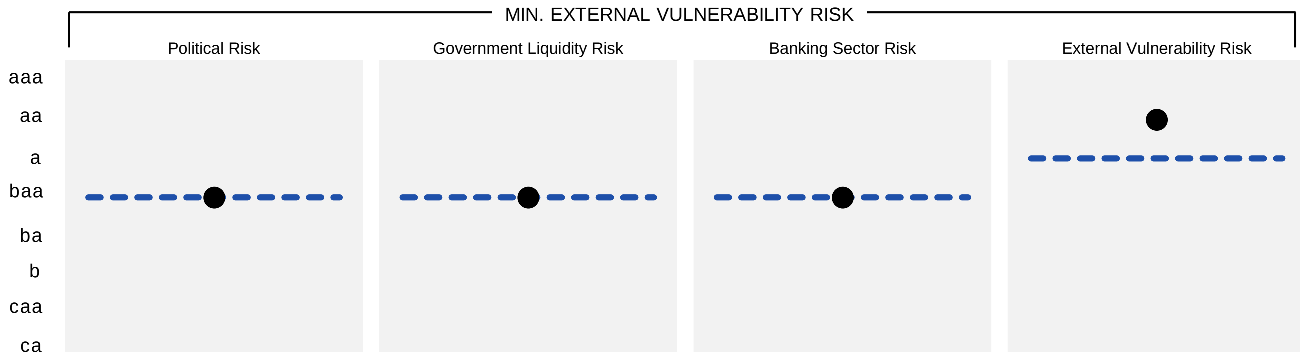
Scale	aaa	aa	a	baa	ba	b	caa	ca	
+				Final					-

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 to 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" assessment of political risk, government liquidity risk and banking sector risk drives Côte d'Ivoire's "baa" score for susceptibility to event risk.

Political risk: baa

Growing inequality and the possible reemergence of lasting political tensions inform our "baa" assessment of political and liquidity risk. Also, social risk remains because of poor (although improving) social indicators, such as the poverty rate or access to basic services. Other countries with a political risk score of "baa" include Angola (B3 positive), Colombia (Baa2 stable) and Cyprus (Ba1 positive).

Exhibit 22

Peer comparison table factor 4a: Political risk

	Cote d Ivoire Ba3/POS	baa Median	Angola B3/POS	Denmark Aaa/STA	Colombia Baa2/STA	Cyprus Ba1/POS	Botswana A3/STA	Argentina Ca/STA
Final score	baa		baa	baa	baa	baa	a	ba
Voice & accountability, score[1]	-0.5	0.3	-0.8	1.6	0.1	0.9	0.5	0.6
Political stability, score[1]	-1.0	0.4	-0.7	0.9	-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.
Sources: National authorities, IMF and Moody's Investors Service

Polarisation of the political scene has been gradually declining following the different electoral successes of the ruling party

In November 2020, President Ouattara won the presidential elections and started his third mandate following the boycott of elections by the two main opposition parties. 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. Despite the tensions, the situation did not descend into the type of widespread civil unrest seen in 2010-11. In particular, both the country and the government had significantly strengthened after a decade of strong economic growth.

Political tensions have also abated to a large extent, especially since the legislative elections organised in April 2021, which were also won by the ruling party called the Rassemblement des Houphouetistes pour la Démocratie et la Paix (RHDP). Although the government has not yet been opened to opposition parties similarly to the first mandate, President Ouattara's reconciliation process saw former President Laurent Gbagbo return to Côte d'Ivoire following his acquittal by the International Criminal Court. Ouattara also met with other leaders, including former President Henri Konan Bédié and Pascal Affi N'Guessan, respective leaders of the Parti Démocratique de Côte d'Ivoire (PDCI) and the Front Populaire Ivoirien (FPI). Although, several electoral cycles have passed, the political scene remains somewhat polarised around Côte d'Ivoire's last three presidents. In 2022, the president appointed a vice president (Tiémoko Meyliet Koné, former governor of the BCEAO), to complete the executive branch. Because there is no new electoral challenge in the next few years after the municipal and regional elections in September 2023 and given that all the parties have participated in the electoral processes following the presidential elections, there is limited risk of rising political tensions.

Growing inequality could lead to social unrest

Social considerations are significant to Côte d'Ivoire's rating, with the country's exposure to social risks being highly negative (S-4 issuer profile score). Notwithstanding high rates of growth over the past decade, high poverty levels and growing income inequality could threaten political stability in the future. However, we have seen some progress in access to basic services, such as water and electricity, because of government efforts to improve the country's overall physical and social infrastructure.

In 2017, civil servants went on strike over salary arrears and increases, as well as pension issues. The government also made 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 benefiting from Côte d'Ivoire's high growth. 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.

Increasingly high energy and food prices are likely to fuel social unrest, similar to that seen in 2008. At that time, the demonstrations were violent and led to some casualties. While some demonstrations are likely, the authorities have been proactive in trying to address some of the strain on the most vulnerable households, resulting in a significant deterioration of its fiscal metrics in 2022.

Government liquidity risk: baa

We assess government liquidity risk as "baa", reflecting government financing needs of 9.3% of GDP in 2023, down from 10.9% in 2022 because of relatively lower fiscal deficit. 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 (although this share is declining) and bond issuances on international and regional capital markets. We expect government gross borrowing requirements to continue to decline as fiscal consolidation gathers pace.

Exhibit 23

Peer comparison table factor 4b: Government liquidity risk

	Cote d Ivoire Ba3/POS	baa Median	Benin B1/STA	Tanzania B2/POS	Kuwait A1/STA	Serbia Ba2/STA	Morocco Ba1/STA	Cameroon Caa1/STA
Final score	baa		baa	baa	baa	baa	a	ba
Initial score	baa		baa	baa	baa	a	a	ba
Ease of access to funding	baa	baa	baa	baa	baa	a	a	ba
Gross borrowing requirements (% of GDP)	9.4	8.7	9.7	7.1	2.1	11.0	13.4	5.9

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

The average maturity of domestic debt was 4.5 years as of the end of 2022, while external debt was 12 years. CFA-denominated debt fell to 45% of total debt in 2022 from 61% in 2013. Overall, the average maturity is likely to continue to increase because the authorities will also try to favour external concessional borrowing from international financial institutions, which is typically granted over longer maturities. Because of the pandemic and the high food and energy prices, the IMF and World Bank have been supportive of many middle- and low-income countries during 2020-22, a trend which will likely continue this year.

The IMF recently approved a 40 months $3.5 billion extended fund facility and extended credit facility for Côte d'Ivoire. The program will aim to assist the country in its transition towards becoming an upper-middle income country via the execution of the NDP 2021-2025.

Côte d'Ivoire has diversified its sources of funding since 2014, when it regained access to global capital markets and has become a regular issuer in the last decade 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. In 2020, Côte d'Ivoire issued $1.2 billion worth of international bonds. It also raised $1.0 billion in a re-opened eurobond sale in February 2021. With the recent issuances, the stock of debt in foreign currency excluding euros accounted for 23.5% of the total at the end of 2021. The issuances highlight the country's established access to international markets but they remain opportunistic by essence. The country is likely to wait for less volatile market conditions to issue again.

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

Côte d'Ivoire went to the regional markets in 2022 with new issuances, as well as to roll over its existing domestic debt. However, we still expect the stock of domestic debt as a percentage of GDP to decline over the long term 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 recent shocks and increased reliance on the regional capital markets.

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 sukuk (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: baa

Our assessment of banking sector risk is "baa". The system is small, with total domestic assets representing almost 37% of GDP at the end of 2022. As of the same date, 28 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 24

Peer comparison table factor 4c: Banking sector risk

	Cote d Ivoire Ba3/POS	baa Median	Benin B1/STA	Cameroon Caa1/STA	Bulgaria Baa1/STA	Kuwait A1/STA	Bermuda A2/STA	Jordan B1/POS
Final score	baa		baa	baa	baa	baa	a	ba
Initial score	baa		baa	baa	baa	baa	baa	ba
BCA[1]	--	ba3	--	--	b3	baa2	baa2	ba3
BSCE[2]	ba3-b3	ba3-b3	ba3-b3	ba3-b3	ba1-ba2	baa3	baa2	ba3-b3
Total domestic bank assets (% of GDP)	36.7	71.3	16.9	27.3	94.0	186.6	334.6	190.4

[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 a banking sector credit event (BSCE) based on available data for the aggregate banking system.
Sources: National authorities, IMF and Moody's Investors Service

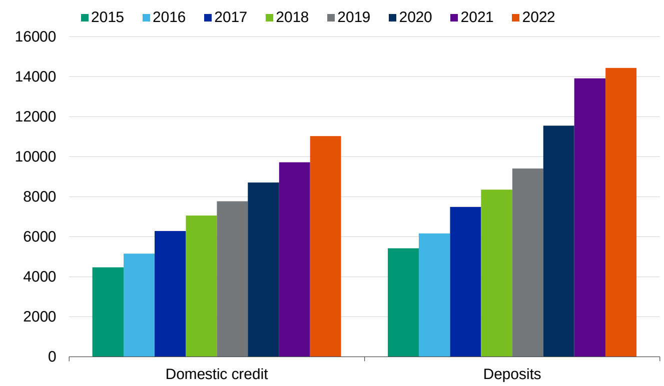
Bank branches are mainly located in Abidjan, where most of the country's economic activity is concentrated. As a result, the penetration rate of banking services is weak, although increasing, at just above 26.5% (almost 65% of mobile money accounts and microfinance accounts are included). Market shares are unevenly distributed because subsidiaries of foreign banks dominate the sector. 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, partly reflecting the correlation between credit to the private sector and public investment in the economy. By the end of 2022, loans had grown 14% year on year and bank assets had risen 8.3% after growing 19% in 2020. The banking system is mostly funded by customer deposits, which rose 3.7% in 2022 after rising 20% annually in 2014-15. The system is relatively liquid and had a loan-to-deposit ratio of almost 70% at the end of 2022 (see Exhibit 25).

Exhibit 25

Domestic credit is rapidly increasing but remains lower than deposits

CFA francs, in billions

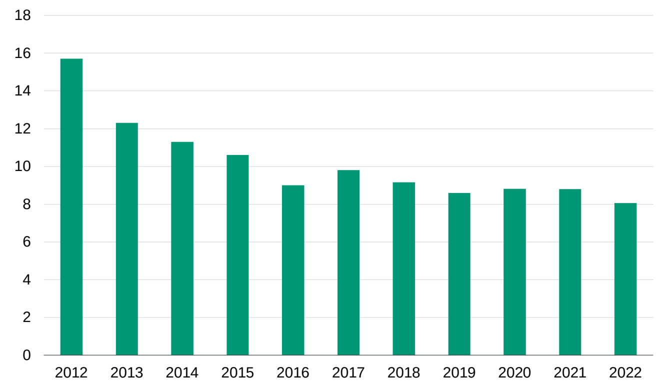


Sources: IMF and Central Bank of West African States

Exhibit 26

Nonperforming loans (NPLs) have broadly fallen since 2012

NPLs as percentage of total loans



Sources: Central Bank of West African States

The banking system poses limited contingent liability risks to public finances and has proven resilient in the past. No bank has failed despite adverse effects, such as those related to the political and security crisis of 2010-11. However, despite some improvement, the overall quality of bank portfolios remains weak, particularly of small state-owned banks (accounting for less than 2% of banking assets). 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 NPLs accounted for 8.0% of lending at the end of 2022, compared with 16.9% in 2011 (see Exhibit 26).

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 27

Peer comparison table factor 4d: External vulnerability risk

	Cote d Ivoire Ba3/POS	aa Median	Brazil Ba2/STA	Guatemala Ba1/STA	Qatar Aa3/POS	Peru Baa1/NEG	Thailand Baa1/STA	Benin B1/STA
Final score	aa		aa	aa	aa	aa	aaa	a
Initial score	aa		aa	aa	aa	aa	aaa	a
Current account balance (% of GDP)	-6.5	-0.3	-3.0	1.4	26.6	-4.5	-3.5	-6.3
Net IIP (% of GDP)[1]	-36.8	-2.7	-40.5	-6.3	--	-43.9	-3.0	-44.1
External debt (% of current account receipts)	144.5	144.5	160.9	63.6	152.5	126.6	56.3	143.0
External vulnerability indicator (EVI)[2]	69.5	36.0	40.4	28.6	--	27.4	34.6	60.4

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

Côte d'Ivoire's current account position weakened last year because of high commodity prices and high machinery imports

Côte d'Ivoire registered a modest current account surplus, averaging 0.3% of GDP between 2000 and 2022, bolstered by a consistent trade surplus. Recently, the current account deficit widened to 6.5% in 2022, up from 4.0% of GDP in 2021. This was primarily because of increased energy and food prices in 2022 and a high level of imports associated with infrastructure projects, even though cocoa prices remained favorable.

The current account deficit of Côte d'Ivoire is likely to gradually ease over the next three years. This is because of a more favorable environment with relatively elevated cocoa and gold prices, as well as rising oil production.

Nonetheless, the country is well equipped to address the adverse economic impact of this shock, given the WAEMU's large pool of foreign-currency reserves alongside the country's ability to secure external funding. We also project external debt to remain relatively low this year at 38.7% of GDP, although debt service costs have been steadily increasing.

Banks are required to repatriate at least 80% of export proceeds to the CFA zone, although 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.

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 reach 50.9% in 2023 from 46.0% in 2022 as a consequence of the still-high energy and food prices.

In the next few years, we expect the country's cocoa export receipts to increase following an 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 from 2024 onwards because of higher prices for agricultural goods and an increasing level of transformation of goods produced in the country. Rising foreign direct investment is likely to fund almost half the deficit.

Risk of 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 denominated in a foreign currency. 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. Moreover, we expect the CFA zone's official reserves to remain stable over the next few years.

Although the CFA franc was devalued by 50% relative to the French franc in 1994, the risk of this happening again is 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, similar to schemes operated in currency board arrangements. Should reserves reach zero, the central bank would need to take new steps to support them, such as import compression measures. This situation has occurred once, in 1991, although the French Treasury maintained the exchange rate during this period.

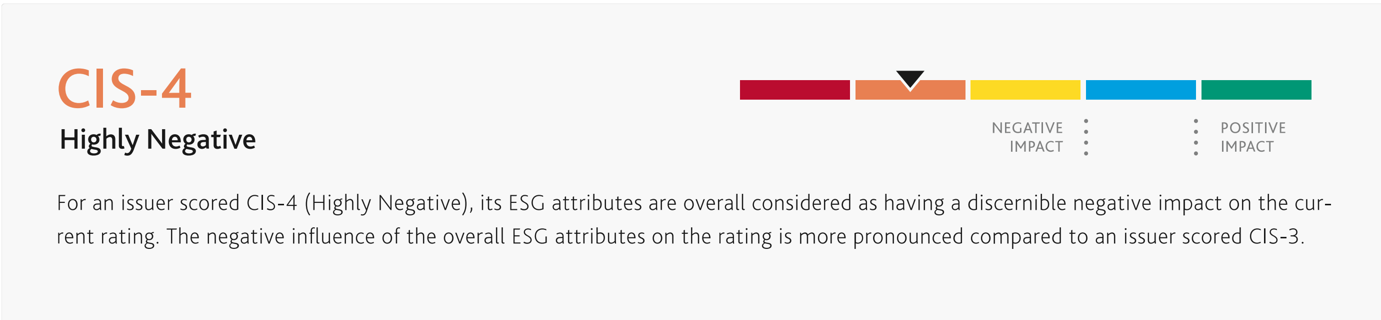
While the 1994 devaluation failed to generate the desired level of growth, it increased the coverage ratio to 84%. The ratio even exceeded 100% between 1999 and 2012, although it fell to 73.4% at the end of 2017. Several large issuances by both Côte d'Ivoire and Senegal over the last five years have supported the pool of reserves. The WAEMU region and the Central Africa franc zone differ markedly with respect to their reserves, with the latter having dealt with 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, a devaluation would need to be agreed upon 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.

ESG considerations

Côte d'Ivoire's ESG Credit Impact Score is Highly Negative CIS-4

Exhibit 28
ESG Credit Impact Score



Source: Moody's Investors Service

Côte d'Ivoire's ESG Credit Impact Score is highly negative (**CIS-4**), reflecting a high exposure to social risk, a moderate exposure to environmental risk, and relatively weak governance that, along with low-income levels, hinder the country's resilience to social and environmental risks.

Exhibit 29
ESG Issuer Profile Scores

Source: Moody's Investors Service

Environmental

Côte d'Ivoire's exposure to environmental risks is moderately negative, reflected in its **E-3** issuer profile score. The country is a leading exporter of agricultural products and a large part of the population still relies on agriculture. As a result, Côte d'Ivoire 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.

Social

Exposure to social risks is highly negative (**S-4** issuer profile score), mainly related to poverty, health and safety, low education outcomes, and relatively poor access to basic services. Safety issues have significantly improved since the 2010-11 violent civil conflict, and the successive electoral cycles have allowed for the polarized political scene to ease gradually. Additionally, growing income inequality could threaten political stability in the future. Notwithstanding its high levels of growth over the last decade, low wealth levels, and high, albeit improving, levels of poverty remain.

Governance

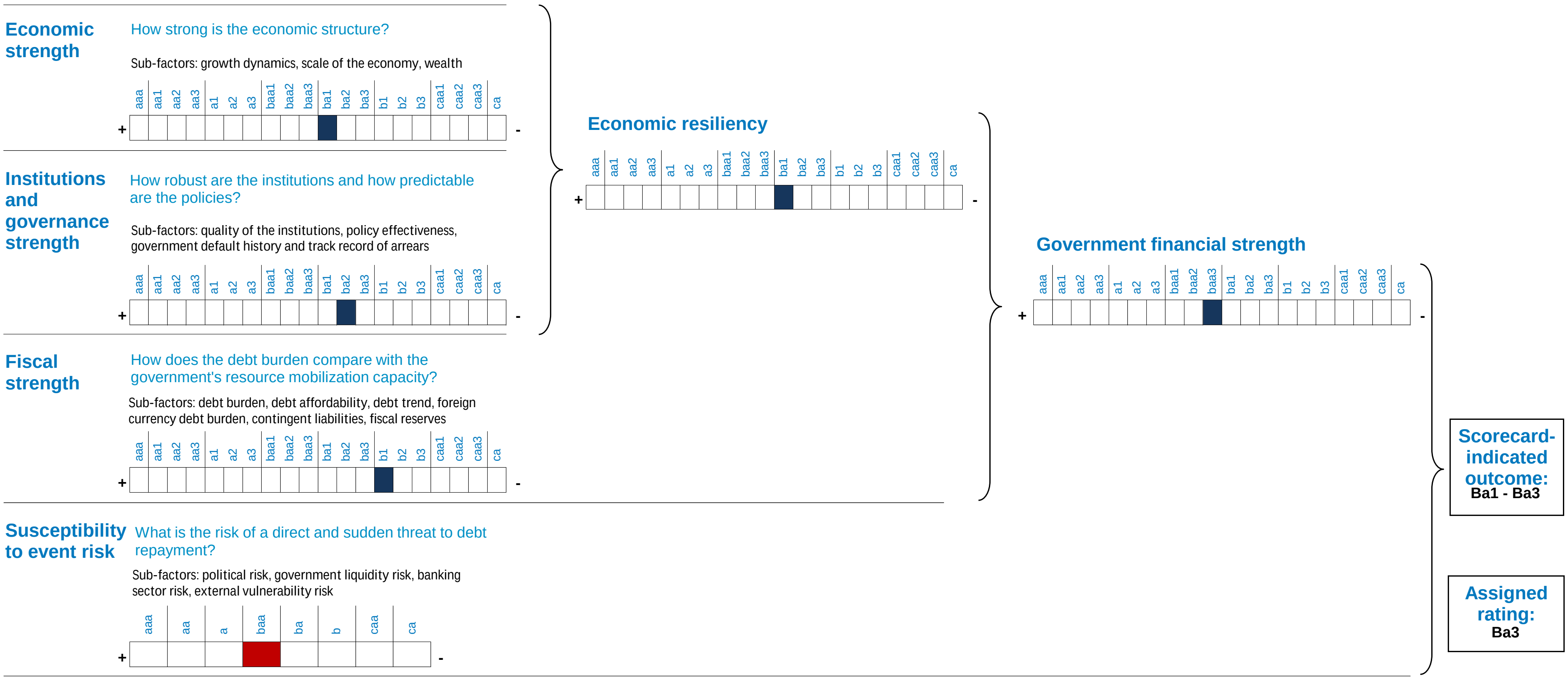
Côte d'Ivoire's weak institutions and governance profile constrain its rating, as captured by a moderately negative G issuer profile score (**G-3**). The country's overall institutional framework was severely damaged by the civil conflict in 2010-11. Nonetheless, over the past decade, the country's institutional framework has seen a positive trend, as witnessed in the improving Worldwide Governance Indicators, reaching on average the 25th percentile in 2019 from below the 10th percentile in 2011.

All of these considerations are further discussed in the “Credit profile” section above. Our approach to ESG is explained in our report on how the scores depict varied and largely credit-negative impact of ESG factors and our cross-sector methodology General Principles for Assessing Environmental, Social and Governance Risks Methodology.

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 the ones implied by the scorecard-indicated outcome. 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 Ratings Methodology: Sovereigns.

Exhibit 30
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. Côte d'Ivoire's average real GDP growth ranks above that of its peers, but its GDP per capita is lower. We assess its institutional strength as “ba2”. In terms of fiscal strength, Côte d'Ivoire's debt stock and interest payments relative to its economy and revenue are stronger than its peers'. The country's susceptibility to event risk score at “baa” is determined by domestic political risks.

Exhibit 31

Côte d'Ivoire's key peers

Cote d Ivoire Key Peers

	Year	Cote d Ivoire	Benin	Vietnam	Senegal	Uzbekistan	Georgia	Ba3 Median	Sub-Saharan Africa Median
Rating/outlook		Ba3/POS	B1/STA	Ba2/STA	Ba3/STA	Ba3/STA	Ba2/NEG	Ba3	B3
Scorecard-indicated outcome		Ba1 - Ba3	Ba3 - B2	Baa3 - Ba2	Ba2 - B1	Ba2 - B1	Baa3 - Ba2	Ba2 - B1	B2 - Caa1
Factor 1		**ba1**	**ba3**	**a2**	**ba2**	**baa3**	**baa3**	**baa3**	**ba3**
Nominal GDP ($ bn)	2022	69.8	17.4	406.9	27.7	80.4	24.6	75.1	27.7
GDP per capita (PPP, Intl$)	2022	6,524	4,024	13,284	4,126	9,634	20,244	13,715	4,442
Avg. real GDP (% change)	2018 - 2027F	6.2	6.3	5.8	5.7	5.7	4.8	5.4	4.0
MAD Volatility in real GDP growth (ppts)	2013 - 2022	1.1	0.7	0.6	0.7	1.5	1.3	1.2	1.3
Factor 2		**ba2**	**ba3**	**ba3**	**ba2**	**b3**	**baa1**	**ba2**	**b3**
Quality of legislative & executive institutions	Latest available	ba	b	b	ba	b	baa	ba	b
Strength of civil society & judiciary	Latest available	ba	b	b	ba	caa	baa	ba	b
Fiscal policy effectiveness	Latest available	baa	ba	ba	ba	b	baa	baa	b
Monetary & macro policy effectiveness	Latest available	ba	ba	ba	ba	b	a	ba	b
Gen. gov. fiscal balance (% of GDP)	2022 - 2024F	-5.4	-4.5	-4.6	-5.4	-3.9	-2.0	-3.5	-4.8
Average inflation (% change)	2018 - 2027F	2.3	1.7	3.3	3.1	10.4	5.4	3.7	4.5
Volatility of inflation (ppts)	2013 - 2022	1.7	1.4	1.5	2.9	2.9	3.6	2.9	2.4
Factor 3		**b1**	**b2**	**baa1**	**b2**	**baa2**	**baa1**	**ba3**	**b2**
Gen. gov. debt (% of GDP)	2022	56.7	54.2	34.5	67.5	40.5	39.7	51.7	56.7
Gen. gov. debt (% of revenue)	2022	370.6	377.9	199.5	329.1	144.2	147.1	317.6	317.7
Gen. gov. interest payments (% of revenue)	2022	14.6	11.5	6.4	10.9	2.6	3.9	10.1	11.5
Gen. gov. interest payments (% of GDP)	2022	2.2	1.6	1.1	2.2	0.7	1.1	2.3	2.2
Factor 4		**baa**	**baa**	**b**	**baa**	**ba**	**b**	**baa**	**ba**
Political risk	Latest available	**baa**	**baa**	**baa**	**baa**	**ba**	**b**	**baa**	**ba**
Government liquidity risk	Latest available	**baa**	**baa**	**a**	**baa**	**ba**	**baa**	**baa**	**ba**
Gross borrowing requirements (% of GDP)	2023F	9.3	9.7	7.9	12.1	12.1	5.4	9.9	10.5
Banking sector risk	Latest available	**baa**	**baa**	**b**	**baa**	**baa**	**ba**	**baa**	**baa**
BSCE[1]	Latest available	ba3-b3	ba3-b3	ba3-b3	ba3-b3	ba3-b3	ba3-b3	ba3-b3	ba3-b3
Total domestic bank assets (% of GDP)	2022	36.7	16.9	188.8	68.3	62.7	98.0	68.3	33.0
External vulnerability risk	Latest available	**aa**	**a**	**a**	**a**	**baa**	**ba**	**a**	**baa**
Current account balance (% of GDP)	2022	-6.5	-6.3	-0.3	-12.9	-0.8	-4.1	-6.0	-4.6
External vulnerability indicator (EVI)	2024F	69.5	60.4	56.0	69.5	56.3	88.1	69.5	69.5
External debt (% of current account receipts)	2022	144.5	143.0	34.4	292.3	119.5	131.3	128.0	144.5
Net international investment position (% of GDP)	2022	-36.8	-44.1	--	-84.5	23.5	-115.1	-55.8	-30.3

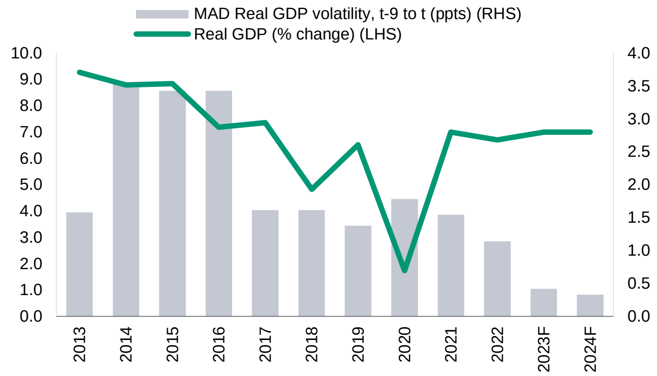
[1] BSCE is our estimate of the risk of a banking sector credit event (BSCE), which we use for sovereigns where we have no or very limited rating coverage of a system.

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

DATA, CHARTS AND REFERENCES

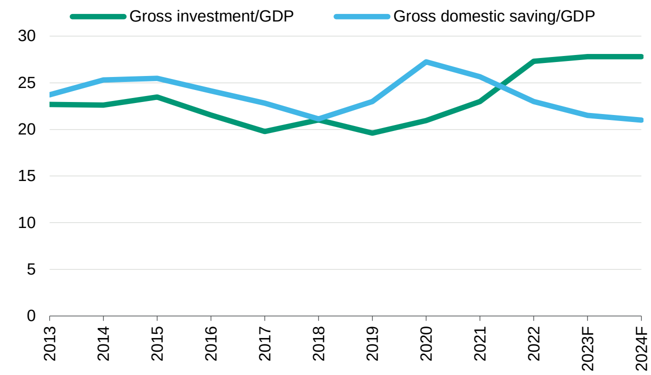
Chart pack: Côte d'Ivoire

Exhibit 32
Economic growth



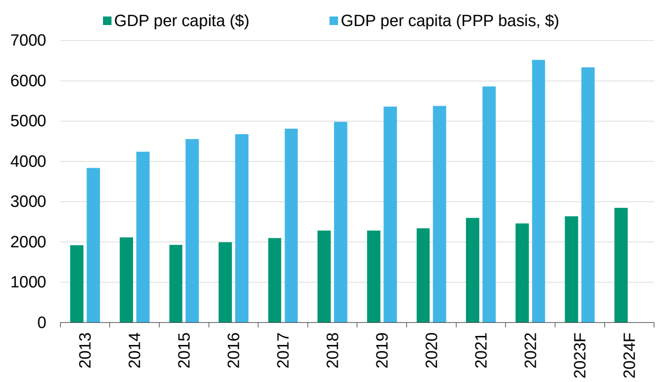
Source: Moody's Investors Service

Exhibit 33
Investment and saving



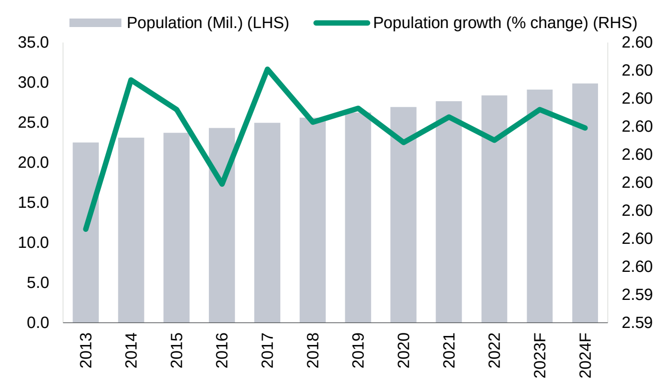
Source: Moody's Investors Service

Exhibit 34
National income



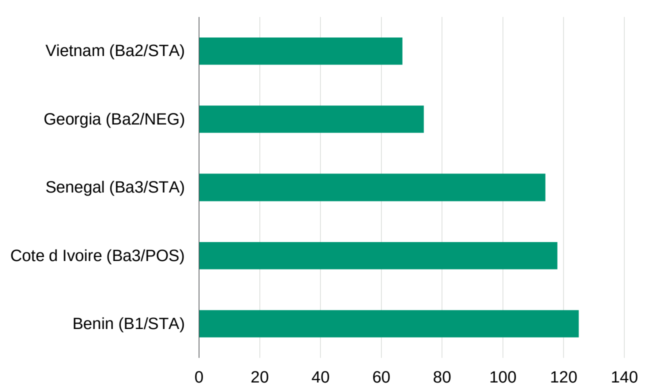
Source: Moody's Investors Service

Exhibit 35
Population



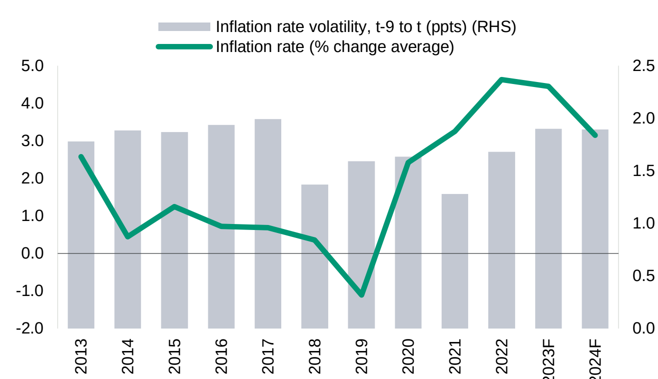
Source: Moody's Investors Service

Exhibit 36
Global Competitiveness Index
Rank 118 out of 141 countries



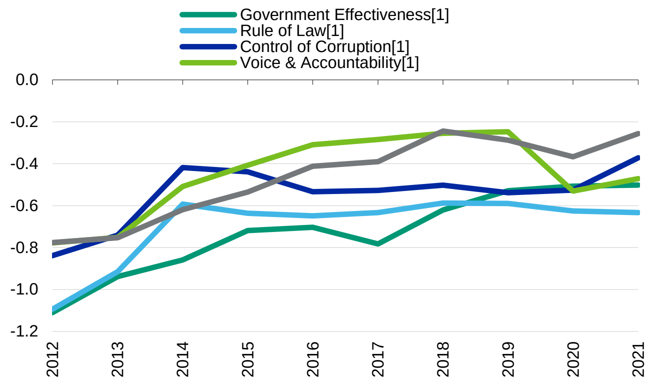
Source: World Economic Forum

Exhibit 37
Inflation and inflation volatility



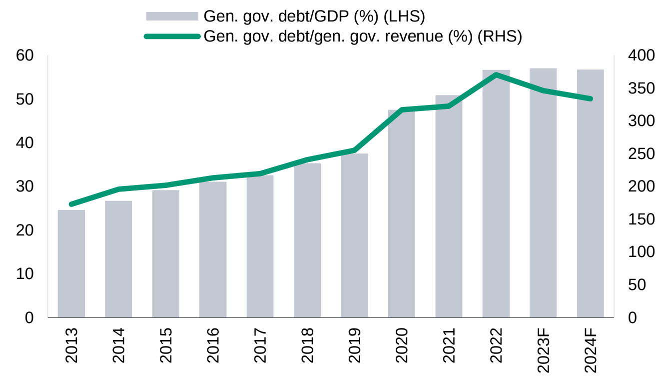
Source: Moody's Investors Service

Exhibit 38
Institutional framework and effectiveness



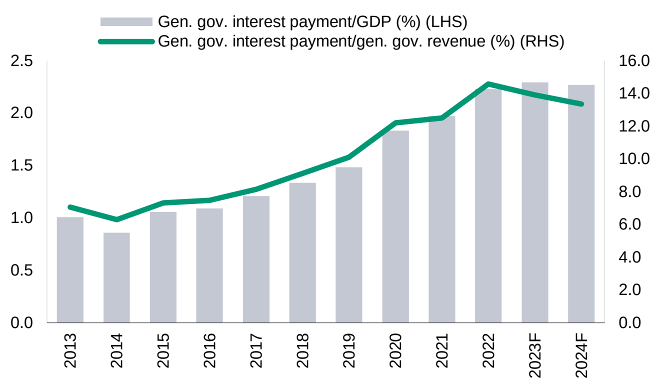
[1] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions.
Source: WGIs

Exhibit 39
Debt burden



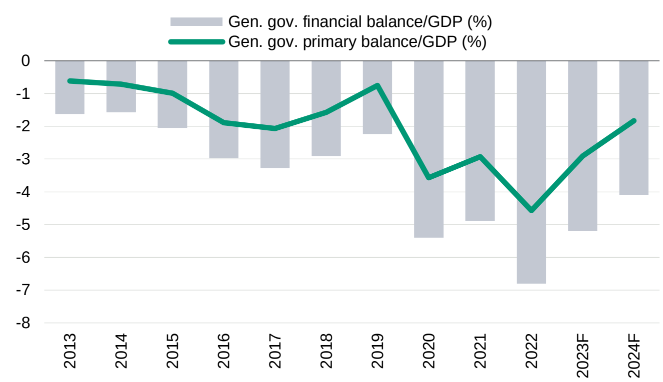
Source: Moody's Investors Service

Exhibit 40
Debt affordability



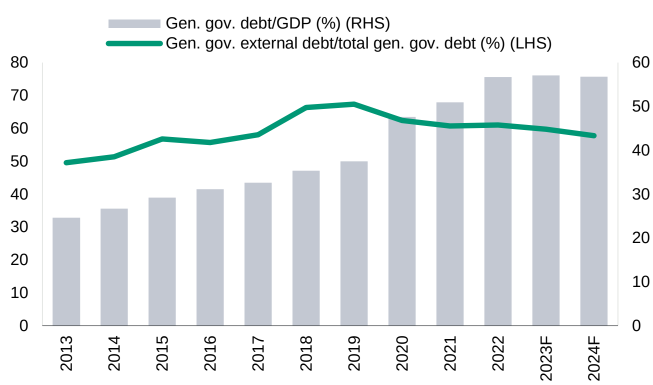
Source: Moody's Investors Service

Exhibit 41
Financial balance



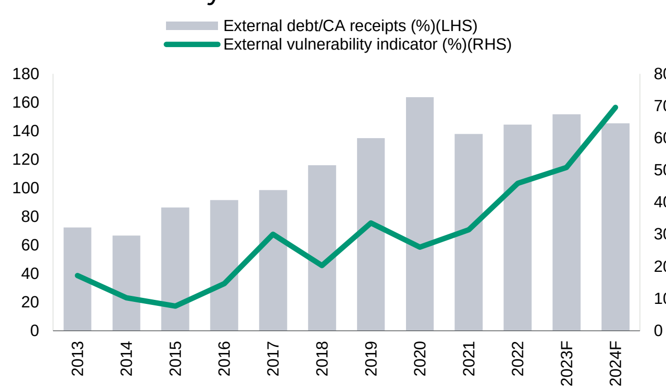
Source: Moody's Investors Service

Exhibit 42
Government liquidity risk



Source: Moody's Investors Service

Exhibit 43
External vulnerability risk



Source: Moody's Investors Service

Rating history

Exhibit 44
Côte d'Ivoire

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	POS			NP	NP	Jun-22
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

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 45

Côte d' Ivoire

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F
Economic structure and performance												
Nominal GDP (US$ bil.)	43.2	48.8	45.8	48.4	52.4	58.5	59.9	63.0	71.8	69.8	76.8	85.1
Population (Mil.)	22.5	23.1	23.7	24.3	25.0	25.6	26.3	27.0	27.7	28.4	29.1	29.9
GDP per capita (US$)	1,919	2,112	1,931	1,989	2,099	2,284	2,279	2,336	2,596	2,460	2,638	2,847
GDP per capita (PPP basis, US$)	3,834	4,237	4,558	4,672	4,814	4,985	5,357	5,380	5,862	--	--	--
Nominal GDP (% change, local currency)[1]	12.9	13.0	12.2	5.9	6.3	6.6	8.0	3.3	9.8	9.4	9.2	8.7
Real GDP (% change)[1]	9.3	8.8	8.8	7.2	7.4	4.8	6.5	1.7	7.0	6.7	7.0	7.0
Inflation rate (% change average)	2.6	0.4	1.3	0.7	0.7	0.4	-1.1	2.4	3.3	4.6	4.5	3.2
Gross investment/GDP	22.7	22.6	23.5	21.5	19.8	21.0	19.6	20.9	23.0	27.3	27.8	27.8
Gross domestic saving/GDP	23.7	25.3	25.4	25.5	23.2	21.6	23.4	20.7	21.4	23.0	21.5	21.0
Nominal exports of G & S (% change, US$ basis)	-1.9	10.2	-8.8	-3.7	10.7	-0.6	3.9	-4.0	22.6	7.7	4.9	11.5
Nominal imports of G & S (% change, US$ basis)	-2.7	-0.2	-6.7	-5.4	10.7	11.7	-2.5	-4.4	25.9	21.8	2.9	6.2
Openness of the economy[2]	57.7	53.6	52.7	47.7	48.7	45.9	45.1	41.1	44.8	52.8	49.9	49.0
Government Effectiveness[3]	-0.9	-0.9	-0.7	-0.7	-0.8	-0.6	-0.5	-0.5	-0.5	--	--	--
Government finance												
Gen. gov. revenue/GDP	14.2	13.6	14.5	14.6	14.8	14.7	14.7	15.0	15.8	15.3	16.5	17.0
Gen. gov. expenditures/GDP	15.9	15.2	16.5	17.6	18.1	17.6	16.9	20.4	20.7	22.1	21.7	21.1
Gen. gov. financial balance/GDP	-1.6	-1.6	-2.0	-3.0	-3.3	-2.9	-2.2	-5.4	-4.9	-6.8	-5.2	-4.1
Gen. gov. primary balance/GDP	-0.6	-0.7	-1.0	-1.9	-2.1	-1.6	-0.8	-3.6	-2.9	-4.6	-2.9	-1.8
Gen. gov. debt (US$ bil.)	11.1	11.9	13.1	14.3	18.2	20.0	22.5	32.3	35.0	40.1	45.2	49.7
Gen. gov. debt/GDP	24.6	26.7	29.2	31.1	32.6	35.3	37.5	47.6	50.9	56.7	57.1	56.8
Gen. gov. debt/gen. gov. revenue	173.0	195.7	201.7	213.1	219.7	241.0	255.2	317.2	322.6	370.6	346.1	334.1
Gen. gov. interest payments/gen. gov. revenue	7.1	6.3	7.3	7.5	8.1	9.1	10.1	12.2	12.5	14.6	13.9	13.3
Gen. gov. FC & FC-indexed debt/gen. gov. debt	38.1	40.9	47.0	44.1	49.0	57.6	59.3	52.8	50.9	52.9	52.4	50.9
External payments and debt												
Nominal exchange rate (local currency per US$, Dec)	475.6	540.3	602.5	622.3	547.0	572.9	583.9	534.6	579.2	615.0	600.9	590.2
Real eff. exchange rate (% change)	3.2	0.2	-6.9	1.1	0.3	1.1	-4.1	3.7	2.0	-4.9	--	--
Current account balance (US$ bil.)	-0.6	0.5	-0.2	-0.4	-1.0	-2.3	-1.3	-2.0	-2.9	-4.5	-4.3	-3.8
Current account balance/GDP	-1.5	1.0	-0.4	-0.9	-2.0	-3.9	-2.3	-3.1	-4.0	-6.5	-5.6	-4.5
External debt (US$ bil.)	9.9	9.8	11.4	11.5	13.4	16.2	19.8	22.9	23.9	27.0	29.6	31.5
Public external debt/total external debt	64.6	67.5	74.7	73.0	77.7	81.7	79.4	91.0	92.0	93.4	93.8	94.1
Short-term external debt/total external debt	--	--	--	--	--	--	--	--	--	--	--	--
External debt/GDP	22.8	20.1	24.9	23.7	25.7	27.7	33.1	36.4	33.2	38.7	38.6	37.1
External debt/CA receipts[4]	72.4	66.6	86.4	91.5	98.6	116.0	134.9	163.7	138.0	144.5	151.6	145.3
Interest paid on external debt (US$ bil.)	0.2	0.2	0.3	0.3	0.3	0.4	0.5	0.7	0.6	0.6	0.6	0.6
Amortization paid on external debt (US$ bil.)	0.8	0.7	0.5	1.2	1.8	1.2	2.4	2.1	0.6	0.7	1.0	1.0
Net foreign direct investment/GDP	1.0	0.9	1.0	1.1	0.6	0.8	1.2	1.1	1.5	1.4	1.8	2.0
Net international investment position/GDP	5.1	5.2	4.9	4.0	-39.1	-33.9	-35.4	-41.0	-37.1	--	--	--
Official forex reserves (US$ bil.)[5]	10.9	10.5	10.0	8.2	10.4	11.9	14.1	15.0	15.0	12.0	9.8	11.5
Net foreign assets of domestic banks (US$ bil.)	0.5	0.4	0.4	0.6	0.4	0.6	--	--	--	--	--	--

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F
Monetary, external vulnerability and liquidity indicators												
M2 (% change Dec/Dec)	11.4	16.0	19.1	10.4	8.8	13.5	11.0	21.4	17.7	--	--	--
Monetary policy rate (% per annum, Dec 31)	2.5	2.5	2.5	2.5	2.5	2.5	--	2.0	--	--	--	--
Domestic credit (% change Dec/Dec)	20.2	19.4	19.7	11.5	11.0	13.1	8.1	20.1	13.5	--	--	--
Domestic credit/GDP	19.4	20.5	21.8	23.0	24.0	25.5	25.5	29.6	30.6	--	--	--
M2/official forex reserves (X)	1.1	1.1	1.3	1.6	1.6	1.5	1.4	1.7	1.9	--	--	--
Total external debt/official forex reserves	90.2	93.6	114.4	139.0	128.7	135.9	140.7	152.7	158.9	225.1	304.1	274.1
Debt service ratio[6]	7.0	5.8	5.9	11.8	15.6	11.6	19.8	19.6	7.2	7.0	8.0	7.1
External vulnerability indicator (EVI)[7][8]	17.2	10.2	7.7	14.7	30.0	20.3	33.6	26.0	31.4	45.9	50.9	69.5
Liquidity ratio[9]	-14.0	-30.1	-3.1	13.8	1.7	7.7	14.2	13.1	21.1	--	--	--
Total liabilities due BIS banks/total assets held in BIS banks	110.7	135.2	74.4	56.6	41.4	30.6	22.5	19.2	15.0	--	--	--
"Dollarization" ratio[10]	9.0	10.5	10.4	10.8	11.0	11.0	--	11.0	11.0	--	--	--
"Dollarization" vulnerability indicator[11]	6.6	8.6	9.7	12.1	12.4	12.1	--	14.0	15.6	--	--	--

[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

Related websites and information sources

» Sovereign risk group web page

» Sovereign ratings list

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