Country Brief–Côte d'Ivoire
July 2017

Introduction

Côte d'Ivoire is a country along the Gulf of Guinea in West Africa, covering a combined area of over 322,000 square kilometers. With a GDP of about US$35 billion and a population of 22.7 million, Côte d'Ivoire (CIV) is one of the largest economies in West Africa. The country is heavily dependent on agriculture and is the world's largest producer and exporter of cocoa and a significant producer and exporter of palm oil and cashew nuts. Even during the 2002-07 conflict which marked the difficult transition towards a more democratic system of political governance, the country maintained its global leadership in the production and export of cocoa—a reflection of both its resilience and tremendous growth potential.

After a difficult political transition, elections in 2015 were very peaceful and have provided an opportunity for the government of President Alassane Ouattara to consolidate the gains and economic progress achieved during his first term in office. In effect the country has achieved impressive economic growth over the last few years, weathering the decline in commodity terms of trade to sustain one of the strongest and fastest economic growth rates within the region. The medium-term growth aspiration of the country is anchored on a new National Development Plan (NDP) for the period 2016-2020, a sequel to the 2012-2015 Development Plan, which focuses on structural reforms with a view to supporting the emergence of a vibrant private sector leading the process of structural transformation of the Ivorian economy. In support of this agenda, donors pledged to fund the country's NDP up to US$15.4 billion in grants and loans during a consultative group meeting in Paris in April 2016 while the World Bank Group also committed to supporting the country with US$5 billion during the period.

Political Environment

The political environment in Côte d'Ivoire has undergone a great deal of challenges over the last two decades. Once known as one of the most peaceful and stable countries in post-colonial Africa, Côte d'Ivoire's political difficulties began in the late 1990s when a military coup d'état overthrew President Bedié's government in 1999 and led to a military transition which ended in 2000. However, the military coup and the difficult political transition which followed set the country on a relatively long period of political instability. Despite the post-election challenges, that difficult era ended with the election of President Alassane Ouattara in 2010. Since then the security situation in the country has been improving steadily, resulting in improved investors' confidence. The resumption of investment, especially in large infrastructure projects, including transport, energy, construction and tourism, has been a major catalyst for economic growth which averaged 8% over the last 6 years.

Over the near-to-medium term, the improving security and political climate achieved on the back of continued efforts by the government to prioritize dialogue and national reconciliation is set to continue. That process of national reconciliation is likely to be enhanced by the recent acquittal and release of the former First Lady—Mrs. Simone Gbagbo.

Despite these positive developments the recent wave of military mutinies observed in many large cities across the country suggests that the political environment remains fragile, with downside risks. Furthermore, the proximity of Côte d'Ivoire to Mali and Burkina Faso which suffer recurrent jihadist activities also constitutes a threat to the country, especially given the attack perpetrated by jihadist militants in Grand-Bassam, a tourist destination near Abidjan.

Economic Overview

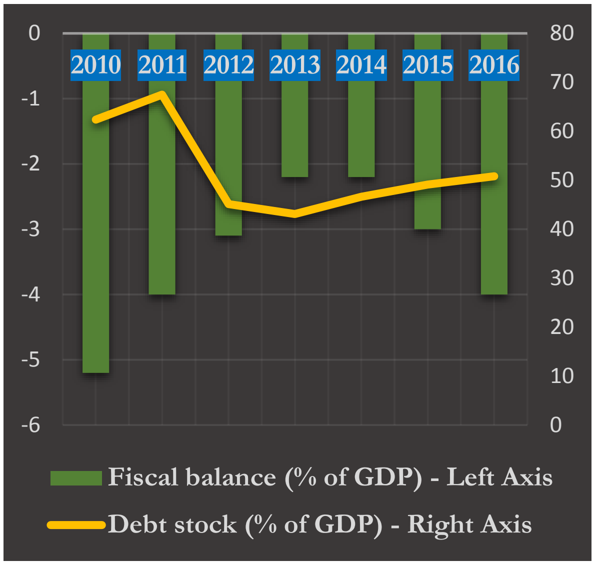
GDP: The economy of Côte d'Ivoire achieved robust growth for the fifth consecutive year in 2016, driven by booming agriculture, an improved business and investment climate, and firm investment growth, in spite of weakening global demand, decelerating economic growth in China, heightening uncertainty and volatility in financial markets. After contracting by 4.7 percent immediately after the post-election crisis in 2011 aggregate output rebounded, setting the country on an impressive growth trajectory over the next five years (Table 1). The country has achieved an average growth rate of 8% over the last five years, fueled by the improving business and macroeconomic environment and increasing confidence of investors.

The medium term development strategy continues to target increased investment as well as funding other post-conflict development needs including improving the state of infrastructure. It is expected that the economy will continue growing at a robust pace on account of strong private investment in areas such as agriculture, agribusiness, mining, light manufacturing, housing and services, and helped by the government's pro-business reforms. Industries that aim to process the country's raw materials, including cocoa, will expand at a robust pace as the government offers more incentives to develop these sectors.

Inflation: Price levels have been relatively low compared to most countries in the region with a 7-year average rate of 2.6 percent in part reflecting the inflation target objective at the heart of monetary policy in a region where the currency is pegged to the Euro. Even though robust economic growth and loose fiscal policy are likely to stoke inflationary pressures, this will be tempered by rising agricultural productivity as investment in the sector continues.

Fiscal balance: The last few years have been characterized by the sustained deterioration of fiscal deficits. After a reduction of the fiscal deficit which widened during the difficult political transition in 2010, fiscal deficits increased significantly in 2016, reaching 4.6% of GDP (see Figure 1). In contrast, the country's debt position improved markedly over the same period. Expressed as a percentage of GDP, the debt-to-GDP ratio decreased steadily, reaching 50 percent in 2016, from 67.5 percent in 2011.

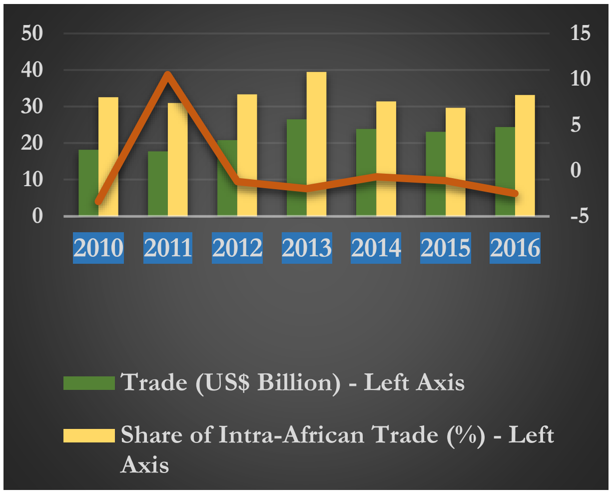
Figure 1: Trend in Fiscal Position and Debt Stock



Overview of Trade and Reserve Position

Trade: Despite the difficult political transition and challenging global economic environment the trade performance of Côte d'Ivoire has remained relatively strong (Figure 2). The main exports of Côte d'Ivoire include cocoa beans; refined petroleum; cocoa paste; coconuts; Brazil nuts; cashew; and gold, while its main imports are crude and refined petroleum and non-fillet frozen fish. In relation to export destinations, trading partners are mainly the Netherlands, the United States, France, Germany, Belgium, and Luxemburg while most of its imports are sourced from Nigeria, France, China, the United States and Italy. The country continues to be one of the leading drivers of intra-African trade with trade with neighbouring countries including Ghana, Nigeria, Burkina Faso, among others, accounting for over 30 percent of its trade (Figure 2) in 2016.

Figure 2: Trade Developments and Trend in Current Balance



Reserves: The decline in commodity prices has put considerable pressure on Côte d'Ivoire's foreign reserve holdings which have fallen since 2014. Given that cocoa exports account for over 40 percent of the country's foreign exchange earnings, weak cocoa prices are likely to continue to put pressure on the country's foreign exchange reserves position.

Exchange rate: The CFA franc is pegged to the euro at CFAfr655.96:€1 and therefore fluctuates in line with euro: dollar movements. The expected depreciation of the Euro against the US dollar in a context of divergent monetary policy and interest rate hikes in the United States is likely to continue throughout 2017. Thereafter, the euro is estimated to gradually appreciate against the dollar, as the growth and interest-rate differentials narrow in the near to medium term.

Current account balance: Like most developing economies, Côte d'Ivoire's current account balance has been negative, reflecting widening trade deficits. Despite the slight improvement of the last few years, the country recorded a current account deficit of 2.5% in 2016. The current-account deficit is forecast to remain relatively flat, at a yearly average of 2.6% in 2017 with robust export growth offset by the rising import bill and higher primary income debits. The deficit will primarily be financed by external borrowing and, to a lesser extent, by foreign direct investment inflows, particularly into the natural resource, construction and services sectors.

Opportunities for Bank Support

The ambitious goal to become an emerging country in 2020 through the implementation of a National Development Plan offers tremendous business opportunities for the Bank in various sectors which are quite opportune especially at a time when the Bank is implementing its Plan V dubbed IMPACT 2021 with emphasis on intra-African trade; industrialization and export development.

The National Development Plan (NDP) which is expected to make Côte d'Ivoire an emerging country by 2020 offers significant economic growth opportunities and prospects for the Bank to support Côte d'Ivoire. Key priorities in the programme include accelerating the structural transformation of the economy through industrialization, and infrastructure development. As part of the implementation of that strategy, Côte d'Ivoire seeks to rehabilitate existing industrial parks and create new ones; diversify the economy through attainment of 50% of processing, of key agricultural raw material such as cocoa, coffee, cotton, cashew and rubber by 2020.

The Bank could actively support the development of industrial parks to promote value addition and export diversification by financing processing facilities. The Bank could also expand its support to trade-related infrastructure and other relevant sectors (mining for instance). Over the years Côte d'Ivoire has also been a vibrant hub for intra-regional trade, and the support provided by the Bank to Ivorian entities could advance the Bank's intra-African trade agenda.

Table 1: Selected Macroeconomic Indicators

Variable	2010	2011	2012	2013	2014	2015	2016
GDP growth (%)	2.39	-4.7	8.13	8.7	6.85	8.54	7.98
Inflation (%)	1.37	4.9	2.0	2.94	0.91	2.01	4.04
Fiscal balance (% of GDP)	-5.2	-4.0	-3.1	-2.2	-2.2	-3.0	-4.0
Debt Stock (% of GDP)	62.4	67.5	45.1	43.1	46.6	49.1	50.8
Reserves (US$ billion)	3.62	4.32	3.78	4.24	0.4	0.34	0.35
Trade (US$ Billion)	18.14	17.78	20.83	26.47	23.88	23.08	24.39
Share of Intra-African Trade (%)	32.5	30.96	33.32	39.5	31.37	29.9	33.1
Current account balance (% of GDP)	-3.4	10.5	-1.2	-2.0	-0.7	-1.1	-2.5