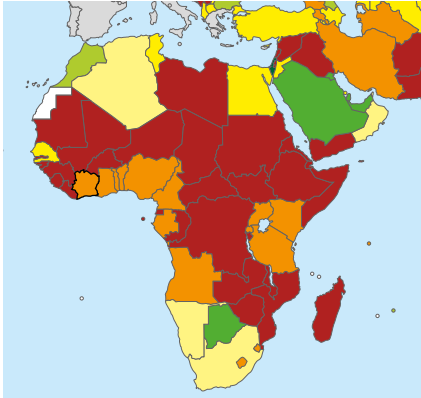




The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness.



#### CONTACT

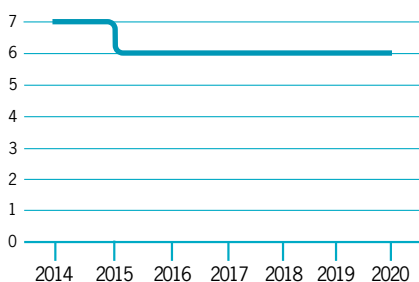
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#### BASIC FACTS

Population: 26 million (2019)  
GDP, nominal: USD 59 billion (2019)  
GDP/capita: USD 2,238 (2019)

Source: IMF WEO

#### COUNTRY CLASSIFICATION HISTORY



Källa: EKN

## The Coronavirus Pandemic and Presidential Elections dominate the risk picture in 2020

Côte d'Ivoire's position in Country Risk Category 6 is underpinned by strong macroeconomic developments and strong growth prospects, however is limited by the risk associated with political unrest and the weak business environment. In a global perspective, Côte d'Ivoire so far has managed relatively well with regard to the COVID-19 pandemic, both in terms of local contagion and financial impacts. Nevertheless, the growth rate is expected to more than halve in 2020 to 2.7 percent, primarily due to lockdown and external economic factors. In addition to the pandemic, there is a significant risk in the country's domestic politics, where old conflicts may be accentuated in the context of the Presidential elections to be held in October 2020. The main scenario is that the corona crisis and possible tensions in connection with the elections will have limited impacts on long-term growth and the direction of economic policy. A much longer and deeper crisis poses the main risk to that scenario. Thanks to the West African Economic and Monetary Union (WAEMU), the exchange rate and transfer risk in export transactions with Côte d'Ivoire is relatively low and is not expected to deteriorate when the country switches its currency from CFA to Eco in 2020.

#### THE COUNTRY'S STRENGTHS AND WEAKNESSES

##### STRENGTHS

- + High long-term growth rate and relatively well-developed industrial base.
- + Strong macroeconomy compared to other countries in Country Risk Category 6.
- + Member of the West African Economic and Monetary Union (WAEMU), which contributes to reduced transfer risk and macroeconomic stability.

##### WEAKNESSES

- Heightened risk of political unrest, even though the country's institutions and democracy have been strengthened in the 2010s. The country is divided, with clear tensions between various different groups.
- Weak business climate, especially the weak regulatory environment.
- Low domestic savings rate and high sensitivity to changes in the export prices of cocoa and oil create vulnerabilities in the country's balance of payments.

## SWEDISH GOODS EXPORTS TO CÔTE D'IVOIRE, MSEK

	MSEK
2019	243
2018	192
2017	362
2016	293
2015	354

Source: SCB

## EKN:S EXPOSURE

	MSEK
Guarantees	184
Pledges	2,176

## EKN:S POLICY

EKN places Côte d'Ivoire in Country Risk Category 6 – an assessment which was made in collaboration with other OECD countries. Normal risk assessment applies to sovereign risks, banks and companies, which means that there are no predetermined restrictions or limitations in the issuance of guarantees. For other public risks, such as government agencies, a letter of credit, bank or state guarantee is required.

## EKN:S EXPOSURE AND EXPERIENCE

EKN's commitments have increased to just under SEK 2.4 billion, thanks to a billion-dollar transaction in the bus sector which was executed in February 2020 with the State as the buyer. The largest exposure outside the transport sector is with the paper industry and primarily consists of transactions with a handful of different trading houses. The third significant exposure EKN has is with the mining industry, where several exporters are recipients of guarantees. During the period from 2015 to 2019, EKN guaranteed 107 transactions for a total amount of SEK 2.8 billion. Of the transactions classified for sustainability, the vast majority have environmental risk category B, i.e. the middle category of EKN's environmental risk categories.

On the whole, EKN's payment experience is good. Late payment notifications amount to just over SEK 20 million, which is slightly higher than the average for the past five years, however this is primarily due to the fact that the exposure has increased significantly over the same period. Claims settlements are low, just under SEK 3 million in the past five years period. Outstanding receivables amount to SEK 6 million and relate primarily to two decades old commercial receivables in the paper industry plus a commercial receivable from 2015 in the mining industry.

## WHAT MIGHT CAUSE A CHANGE IN THE COUNTRY POLICY

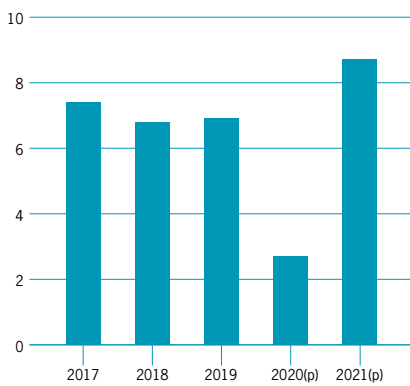
### THE EASING OF RESTRICTIONS, IN THE EVENT OF:

- Established democratic tradition with stable trend of peaceful transitions of power and strengthened institutions.
- Continued macroeconomic stability, including stable public finances and sustained high growth.

### THE TIGHTENING OF RESTRICTIONS, IN THE EVENT OF:

- Return to political instability and renewed domestic conflict.
- Long-term slowdown in growth and loss of macroeconomic stability.

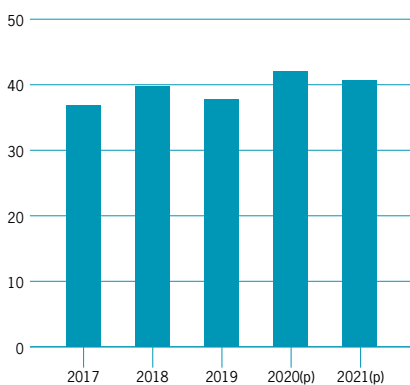
## GDP-GROWTH (% PER ANNUM)



Sharp economic slowdown this year, followed by a rapid recovery 2021.

Source: IMF WEO

## OFFICIAL DEBT (% OF GDP)



The state is expected to keep debt under control through the crisis.

Source: IMF WEO

## COUNTRY ANALYSIS

### BACKGROUND

The recent history of Côte d'Ivoire has been plagued with fatal political conflicts and the country remains divided. In the early 2000s, a civil war broke out that in practice effectively divided the country into a southern and a northern part. In 2007, the conflict ended with a ceasefire, and in 2010 elections were held for the presidential post and legislative assembly. In the elections, Alassane Ouattara defeated the then President Laurent Gbagbo, however the latter refused to concede. The consequence was new confrontations between Gbagbo's and Ouattara's supporters which led to that the EKN suspended the issuance of guarantees for approximately one year. However, in April 2011 Gbagbo was forced to depart and Ouattara was able to formally take office. Since then, there have been widespread military uprisings in both 2014 and 2017, forcing the government to make concessions. The conflicts have hit the economy hard and led to several suspensions of payments from the central government in the 2000s.

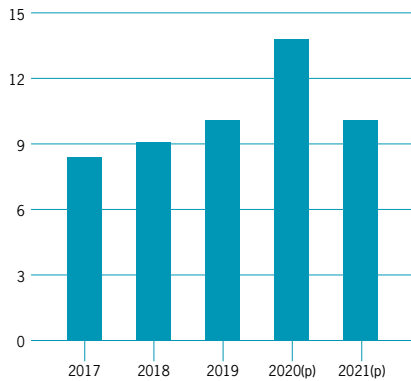
Over the last decade however, the economy of Côte d'Ivoire has developed in a positive direction. Macroeconomics and public finances have strengthened, while the country has consistently shown strong rates of growth. Between 2012 and 2018, the economy grew by an average of nine percent per year. Growth is largely natural resource-driven, in the form of agriculture and the extraction of gold and oil, even if there is also a food and textile industry to a certain extent. The large agricultural sector and the long coastline make Côte d'Ivoire one of the most vulnerable countries in the world in terms of climate change. Furthermore, the natural resource-based economy is sensitive to fluctuations in the global market prices of cocoa, coffee, and oil in particular. Cocoa accounts for nearly 40% of the country's exports.

Côte d'Ivoire is a member of the West African Economic and Monetary Union (WAEMU) in which the currency is pegged to the euro and guaranteed by France. The currency zone contributes to macroeconomic stability in the form of low inflation (about one percent in 2019), relatively small movements in the exchange rate, and reduced transfer risk both within the zone as well as against hard currencies. All Member States contribute to and can use the foreign exchange reserves of the Central Bank of West African States (BCEAO) – in 2019 the reserves corresponded to just over four months of imports and is therefore adequate. Consequently, the exchange rate and transfer risks in export transactions with Côte d'Ivoire are considered relatively low.

### RECENT DEVELOPMENTS

The political situation in the country has improved in recent years, even though the social and religious tensions that led to the escalating violence in 2010/2011 remain. Armed violence occurs in the southwestern parts of the country and the military is a destabilising factor. There are risks that the conflict will be accentuated in the presidential elections that will take place in October 2020, in which Gon Coulibaly of the ruling party Rally of Houphouëtists for Democracy and Peace (RHDP) is the favourite to win the election. President Ouattara recently announced that he will not seek

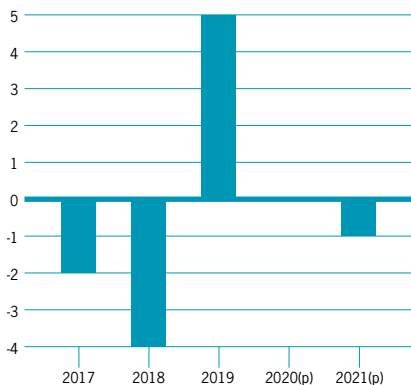
### INTEREST PAYMENTS ON OFFICIAL DEBT (% OF REVENUE)



Fairly low interest payments on official debt constitute a strength when government revenue falls.

Source: IMF WEO

### EXCHANGE RATE XOF/USD (Y-O-Y,%)



WAEMU reduces transfer risk and contributes to currency stability.

Source: IMF WEO

re-election, and in the spring several other potential contenders seem to have dropped out. Gbagbo, who was indicted at the International Criminal Court in The Hague, has certainly been acquitted, but the verdict has been appealed and he is still in exile. Guillaume Soro, who has the strong support of some parts of the military and is linked to the 2017 military uprising, has just been sentenced to 20 years in prison for embezzlement, among other misdeeds.

The Coronavirus pandemic will lead to a sharp slowdown in the country's economy in 2020, partly due to local COVID-19 contagion and partly due to external economic factors. Even though the number of deaths due to COVID-19 is so far few in global comparison, the government has imposed an extensive lockdown. These include nightly curfews, closed borders for passenger transport, restricted mobility between regions, and closed schools. The economy is also affected by falling levels of exports, not least due to reduced demand from the EU and drastically lower prices for cocoa beans and crude oil. The country's IMF programme has been extended until the end of 2020, which is a stabilising factor in view of the Coronavirus pandemic and the upcoming elections<sup>1</sup>. At the same time, the country has been granted nearly USD 900 million in loans from a disbursement from the IMF's Rapid Credit Facility to help fight the coronavirus impacts. The membership in the WAEMU also has a stabilising effect on the economy in the current crisis.

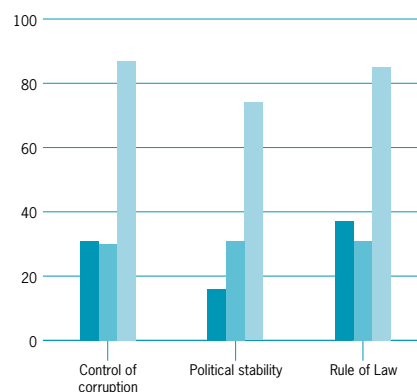
Just before the end of 2019, the WAEMU announced major changes in the currency regime. In 2020, the currency will be renamed Eco, France will leave the central bank's Board of Directors, and the requirement that 50% of the Union's foreign exchange reserves must be placed in the French Central Bank will be abolished. France's influence over the WAEMU is a relic of colonial times. However the peg to the Euro will remain and France will continue to guarantee unlimited convertibility of the Eco against the Euro. The abolition of the investment requirement of foreign exchange reserves means that BCEAO will receive increased powers in the management of the reserves.

### LONG-TERM TREND

EKN's view is that public finances will continue to develop in a sustainable direction, not least due to that Côte d'Ivoire tends to manage its IMF programmes well. As a result of the Coronavirus crisis, the central government's budget deficit will grow to just over five percent<sup>2</sup> of GDP in 2020 and debt will exceed 40 percent of GDP. However, a return to tighter fiscal policy and a falling level of public debt are expected in the coming year. According to IMF forecasts, a strong recovery in the economy of close to 9% is expected in 2021, which would stabilise the revenue and expenditure side of the central government budget. A large-scale outbreak of infection within the country or a deeper and longer-lasting global Corona crisis than expected poses significant risks to that scenario.

1. Despite positive macroeconomic developments, there are continued restrictions on commercial borrowing (OECD Guidelines on Sustainable Lending) via the current IMF programme.
2. Côte d'Ivoire thus violates the WAEMU's convergence criterion of a maximum 3% budget deficit, which the WAEMU has decided to temporarily allow for its members during the Coronavirus crisis.

## BUSINESS ENVIRONMENT



■ Côte d'Ivoire  
■ Sub-Saharan Africa  
■ High Income Countries (OECD)

Ranking from 0 (worst) to 100 (best)

Source: The World Bank

The 2020 elections pose an additional risk as it threatens to unravel wounds that are not yet healed in a country with weak institutions and limited capabilities for conflict management. Renewed conflict would hit the central government's ability to pay, for example via sharply increased government spending, refinancing problems, reduced foreign investment, slowed growth or transfer barriers. What speaks for continued stability is that the political governance has managed to deal with the conflict situation for almost a decade. Côte d'Ivoire is more stable today than it was ten years ago and has taken steps forward in terms of institutions and democratic governance. In the run-up to the elections, the government has set up an inclusive dialogue forum for the purpose of strengthening the independent electoral commission in its efforts to conduct a free and fair election. The UN and the EU will have election observers on the ground, which is expected to have a stabilising effect. The fact that Outtara, Gbagbo and Soro are now likely to be out of the picture is seen as mitigating the risks, partly due to the history of conflict that they share and partly because everyone's candidacy in the election had been controversial. The main scenario is thus that any political tensions will be able to be addressed, with limited effects on growth and the current economic policy orientation.

The exchange rate and transfer risk is expected to remain fairly low, even after the CFA has been replaced by Eco. Initially, the changeover of currency may put more pressure on the BCEAO, however thanks to the convertibility guarantee, the new currency is likely to assume the same credibility as the CFA in the long run. The BCEAO is expected to continue to pursue a sound monetary policy even when France no longer has any influence over the bank.<sup>3</sup> Stronger public finances and a continued credible monetary policy thus suggest continued macroeconomic stability with low inflation of about 2 percent, going forward.

## BUSINESS ENVIRONMENT

Côte d'Ivoire is ranked 110th out of 190 in the World Bank's Ease of Doing Business Index for 2019, which is in the top 20 in sub-Saharan Africa and more than 60 places better than ten years ago. However, it is significantly behind countries such as Kenya, South Africa and Zambia. The level of corruption in the country is relatively high – the country ranks 106th out of 180 in Transparency International's 2019 Corruption Perceptions Index, i.e. significantly worse than, for instance, neighbouring Ghana, which is ranked 80th. The high level of corruption affects the legal system, which is generally weak. Litigation and bankruptcy proceedings can be time-consuming and outcomes are very uncertain. According to the World Bank, the recovery rate in the event of company bankruptcies is approximately 37 percent in Côte d'Ivoire, compared with a figure of almost 80 percent in Sweden. In general, a cumbersome bureaucracy and a complex tax system represent significant weaknesses in the business environment.

Thanks to the WAEMU, buyers in Côte d'Ivoire have relatively good

3. In practice, France's influence over monetary policy has been limited. France currently has one of 15 votes on the Monetary Policy Committee which is responsible for defining monetary policy within the WAMU, one in ten votes on the Board of Directors, and one of 19 votes in the Banking Commission (responsible for supervision of the banks within the Union).

access to hard currency. However, the Central Bank guarantee from France is the primary factor in maintaining the BCEAO's solvency, which means liquidity problems may very well arise, especially for smaller non-governmental buyers and in a situation where the country's balance of payments is under pressure. Furthermore, there is likely to be a limit on how long France will extend financial support in a crisis situation, even if the guarantee is in theory unlimited. State and key private sector actors are likely to be prioritised in such a scenario, while smaller non-governmental companies and companies that themselves do not generate hard currency into the country may have to wait. Finally, it should be added that it is significantly more expensive for non-exporting companies to buy hard currency from the Central Bank of Côte d'Ivoire.

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