Best's Country Risk Report

Côte d'Ivoire

CRT-5

August 22, 2019

Region: Sub-Saharan Africa

Country Risk Criteria Procedures

Guide to Best's Country Risk Tiers

- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Côte d'Ivoire, a CRT-5 country, has a high level of economic risk and very high levels of political and financial system risk.
- The economy is driven largely by agriculture, particularly crops such as cocoa and coffee, and is vulnerable to changes in climate and volatility in commodity markets. GDP growth was 7.4% for 2018 and is expected to range between 6% and 7% the next few years. Private consumption, investment, and projected stable cocoa prices will be the main supporters of this growth.
- Inflation is subdued, below 1%, but is expected to rise moderately over the medium term.
- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, the exceptions being Mauritius at CRT-3 and South Africa at a CRT-4.

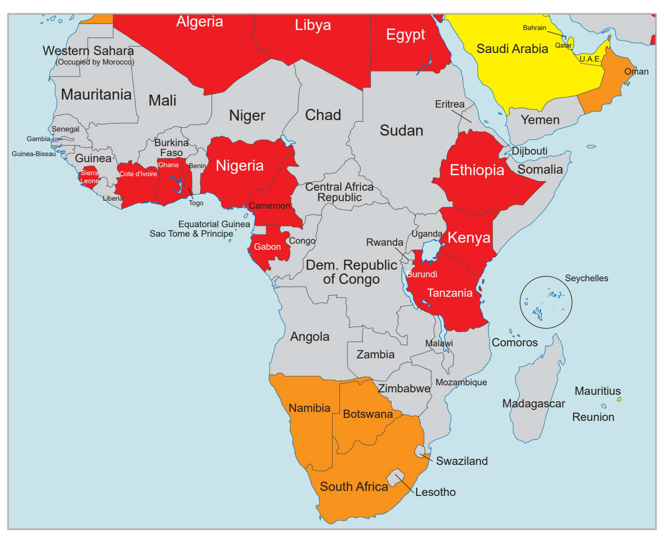
Vital Statistics 2018		
Nominal GDP	USD bn	43.03
Population	mil	25.6
GDP Per Capita	USD	1,680
Real GDP Growth	%	7.4
Inflation Rate	%	0.3
United Nations Estimates		
Literacy Rate	%	43.9
Urbanization	%	50.3
Dependency Ratio	%	83.1
Life Expectancy	Years	54.1
Median Age	Years	18.3
Insurance Statistics		
Insurance Regulator	Insurance Department at the Ministry of Economy and Finance	
Premiums Written (Life)	USD mil	278
Premiums Written (Non-Life)	USD mil	370
Premiums Growth (2017 - 2018)	%	16.4
Regional Comparison		
	Country Risk Tier	
Cote d'Ivoire	CRT-5	
Nigeria	CRT-5	
Ghana	CRT-5	
Kenya	CRT-5	
Morocco	CRT-4	
South Africa	CRT-4	

Source: IMF, UN, Swiss Re, Axco and AM Best

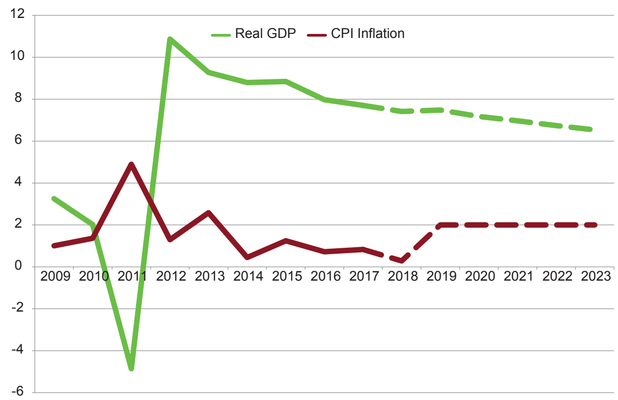
- **Country Risk Tier 1** (CRT-1) Very Low Level of Country Risk
- **Country Risk Tier 2** (CRT-2) Low Level of Country Risk
- **Country Risk Tier 3** (CRT-3) Moderate Level of Country Risk
- **Country Risk Tier 4** (CRT-4) High Level of Country Risk
- **Country Risk Tier 5** (CRT-5) Very High Level of Country Risk

Regional Summary: Sub-Saharan Africa

- Growth is expected to pick up, driven by public investment in the region's more diversified economies. However, the largest economies in Sub-Saharan Africa are likely to lag the regional growth average due to changing oil dynamics and depressed business confidence linked to corruption fallout. Growth in the region's two largest economies—Nigeria and South Africa (which account for two thirds of the region's population)—is expected to be anemic.
- The region faces several headwinds that limit potential, including entrenched poverty, pervasive corruption, heightened global trade tensions, inadequate infrastructure, an unstable security environment, and a vulnerability to natural disasters.
- The region's sovereign debt increased from a median 31% of GDP in 2013 to 56% in 2018. Given the region's development challenges, the pace of the increase is unsustainable.
- The African Continental Free Trade Agreement (AfCFTA) went into force in May 2019. AfCFTA seeks to bolster continental African trade by reducing tariffs by 90%, harmonizing trade rules, and establishing a single market



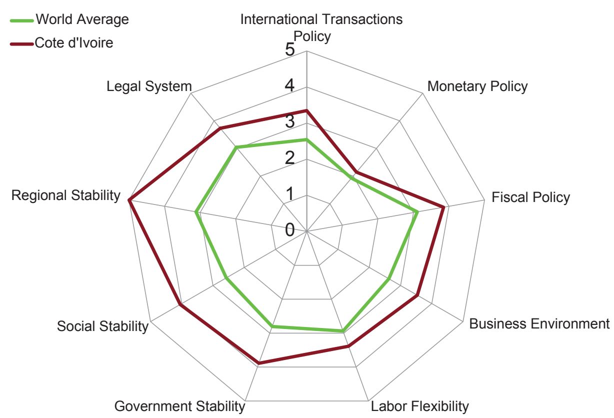
Economic Growth (%)



Source: IMF World Economic Outlook and AM Best

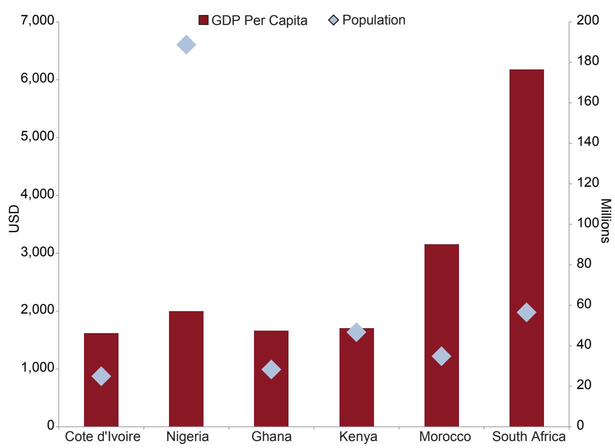
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: AM Best

GDP Per Capita and Population



Source: IMF and AM Best

Economic Risk: High

- Côte d'Ivoire's economy is driven primarily by its agricultural sector, with cocoa as its main export. Due to the dramatic drop in the price of cocoa in 2017, the country has adopted a number of reforms to stabilize the industry and mitigate future risks.
- According to the World Bank's 2019 Ease of Doing Business survey, Côte d'Ivoire ranks 122nd out of 190 countries. Challenges to the operational environment include corruption and long lead times for both exports and imports. However, Côte d'Ivoire's contract enforcement is relatively strong.
- Under the IMF's extended credit facility agreement, Côte d'Ivoire has introduced a number of programs to promote growth, reduce poverty, and establish a strong fiscal position. The program aims to reduce Côte d'Ivoire's budget deficit to 3% of GDP by the end of 2019.

Political Risk: Very High

- Alassane Ouattara has been the president of Côte d'Ivoire since 2010, when his election sparked a brief civil war. He heads the governing Rally of Houphouëtists for Democracy and Peace coalition (RHDP). After winning the 2018 election, the coalition was weakened by the exiting of its second-most important political party.
- The government has focused on revamping the cocoa industry, attracting foreign investment, investing in infrastructure, and expanding the mining industry.
- The government's relationship with the armed forces remains tenuous, following the 2017 mutinies. Although the mutinies were resolved, President Ouattara remains cognizant of the army's potential threat to his leadership.
- With elections scheduled for 2020, protests are likely to erupt over desired electoral commission reform. Violence between ethnic groups is also expected to rise in the run-up to the election.

Financial System Risk: Very High

- Insurance regulation is set by the Insurance Department at the Ministry of Economy and Finance. Côte d'Ivoire is also part of Conférence Interafricaine des Marchés d'Assurances (CIMA), a regional insurance body that issues regulations, and is part of the West African Economic Monetary Union.
- Côte d'Ivoire issued eurobonds in 2018 to finance its debt. Over the medium term, the country plans to finance the majority of its debt with the regional bond market and to finance the remainder with the international market. In the meantime, the regional bond market requires further development.
- According to the IMF, the banking industry is relatively stable and is being strengthened by newly implemented banking regulations and increased capital requirements. The average capital adequacy ratio was 9.8% at the end of 2017.