MACRO-FISCAL PROFILE

CÔTE D'IVOIRE

May 2016

Key Indicators	
Population (2014)	22.1 million
Per capita GDP (constant 2005 USD) (2014)	$1,080
Average population growth rate (2010–2014)	2.3%
Government revenues as a % of GDP (2013)	17.7%
Country income classification	Lower-middle

Source: World Bank, 2016b.

Country Policy and Institutional Assessment Ratings (1 = low, 6 = high), 2014	National	SSA Mean
Efficiency of revenue mobilization	3.5	3.5
Equity of public resource use	2.5	3.3
Fiscal policy	3.5	3.1
Macroeconomic management	4.0	3.5
Quality of budgetary and financial management	3.0	3.1

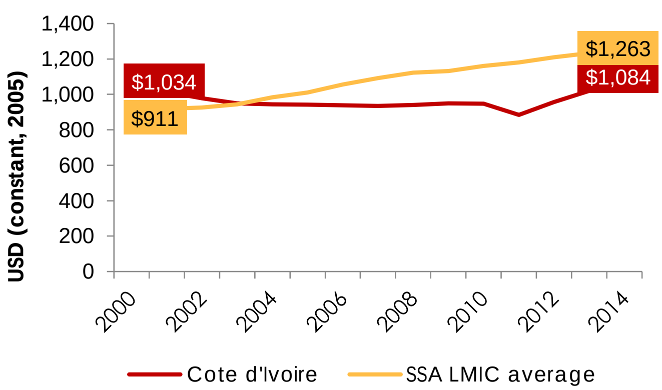
Source: World Bank, 2016a.

Macroeconomic Forecasts

Indicator	2013	2014 (est.)	2015 (proj.)	2016 (proj.)
Real GDP growth (%)	8.7	8.3	7.9	8.5

Source: IMF, 2015; Yembiline et al., 2015.

Figure 1: GDP per Capita (2000–2015)



Source: World Bank, 2015

Overview

Cote d'Ivoire has achieved an impressive transition from crisis to relative stability. Since the post-election crisis of 2011, the country has seen stable economic growth, fueled by healthy domestic and international demand. The cocoa, mining, construction, and transport sectors have contributed to a robust annual gross domestic product (GDP) growth rate, averaging at 8–9% anually from 2012 to 2016. The country has benefited from high global cocoa prices, low oil prices, and depreciation of the CFA franc compared to the U.S. dollar. Inflation remained low, at 1.2% in 2015. To maintain this positive trajectory, continued efforts in structural reform are critical to ensure transparency and the efficient and equitable use of funds. Government investment in infrastructure has catalyzed private sector investments, but further efforts are needed in efficient tax collection and targeting funds to pro-poor initiatives. Enabling a workforce policy that shifts the growing working-age population into nonagricultural jobs will translate into economic benefits felt across the citizenry (IMF, 2015).

Political Economy

Cote d'Ivoire's economic growth hinges on a stable political climate and the return of citizenry and private sector's trust in the government. In fall 2015, the government successfully conducted its first election since the 2011 post-election crisis, resulting in a landslide victory and a second term for President Ouattara. Cote d'Ivoire scores above average in macroeconomic management and mobilizes revenue relatively efficiently through its fiscal policy. These indicators demonstrate the success of recent public sector governance reform in improving tax collection while controlling government expenditures. Government priorities set by the national development plan also have improved the business climate through structural reforms, making the country more attractive to foreign investors. However, there is still room for improvement in managing and equitably utilizing its resources. The government and its donor partners have placed greater emphasis on transparency and accountability in public financial management. To sustain the positive real GDP growth since 2012, the government must continue to maintain transparency and structural reform efforts (World Bank, 2016a; IMF, 2015).

GDP and Economic Growth

Among sub-Sahara African (SSA) countries, Cote d'Ivoire has seen above-average real GDP growth. Domestically, public and private infrastructure investment and household consumption have been robust.

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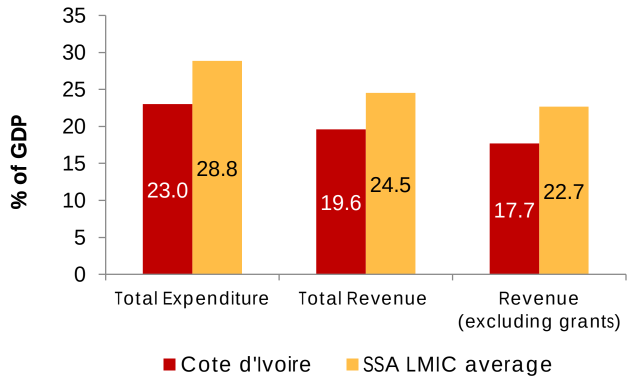
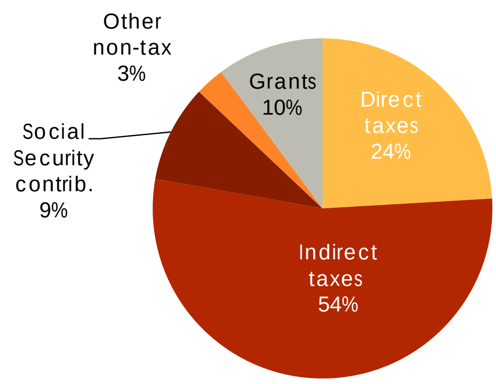
Figure 2: Government Revenue and Expenditure (2013)



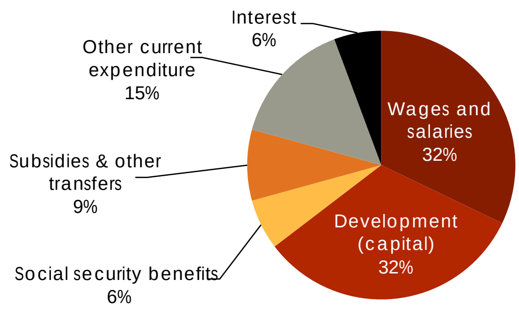
Source: Yembiline et al., 2015; IMF, 2015.

Figure 3: Government Revenue (2013)



Source: IMF, 2015.

Figure 4: Government Expenditure (2013)



Source: IMF, 2015.

Healthy external demand via increased commodity exports has also contributed to this growth.

The country lagged behind its regional peers for GDP per capita in the 2000s, but recent improvements in the economy finally are being felt at the household level, as shown by the rise in per capita GDP—faster than the average for SSA lower middle-income countries (LMICs) (Figure 1). This above-average growth must continue for Cote d'Ivoire to catch up. Although the extractive, finance, and communications sectors have contributed to economic growth, they have generated limited job opportunities; the majority of Ivoirians remain employed in the agricultural sector.

Revenue and Expenditure

Cote d'Ivoire has struggled to improve its revenue-raising effectiveness—revenue-excluding grants have been relatively static at around 17.7% of GDP for the last 10 years. This revenue generation rate is well below the regional average of 22.7% (Figure 2). Indirect taxes account for the majority of government revenue (Figure 3). Cote d'Ivoire is not dependent on revenue from natural resources; resource rents account for approximately 8% of GDP.

The government has targeted investments in infrastructure and been able to keep expenses in check while supporting the growing economic demand. The International Monetary Fund recommends getting the country's overall budget deficit down to 3.5% by 2016. To maintain the growing investment in public service with an emphasis on pro-poor spending and achieve this deficit target requires improving revenue generation more than reducing expenses. The positive economic outlook for the next few years makes it likely that the government can achieve this target. As Cote d'Ivoire improves its LMIC status and its political climate stabilizes, aid support will plateau and ultimately decline. In September 2015, the World Bank approved an International Development Association credit and grant for Cote d'Ivoire amounting to US$115 million. Ensuring that it can fill the gap currently filled through this support should be part of its medium-term financing strategy.

The largest proportion of government expenditure lies in recurrent wages and salaries, and capital/development (Figure 4). With these splitting two-thirds of the budget equally, government investments are well balanced. However, as the country considers how to finance its social services more sustainably, especially in the health sector, the remaining one-third of expenditures, including procurement of drugs and commodities, is expected to grow. There are opportunities to expand the fiscal space; the government raised electricity tariffs by about 10% in 2015, and a review of this policy found room for further increases without significant adverse effects on businesses and the economy as a whole (IMF, 2015).

References and Works Consulted

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Contact Us
Health Policy Project
1331 Pennsylvania Ave NW, Suite 600
Washington, DC 20004
www.healthpolicyproject.com
policyinfo@futuresgroup.com

The Health Policy Project is a five-year cooperative agreement funded by the U.S. Agency for International Development under Agreement No. AID-OAA-A-10-00067, beginning September 30, 2010. The project's HIV activities are supported by the U.S. President's Emergency Plan for AIDS Relief (PEPFAR). HPP is implemented by Futures Group, in collaboration with Plan International USA, Avenir Health (formerly Futures Institute), Partners in Population and Development, Africa Regional Office (PPD ARO), Population Reference Bureau (PRB), RTI International, and the White Ribbon Alliance for Safe Motherhood (WRA).