

# RESEARCH REPORT

MACROECONOMY

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## Côte d'Ivoire : The 2022 Finance Act The National Development Plan on the right track

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### EXECUTIVE SUMMARY

While the central issue of several countries in the region is the sustainability of a sustained growth, Côte d'Ivoire presents other challenges. With a growth potential of 7.7% during the 2022-2024 triennium compared to 4.2% for SSA<sup>(1)</sup> countries, this economy is aiming for the continuity of this growth rate for a structural transformation by 2030.

The National Development Plan 2021-2025 constitutes a first roadmap of what Côte d'Ivoire has the ambition to become by 2030: A middle-income country, where the GDP/capita would exceed \$ 4,000 (compared to \$ 2,300 in 2020), where poverty would be less than 30% and where private investment would constitute a real growth driver.

Until then, year 2022 shows the way. Growth would speed up from 6.5% to 7.1% driven by the secondary and tertiary sectors. For this purpose, the Treasury forecasts a budget of FCFA 9,901 Bn, up 17.9%. The fiscal deficit would stand at 4.7% of GDP against 5.6% in 2021, still deviates from the WAEMU community standard which sets a limit of 3.0%.

It is comforting to note that the construction hypotheses of the 2022 FA are conservative. This is particularly linked to the price assumptions for exports of Cocoa and Oil.

As far as tax provisions are concerned, this 2022 edition of the FA carries out novelties without creating a break. The ambition to sustainably increase public revenues would probably stand on a long-term basis.

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<sup>1</sup> Sub-Saharan Africa

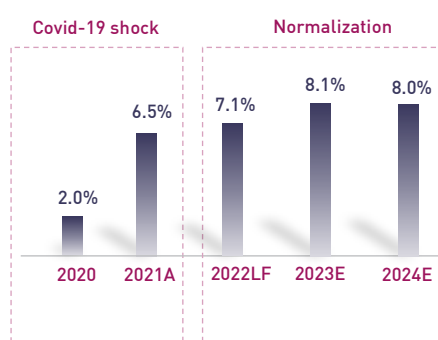
## IN TERMS OF GROWTH, YEAR 2022 SHOWS THE WAY

Côte d'Ivoire is among the few exceptions worldwide. Indeed, the country maintained a positive growth in 2020 with a GDP growth rate of +2.0%. In 2021, a recovery is expected since the GDP would record a performance close to 6.5%. A comforting level for this country which, through its National Development Plan (NDP 21-25), aims to achieve a normative growth rate of 7.7%.

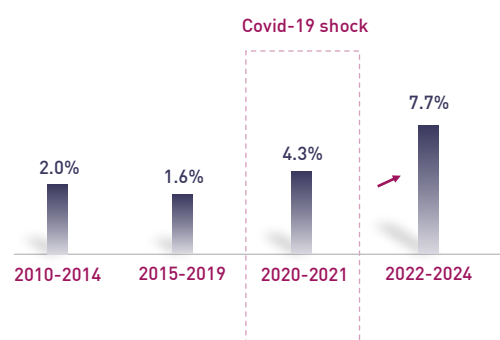
As a reminder, the NDP constitutes a roadmap of the "Côte d'Ivoire 2030" vision. The latter aims, on the one hand, to bring per capita income to \$ 4,300 against \$ 2,278 at the end of 2020 and, on the other hand, to reduce the poverty rate to 30% through an increase in private investment from 14.4% to 22.7% of GDP by 2025.

For the current year, the Finance Act is based on a growth assumption of 7.1%, a higher pace than the 2022 average for Sub-Saharan African countries estimated at 3.8%. To achieve this, the Ivorian economy intends to rely on the good performance of the secondary sector, namely energy (+17.2%) and construction (+15.8%). The tertiary sector would also be a contributor with an increase forecast of 7.9% resulting from the good performance of trade (+8.4%), transport (+8.2%) and to a lesser extent telecoms (+6.2%). With a performance limited to 1.6%, the primary sector would only have a marginal effect on GDP growth this year due to its weight contained at 14% in overall GDP.

### THREE-YEAR GROWTH PLAN IN CÔTE D'IVOIRE

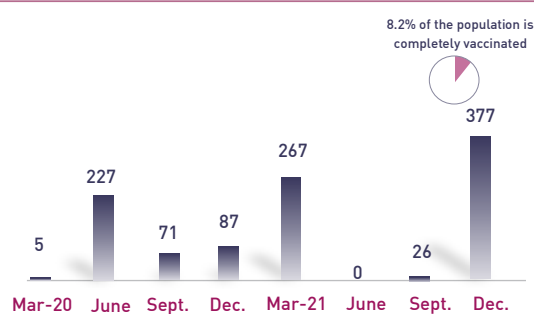


### GROWTH STAGES OF THE IVORIAN ECONOMY



It should be noted that 18.8% of the Ivorian population has started their vaccination scheme while 8.2% is completely vaccinated against 5.6% for Senegal or 2.0% for Mali. In the end, the GDP performance in 2022 would rather rely on the secondary and tertiary sectors, while the primary sector, exposed to rainfall uncertainty, is not a major growth contributor.

### NEW DAILY COVID-19 CASES



### FA 2022 MAIN ASSUMPTIONS

	FA hypothesis	Forecast
Cocoa	1,300 FCFA/kg	1,300 FCFA/kg
Oil	32,250 FCFA/bbl	33,725 FCFA/bbl
Forex rate	544 FCFA/\$	549 FCFA/\$

Several elements suggest that the projected growth rate of 7.1% in year 2022 is a credible scenario. First of all, the assumptions relating to the exported Commodities prices are conservative. Then, the country is somewhat spared the consequences of the global health crisis. As a reminder, Côte d'Ivoire achieved a growth of +2.0% in the midst of the Covid shock, while most African countries suffered major economic recessions.

<sup>1</sup> Indicators as at 23<sup>rd</sup> of each month

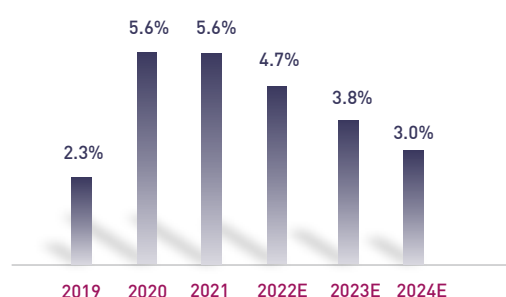
## A PROACTIVE BUDGET TO SUPPORT GROWTH

Traditionally, Côte d'Ivoire has supported a policy of budgetary assiduity allowing its debt level to be acceptable with regards to its creditors. The country had the privilege of being the first economy in Sub-Saharan Africa to raise funds in international markets post-Covid. Indeed, the needs generated by the pandemic widened the deficit to 5.6% in 2020 against 2.3% in 2019. A level which is expected to stabilize in 2021.

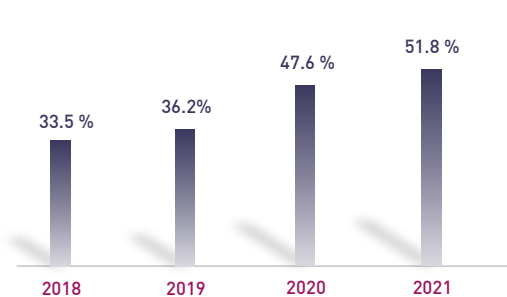
For the FY 2022, the FA provides for a gradual return to normal with a fiscal deficit forecast at 4.7%. Compliance with the WAEMU community standard of 3.0% is planned by 2024. It should be noted that the fiscal policy could still be qualified as expansionary. The evolution of expenditure and income bears witness to this :

- ⇒ The executive is putting resources in line with ambitions with a general budget of FCFA 6,988 Bn, up 11.6% to be compared with a growth rate of 7.1%. This proactive budget takes into account a 31% increase in investments to FCFA 2,571 Bn, coupled with a raise of 7.0% in wages to FCFA 1,958 Bn with priority given to the development to education as well as investment ;
- ⇒ Taking advantage of a growth resumption, public revenues are expected to rise by 12.9% to FCFA 4,868 Bn. This is due in particular to the 12.6% increase in tax revenue resulting from a positive change in income tax as well as import taxes. It should be noted that tax proceeds dominate State revenues representing a share of 92.0%.

### CÔTE D'IVOIRE: GLOBAL FISCAL DEFICIT (GDP %)



### CÔTE D'IVOIRE: PUBLIC DEBT (GDP %)



In terms of indebtedness, and although the evolution curve has experienced a sharp rise during the last two fiscal years with a cumulative increase of 15.6 pts, Côte d'Ivoire displays a debt/GDP level that is entirely sustainable at 51.8% at the end of 2021. In fact, the significant increase in outstanding debt is constantly diluted by strong GDP growth.

In comparison with the common profile of SSA countries, the challenges of the Ivorian economy are put into perspective. Côte d'Ivoire is seeking to sustainably balance its budget by increasing its tax revenue. With a ratio of 12.5% of GDP, the country's tax revenues are below the WAEMU average, which stands at 13.7% and deviates from the regional standard set at 20.0%.

To achieve this, Côte d'Ivoire is working to diversify its sources of revenue and reduce its dependence on customs duties. The Treasury is also penalized by the multiplicity of tax exemptions, particularly those related to the cultivation of seeds and the construction sector. Thus, the 2022 Finance Law goes in this direction by considerably increasing the investment budget while eliminating many tax exemptions.

## MAIN TAX PROVISIONS FOR THE 2022 FINANCE ACT

Upon the analysis of all the tax provisions presented in this FA 2022, we note the following trends:

- ⇒ Simplification of the legal framework regulating exports of Raw Materials;
- ⇒ Cancellation of many tax exemptions;
- ⇒ Consolidation of tax revenue through a gradual increase in the taxable base.

Below is a collection of the main tax provisions of the 2022 Finance Act :

### GENERAL MEASURES

- ⇒ Raising excise duties on tobacco from 39%-40% to 47% and applying them to electronic cigarettes;
- ⇒ Reduction of excise duty on cosmetic products containing hydroquinone from 50% to 15%;
- ⇒ Simplification of the taxation of granulated rubber exported by the application of a single tax of 1.5%;
- ⇒ Simplification of the taxation of cashew nuts exported by the application of a single tax of 5 FCFA per kg;
- ⇒ Abolition of the exemption from tax on industrial and commercial profits for the benefit of agri-food enterprises and consumer cooperative societies;
- ⇒ Institution of a 5% tax on net proceeds from the sale of gambling activities;
- ⇒ Extension of the tourist tax to micro-enterprises whose turnover including tax is between FCFA 50 Mn and FCFA 200 Mn.

### SUPPORT MEASURES FOR BUSINESSES AND EMPLOYMENT

- ⇒ Increase in the tax credit from 20% to 30% of the acquisition value of patents or new manufacturing processes;
- ⇒ Reduction from 15% to 10% of the property tax rate applicable to unfinished constructions and recorded in the balance sheets of companies and legal persons;
- ⇒ Application of the specific WAEMU tax incentive regime for investment companies with fixed capital to Ivorian companies;
- ⇒ Reduction from 7% to 6% of the common law rate applicable to micro-enterprises, and possibility of being followed by a chartered accountant to benefit from a reduced rate from 5% to 4%.

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