

# CÔTE D'IVOIRE

## From Crisis to Sustained Growth Priorities for Ending Poverty and Boosting Shared Prosperity

*Systematic Country Diagnostic*



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Country Department AFCF2  
Africa Region



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**REPUBLIC OF CÔTE D'IVOIRE - GOVERNMENT FISCAL YEAR**

*January 1 – December 31*

**CURRENCY EQUIVALENTS**

(Exchange Rate Effective as of *January 2015*)

Currency Unit = CFA Franc (XOF)  
US\$1.00 = SDR 567

Weights and Measures  
Metric System

**ABBREVIATION AND ACRONYMS**

ACET	African Center for Economic Transformation
AEO	Authorized Economic Operator
ANDE	National Environment Agency
ATI	African Transformation Index
BCEAO	<i>Banque Centrale des Pays de l'Afrique de l'Ouest</i> (Central Bank of West African States)
BET	<i>Brevet d'études Professionnelles</i> (vocational lower secondary education)
BNETD	National Bureau of Technical Studies and Development
BOI	Board of Investment (Sri Lanka)
BTS	<i>Brevet de Technicien Supérieur</i> (professional certification after secondary education)
CAR	Capacity Adequacy Ratio
CEPICI	Centre for the Promotion of Investment in Côte d'Ivoire
CFAF	West African Franc
CIAPOL	Ivorian Anti-Pollution Centre
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
CSR	Country Status Report
DHS	Demographic and Health Survey
EA	Environmental Assessment
ENV	<i>Enquête sur le Niveau de Vie des Ménages</i> (Survey of Household Living Standards)
ESIA	Environmental and Social Impact Assessment
GDP	Gross Domestic Product
GEPC	Ghana Export Promotion Council
GER	Gross Enrollment Ratio
GNI	Gross National Income
HDI	Human Development Indicators
HIPC	Heavily Indebted Poor Countries
HOI	Human Opportunity Index
ICSR	Investment Climate Survey Report
INS	National Institute of Statistics
LSMS	Living Standards Measurement Survey
MEMEASFP	Ministry of State, Ministry of Employment, Social Affairs and Vocational Training
MENET	Ministry of Education and Technical Education
MHESR	Ministry of Higher Education and Scientific Research

PEMFAR	Public Expenditure Management and Financial Accountability Review
PPP	Public Private Partnership
PPP	Purchasing Power Parity
SCD	Systematic Country Diagnostic
SEA	Strategic Environmental Assessment
STEM	Science, Technology, Engineering and Mathematics
TEU	Twenty-Foot Equivalent Unit
TVET	Technical and Vocational Education
UHC	Universal Health Coverage
VAT	Value Added Tax
WDI	World Development Indicators
WDR	World Development Report
WAEMU	West Africa Economic and Monetary Union

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## **EXECUTIVE SUMMARY**

1. **In Africa's post-independence history, Côte d'Ivoire occupies a unique place.** When in the 1970s and 1980s most African countries were experiencing a marked decline in economic performance, Côte d'Ivoire reached high growth and accomplished sustained poverty reduction. Yet, in the early 1990s, when many African countries began to shift course and substantially improve their growth performance, Côte d'Ivoire began a long period of political instability and economic decline. The breakdown of Côte d'Ivoire's successful development path occurred in the context of political uncertainties following the death of President Félix Houphouët Boigny<sup>1</sup> and the ensuing institutional instability, in particular a period of civil war from 2002-2004, and the post-election crisis and armed conflict from late 2010 to April 2011. While regional disparities and ethnic divisions that can be traced to colonial times are at the root of these developments, these became more pronounced as a result of a continuous deterioration of the governance framework in the context of a less favorable economic environment since the 1990s.
2. **Since the end of its civil war and the formation of a new Government in May 2011, Côte d'Ivoire is once again making rapid progress.** The new Government acted swiftly to reorganize the administration, and made important progress in restructuring the army and redeploying public security services. These measures enabled reunification of the country, a gradual return to normalcy and a dramatic improvement in the security situation throughout the country. The Government has also undertaken a number of important economic reforms and reached the Heavily Indebted Poor Countries (HIPC) completion point at the end of June 2012. Côte d'Ivoire has also shown a sharp improvement in its Country Policy and Institutional Assessment (CPIA) rating, which rose from 2.7 in 2011 to 3.3 in 2014, the fastest increase in the entire region and one of the fastest historically for any country. Côte d'Ivoire's Doing Business ranking has also sharply improved, from 177<sup>th</sup> in 2013 to 147<sup>th</sup> in 2015, making it one of the ten fastest reforming countries two years in a row (2014 and 2015). Côte d'Ivoire was also ranked among the fastest improving countries on Transparency International's Corruption Perception Index, rising from 154<sup>th</sup> in 2011 to 115<sup>th</sup> in 2014.
3. **Despite these achievements, the Government continues to face a number of challenges and threats that could undermine the country's fragile transition toward peace and development.** Côte d'Ivoire's Cost of Doing Business ranking still places it in the bottom third of countries in Sub-Saharan Africa. More importantly, the root causes of the conflict remain fundamentally unaddressed.
4. **This Systematic Country Diagnostic is structured in two main parts, one backward looking and the other forward looking.** The *backward-looking analysis* aims to draw lessons on the determinants of poverty and sustainable and inclusive growth from (a) stakeholder consultations; (b) a poverty profile; (c) a jobs profile; and (d) a review of Côte d'Ivoire's experience, and a comparison with Ghana and Sri Lanka—countries with similarities to Côte d'Ivoire, but with different growth trajectories. The poverty analysis shows that over the past 25

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<sup>1</sup> President Houphouët-Boigny led Côte d'Ivoire to independence and was Head of State from 1960 until his death in 1993.

years, poverty has deepened considerably, in particular in rural areas in the North and West. While the fall in cocoa prices played an important role, consequences of the price shock were amplified by political and social crisis and cuts in social expenditure. The main employment challenge faced by Côte d'Ivoire is a high concentration of employment in low-productivity occupations, such as agricultural and non-agricultural self-employment, particularly among the poor, women and those living in rural areas. Very few individuals hold formal wage jobs, and those who do are concentrated among the more educated in urban areas. In the near- and medium term, job creation will benefit significantly from growth in the self-employment and micro-enterprise sectors. The analysis concludes that Côte d'Ivoire's poor performance can be attributed to its response regarding four sets of policy issues: (a) lack of agricultural development and diversification; (b) lack of structural transformation into agro-business and non-agrobusiness led by the private sector; (c) inequitable social policies; and (d) lack of good governance. Based on this analysis, the *forward-looking part* outlines Côte d'Ivoire's strategic pathways out of poverty—better jobs creation through private sector-led growth and human capital development—and the prerequisites for achieving those goals. For better jobs creation, the main pathways are increased agricultural productivity and diversification into agribusiness and other types of industries. Addressing constraints under these pathways, in particular access to finance, will also promote micro-enterprises and self-employment. For human capital development, the main pathways are increased and higher quality social spending and an effective social safety net. The last chapter prioritizes key binding constraints and discusses knowledge gaps.

5. **Consultations with a large and diverse group of stakeholders were held in September 2014.<sup>2</sup>** These discussions highlighted a number of factors explaining the root causes of conflict and crisis in the country, and can be summarized as follows:

- **Lack of adequate focus on development challenges in rural areas.** Participants agreed that rural development had been adversely affected by both the decline in world market prices in the late 1980s and by the deterioration of governance since the early 1990s. Moreover, cuts in health and education expenditure under structural adjustment programs, which aimed at reestablishing macroeconomic stability, contributed significantly to increases in poverty in rural areas. Participants argued that the current policy framework continues to neglect regionally balanced development, which had in the past benefited from regional growth poles across the country. Furthermore, higher allocations to quality education and effective decentralization are essential aspects of a rural development strategy capable of facilitating poverty reduction. Such a strategy also has to take into account the need to prevent deforestation and provide for environmentally sustainable sources of water.
- **Difficulties in establishing a homogenous and cohesive nation state.** Participants underscored that conflicts surrounding questions of identity, nationality and immigration had created divisions in society—partly based on feelings of exclusion and marginalization—which had adversely affected social stability. Better governance, in

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<sup>2</sup> The stakeholders include the Government, local government authorities, private sector, civil society, and development partners.

particular more equitable access to justice, will be essential to instilling a sense of homogeneity and cohesion in society.

- ***Difficult business environment.*** A difficult business environment impedes the development of industries and of small and medium (SME) and micro-enterprises. While constraints exist across a number of areas, the most problematic concern the insecurity of land tenure, and relations between government and the private sector—in particular in the areas of procurement, payment of taxes, access to finance, logistics and lack of technically skilled labor. In addition, shortcomings in agricultural input chains have prevented progress in the agriculture sector. The development of MSMEs—many with limited managerial and technical capacity—is particularly affected by constraints in access to finance and the often difficult relations between government and the private sector.

## Poverty Assessment

6. **Côte d'Ivoire's economic performance over recent decades has been neither sustainable nor inclusive.** From 1985 to 2008, Côte d'Ivoire experienced a dramatic fall in living standards and a dramatic rise in poverty incidence (figures 1.1 and 1.2). For most of the population, except the top 20 percent, consumption fell by nearly 7 percent a year between 1985 and 1993. It then improved briefly, but subsequently decreased by about 1 percent a year between 1998 and 2008. As a consequence, between 1985 and 2008, the fraction of the population living below the national poverty line (CFAF 75,000 per person per year in 1985 prices; US\$1.40 per person per day in 2008 prices) increased from around 10 percent to about 43 percent. The deterioration of living standards has been widespread and lengthy.

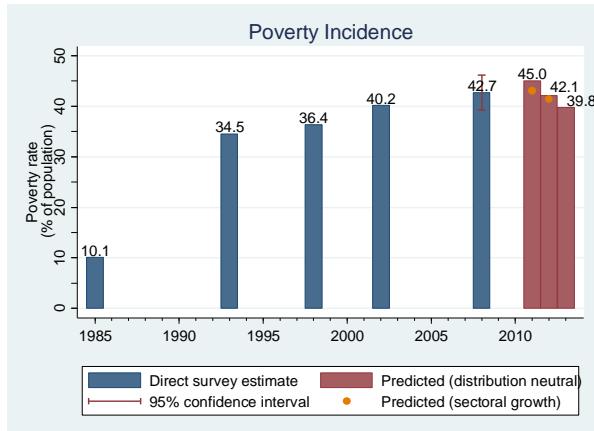
7. **With the post-election crisis, the poverty incidence increased to an estimated 45 percent in 2011 and then fell back to 2008 levels by 2013 as economic growth rebounded.** These estimates are based on sector-specific growth, where households are assigned the GDP per capita growth rates of the sector (primary, secondary, tertiary) associated with the main activity of the household head (as reported in the 2008 ENV household survey).<sup>3</sup> Real GDP per capita was 5 percent lower in 2011 and 9 percent higher in 2013, both relative to 2008. The agriculture and industry sectors contracted in per capita terms over this period, while the service sector expanded. The population growth rate for the period was around 2 percent a year.

8. **The depth and severity of poverty also rose sharply over this period (Figure 1.2).** The depth of poverty, as measured by the poverty gap index, indicates that the average consumption shortfall below the poverty line increased from 3 percent in 1985 to above 15 percent in 2008. The severity of poverty measure, which places greater emphasis on more extreme deprivations, also increased five-fold over this period. In other words, the poorest of the poor were hit the hardest. Although the deterioration happened across the board, declines were far worse in rural areas.

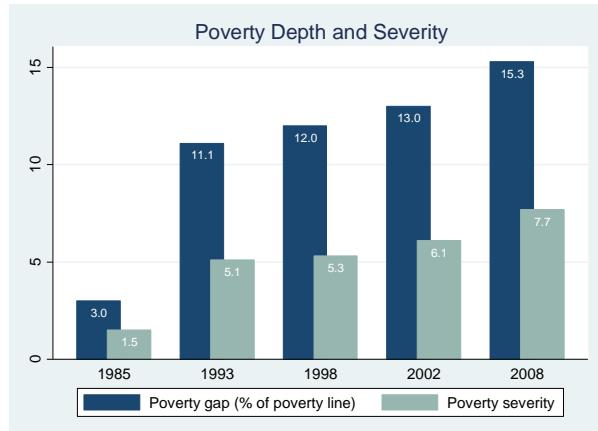
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<sup>3</sup> GDP per capita was calculated using the latest available national accounts data (in constant 2009 CFAF) from IMF sources as of November 2014, and population estimates from World Development Indicators (WDI). Annual changes in labor shares across sectors were not available and thus assumed to remain constant. It should be noted that the predicted poverty levels remain within the 95 percent confidence interval of the 2008 direct estimate.

**Figure 1.1: National Poverty Incidence, 1985-2012**



**Figure 1.2: Poverty Depth and Severity, 1985-2012**

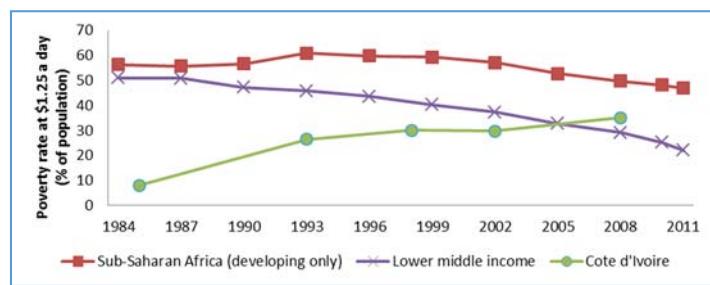


*Note:* These estimates apply the Tarozzi reweighting adjustments. For the projections, an adjustment factor of 0.87 is applied to the real GDP per capita growth rates, which is common practice, to reflect empirically observed differences between national accounts and survey-based consumption growth.

*Source:* Poverty Assessment (2011) and staff estimations.

**9. Côte d'Ivoire's rising poverty trends differ sharply from the declining trends experienced by lower middle-income and Sub-Saharan African countries as far back as the mid-1980s** (Figure 1.3). In 2008, Côte d'Ivoire's poverty rate was 35 percent, about six percentage points higher than the aggregate poverty rate for lower middle-income countries.

**Figure 1.3: Poverty Trends for Côte d'Ivoire, Sub-Saharan Africa, and Lower Middle-Income Countries, 1984-2011**



*Source:* World Development Indicators.

**10. Today, poverty continues to be overwhelmingly rural. Poverty rates in both urban and rural areas more than quadrupled between 1985 and 2008.** Urban poverty increased from a low of 6.8 percent in 1985 to 29.3 percent in 2008, while rural poverty increased from 12.4 to 54.2 percent. Growth-inequality decompositions indicate that these changes in poverty are almost entirely driven by a decline (or growth) of consumption as opposed to distributional changes. In terms of the share of the poor, rural areas accounted for 68 percent of the poor in 2008, down from 72 percent in 1985. Although the share of the poor in urban areas increased to 32 percent in 2008, the poor are still overwhelmingly concentrated in rural areas.

11. **There are great disparities in poverty rates across what were the 10 main administrative regions,<sup>4</sup> with pronounced differences between the North and the South.** Two spatial patterns are evident. First, poverty rates tend to increase from the South (25 percent) to the North (69 percent). Poverty rates in the northern regions have remained persistently high, at no less than 40 percent of the population over the last two decades. Second, poverty rates tend to increase from the East to the West, both along the coast and inland.

12. **Larger families are more likely to be poor than smaller families.** Poverty is also higher for families with many young children, the less educated, those living in the North and Center-West, and the elderly.

13. **There is no observable difference in the poverty rates between male and female-headed households;** however, widows and divorced females who are household heads are poorer than their male counterparts. Also, poverty incidence for divorced female-headed households is almost twice as high as for single female-headed households.

14. **The main employment challenge faced by Côte d'Ivoire is a high concentration of employment in low-productivity occupations,** such as agricultural and non-agricultural self-employment, particularly among the poor, women and those living in rural areas (Table 1). Very few individuals hold formal wage jobs, and they are concentrated among the more educated in urban areas. Formal unemployment affects a small share of the population, and is also more prevalent among the more educated in urban areas. Country-level data provide a diagnosis that is in line with evidence from the 2013 World Development Report (WDR) on Jobs and the Regional Report on Youth Employment in Sub-Saharan Africa. These data highlight that the employment challenge in Côte d'Ivoire is similar to the one faced by many countries in Sub-Saharan Africa, which is substantially different from developed economies with larger formal labor markets.

**Table 1: Composition of Employment in Côte d'Ivoire**

	All	Urban	Rural
Agricultural self-employment	46.9%	8.0%	71.6%
Non-Agricultural self-employment	29.3%	50%	16.2%
Agricultural Wage Employment	2.8%	1.1%	3.9%
Non-Agricultural Wage Employment	14.6%	30%	4.9%
<b>Other Types of Employment</b>	<b>6.4%</b>	<b>11.2%</b>	<b>3.3%</b>

Source: Analysis of 2013 National Employment Surveys, based on primary employment.

15. **To address the central challenge of reducing poverty and boosting shared prosperity in the short to medium term, the Government needs to implement an inclusive jobs strategy,** with the objective of raising productivity and earnings across all sectors of employment, including agricultural and non-agricultural self-employment. The priority implementation of an inclusive jobs strategy would contribute to raise standards of living, especially among the poor, women and individuals living in rural areas. It would also contribute to mitigating the risk that a development path focused on industrial policy would not lead to inclusive growth and productive employment for the poor. Improving governance in the employment sector and limiting inefficiencies due to

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<sup>4</sup> Current administrative divisions differ from these 10 regions.

fragmentation of the agenda is particularly critical for the implementation of an inclusive jobs strategy.

### **The roots of Côte d'Ivoire's decline—A historical and comparative analysis**

16. **The question at the center of this Systematic Country Diagnostic is why Côte d'Ivoire, a star African performer in the 1980s**—with a level of development close to that of a middle-income country—has experienced almost continuous economic and social decline since that time. A related question is why Côte d'Ivoire's development path from the early 1990s diverged so sharply from that of Ghana and Sri Lanka despite their similar political, social and economic structures; and at a time when rising commodity prices enabled Sri Lanka and Ghana (and other African countries), but not Côte d'Ivoire, to improve their economic performance, reduce poverty, and create the foundations for private sector-led growth.

17. **Given the dependence of Côte d'Ivoire on cocoa exports and the high dependence of the rural population on cocoa production**, cocoa sector policies have been critical to the country's economic and social development. Issues such as land rights for farmers, an open immigration policy, rising farm gate prices, and cash rewards for production provided strong incentives for cocoa production.<sup>5</sup> Between 1960 and 1980, cocoa production increased from 100,000 tons to 370,000 tons.<sup>6</sup> Effective use of profits from the cocoa sector for infrastructure and social policies created the basis for sustained and inclusive growth. By 1985, Côte d'Ivoire boasted a level of infrastructure and economic diversification superior to that of most other African countries.

18. **When world cocoa prices began to decline in 1985, however, Côte d'Ivoire's membership in the CFA zone ruled out a devaluation to offset the price shock.** Moreover—and of critical importance to subsequent economic developments—the cocoa marketing board did not adjust prices until 1989, notwithstanding the growing difference with world market prices, leading to increasingly high losses at the cocoa board and indebtedness of the state. The situation was made worse when Côte d'Ivoire tried to artificially increase world market prices for cocoa by reducing the quantities offered on the world markets. Rather than increasing prices, this strategy reduced export revenue and further increased state indebtedness. The Government then directed resources to the cocoa sector to expand cocoa output, which, however, did not help revenue owing to the continuous precipitous fall in cocoa prices.

19. **The deteriorating economic situation and unmanageable debt led the Government to slash public employment and social services, which in turn created an increasingly unstable**

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<sup>5</sup> In 1963, Houphouet-Boigny announced that those who effectively use Ivoirian land for production will earn the rights to own the land. At the same time, however, he took few steps to reduce the land title requirements that the French had set up. Therefore, considerable land expansion did occur, but without clear understanding of ownership. Migrant farmers obtained permission to farm from individual residents in return for the ability to appropriate the land that they cultivated or purchase new land to farm. In the 1980s, migrant farmers began to outnumber local farmers. When cocoa prices were high, local farmers did not mind the migrant's presence, but when prices began to fall, extending area under production became critical to increased profits, leading to considerable tension at the community level among various groups.

<sup>6</sup> Grossman-Greene, Sarah and Chris Bayer. 2009. "A Brief History of Cocoa in Ghana and Côte d'Ivoire." Tulane University, Payson Center for International Development.

**political environment.** A weakening of governance across the public administration—partly as a result of less effective leadership by the ailing President Houphouet-Boigny—coincided with the onset of multi-party pluralism, a key demand of donors in the early 1990s. Côte d'Ivoire transitioned from a system dominated by one party, to one where 64 parties vied for votes.

20. **The simultaneous occurrence of a much-weakened economy, leading to drastic increases in poverty, and the rise of multi-party politics** at a time when there was considerable institutional imbalance between elites and newcomers, created incentives for electoral candidates to exacerbate existing ethnic divisions to their own advantage. A crucial aspect of these tensions was the unclear legal situation with regard to land titles (cf. footnote 21), which created competition between Northerners and Southerners for agricultural land. For these and other reasons, Côte d'Ivoire was unable to harness the commodities boom beginning in 2000 that allowed many African countries to create the basis for sustained growth and poverty reduction.

21. **In Côte d'Ivoire, the allocation of large profits from the cocoa industry to the construction of physical infrastructure**—including in the context of regional growth poles—had been instrumental in creating the backbone for strong and fast-paced growth, including in the manufacturing sector. Yet, the pace of structural reforms slowed in the context of the weakening governance framework since the late 1980s, and the country's business environment began to deteriorate. The economic recovery in the aftermath of the devaluation of the CFAF failed to generate sufficient momentum for reforms to resume, although there was considerable strengthening of growth from 1994-97.

22. **Mounting fiscal pressures due to rising indebtedness led to cuts in social spending, and adversely affected the quality of spending.** Necessary institutional reforms in the health and education areas were delayed, and led to an increasingly tense political battle over the allocation of scarce social spending resources.

23. **Côte d'Ivoire's once successful growth strategy, based on multiple regional growth poles, has increasingly dissipated since the early 1990s** due to lack of maintenance of infrastructure in industrial zones and the weakening performance of the agriculture sector, which has undermined existing value chains. As a consequence, many successful industries and a significant portion of the SMEs that existed before the 1999 *coup d'état* did not survive the 10-year crisis. The SME sector, mostly dominated by informal companies, is a mainstay of the Ivorian economy, accounting in 2012 for over 90 percent of all private economic entities, and generating 23 percent of employment in Côte d'Ivoire.

24. **The review of Côte d'Ivoire's experience suggests that shortcomings in four clusters of strategic policy implementation are critical to explaining its record in growth and poverty reduction:** (a) improving agricultural productivity and diversifying agriculture; (b) building business in non-agriculture sectors with higher value-added that can support structural transformation; (c) investing in human capital; and (d) creating a governance environment conducive to sound policy implementation

25. **The relevance of these sets of policies can also be illustrated by looking at the experience of Ghana and Sri Lanka.**

- **While Ghana's level of development has been consistently below that of Côte d'Ivoire, and notwithstanding a long period of reform**, its infrastructure remains inferior. The two countries share a high degree of dependency on one export product—cocoa—as well as ethnic fractionalization and political instability. Like Côte d'Ivoire, Ghana also has significant gold and oil reserves—which in the case of Côte d'Ivoire have not yet had a major impact on growth. In part because of the exploitation of these reserves, Ghana has had almost two decades of relatively sustained growth and has achieved a per capita GDP only slightly below that of Côte d'Ivoire's, even though inequality in Ghana has risen.
- **Sri Lanka, an Asian country, has a much higher population density than Côte d'Ivoire** (and other African countries), but it is also highly dependent on very few agricultural products, such as tea (supplying 23 percent of global tea exports in 2013); and has also been affected by civil war. Yet Sri Lanka has achieved political stability, and sustained and inclusive growth, based on effective economic diversification. With a per capita GNI once at the same level as Côte d'Ivoire's, it has since grown multi-fold and become a middle-income country.

26. **Identifying strategies and pathways that helped these countries reduce poverty at a time when Côte d'Ivoire's poverty rates climbed can be useful in informing policy options for Côte d'Ivoire.** The analysis suggests that the superior performance of Ghana and Sri Lanka in poverty reduction may be attributable to their responses to four sets of policy issues, in particular during the 80's and 90's.

- **Agricultural development:** Both Ghana and Sri Lanka adopted policies aimed at increasing productivity and these policies helped develop the rural economy more broadly, including through the services sector. In contrast, the sharp fall in cocoa prices along with lack of diversification, low productivity and poor sector governance, appear to have been key determinants of poverty in Côte d'Ivoire.
- **Structural transformation:** Beyond progress in developing their agriculture sectors, since 1970's Ghana and Sri Lanka also diversified away from dependence on agriculture by creating an enabling environment for private sector-led growth. Sri Lanka also adopted a proactive industrial policy with targeted incentives to promote growth in certain industries, which allowed it to make considerably more progress than Ghana in achieving structural transformation.
- **Social policies:** Both Ghana and Sri Lanka adopted education and health policies that succeeded in improving social indicators, including in more rural areas. Particularly noteworthy is the fact that education and health spending as a ratio of GDP was lower in Sri Lanka than in both Ghana and Côte d'Ivoire, yet results were better, pointing to superior efficiency, including in terms of achieving a better gender balance and preparing the work force for the labor market. In addition, Sri Lanka put in place social protection programs to address vulnerability.
- **Governance:** Without ensuring good governance and corresponding policy measures, Ghana and Sri Lanka would not have been able to make the progress they did. A commitment to good governance, along with a relatively stable political framework, is a

cross-cutting enabling condition for all actions aimed at poverty reduction and equitable growth. Good governance encompasses, *inter alia*, concrete measures against corruption, an improved public administration, and—as emphasized by stakeholders—enhanced access to justice, and more transparent and predictable relations between government and the private sector. While both countries have suffered reversals and have some areas of weakness, over the long term they have benefited from relatively effective, strong governments. A prerequisite for improved governance in any country is firm political leadership capable of building consensus for reform and withstanding pressures from vested interests.

27. **Moreover, the review of Sri Lanka also underscores the importance of sustained efforts at diversifying the economy** through creating an enabling environment for business, including in sectors in which the county has a comparative advantage, and improving the education system, partly to ensure that skills availability corresponds to demand.

28. **Based on the review of Côte d'Ivoire's development trajectory as well as the experience of Ghana and Sri Lanka, the SCD identifies the following pathways:**

29. **The first main pathway** entails *creation of better jobs in Côte d'Ivoire through sustainable private sector-led growth*. This pathway can be divided into two sub-pillars:

(a) ***development of the agriculture sector, including agro services***, by enhancing productivity; and

(b) ***development of agro-business and non-agro-business sectors***, including value-adding manufacturing. The development of manufacturing industries with progressively higher value added drives the process of structural transformation, leading to higher levels of development and innovation, and also supporting human capital development and the absorption of urban labor, including by promoting the growth of services and other economic activities.

Addressing constraints in these pathways will also help self-employment and micro-enterprises outside the agriculture sector.

30. **The second main pathway** to attaining inclusive growth is for Côte d'Ivoire *to build human capital* by increasing allocations and efficiency in education and health spending and in social protection. The review of experiences in Ghana and Sri Lanka shows the critical importance of more effective spending in the education, health and social protection sectors to achieve inclusive growth.

31. **To accelerate progress along these two pathways, several critical prerequisite conditions need to be in place.** Two cross-cutting priorities, *land reform* and *improved governance*, will have the greatest impact.

### ***Prerequisite 1: Land reform***

32. **The insecurity of land tenure has been one of the root causes of conflict in Côte d'Ivoire.** It also constrains investment in agricultural development, agro-business, manufacturing, and mining exploration. Further, land rights are an essential prerequisite for gender equity. Reform of the land tenure system will require strengthening the administrative capacity and simplifying the legal framework for land governance as a prerequisite for reducing the cost of land titling and certifying the boundaries of all existing land claims, including customary claims. While boundary and ownership issues are likely to be politically difficult and involve high costs to compensate customary land owners, it is feasible to simplify the administrative framework and enhance capacity without political dispute. Land reform is a prerequisite for progress in all other areas, and needs to be the focus of priority actions. Effective implementation of land reform is expected to have immediate and strong benefits in terms of both sustainable growth and the reconciliation process. However, the land reform should be based on an approach that takes into account the regional diversity in the country. Reform efforts need to be adjusted to the context and must respond to the strong social demand for recognition of individual rights. This is particularly the case for the West of the country, where land disputes and social unrest remain critical features of the landscape.

### ***Prerequisite 2: Governance***

33. **Côte d'Ivoire's weak governance framework undermines all aspects of policymaking,** including efforts to address resource misallocations and market distortions. Without strong leadership to ensure that reforms are effectively implemented, issues of poor service provision, youth unemployment, insecure land tenure, and access to justice—all of which exacerbate exclusion and social discontent—will continue to slow equitable growth and poverty reduction. Moreover, reforms of the public administration and the institutional framework are critical to ensure that policies adopted at the highest level of government are effectively implemented, including in key areas of public administration, such as procurement, audit, tax administration, and the justice system. Improved governance also means improved delivery platforms, as well as a structured and sustained public-private sector dialogue, to foster sustainable private sector-led growth and improve relations between the private sector and the Government. Moreover, with a view to enhancing evidence-based policy making, strengthened statistical capacity will be essential.

## **Main pathway I: Creating better jobs**

### **➤ *Agriculture sector priorities***

34. **The main constraints to reducing poverty and creating jobs in agriculture are in the areas of:** (a) *technologies and skills*; (b) *land and transport infrastructure*; and (c) *an incentive and taxation framework* to provide higher returns and lower risks for producers.

- ***Technology and skills:*** Investment in Research and Development (R&D) is crucial for long-term agricultural growth, particularly in view of the impact of climate change and phytosanitary challenges. In the shorter term, closing the skills gap through education and training will have an immediate impact on agricultural productivity and farmers' incomes.

- ***Land and rural infrastructure:*** Reforms aimed at enhancing implementation of the Land Law—including a land information system and capacity building—are critically important to increase agricultural productivity, reduce trade transactions and promote investment in rural infrastructure. Given the opposition of vested interests, these reforms will be politically difficult and require firm political leadership. It will also be important to compensate customary land owners, which will require considerable fiscal resources.
- ***Incentive and taxation framework:*** Improving access to finance will be critical to empower smallholder farmers. It will increase agricultural productivity in the short term and improve farmers' ability to invest for the long term and make calculated decisions regarding risk. Such a framework is not controversial from a political point of view; and it is feasible, given the availability of mobile technology and of micro-finance institutions. Moreover, greater access to finance for residents in rural areas will have positive spillover effects for the non-agricultural rural economy, including for micro-enterprises that will be an important source of employment creation in the short term. Reducing taxation on export crops and increasing farm-gate prices are among the most effective means of increasing farmers' incomes and incentivizing increased productivity and investment. The recent increase in cocoa farm-gate prices has already had an immediate poverty reducing impact.

➤ ***Agro-business and manufacturing priorities***

35. **Côte d'Ivoire's considerable potential in the areas of agro-business and manufacturing is another main pathway out of poverty.** Mining also has considerable potential, but the current regulatory regime is a constraint to investment in exploration.

36. **The most important constraints to the development of agro-business and manufacturing industries** are transport logistics, access to industrial land, electricity supply and the cost and quality of labor. In addition, improving access to finance and making the tax policy and the business environment conducive to private sector activity will be essential.

- ***Logistics:*** In terms of short-term impact, reducing the exorbitant costs of importation/exportation and truck transport within Abidjan is likely the highest priority and should have considerable complementary benefits for the development of the informal urban sector. In addition, the reform of the entire corridor from the port to the final destination, including customs, railway and port procedures, will be necessary to reduce transport costs. While technically feasible, the reform is likely to face significant political resistance.
- ***Access to industrial land:*** Similarly, improved access to industrial land is imperative to facilitate growth in manufacturing enterprises, a prerequisite for structural transformation of the economy. Achieving this access will require considerable financial resources to compensate land owners, but needs to be pursued as a priority.
- ***Access to electricity:*** Improved access to electricity is a lesser priority in terms of growth of the manufacturing sector. The supply of electricity is reliable at a comparatively low cost in the main industrial centers. However, for the development of industries outside these centers, and for the growth of a broad-based SME sector, more reliable access to electricity will be critical.

- ***Access to finance.*** Improved access to finance is a critical constraint to the growth of SMEs and micro-enterprises in both urban and rural areas, and can have immediate benefits for poverty reduction by helping absorb the growing unemployed and underemployed labor force. While these SMEs and micro-enterprises may not have the capacity to drive the process of structural transformation, they could play a crucial role in unleashing economic potential in the areas of agriculture, services (including retail and wholesale, and tourism), and manufacturing (both within and outside the existing centers of economic activity), and hence contribute to sustainable and inclusive growth. Reform of the financial sector is thus of high urgency. While politically feasible, the technical capacity to design and implement reform is lacking and in need of support.
- ***Labor costs:*** Labor costs in Côte d'Ivoire are relatively high and capacity is low, with the notable exception of a well-qualified managerial class. Making the wage regime more flexible is hence a priority to addressing high levels of unemployment and underemployment, and creating formal sector jobs. Introducing such measures may, however, be politically difficult. Moreover, while high wage levels are a constraint for the non-agrobusiness sector, it is less evident that they represent an obstacle to the development of agro-business, given the evidence that such enterprises are able to compensate for high wage costs through the availability of abundant low-cost inputs.
- ***Labor qualifications:*** Lack of technical skills represents a major impediment to the development of a number of value chains, such as the transformation of rubber and cashew nut. More generally, the absence of appropriate vocational training is a major factor hindering the effective integration of youth. It needs to be addressed with urgency, and is politically feasible. Its effective implementation, however, will require technical support.

## Main pathway II: Building human capital

37. **The central objective under this pathway is to build and replenish human capital.** A critical prerequisite is to accelerate the demographic transition. Continued high fertility, together with improvements in infant and child mortality, have resulted in high population growth and put pressure on social infrastructure, including health and education, to an extent that improvements in quality are being outpaced by the increase in demand.

38. **The greatest impact would be achieved by taking the following steps to alleviate three key constraints:** (a) improving access to girls' education; (b) enhancing access to a package of health services, especially for women and girls, and family planning; and (c) increasing labor market opportunities for women. Available evidence demonstrates that all of these interventions would have a direct and positive impact on the demographic transition; with a considerable positive complementary impact on poverty reduction, given the importance of improved education and health for reducing vulnerability.

39. **Reducing vulnerability will also depend on the establishment of a social protection system.** Such a system will require the establishment of a registry, a management information system, effective delivery mechanisms, and appropriate services. Given tight constraints on the budget from the wage bill and large infrastructure projects, this package of social services could exacerbate budgetary pressures in the short term, but these would be offset by increases in human capital in the medium to long term.

**40. Improving access to and quality of health care will require considerable changes in resource allocation in this key sector, as well as institutional reforms to effectively implement these changes.** With a view to addressing issues of health access for the poor, establishment of a National Insurance Scheme should be a key priority. Strengthening governance and accountability of the health system (from the central level to the regional directorates) will be essential to rebalance resource allocations, with a performance-based financing system providing incentives for increased quality and quantity of services. Incentives could be greater in underserved areas, which would go a long way towards decreasing regional disparities in service delivery.

**41. Of particular importance in helping to improve quality of health care is better access to safe drinking water.** Enhanced investment in infrastructure and a better regulatory framework will be essential to improving availability of drinkable water, and priority will have to be given to underserviced areas, such as in the North.

**42. Improving access to and quality of education will also require reallocations of expenditure.** Improving access will require interventions on both the supply side (e.g., constructing schools at a reasonable distance and with gender-friendly basic amenities), and on the demand side (e.g., promoting affordable schooling for all children, particularly girls). As in the area of health, it is of greatest importance that the allocation of expenditure be rebalanced to address regional disparities.

### **Knowledge Gaps, Implications, and Proposed Analytical Work Agenda**

**43. Knowledge and data gaps have imposed limitations on some of the analyses in this SCD.** A number of specific knowledge gaps have been identified in various areas, and studies are proposed to fill those gaps.

**44. In particular, data constraints have limited the poverty analysis;** it has not been possible to reliably assess how poverty has changed in Côte d'Ivoire since 2008, when the last Living Standard Measurement Survey (LSMS) was conducted. The current round of the Household Living Standard Survey is expected to provide a comprehensive assessment of poverty along multiple dimensions. The results of the survey, expected in mid-2015, will need to be complemented by targeted studies to more deeply illuminate the local social, political, and economic issues in some of the areas particularly affected by poverty and fragility, such as the West and North.

**45. In addition, it has not been possible in some cases to fully understand the scale of the risks to development emanating from climate change.** The analysis presented in this report is tentative and will need to be buttressed by more substantive and detailed work to assess, for example, the impact of climate change on specific agricultural crops.

**46. In addition, understanding constraints to inclusive growth will require a deeper understanding of how decentralization could contribute to better service delivery.** At this juncture, Côte d'Ivoire is significantly centralized, and local governments are in charge of only a limited number of functions. Local governments are requesting additional responsibilities, especially in the area of service delivery, and a commensurately higher share of revenue.

Additional work will be necessary to ascertain the potential for effective devolution of services and appropriate modalities to accomplish this objective.

47. **Stakeholder discussions of the drivers of fragility in Côte d'Ivoire, in particular those at the local level**, identified lack of access to justice as one of the most important constraints affecting social stability. Additional work will be required to identify with greater certainty how access to justice could be enhanced, especially in vulnerable areas of the country.

48. **In the area of growth strategy, the SCD points to Côte d'Ivoire's considerable potential in the areas of agro-business, including in regional and global markets.** The extent to which Côte d'Ivoire could become competitive in labor-intensive industries outside the agro-business sector, such as consumer electronics, plastics, cosmetics and textiles—notwithstanding relatively high wages in those sectors—will require further research at the value chain level. Furthermore, the growth potential of livestock remains to be further ascertained, and could possibly be the foundation for a growth pole in the North. Mining also has considerable potential; however, there is not enough specific knowledge about the location of mineral resources.

## **1. SETTING THE STAGE**

**1.1. Within the context of Africa's post-independence history, Côte d'Ivoire occupies a unique place.** When in the 1970s and 1980s most African countries were experiencing a marked decline in economic performance, Côte d'Ivoire reached high growth and accomplished sustained poverty reduction. Yet, in the early 1990s, when many African countries began to shift course and substantially improve their growth performance, Côte d'Ivoire began a long period of political instability and economic decline. The breakdown of Côte d'Ivoire's successful development path occurred in the context of political uncertainties following the death of President Félix Houphouët-Boigny<sup>7</sup> and the ensuing institutional instability, in particular a period of civil war from 2002-2004 and the post-election crisis and armed conflict from late 2010 to April 2011 (Box 1.1). While regional disparities and ethnic divisions that can be traced to colonial times are at the root of these developments, these became more pronounced as a result of a continuous deterioration of the governance framework in the context of a less favorable economic environment since the 1990s.

**1.2. Since the end of its civil war and the formation of a new Government in May 2011, Côte d'Ivoire is once again making rapid progress.** The new Government acted swiftly to reorganize the administration, and made important progress in restructuring the army and redeploying public security services. These measures enabled reunification of the country, a progressive return to normalcy, and a dramatic improvement in the security situation throughout the country. Within the framework of the National Development Plan 2012-2015, the Government has also undertaken a number of important economic reforms and reached the Heavily Indebted Poor Countries (HIPC) completion point at the end of June 2012. Côte d'Ivoire has shown a sharp improvement in its Country Policy and Institutional Assessment (CPIA) rating, which rose from 2.7 in 2011 to 3.3 in 2014—the fastest increase in the entire region and one of the fastest historically for any country. Côte d'Ivoire's Doing Business ranking has also sharply improved, from 177<sup>th</sup> in 2013 to 147<sup>th</sup> in 2015; making it one of the ten fastest reforming countries two years in a row (2014 and 2015). Moreover, Côte d'Ivoire also ranked among the fastest improving countries on Transparency International's Corruption Perception Index, rising from 154<sup>th</sup> in 2011 to 115<sup>th</sup> in 2014.

**1.3. Despite these achievements, a number of challenges and threats remain that could undermine the country's fragile transition toward peace and development.** The CPIA rating, at 3.3, remains below the fragile country threshold of 3.5, and Côte d'Ivoire's Cost of Doing Business ranking still places it in the bottom third of countries in Sub-Saharan Africa. More importantly, sustained efforts are needed to address the root causes of the conflict.

**1.4. This Systematic Country Diagnostic will play a central role in informing the new Country Partnership Framework (CPF).** Its primary objective is to explain the singular decline

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<sup>7</sup> President Houphouët-Boigny led Côte d'Ivoire to independence and was Head of State from 1960 until his death in 1993.

of Côte d'Ivoire and the country's main challenges going forward, with a view to identifying the binding constraints to sustainable and inclusive growth going forward.

**1.5. The SCD is divided into two main parts, one backward looking and the other forward looking.** The *backward-looking analysis* aims to draw lessons about the determinants of poverty and sustainable and inclusive growth from (a) stakeholder consultations; (b) a poverty profile; (c) a jobs profile; and (d) an illustrative review of the historical experience of Côte d'Ivoire, complemented by reviews of the experiences of Ghana and Sri Lanka—comparator countries with similarities to Côte d'Ivoire but different growth trajectories. Based on this analysis, and particularly the experiences of Ghana and Sri Lanka, the *forward-looking part* outlines Côte d'Ivoire's strategic pathways out of poverty—better jobs creation through private sector-led growth and human capital development—and the prerequisites for achieving those goals.

**1.6. The backward-looking analysis shows that poverty in Côte d'Ivoire has deepened considerably over the past 25 years,** in particular in rural areas in the North and the West. While the fall in cocoa prices played an important role in this decline, the impact of the price shock was amplified by political and social crisis, cuts in social expenditure, and the country's response to four sets of policy issues: (a) agricultural development and diversification; (b) structural transformation into agro-business and non-agrobusiness sectors led by the private sector; (c) social policies; and (d) good governance. The importance of these strategic policy clusters is supported by the comparisons with Ghana and Sri Lanka, which faced many of the same challenges as Côte d'Ivoire but responded to them more successfully. Because of Côte d'Ivoire's responses to the same set of issues, the country has been left with a high concentration of employment in low-productivity occupations, such as agricultural and non-agricultural self-employment, particularly among the poor, women and those living in rural areas. Very few individuals hold formal wage jobs.

**1.7. The forward-looking analysis shows that Côte d'Ivoire should be able to accelerate inclusive and sustained growth if it adopts strategies aimed at** (a) increasing agricultural productivity and diversifying into agribusiness and other types of industries, which will also support the development of private sector enterprises and better paying jobs; and (b) increasing quality and quantity of social spending and adopting an effective social safety, with a view to supporting human capital development. The last chapter prioritizes key binding constraints to Côte d'Ivoire following these pathways, and discusses knowledge gaps and areas for further study.

**1.8. Consultations with a large and diverse group of stakeholders were held in September 2014 (see Annex I for a summary).**<sup>8</sup> These discussions highlight a number of factors explaining the root causes of this crisis, which can be summarized as follows:

- **Lack of adequate focus on development challenges in rural areas.** Participants agreed that rural development had been adversely affected by both the decline in world market prices in the late 1980s and by the deterioration of governance since the early 1990s. Moreover, cuts in health and education expenditure under structural adjustment programs aimed at reestablishing macroeconomic stability contributed significantly to increases in

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<sup>8</sup> These stakeholders include the Government, local government authorities, private sector, civil society, and development partners.

poverty in rural areas. Participants argued that the current policy framework continues to neglect the importance of regionally balanced development, which in the past benefited from regional growth poles across the country. Furthermore, higher allocations to quality education and effective decentralization are essential aspects of a rural development strategy capable of facilitating poverty reduction. Such a strategy also has to take into account the need to prevent deforestation and provide for environmentally sustainable sources of water.

- ***Difficulties in establishing a cohesive nation state.*** Participants underscored that conflicts surrounding questions of identity, nationality and immigration had created divisions in society—partly based on a feeling of exclusion and marginalization—and had adversely affected social stability. Better governance, in particular more equitable access to justice, is essential to instilling a sense of cohesion in society.
- ***Difficult business environment.*** The difficult business environment impedes the development of business, including industries, SMEs and micro-enterprises. While constraints exist across a number of areas, the most problematic concern the insecurity of land tenure; relations between government and the private sector (in particular in the areas of procurement and payment of taxes); lack of access to finance, and lack of technically skilled labor. In addition, shortcomings in logistics and in agricultural input chains have prevented progress in the agriculture sector. The development of SMEs—many with limited managerial and technical capacity—is particularly affected by constraints in access to finance and the often difficult relations between the government and the private sector.

### A snapshot of Côte d'Ivoire's growth performance since 1960

1.9. **With a GDP of about US\$30 billion (2013) and a population of 23 million, Côte d'Ivoire is one of the largest economies in West Africa.** For two decades following its independence in 1960, Côte d'Ivoire stood as an island of prosperity, peace and stability on a continent beset by conflicts and poverty. A fairly rich natural resource endowment, political stability, a bold open door policy to attract a productive labor force, favorable terms of trade for its main agricultural exports, and a relatively competitive manufacturing sector, had helped the country achieve a strong economic performance which, by the end of the 1970s, had turned Côte d'Ivoire into one of Africa's few middle-income countries. Real Gross Domestic Product (GDP) per capita during that period grew at a steady 6 percent a year. Table 1.1 summarizes key economic and social indicators, and Box 1.1 summarizes Côte d'Ivoire's political landscape since independence.

1.10. **Yet, from 1981 to 1992, following a series of economic shocks, annual GDP growth stagnated and Côte d'Ivoire slipped into the low-income group.** The devaluation of the CFAF in 1994 triggered an economic rebound, but this was soon undermined by successive political crises that began in 1999, effectively dividing the country in two and culminating in a civil war from end-2010 to early 2011. In 2013, its per capita Gross National Income (GNI) stood at about US\$900, roughly equivalent to its level in 1962.

### **Box 1.1: Politics, Political Economy, and the Drivers of Conflict in Côte d'Ivoire**

Côte d'Ivoire has long suffered from deep ethnic and geographical inequities that can be traced back to colonial times, and to the policies followed by successive Governments since independence. During colonial rule, the French focused on enhancing the economic and political significance of the southern, more Eurocentric area of Côte d'Ivoire, which over the decades created great differences in the opportunities of different ethnic groups to attend school and gain wealth and power. This situation could not be reversed immediately after the country gained its independence, and despite the strong growth the country experienced over the 1960s and 1970s. In fact, the concentration of investment, jobs, and wealth in the southern regions, especially around Abidjan, exacerbated socioeconomic disparities, even though efforts were made to redistribute the rents from exports of coffee and cocoa. In 1974, for instance, the income per capita of the four northern departments was significantly below Côte d'Ivoire's national average, and 65-80 percent lower than that of the richest department (Abidjan). In 1985, well over half of the country's poorest 10 percent were in the Savannah (northern) region, which contained less than one fifth of the population. Despite its dynamic growth in the 1960s and 1970s, Côte d'Ivoire depended far too much on President Houphouët for its unity. When he died in 1993, the country was left without a sufficiently institutionalized state system of governance or sense of common identity, and the ethnic tensions that had been contained under President Houphouët's administration quickly resurfaced after his death, partly on account of the weakening economic framework. Weak social cohesion and a weak national identity have plagued Côte d'Ivoire ever since.

Under the presidency of Henri Konan Bedie, during the period 1993 to 1999, the country was further polarized by the marginalization of certain socio-cultural groups and the fierce competition for increasingly scarce national resources, particularly agricultural land. The concept of being “a true Ivorian (*Ivoirité*),” created during this period, was used to justify power grabs and exclusionary policies. Ethnicization also reached the national army and contributed to the breakdown of national institutions. These continued tensions drove the country into its first coup in 1999. The flawed and chaotic 2000 Presidential elections that ushered Laurent Gbagbo into power worsened the tensions. In 2002, a mutiny-turned-rebellion led to an open armed conflict that ultimately split the country in two, and lasted until 2007, even though most fighting had stopped by 2004. The North and South were divided; political and economic ethno-regional favoritism led to increased political appointments based on regional and ethnic criteria. Overall, the 2000-2010 decade saw ethnic, regional and religious divisions being exploited to mobilize a stronger base of support. The 2007 Ouagadougou Political Agreement among the crisis stakeholders allowed for an easing of political tensions and paved the way for elections in 2010. However, disputes over the results of the elections led to a violent post-election crisis that lasted for five months. The crisis cost 3,000 lives and caused massive human right abuses, destruction of property, internal displacement of population, proliferation of small arms and light weapons, drug trafficking, illegal exploitation of natural resources, banditry and increased security.

In May 2011, Alassane Ouattara was inaugurated as Côte d'Ivoire's new president. The election losers eventually went into exile (some are being prosecuted for war crimes by the International Criminal Court in The Hague). With the end of the immediate crisis, the Government is now focused on reunification and stimulating economic growth. Two new laws have been promulgated aimed at resolving the sensitive issues of nationality and land ownership, which were at the root of the tensions. However, continued effort and commitment are needed to address the remaining critical questions related to citizenship, nationhood, justice, impunity, and a culture of respect for human rights in Côte d'Ivoire.

**1.11. Côte d'Ivoire's economic performance since 1999 has been neither sustainable nor inclusive.** From 1999, it had among the weakest growth performance in Africa, averaging less than 2 percent. From 1985 to 2008, poverty rates increased from 10 percent to about 43 percent, with significantly worse indicators for rural areas.

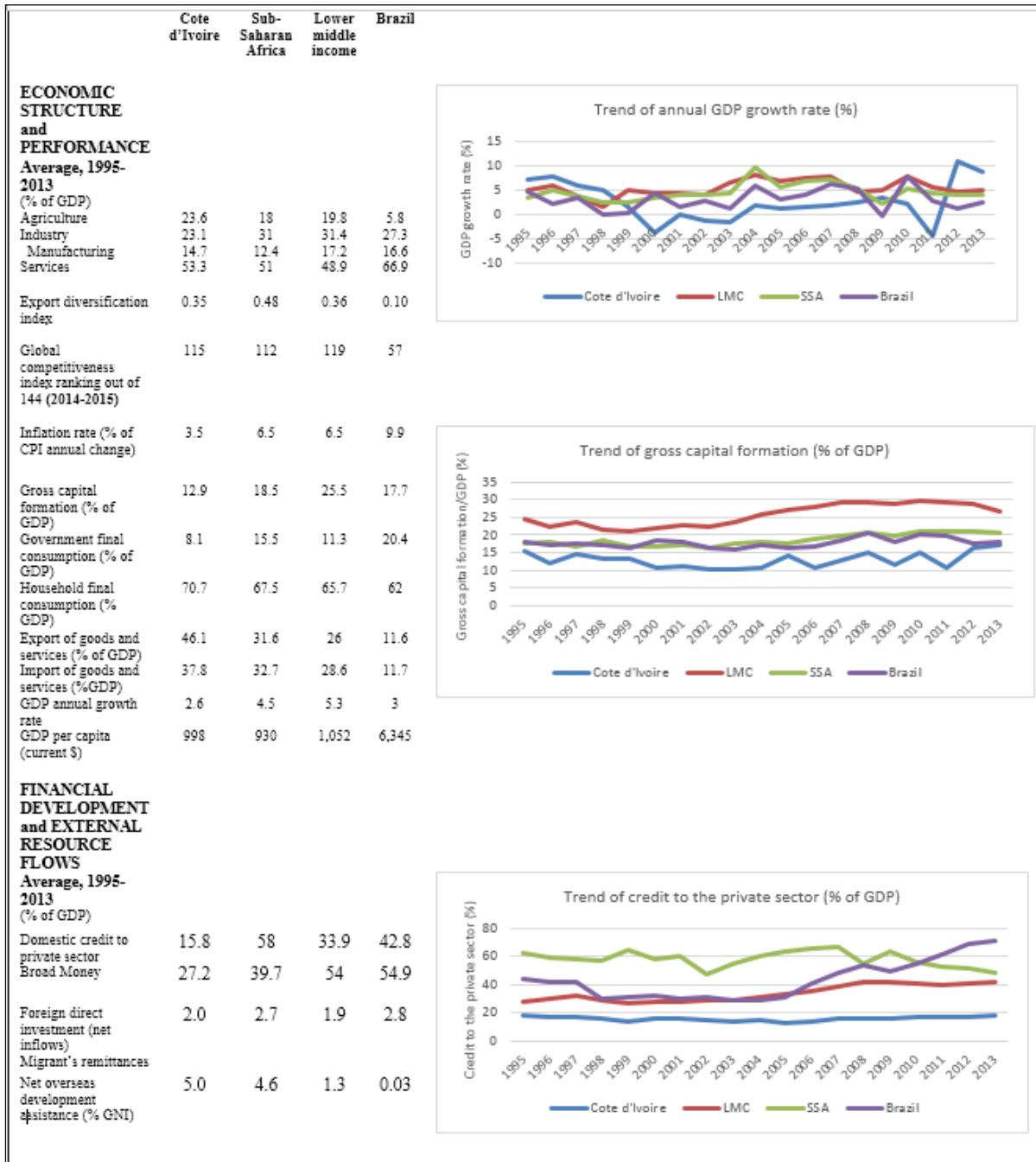
**1.12. With its higher level of development and greater size than other West African countries, Côte d'Ivoire has traditionally been an engine of growth for the region.** Its decline since the 1980s adversely affected its neighbors and made it more difficult for them to accomplish their development goals.<sup>9</sup> Côte d'Ivoire has also been affected by developments in neighboring countries, notably Burkina Faso, which has significant ties to the northern part of Côte d'Ivoire;

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<sup>9</sup> Several neighboring countries, including Burkina Faso and Ghana, had a positive development trajectory over the past two decades; however, their performance could have been even better if Côte d'Ivoire's development had not been disrupted.

and Guinea and Liberia, whose socio-economic and political developments affect the particularly fragile western part of Côte d'Ivoire.

**Table 1.1: Côte d'Ivoire at a Glance**



*Source:* Most the data are from the World Development Indicators database. The global competitiveness data are from the World Economic Forum, the export concentration index is from the UNCTAD.

*Note:* The export concentration index is proxied by the Herfindahl-Hirschmann index, which has been normalized to obtain values ranging from 0 to 1 (maximum concentration). Thus, the higher the concentration index, the less diversified a country's exports are. SSA and LMIC stand, respectively, for Sub-Saharan Africa and Lower Middle Income Countries, the income-group and region-group for Côte d'Ivoire. Reference is made to Brazil to illustrate the gap between Côte d'Ivoire and an emerging country, a status that Côte d'Ivoire aims to achieve by 2020.

**1.13. Given the persistence of drivers of fragility, Côte d'Ivoire's recovery since 2011 has been remarkable.** Total factor productivity has increased for the first time since 1980 (Table 1.2), reflecting investment across the economy to recover capacity that had been lost during the conflict. In fact, detailed analysis of Côte d'Ivoire's growth performance since the end of the crisis suggests that growth was largely the result of the response of the private sector (in particular the service sector) to the increase in public investment, reflecting mainly the private sector's rising confidence in the country's prospects and stability. Additional factors have been the strong recovery of the cocoa and other agricultural value chains, partly in response to the increase in farm-gate prices; as well as recovery across the agricultural and industrial sectors owing to strong exports, and a rise in domestic consumption as a result of fiscal expansion and increased employment. At this juncture, however, many sectors have not yet reached their pre-civil war level, which, in conjunction with ongoing efforts to improve the business environment and many foreign direct investment projects in the pipeline, bodes well for medium-term growth prospects.

**Table 1.2: Côte d'Ivoire – Growth Decomposition**  
(contribution to annual growth rates, percent)

Period	Real GDP	Capital stock	Adjusted labor	Education	Total factor productivity
1980-1990	2.8	0.3	2.9	0.2	-0.6
1990-2000	2.1	0.1	2.2	0.3	-0.5
2000-2010	0.7	0.3	1.4	0.2	-1.2
2011-2013	3.6	1.1	1.9	0.2	0.4

Sources: IMF and Penn World Table; database of Barro and Lee on education.

## 2. PROFILE OF POVERTY IN CÔTE D'IVOIRE

**2.1. The poverty profile presented in this section draws on the analysis in the most recent Poverty Assessment for Côte d'Ivoire (2011) which was based primarily on the nationally representative household surveys from 1985 to 2008.** These were the Living Standards Measurement Survey (LSMS) of 1985; and the *Enquête sur le Niveau de Vie des Ménages* (ENV) of 1993, 1998, 2002, and 2008. As the 2014 ENV survey is not yet completed, this section will supplement the ENV analysis with poverty projections and more recent poverty-relevant indicators derived from the 2011/2012 Demographic and Health Survey (DHS).

**2.2. While Côte d'Ivoire has a long series of detailed household surveys<sup>10</sup> on the living conditions of its people spanning nearly 25 years, there are comparability challenges, given that the survey design has changed and implementation changes have been introduced over time.** Four main comparability issues that may affect the measurement of poverty over time were identified in the last Poverty Assessment (2011). These include: (a) changes in the recall period for various categories of consumption items, which can substantially influence the expenditure reported; (b) new goods introduced into the household consumption basket, particularly in 2002 and 2008; (c) an expanded list of items, in particular in food, in the more recent survey rounds; and (d) a different poverty line used in 2008 compared to the earlier reports.

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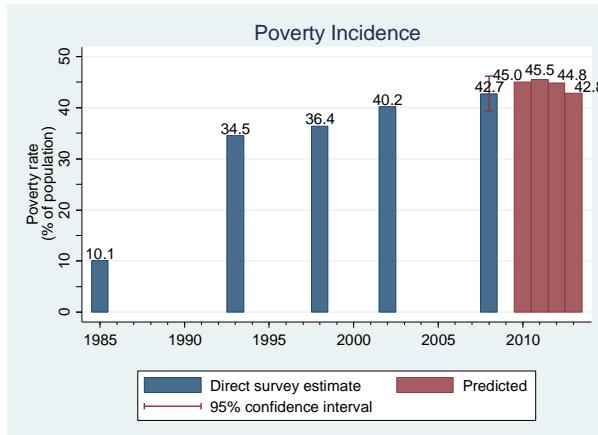
<sup>10</sup> There are nine rounds of household surveys altogether starting with the LSMS series in the 1980s. These are LSMS (1985 to 1988), ENV 1993, 1995, 1998, 2002, 2008.

**2.3. These comparability issues were addressed to the extent possible in the Poverty Assessment of 2011; nonetheless, trends must be interpreted with this in mind.** For this Poverty Profile, the analysis uses a consistent poverty line, in real terms, across the set of surveys; and goods or services that were not common in all years were excluded from the consumption aggregate. As for the issue of the expanding list of items, no systematic relationship between the length of the list and average consumption was observed in the data, and hence no adjustments were made. To mitigate differences stemming from changes in recall period, a method proposed by Tarozzi (2007) was used to reweight observations based on information on consumption items for which the recall period was common and household characteristics were collected in the same way over time.

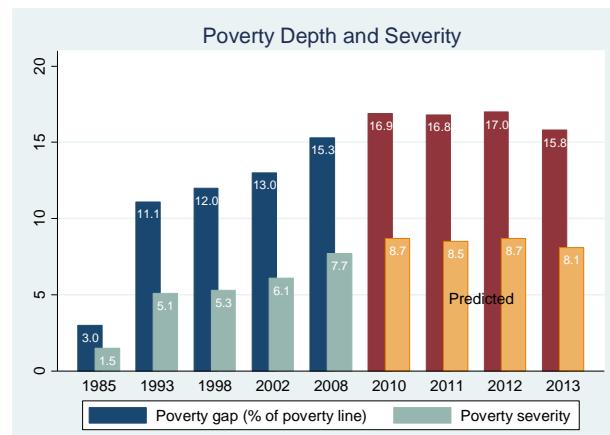
### Poverty, Inequality and Lack of Shared Prosperity

**2.4. From 1985 to 2008, Côte d'Ivoire experienced a dramatic fall in living standards and a dramatic rise in poverty incidence (figures 2.1 and 2.2).** Consumption of most of the population, except the top 20 percent, fell by nearly 7 percent a year between 1985 and 1993, then improved briefly, and subsequently decreased by about 1 percent a year between 1998 and 2008. As a consequence, between 1985 and 2008, the fraction of the population living below the national poverty line (75,000 CFAF per person per year in 1985 prices; US\$1.40 per person per day in 2008 prices) increased from around 10 percent to about 43 percent. The deterioration of living standards has been widespread and lengthy.

**Figure 2.1: National Poverty Incidence, 1985-2012**



**Figure 2.2: Poverty Depth and Severity, 1985-2012**



*Note:* These estimates apply the Tarozzi reweighting adjustments. For the projections, an adjustment factor of 0.87 is applied to the real GDP per capita growth rates, which is common practice, to reflect empirically observed differences between national accounts and survey-based consumption growth.

*Source:* Poverty Assessment (2011) and staff estimations.

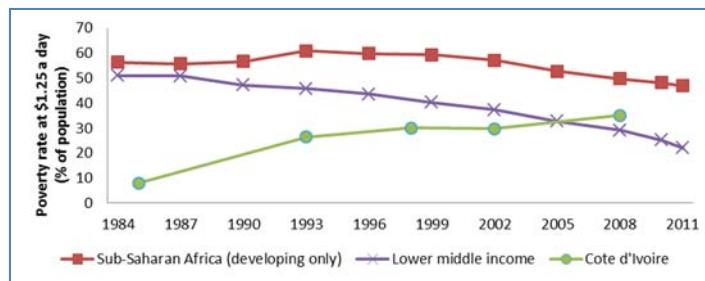
**2.5. With the post-election crisis, the poverty incidence increased to an estimated 45 percent in 2011 and is then estimated to have fallen back to 2008 levels by 2013 as economic growth rebounded.** These estimates are based on sector-specific growth, where households are assigned the GDP per capita growth rates of the sector (primary, secondary, tertiary) associated

with the main activity of the household head (as reported in the 2008 ENV household survey).<sup>11</sup> Real GDP per capita was 5 percent lower in 2011 and 9 percent higher in 2013, both relative to 2008. The agriculture and industry sectors contracted in per capita terms over this period, while the service sector expanded. The population growth rate for the period was around 2 percent a year.

**2.6. The depth and severity of poverty also rose sharply between 1985 and 2008 (Figure 2.2).** The depth of poverty, as measured by the poverty gap index, indicates that the average consumption shortfall below the poverty line increased from 3 percent to above 15 percent during this period. The severity of poverty measure, which places greater emphasis on more extreme deprivations, also increased five-fold over this period. In other words, the poorest of the poor were hit the hardest. While the deterioration happened across the board, the declines were far worse in rural areas.

**2.7. Côte d'Ivoire's rising poverty trend differs sharply from the declining trends seen for lower middle-income and Sub-Saharan African countries as far back as the mid-1980s (Figure 2.3).** In 2008, Côte d'Ivoire's poverty rate was 35 percent, about six percentage points higher than the aggregate poverty rate for lower middle-income countries and fifteen points lower than the overall rate for Sub-Saharan Africa in 2008.

**Figure 2.3: Poverty Trends for Côte d'Ivoire, Sub-Saharan Africa, and Lower Middle-Income Countries, 1984-2011**



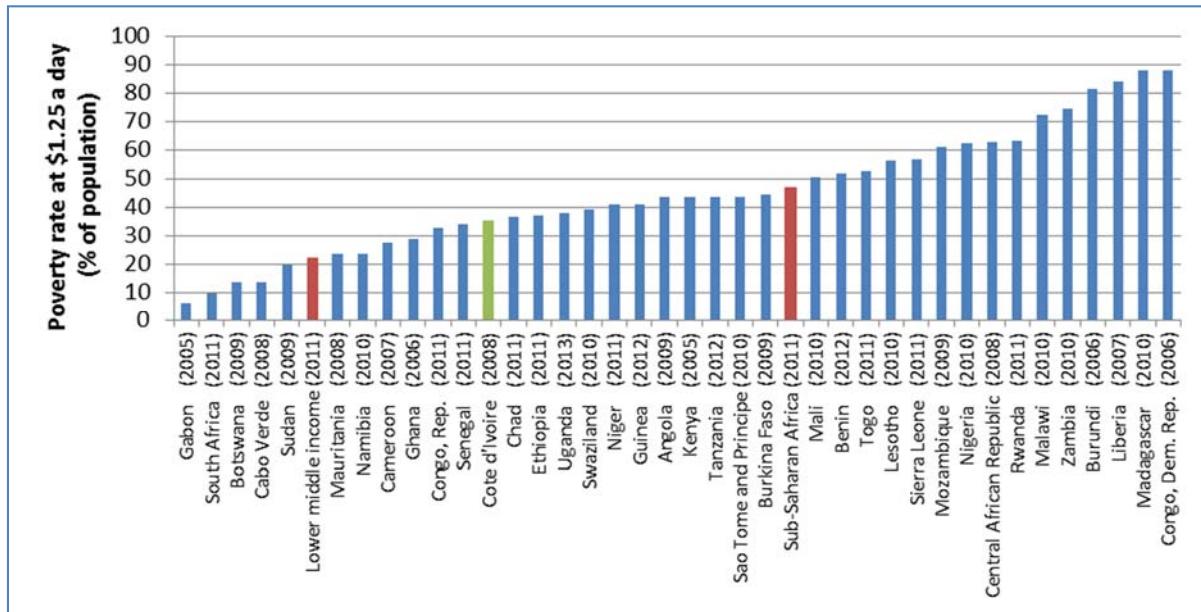
Source: World Development Indicators.

**2.8. With this rising poverty trend, Côte d'Ivoire's poverty rate has surpassed that of neighboring Ghana, but due to its previous strong performance, it has not yet reached the poverty level of most other African countries.** Figure 2.4 shows the most recent year's value of the US\$1.25 a day poverty rate for most countries in Sub-Saharan Africa.

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<sup>11</sup> For the projections, an adjustment factor of 0.87 was applied to the real GDP per capita growth rates, which is common practice, to reflect empirically observed differences between national accounts and survey-based consumption growth. GDP per capita was calculated using the latest available national accounts data (in constant 2009 CFAF) from IMF sources as of November 2014, and population estimates from World Development Indicators. Annual changes in labor shares across sectors were not available and thus assumed to remain constant. It should be noted that the predicted poverty levels remain within the 95 percent confidence interval of the 2008 direct estimate.

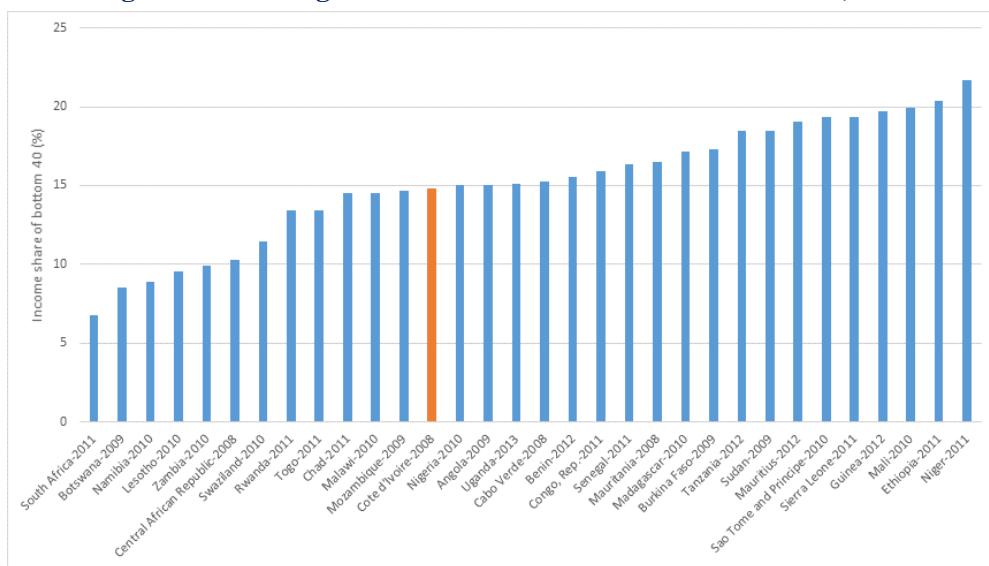
**Figure 2.4: Comparison of US\$1.25 a Day Poverty Rates Across African Countries, Most Recent Year**



Source: World Development Indicators, most recent year values between 2005 and 2013.

**2.9. With respect to the Shared Prosperity Index, Côte d'Ivoire is one of the worst performers in Africa** (Figure 2.5). The World Bank Group's goal of promoting shared prosperity has been defined as fostering income growth of the bottom 40 percent of the population in every country. In Côte d'Ivoire, mean consumption per capita for the bottom 40 percent has been shrinking at an annualized rate of -2.6 percent between 2002 and 2008, worse than that for the total population (-0.9 percent). Furthermore, the growth incidence curve for this same period indicates that the bottom decile—the poorest of the poor—experienced the biggest losses.

**Figure 2.5: Average Income Share of the Bottom 40 Percent, SSA**

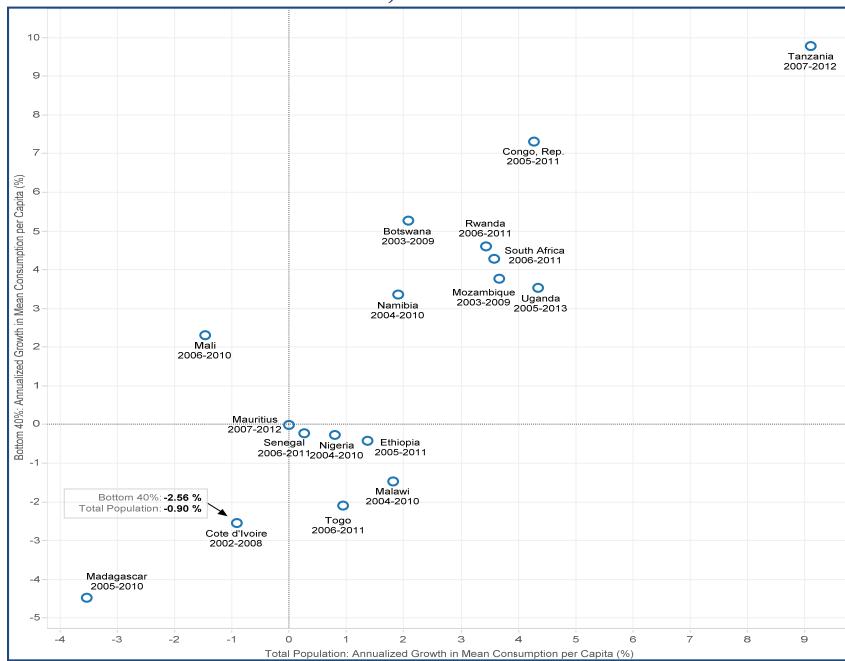


Source: World Development Indicators.

**2.10. With a poverty rate currently around 40 percent, the shared prosperity goal is tantamount to the poverty reduction goal for Côte d'Ivoire.** An inclusive growth process needs to be stimulated and sustained to foster both poverty reduction and shared prosperity in Côte d'Ivoire. Figure 2.5 shows the average income share of the bottom 40 percent in Côte d'Ivoire and other countries in Sub-Saharan Africa during 2008-2013 and underscores the very poor distribution of wealth.

**2.11. There is significant inequality in the distribution of economic welfare in Côte d'Ivoire.** Figure 2.6 shows changes over time in the Gini measure of inequality at the national, urban and rural levels. The Gini coefficient for the total population has hovered around 40 percent during the period. Starting at 44 percent in 1985, it dropped to about 38 percent in 1993 and remained there in 1998 before increasing again to 40 percent in 2002 and reaching about 42 percent in 2008. Inequality in urban areas is higher than in rural areas except for 2008, when urban inequality is slightly lower than rural inequality (39.7 compared to 40.4 percent). Inequality in rural areas follows the same pattern over time as inequality at the national level. It first declines from 1985 to 1998, then starts rising in 2002 and almost reaches the 1985 level by 2008.

**Figure 2.6: Shared Prosperity Index for Sub-Saharan African Countries, circa 2006-2011**



*Note:* The reference period for Côte d'Ivoire is slightly older (recent year of survey data in 2008) compared to all other countries in the figure which have the most recent year of 2009 or later, and thus was not included in the Global Database of Shared Prosperity. The shared prosperity index for Côte d'Ivoire was calculated using PovcalNet data (October 2014 version) of real mean per capita consumption measured at 2005 Purchasing Power Parity (PPP) exchange rates from distributions estimated parametrically from grouped household survey data. The annualized growth rate is computed as  $(\text{Mean in year 2}/\text{Mean in year 1})^{(1/\text{Year 2} - \text{Year 1})} - 1$ . Data on the shared prosperity indicator are available for 72 countries worldwide. In 51 of them (70 percent), growth was pro-poor, in the sense that growth of the bottom 40 percent exceeded growth in the total population).

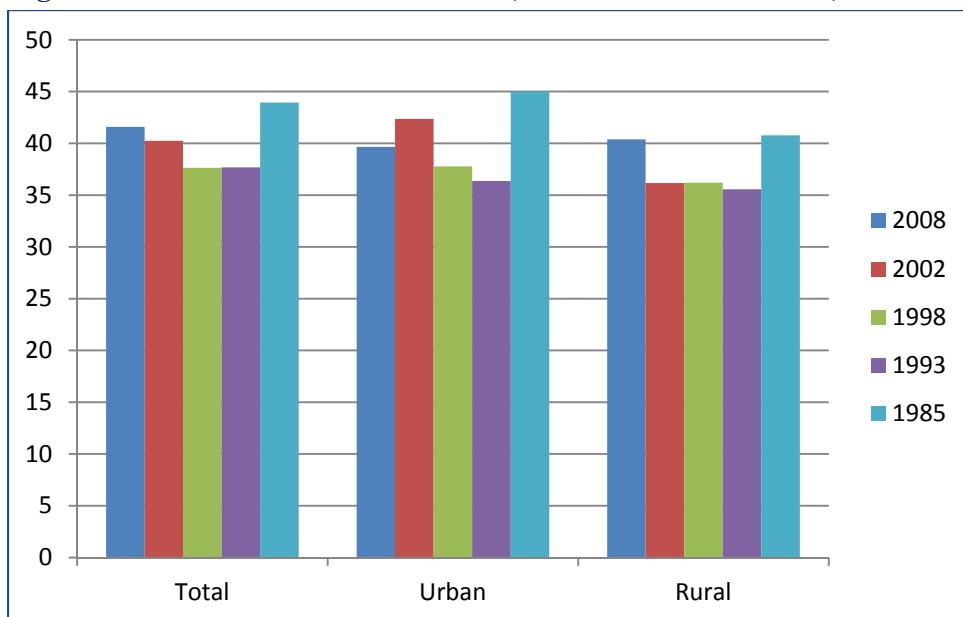
*Source:* Global Database of Shared Prosperity and staff estimates based on ENV 2002 and 2008, and on PovcalNet (October 2014) for Côte d'Ivoire.

## Spatial Distribution of the Poor

### *Urban-rural disparities*

**2.12. Poverty continues to be overwhelmingly rural.** Poverty rates in both urban and rural areas more than quadrupled between 1985 and 2008. Urban poverty increased from a low of 6.8 percent in 1985 to 29.3 percent in 2008, while rural poverty increased from 12.4 to 54.2 percent (Figure 2.7). Growth-inequality decompositions indicate that these changes in poverty are almost entirely driven by a decline (or growth) of consumption as opposed to distributional changes. In terms of the share of the poor, rural areas accounted for 68 percent of the poor in 2008, down from 72 percent in 1985. Although the share of the poor in urban areas increased to 32 percent in 2008, the poor are still overwhelmingly concentrated in rural areas.

**Figure 2.7: Gini Coefficients at National, Urban and Rural Levels, 1985-2008**



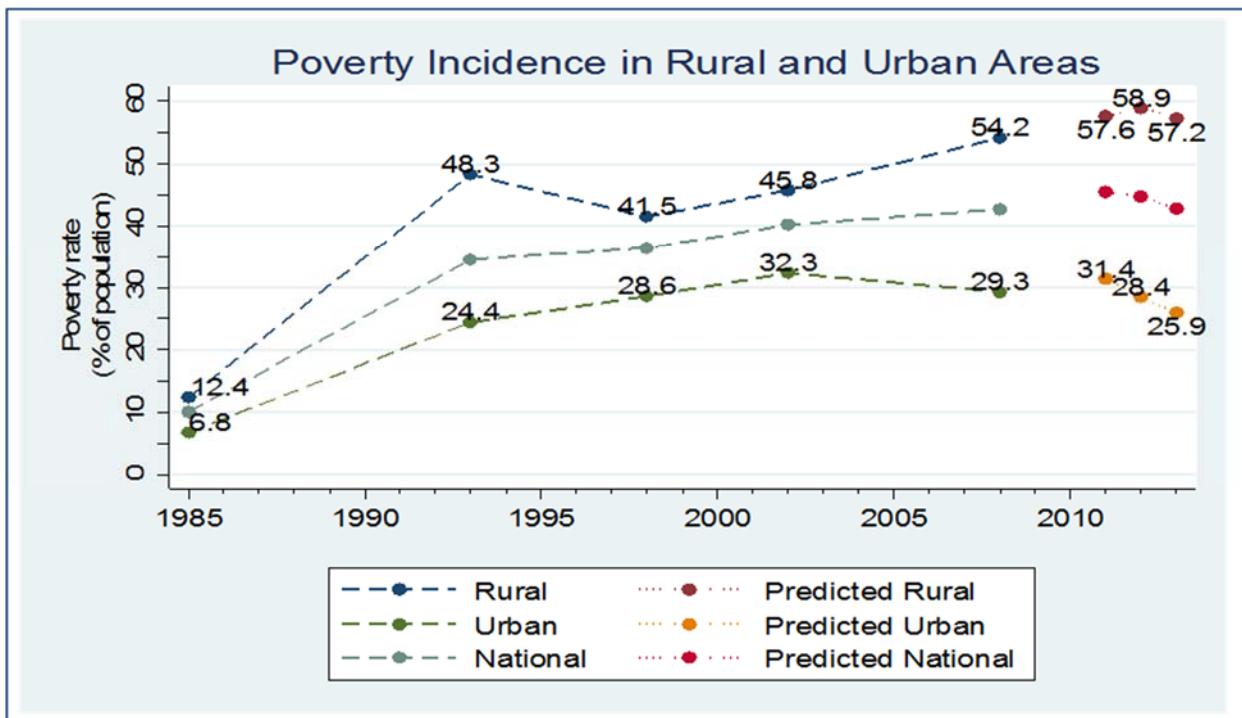
*Source:* Poverty Assessment (2011).

**2.13. Both urban and rural poverty increased in 2011 due to the post-election crisis, followed by urban poverty rates falling and rural poverty remaining elevated (Figure 2.8).** Based on recent real per capita GDP estimates by sector, rural poverty was predicted to have increased to about 57-59 percent in recent years, in line with the relatively poor performance of the agriculture sector. Urban poverty, on the other hand is predicted to have dropped sharply with the recovery of the services sector.

**2.14. In view of the large number of rural poor sustaining themselves through agriculture, agricultural development has major and direct implications for poverty reduction.** Poorer rural households rely heavily on crop production. For the bottom 40 percent, crop production constitutes nearly 70 percent of income. For the top 20 percent, however, crop production accounts for only 47 percent of income, with wage and non-farm income accounting for 37 percent.

**2.15. Although households in which the household head is a farmer tend to have lower welfare levels than any other occupation, those producing cash crops are generally better off.** In 2008, regression results based on the ENV data indicated that households involved in cocoa production had, on average, 9 percent greater consumption than farmers growing non-export crops, after controlling for factors such as household characteristics and location. Households producing oil palm, rubber, and cotton had even higher per capita consumption, averaging 10, 17 and 23 percent higher than farmers growing non-export crops.

**Figure 2.8: Poverty Incidence in Rural and Urban Areas, 1985-2013**

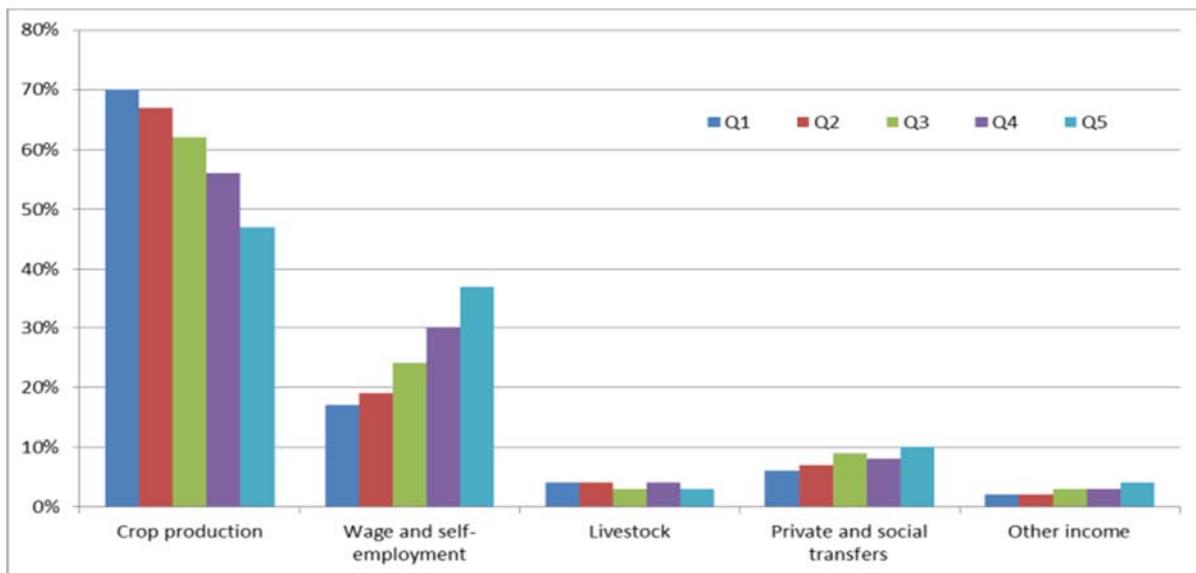


Source: Poverty Assessment (2011) and staff estimations.

**2.16. Larger families are more likely to be poor than smaller families (Figure 2.9).** Poverty is also higher for families with many young children, the less educated, those living in the North and Center-West, and the elderly.

**2.17. There is no observable difference in the poverty rates between male and female-headed households;** however, widows and divorced females who are household heads are poorer than their male counterparts. Also, the poverty incidence for divorced female-headed households is almost twice as high as for single female-headed households.

**Figure 2.9: Composition of Rural Income by Quintile, 2008**



Source: Poverty Assessment (2011).

### Regional Pattern

2.18. There are great disparities in poverty rates across regions, with pronounced differences between the North and the South.<sup>12</sup> Figure 2.10 (left panel) represents poverty rates across 10 regions in 2008.<sup>13</sup> Two spatial patterns are evident from the map. First, poverty rates tend to increase from the South (25 percent) to the North (69 percent). Poverty rates in the Northern regions have remained persistently high at no less than 40 percent of the population over the last two decades. Second, poverty rates tend to increase from the East to the West, both along the coast and inland.

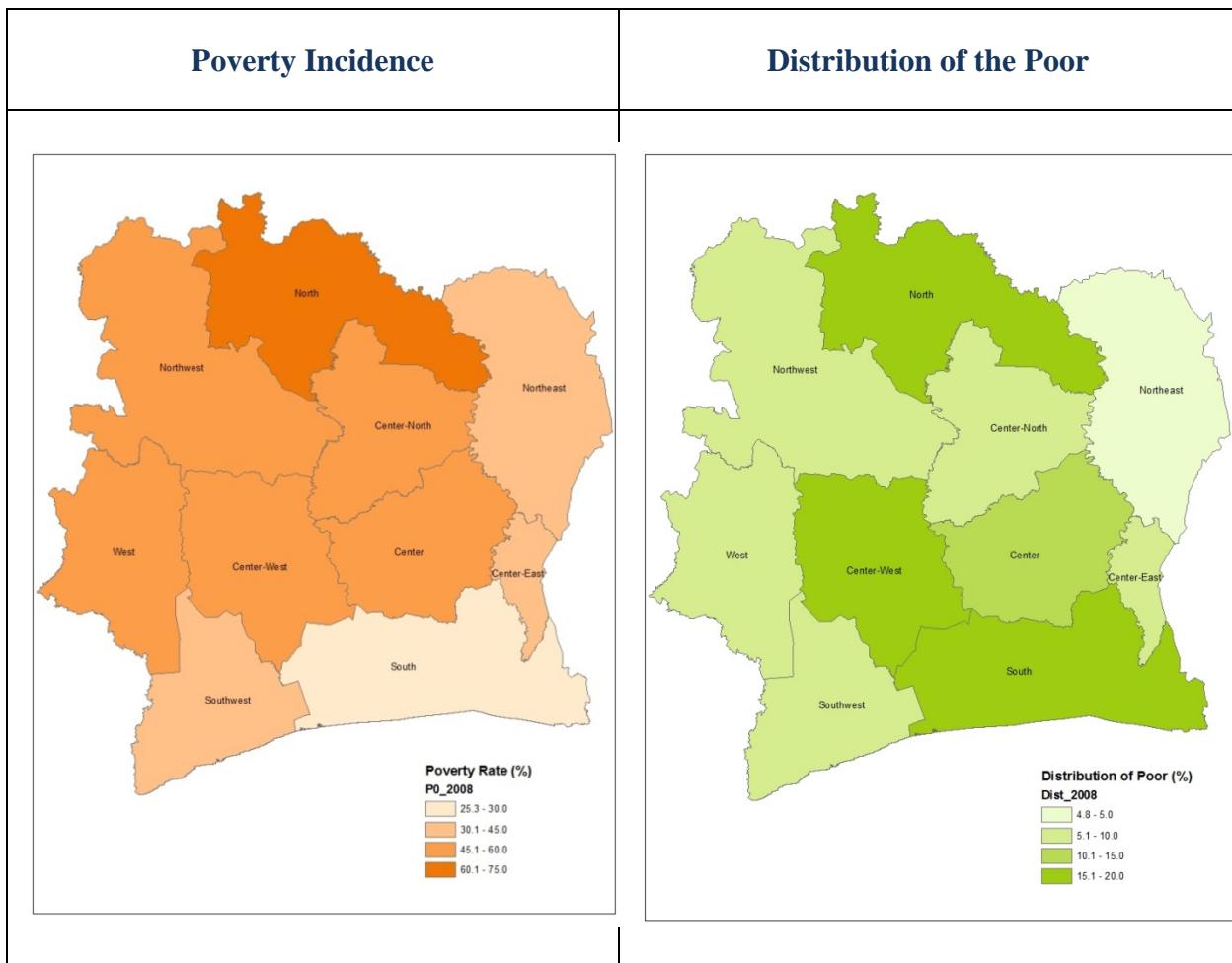
2.19. In terms of the number of poor, the South, Center-West, and North regions account for nearly half of the poor people in the country. Figure 2.10 (right panel) depicts the distribution of the poor by subnational region. The North region, with a poverty rate of nearly 70 percent, accounts for 16 percent of the poor in Côte d'Ivoire, even though only 10 percent of Ivoirians live in this region. The South, including Abidjan, which has the lowest regional poverty rate, accounts for roughly 16 percent of the poor due to its large population share. The Center-West region is the third area with the highest concentration of the poor. The Northeast region accounts for less than 5 percent of the poor.

2.20. The North-South disparities can be explained in part by the country's two distinct agricultural regions. The forest region in the South is home to cocoa, coffee (mostly robusta), and palm oil production, while the drier savannah region to the North is home to cotton and cashew production.

<sup>12</sup> This analysis is based on the 2008 household survey.

<sup>13</sup> Current administrative divisions differ from these 10 regions.

**Figure 2.10: Subnational Poverty Rates and Distribution of the Poor, 2008**



Source: Staff estimates based on ENV (2008).

**2.21. The majority of the poor continue to rely on agriculture.** Table 2.1 depicts the poverty incidence by the main activity of the household head, categorized as agriculture, manufacturing, services and other. The poverty rate is highest when the household head is occupied in the agriculture sector. This is also the sector in which the highest population share, 46 percent, is occupied.

**Table 2.1: Poverty Incidence by Main Activity of Household Head, 2008**

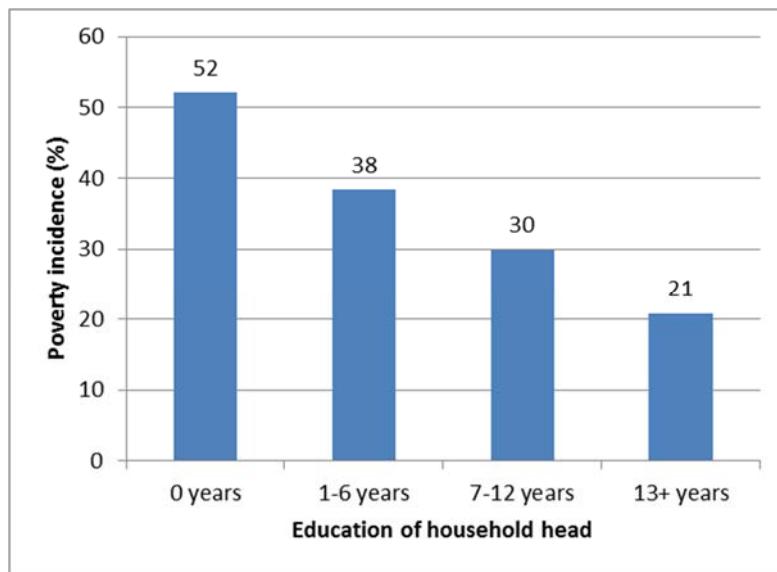
	Poverty Rate (%)	Population Share (%)
<b>Agriculture</b>	56	46
<b>Industry</b>	30	9
<b>Services</b>	23	30
<b>Other</b>	34	15

Source: Staff estimates based on ENV (2008).

**2.22. The soaring poverty rates have hit the less educated the hardest.** Figure 2.11 shows the poverty rate by education of the household head. More than half of the population in households

with an uneducated head is poor. With primary (1-6 years) and some secondary (7-12 years) education, poverty rates fall to 38 and 30 percent, respectively.

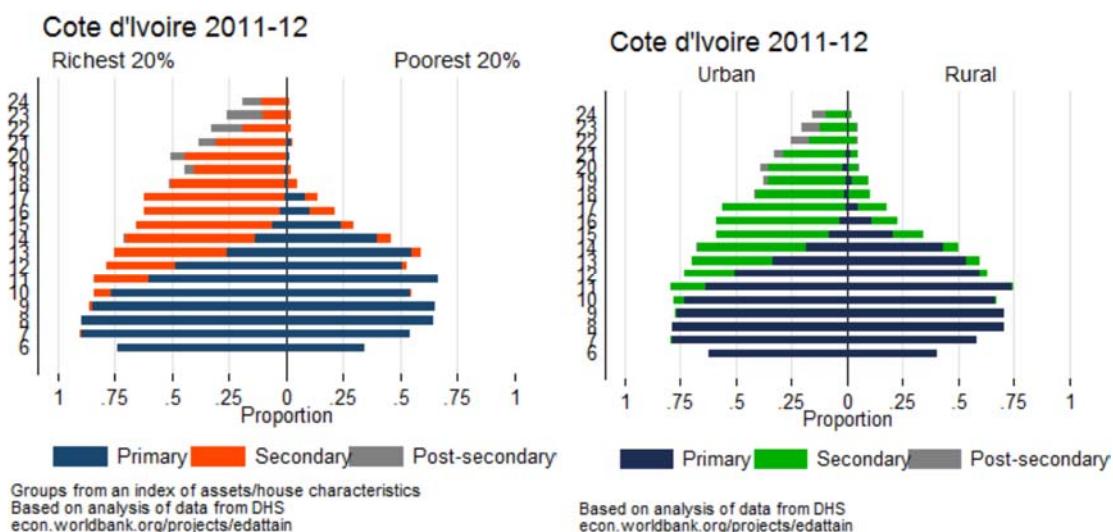
**Figure 2.11: Poverty Rates by Years of Education of Household Head, 2008**



Source: Staff estimates based on ENV (2008).

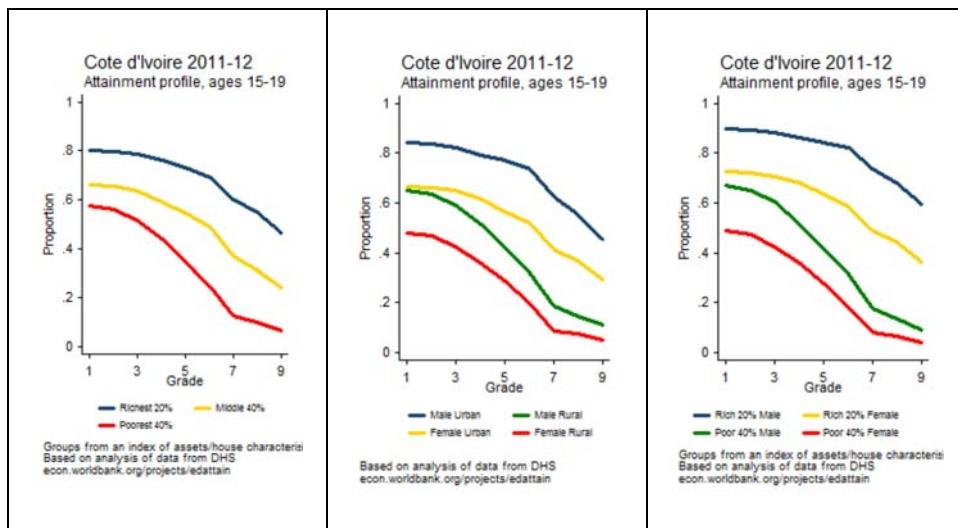
**2.23. The disparities in access to education are likely to constrain intergenerational mobility.** The school enrollment pyramids in Figure 2.12 show the percentage of 6 to 24 year olds who are enrolled, by age and level of schooling. While differences in primary school enrollment exist, the most pronounced disparities emerge for secondary education. For both rural residents and the poor, access to secondary education is dismal. Given the correlation between education and welfare, these disparities can limit future opportunities and outcomes.

**Figure 2.12: School Enrollment Pyramids, by Age and Level of Education**



**2.24. In addition, gender disparities in educational attainment exist across wealth and urban-rural groups.** The educational attainment profiles in Figure 2.13 show the percentage of 15 to 19 year olds who completed each grade in 1998-99 and 2011-12. First, we observe that the bottom 40 percent (based on wealth index) have improved access in lower primary grades but only marginal increases in secondary school over this period, whereas the middle 40 percent and top 20 percent have improved attainment at secondary education levels. Second, these trends largely represent the urban-rural disparities. Third, the gender gaps in attainment persist at all levels in both urban and rural areas and at different wealth levels.

**Figure 2.13: Educational Attainment for Age 15-19 by Gender, Area of Residence, and Wealth**



## Vulnerability to Poverty

**2.25. The deterioration in Côte d'Ivoire's living standards between 1985 and 2008 can be attributed to a series of interlocking shocks which disrupted the economy and overburdened institutions of economic and political governance (Box 2.1).** First, between 1985 and 1992, the international prices of the country's two main export crops—cocoa and coffee—collapsed, and suffered smaller shocks in 1992 and 2008. Côte d'Ivoire is the world's largest producer and exporter of cocoa beans, and coffee is one of its major export crops. In the mid-1980s, these two crops were grown by almost 40 percent of all farmers and on 50 percent of all agricultural land (Benjamin and Deaton, 1993). However, the overvaluation of the CFA Franc prior to 1994 negatively affected the competitiveness of these crops; and the heavy taxation of those crops pushed many farmers into poverty.

## **Box 2.1: Poverty at a Glance**

### *➤ Poverty is deep*

**From 1985 to 2008, Côte d'Ivoire experienced a drastic fall in living standards and a dramatic rise in poverty incidence, which went from 10 to 43 percent.** A major source of the deterioration in living standards was a series of interlocking shocks –most importantly, large declines in cocoa prices—which imposed pressures on institutions of economic and political governance. The consequences of the price shocks were amplified by political and social crisis, including an attempted coup in 1999 and a civil conflict in 2002, which effectively split the country in two. Cuts in education and health expenditure greatly exacerbated the impact of the fall in farm-gate prices on poverty and created conditions for the subsequent sustained deterioration in social indicators, as it greatly enhanced vulnerability of farmers.

Mean consumption per capita for the bottom 40 percent had been shrinking at an annualized rate of -2.6 percent between 2002 and 2008, worse than that for the total population (-0.9 percent). Furthermore, the growth incidence curve for this same period indicates that the bottom decile – the poorest of the poor – experienced the biggest losses. With a poverty rate in 2013 estimated at around 40 percent, the shared prosperity goal is tantamount to the poverty reduction goal for Côte d'Ivoire.

### *➤ Poverty is predominantly rural*

**While the deterioration of living standards happened across the board, the declines were far worse in rural areas.**

### *➤ Cocoa and other export crops have an important poverty impact*

**Regression results indicate that households involved in cocoa production had a higher consumption than farmers growing non-export crops,** after controlling for factors such as household characteristics and location; while those growing coffee were no better off. Households producing oil palm, rubber, and cotton had even higher per capita consumption.

### *➤ Poverty is geographically concentrated*

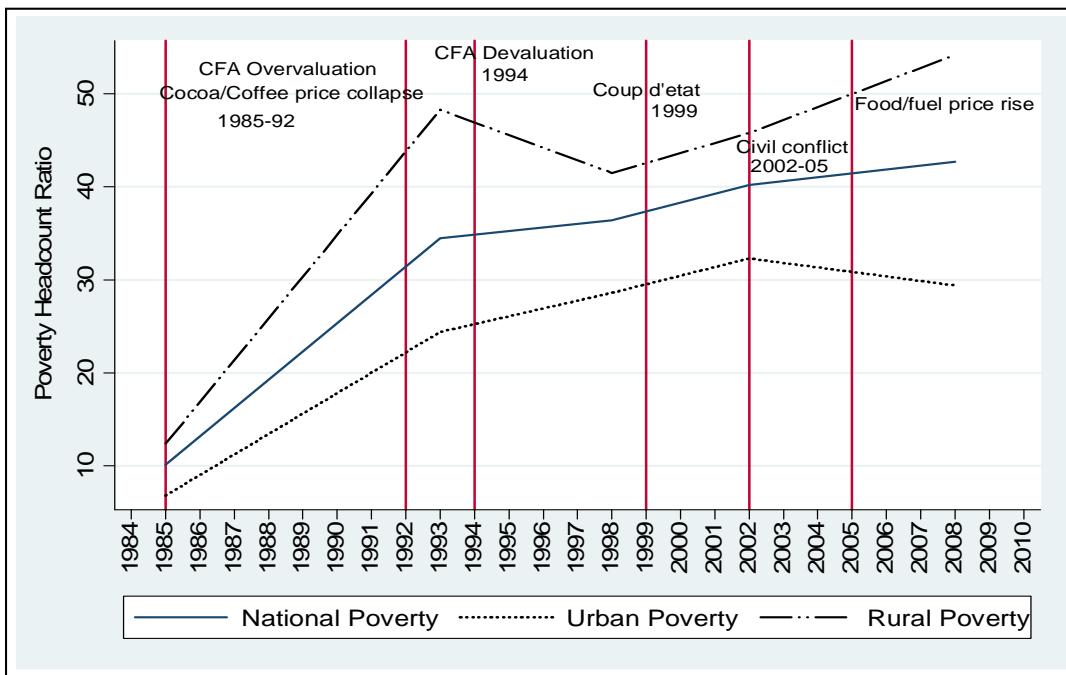
**There are great disparities in poverty rates across regions, with pronounced differences between the North and the South.** Across the 10 regions, poverty in 2008 ranged from 25 percent in the South to 69 percent in the North. Poverty rates tend to increase from the South to the North and from the East to the West, both along the coast and inland.

### *➤ Fewer children and better education are correlated with lower degrees of poverty*

**Larger families are more likely to be poor than smaller families.** However, there is no observable difference in the poverty rates between male and female-headed households. For both rural residents and the poor, access to secondary education is dismal. Given the correlation between education and welfare, these disparities can limit future opportunities and outcomes.

2.26. The effects of the overvaluation and the harsh agricultural policies were further exacerbated by the fiscal consolidation in the early 1990s, which led to cuts in education and health expenditure and created the conditions for a significant rise in poverty. The devaluation in 1994 restored competitiveness, and a recovery in commodity prices led to improved living standards among farmers through 1998. However, the recovery was again reversed by the social crisis that began with the coup in 1999, and was compounded by the civil conflict in 2002. Figure 2.14 shows the pattern of welfare changes during this period.

**Figure 2.14: Major Shocks and Welfare Changes, 1985-2010**



Source: Poverty Assessment (2011).

### 3. EMPLOYMENT AND THE LABOR MARKET

**3.1. Côte d'Ivoire is characterized by high labor force participation and low formal employment.** In 2013, 76.8 percent of the adult population was in the labor force (85 percent in rural and 68 percent in urban areas). Inactive individuals comprise mostly youth and the elderly. Unemployment is very low in rural areas (3 percent), where formal labor markets are thin and most individuals are self-employed. The vast majority of adults in the labor force are engaged in low-productivity occupations such as agricultural and non-agricultural self-employment, particularly among the poor, women, and those living in rural areas. Overall, 46.9 percent of the employed population is self-employed in agriculture, and 29.3 percent is self-employed in non-agricultural activities. Most adults work on family farms, or in non-agricultural individual enterprises in the commerce or service sectors. The few formal wage jobs are concentrated among the more educated in urban areas (Table 3.1).

**Table 3.1: Composition of Employment in Côte d'Ivoire (percent)**

	All	Urban	Rural
Agricultural self-employment	46.9	8.0	71.6
Non-agricultural self-employment	29.3	50	16.2
Agricultural wage employment	2.8	1.1	3.9
Non-agricultural wage employment	14.6	30	4.9
<b>Other types of employment</b>	<b>6.4</b>	<b>11.2</b>	<b>3.3</b>

Source: Analysis of 2013 National Employment Surveys, based on primary employment.

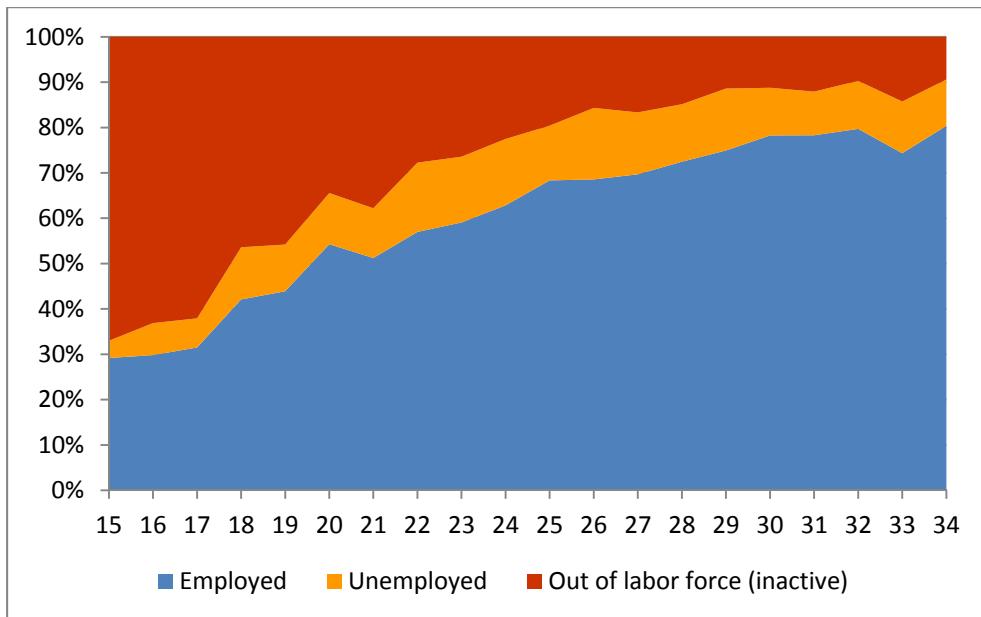
**Table 3.2: Labor Force Participation and Unemployment by Age Group**

	Inactivity	Unemployment
Age 14-24	44.3%	5.4%
Age 25-34	9.9%	7.1%
Age 35-64	9.4%	4%
<b>Age 65+</b>	<b>44%</b>	<b>0.9%</b>

Source: Analysis of 2013 National Employment Surveys. Inactivity is defined as individuals outside the labor force. Unemployment is formally defined as the share of individuals in the labor force who are not working, looking for work and available to work.

**3.2. The prevalence of inactivity and unemployment is higher among younger cohorts (Table 3.2).** Côte d'Ivoire has a young and fast-growing population. Beyond the potential for a massive demographic dividend if this new work force can be employed productively, many fear that a *jeunesse désœuvrée* (at loose ends) represents a security risk for the country. An estimated 350,000 to 400,000 young people join the working-age population each year.<sup>14</sup> Many experience a gradual and slow school-to-work transition (Figure 3.1), and these young people constitute the majority of the inactive population. Although unemployment remains low by international standards, unemployment rates are relatively higher among the younger cohorts, reaching 7.1 percent of the labor force for the 25-34 age group compared to 4 percent for 35-64 year olds.

**Figure 3.1: Youths Transition into the Labor Force, by Age**

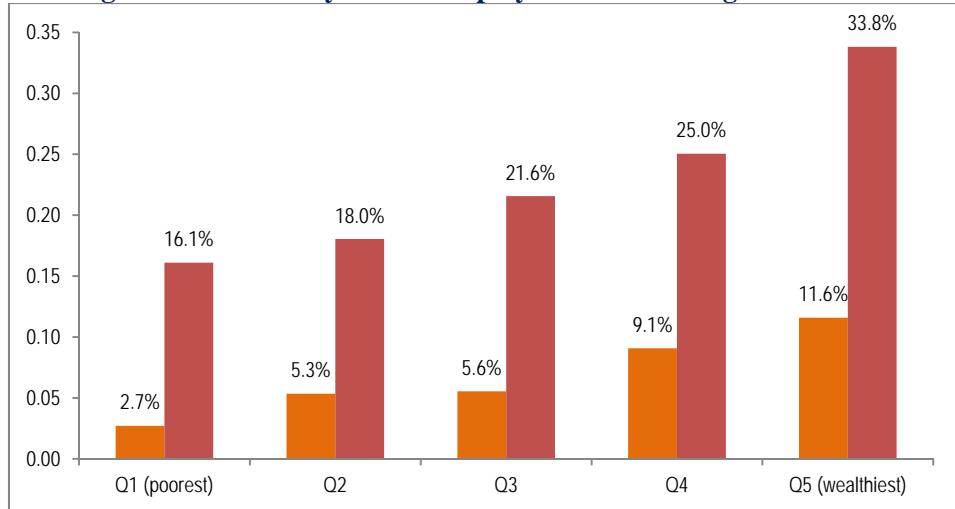


Source: Analysis of 2013 National Employment Survey.

<sup>14</sup> AGEPE, 2014, *Enquête Nationale sur la Situation de l'Emploi et du Travail des Enfants (ENSETE 2013)*, sur la base des projections de population fondées sur le RGPH 1998.

**3.3. Inactivity and unemployment are concentrated among the wealthier groups, while most of the poor are working** (Figure 3.2).<sup>15</sup> Even for those who have wage jobs, formal employment in the private sector is the exception (Figure 3.3).

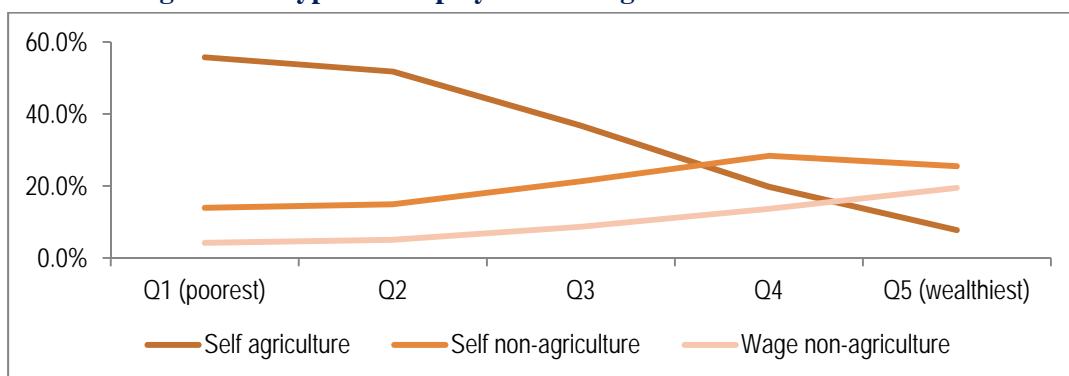
**Figure 3.2: Inactivity and Unemployment Rise Along with Wealth**



Source: Analysis of 2013 National Employment Survey.

**3.4. Wage jobs are concentrated among the wealthiest, and the poor are concentrated in low-productivity occupations** (Figure 3.3). Almost all employment opportunities for the poor are in self-employment. More than 90 percent of individuals from the bottom two quintiles are self-employed, mostly in agriculture. By contrast, only a small share of wealthier households is self-employed in agriculture. 8 percent of individuals in the bottom quintile are wage employed, and half of them are in agricultural wage jobs. Wage jobs, and in particular non-agricultural wage jobs, are concentrated among the wealthier households. The share of wage employment in the top two quintiles is 13.6 percent and 19.5 percent respectively. Access to wage employment opportunities is limited among the poor.

**Figure 3.3: Types of Employment Along the Wealth Distribution**

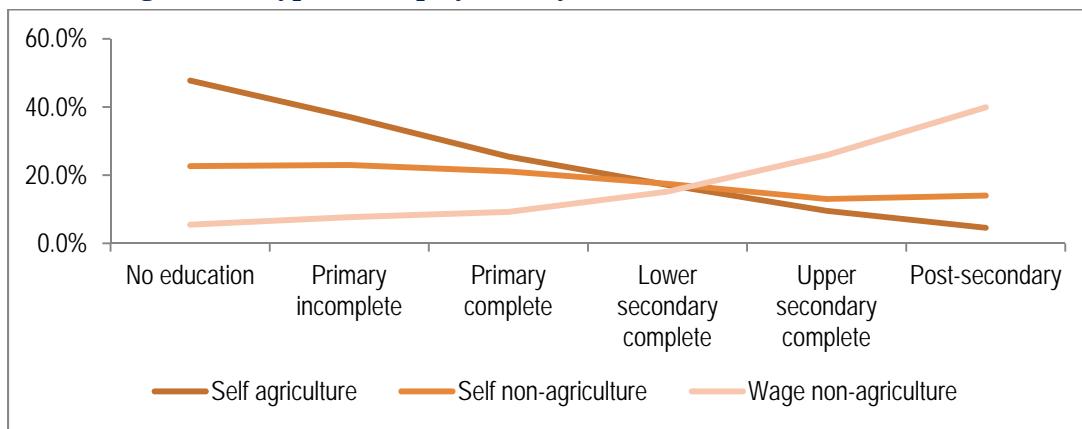


Source: Analysis of 2013 National Employment Survey.

<sup>15</sup> Employment surveys do not include consumption or welfare measures. To analyze the distribution of employment, this note relies on a household asset index.

**3.5. Education remains a strong determinant of access to employment opportunities.** Employment patterns by education levels mirror employment patterns by wealth quintile (Figure 3.4). Most individuals with low education are concentrated in agriculture, and access to non-agricultural wage jobs is concentrated among individuals who completed secondary education or higher. Non-agricultural self-employment decreases with levels of education, though less so than self-employment in agriculture.

**Figure 3.4: Types of Employment by Education Level in Côte d'Ivoire**



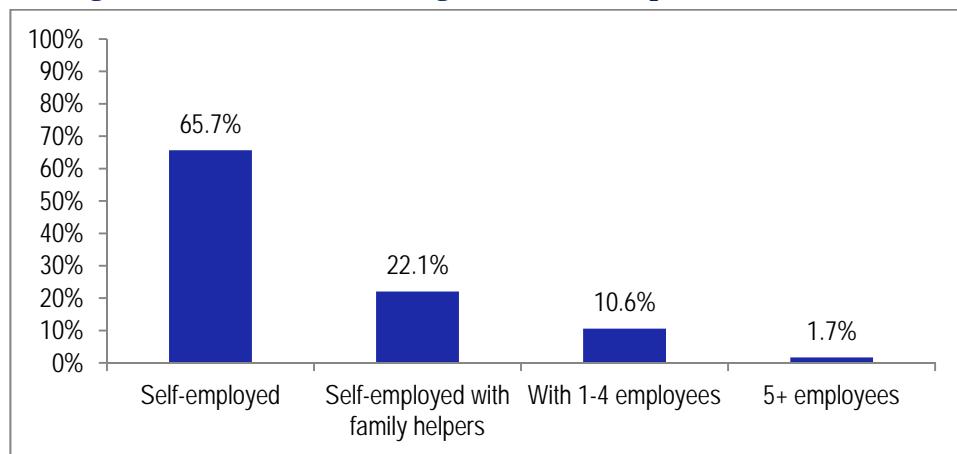
Source: Analysis of 2013 National Employment Survey.

**3.6. Non-agricultural self-employment is more evenly spread along the wealth distribution.** Households that specialize in subsistence agriculture are more likely to be at the bottom, while non-agricultural self-employment is the most evenly distributed along the wealth spectrum. About 13.9 percent of households in the bottom quintile and 25.5 percent of households in the top quintile are engaged in non-agricultural self-employment. This suggests that non-agricultural self-employment is an area that provides opportunities and pathways out of poverty.

**3.7. Non-agricultural self-employment is often overlooked as a key source of employment opportunities,** particularly for the poor and women. Most non-agricultural self-employment takes place in micro-enterprises owned and operated by the household (Figure 3.5), making the sector very different from the SME sector, which mostly relies on wage workers. Only a small share of individual enterprises (about 10.6 percent) relies on workers from outside the household.

**3.8. Women are less likely than men to participate in the labor force, and also face higher rates of formal unemployment (7 percent) compared to men (4 percent).** Taken together, 66 percent of adult women are working, compared to 77 percent of adult men. Women face more constraints than men, both in entering the labor force and in accessing employment once in the active population. These include specific constraints related to marriage and fertility choices, as well as occupational segregation by gender.

**Figure 3.5: Individual Non-Agricultural Enterprises Are Not SMEs**



Source: Analysis of 2013 National Employment Survey.

**3.9. Women are particularly highly concentrated in low-productivity occupations (Box 3.1).** Fewer than 9 percent of employed women hold wage jobs, compared to more than twice as many men. In contrast, non-agricultural self-employment is a key source of employment for women; 41.1 percent of women are engaged in non-agricultural self-employment, twice the share of men. Taken together, close to 90 percent of women are self-employed in either agriculture or non-agricultural activities.

➤ **Recent trends in employment patterns**

**3.10. Since the 2011 crisis, strong growth has led to higher employment and lower unemployment.** Given the rapid demographic changes in Côte d'Ivoire, between 350,000 and 400,000 young people are estimated to join the working-age population each year.<sup>16</sup> Between November 2012 and February 2014, an estimated 700,000 additional individuals became employed. This reflected an increase in the working-age population, a faster increase in the active population (from 75 percent to 76.8 percent of the working age population), an increase in employment (from 91.3 percent to 93.39 percent of the active population), as well as a decrease in formal unemployment (from 8.7 to 6.7 percent of the active population) (Table 3.3).

**Table 3.3: Labor-Force Participation and Employment in November 2012 and February 2014 (percent)**

	November 2012	February 2014
Active Population (labor force)	75.0	76.8
% of Employment in the labor force	91.3	93.3
% of Unemployment	8.7	6.7

Source: Analysis of 2012 and 2013 National Employment Surveys.

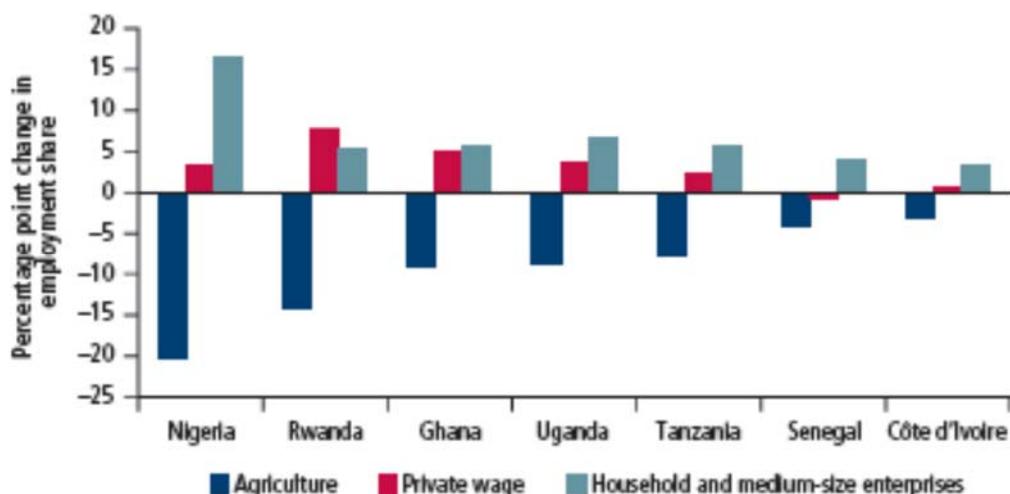
**3.11. However, recent growth is not substantially changing the structure of employment, and is unlikely to do so in the medium term.** The vast majority of additional individuals who became employed between 2012 or 2013 still work in agricultural and non-agricultural self-

<sup>16</sup> AGEPE, 2014, *Enquête Nationale sur la Situation de l'Emploi et du Travail des Enfants (ENSETE 2013), sur la base des projections de population fondées sur le RGPH 1998*.

employment. In fact, over 70 percent of new “jobs” are in self-employment, mostly in agriculture on family farms. By contrast, 30 percent of new jobs (working for someone else) are wage jobs; however, the majority of these new wage jobs are still informal and without contract. The fact that formal wage employment starts from a very low base means that even strong growth of that sector would only absorb a small share of the population, most likely starting with the more educated. In the medium term, even in the presence of strong growth in the modern wage sector, the vast majority of employment is expected to remain in agricultural and non-agricultural self-employment, in line with patterns for the broader region.<sup>17</sup>

**3.12. Survey data suggest that the overall structure of employment has changed little since 2002.** Figure 3.6 compares the percent change in employment share by employment sector across a range of SSA countries for which harmonized employment indicators can be constructed from household surveys. Growth has contributed to shifting the structure of employment away from agriculture in some countries, mostly towards non-agricultural self-employment. Yet in most countries, that shift has been very slow. The employment structure in Côte d’Ivoire has stayed the most stable relative to the comparator countries, with the share of agriculture diminishing little and the modern wage sector increasing little. In part, this was due to the periods of crisis; there are indications that the economy became less formal during the crises, and that the share of the modern wage sector in the economy decreased.<sup>18</sup>

**Figure 3.6: Changes in the Structure of Employment in a Range of Countries in Sub-Saharan Africa**



Source: Regional Report on Youth Employment in Sub-Saharan Africa (World Bank, 2013), based on standardized and harmonized household and labor force surveys.

**3.13. The main employment challenge faced by Côte d’Ivoire is a high concentration of employment in low-productivity occupations**, such as agricultural and non-agricultural self-employment, particularly among the poor, women and those living in rural areas. Very few

<sup>17</sup> World Bank, 2013, Youth Employment in Sub-Saharan Africa, World Bank: Washington DC.

<sup>18</sup> Employment data are limited in Côte d’Ivoire and existing series do not allow for long-term analysis of trends in employment patterns.

individuals hold formal wage jobs, and they are concentrated among the more educated in urban areas. Formal unemployment affects a small share of the population, and is also more prevalent among the more educated in urban areas. Country-level data provide a diagnosis that is in line with evidence from the 2013 WDR on Jobs and the 2014 Regional Report on Youth Employment in Sub-Saharan Africa, and highlights that the employment challenge in Côte d'Ivoire is similar to the one faced by many countries in Sub-Saharan Africa, but substantially different from developed economies with more formalized labor markets.

### Box 3.1: Gender in Côte d'Ivoire

**Gender equality is enshrined in Côte d'Ivoire's constitution, yet gender-related norms and practices ensure that women's and men's opportunities remain unequal.** Côte d'Ivoire is ranked 136<sup>th</sup> out of 142 countries in the World Economic Forum's 2014 Global Gender Gap Index. In education, even at the primary level the ratio of female to male enrollment is only 85 percent, while at the secondary level boys are twice as likely as girls to be enrolled. In terms of health, pregnant women are particularly vulnerable, with maternal mortality standing at 720 per 100,000—a figure that has not improved since 1990, even as many comparable countries have made significant progress. Women in Côte d'Ivoire also appear to have weak economic empowerment: the ratio of female to male labor force participation (64 percent) is considerably lower than in comparable countries, while women in the agriculture sector are shut out of the most profitable crops and own only 18 percent of agricultural land. Finally, women's status and voice in society is weak and is reflected in data on the experience of gender-based violence and women's political representation: 67 percent of women report experiencing emotional, physical, or sexual violence by their partner within their lifetime, while only 11 percent of MPs are women, compared to an average of over 20 percent for Sub-Saharan Africa.

**The most serious gender issues in Côte d'Ivoire are driven by a combination of discriminatory social norms, legal inequalities, and an insufficient allocation of resources to key services.** In education, gender gaps are driven by costs (school fees and other costs, such as school uniforms), as well as by a range of factors that are rooted in societal attitudes and women's lower status in Côte d'Ivoire: sexual abuse of female students by teachers; girls' greater responsibility for household chores; early marriage and childbearing. In terms of health, the high level of maternal mortality is driven by low use of health facilities and services due to costs and geographic accessibility. High fertility rates, underpinned by low contraceptive use and social norms, and women's greater vulnerability to HIV/AIDS, also contribute to a bleak health picture for women. Women's ability to contribute to and benefit from growth in agriculture is limited by their lower access to land and by their relative absence from some profitable cash crop activities. Women's under-representation in formal employment and concentration among small, informal enterprises is due to their lower education and skills; access to finance; discriminatory laws and practices; and cumbersome business regulations, which have a greater impact on women due to women's greater time poverty, fewer financial resources, lower levels of business skills/knowledge, and lower access to social/ professional/political networks. Women's lack of voice in society is highlighted by their low representation in politics and government. While pervasive social attitudes may lie behind this issue, evidence suggests that legal quotas can rapidly improve the representation of women, beyond even the initial quotas. In addition to the legacy of armed conflict, high levels of sexual and gender-based violence are enabled by inadequate laws, poor implementation of existing laws, and social attitudes, including the broad acceptance of domestic violence, even by women.

**3.14. In part related to the political economy, employment policies have traditionally prioritized reducing unemployment and increasing wage employment.** The most recent national employment policy in Côte d'Ivoire<sup>19</sup> seeks to expand employment opportunities for 'decent work' to contribute to poverty reduction. It is based on three pillars: (a) support to private enterprises to foster growth and job creation; (b) investment in human capital and labor

<sup>19</sup> République de Côte d'Ivoire, 2012, *Politique Nationale d'emploi*.

productivity; and (c) rationalizing the governance of employment policy. While the strategy acknowledges the employment challenges across sectors, including in agricultural and non-agricultural self-employment, its implementation still tends to focus on job creation and the formal sector, which mainly benefits the more educated, wealthier, and more visible groups in urban areas, rather than the large numbers of uneducated rural youth working outside of the formal labor market. In this context, traditional labor policies affect only a small share of the employed population. While growing the modern wage sector is necessary for the long term, the poor, who have less education and often live in rural areas, will have limited opportunities to access wage jobs unless they are explicitly targeted by policies to promote formal sector growth and reduce unemployment.

**3.15. To address the central challenge of reducing poverty and boosting shared prosperity in the short to medium term, an inclusive jobs strategy is a priority.** The strategy should aim at raising productivity and earnings across all sectors of employment, including in agricultural and non-agricultural self-employment, in order to raise standards of living for the poor, women and individuals living in rural areas. The implementation of an inclusive jobs strategy would also help to mitigate the risk that a development path focused exclusively on industrial policy may not lead to inclusive growth and productive employment for the poor. Improving governance in the productive sectors is critical for reducing inefficiencies and achieving equitable growth.

**3.16. To facilitate decisionmaking among policymakers and citizens, there is a need to improve** the knowledge base on effective employment policies and interventions through better data collection and monitoring and evaluation (M&E). There is also a need for broad dissemination of information on employment opportunities and pathways to more productive employment, especially for those trapped in low-productivity occupations.

#### **4. THE ROOTS OF CÔTE D'IVOIRE'S DECLINE—A HISTORICAL AND COMPARATIVE REVIEW**

**4.1. The question at the center of this Systematic Country Diagnostic is why Côte d'Ivoire, a star African performer in the 1980s**—with a level of development close to that of a middle-income country—has experienced almost continuous economic and social decline since that time. A review of the available literature<sup>20</sup> suggests that the following factors played a role in Côte d'Ivoire's divergent development:

- Cocoa sector policies;
- Macroeconomic policies and structural reform;
- Social policies related to improving education and health outcomes and gender parity; and
- Growth strategy.

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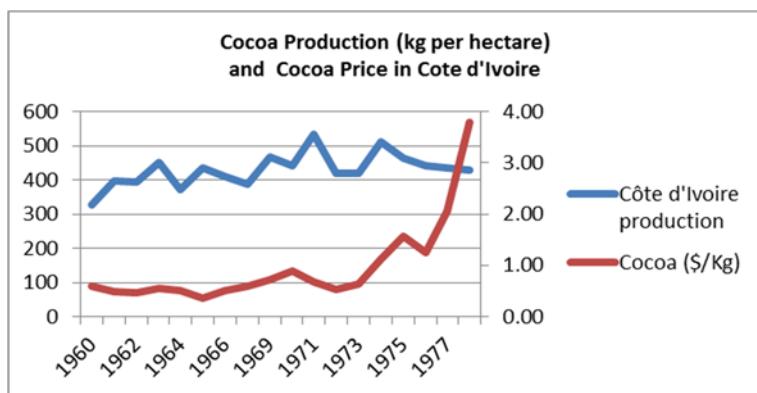
<sup>20</sup> Crook, Richard. 2001. "Cocoa Booms, the Legalisation of Land Relations and Politics in Côte d'Ivoire and Ghana: Explaining Farmers Responses." *IDS Bulletin* 32 (1): 35-45. Eberhardt, Markus and Francis Teal. 2010. "Ghana and Côte d'Ivoire: Changing Places." *International Development Policy | Revue internationale de politique de développement*: 33-49. Grossman- Greene, Sarah and Chris Bayer. 2009. "A Brief History of Cocoa in Ghana and Côte d'Ivoire." Tulane University, Payson Center for International Development.

**4.2. While the substance of policies under each of these areas is crucial to explaining developmental outcomes, the formulation of policies cannot be divorced from the underlying governance framework.** In fact, policy implementation was a direct outcome of shifting political and societal dynamics, with profound implications for governance.

### ***Cocoa sector and macroeconomic policies***

**4.3. Given the dependence of Côte d'Ivoire on cocoa exports and the high dependence of the rural population on cocoa production,** cocoa sector policies have been critical to economic and social development. Between 1960 and 1980, land rights for producers, an open immigration policy, rising farm-gate prices, and cash rewards for production provided strong incentives for cocoa production.<sup>21</sup> As a result, cocoa production increased from 100,000 tons to 370,000 tons (Figure 4.1).<sup>22</sup> Effective use of profits from the cocoa sector for infrastructure and social policies, in particular education and health, created the basis for sustained and inclusive growth. By 1985, Côte d'Ivoire boasted a level of infrastructure and economic diversification superior to that of most other African countries.

**Figure 4.1: Cocoa Production and Cocoa Price in Côte d'Ivoire**



Source: World Development Indicators.

**4.4. When world cocoa prices began to decline in 1985, however, Côte d'Ivoire's membership in the CFA zone ruled out a devaluation to offset the price shock.** Moreover—and of critical importance to subsequent economic developments—the cocoa marketing board did not adjust prices until 1989, notwithstanding the growing difference with world market prices, leading to increasingly high losses at the cocoa board and indebtedness of the State. The situation was made worse when Côte d'Ivoire tried to artificially increase world market prices for cocoa by reducing the quantities offered on the world markets. Rather than increasing prices, this strategy

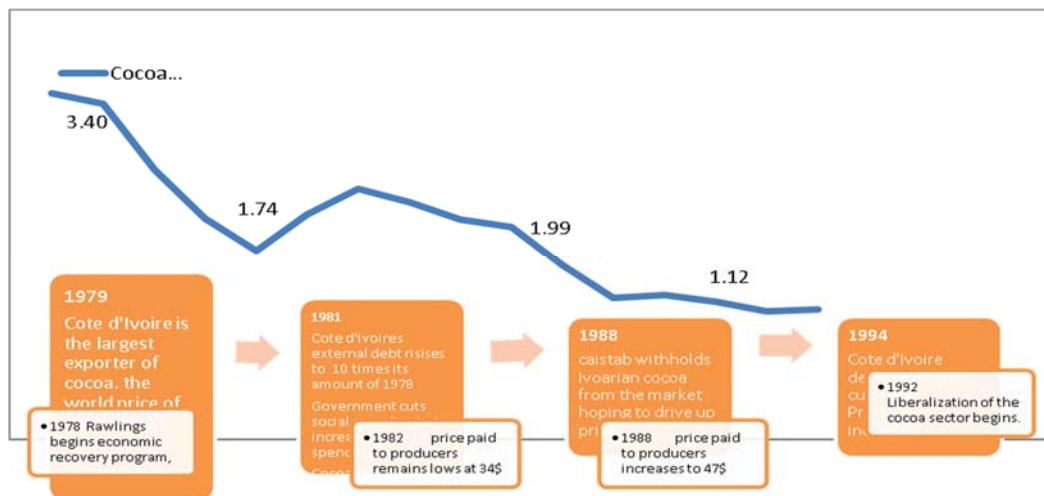
<sup>21</sup> In 1963, Houphouët-Boigny announced that those who effectively use Ivoirian land for production will earn the rights to own the land. At the same time, however, he took few steps to reduce the land title requirements that the French had set up. Therefore, considerable land expansion did occur, but without clear understanding of ownership. Migrant farmers obtained permission to farm from individual residents in return for the ability to appropriate the land that they cultivated or purchase new land to farm. In the 1980s, migrant farmers began to outnumber local farmers. When cocoa prices were high, local farmers did not mind the migrant's presence, but when prices began to fall, extending area under production became critical to increased profits, leading to considerable tension at the community level among various groups.

<sup>22</sup> Grossman-Greene, Sarah and Chris Bayer. 2009. "A Brief History of Cocoa in Ghana and Côte d'Ivoire." Tulane University, Payson Center for International Development.

reduced export revenue and further increased state indebtedness. The Government then directed resources to the cocoa sector to expand cocoa output, which, however, did not help revenue owing to the continuous precipitous fall in cocoa prices (Figure 4.2).

**4.5. The deteriorating economic situation and unmanageable debt led the Government to slash public employment and social services, which in turn created an increasingly unstable political environment.** A weakening of governance across the public administration—partly as a result of less effective leadership by the ailing President Houphouet-Boigny—coincided with the onset of multi-party pluralism, a key demand of donors in the early 1990s. Côte d'Ivoire transitioned from a system dominated by a single party to one in which 64 parties vied for votes.

**Figure 4.2: International Cocoa Price (\$/kg) and Key Developments in Côte d'Ivoire**



Source: Van Asselt (2014).

**4.6. The simultaneous occurrence of a much-weakened economy, leading to drastic increases in poverty, and the rise of multi-party politics** at a time when there was considerable institutional imbalance between elites and newcomers, created incentives for electoral candidates to exacerbate existing ethnic divisions to their own advantage. A crucial aspect of these tensions was the unclear legal situation with regard to land titles (cf. footnote 21), which created competition between Northerners and Southerners for agricultural land. For these and other reasons, Côte d'Ivoire was unable to harness the commodities boom beginning in 2000 that allowed many African countries to create the basis for sustained growth and poverty reduction.

### **Structural reforms**

**4.7. In Côte d'Ivoire, the allocation of large profits from the cocoa industry to the construction of physical infrastructure**—including in the context of regional growth poles—had been instrumental in creating the backbone for strong and fast-paced growth, including in the manufacturing sector. Yet, the pace of structural reforms slowed in the context of the weakening governance framework since the late 1980s, and the country's business environment began to deteriorate. The economic recovery in the aftermath of the devaluation of the CFAF failed to generate sufficient momentum for reforms to resume, although there was considerable strengthening of growth from 1994-97.

### **Social policies**

4.8. **Mounting fiscal pressures due to rising indebtedness led to cuts in social spending since the mid-90s, and adversely affected the quality of spending.** Necessary institutional reforms in the health and education areas were delayed, and led to an increasingly tense political battle over the allocation of scarce social spending resources.

### **Growth strategy**

4.9. **Côte d'Ivoire's once successful growth strategy, based on multiple regional growth poles, has increasingly dissipated since the early 1990s** due to lack of maintenance of infrastructure in industrial zones and the weakening performance of the agriculture sector, which has undermined existing value chains. As a consequence, many successful industries and a significant portion of the SMEs that existed before the 1999 *coup d'état* did not survive the 10-year crisis. However, the SME sector, mostly dominated by informal companies, is still a mainstay of the Ivorian economy, accounting in 2012 for over 90 percent of all private economic entities, and generating 23 percent of employment in Côte d'Ivoire.

### ***Conclusions***

4.10. **The review of Côte d'Ivoire's experience suggests that shortcomings in four clusters of strategic policy implementation are critical to explaining its record in growth and poverty reduction:** (a) improving agricultural productivity and diversifying agriculture; (b) building business in non-agriculture sectors with higher value-added that can support structural transformation; (c) investing in human capital; and (d) creating a governance environment conducive to sound policy implementation.

### **Comparison with Ghana and Sri Lanka**

4.11. **A comparison of outcomes and of economic and social policies with two countries with similarities to Côte d'Ivoire, but much better results—Ghana and Sri Lanka—offers important lessons for Côte d'Ivoire.** This section compares the current state of development of the three countries.

### **4.12. Why are Ghana and Sri Lanka appropriate comparator countries?**

- While Ghana's level of development has been consistently below that of Côte d'Ivoire and, notwithstanding a long period of reform, its infrastructure remains inferior, the two countries share a high degree of dependency on one export product—cocoa—as well as ethnic fractionalization and political instability.<sup>23</sup> However, coming out of a period of prolonged political stability, Ghana has managed to sustain almost two decades of relatively sustained growth and poverty reduction, and has achieved a per capita GDP only slightly below that of Côte d'Ivoire's.

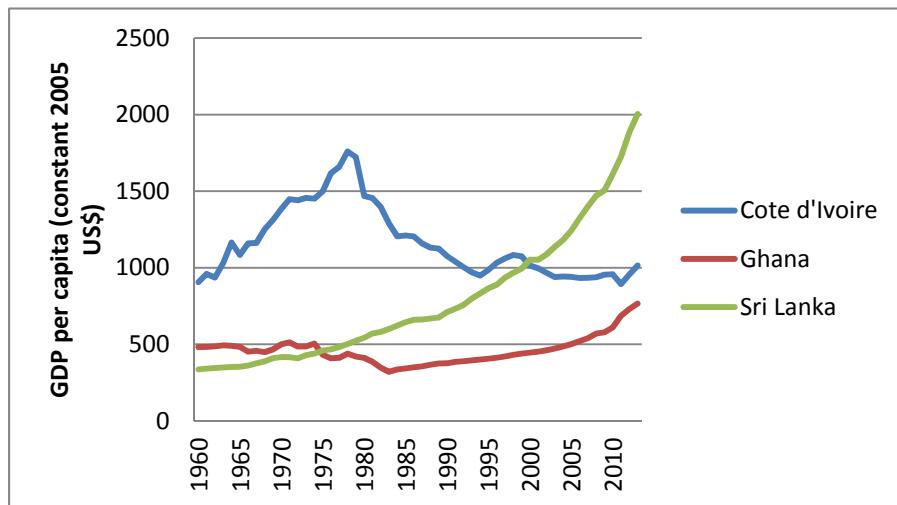
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<sup>23</sup> While the nature and origin of instability differ in Ghana and Côte d'Ivoire, in both cases it impeded effective policymaking.

- Sri Lanka, an Asian country, has a much higher population density than Côte d'Ivoire, but it is also highly dependent on one agricultural product--tea (supplying 23 percent of global tea exports in 2013)--and has also been affected by civil war. Yet Sri Lanka has achieved political stability and sustained and inclusive growth, based on effective economic diversification. With a per capita GNI at the same level as Côte d'Ivoire's in 1995, it has since grown multi-fold and become a middle-income country.

**4.13. In spite of similar economic and social structures, the economic developments of Ghana and Côte d'Ivoire have moved in opposite directions** (Figure 4.3). During 1960-1980, the Ghanaian economy was in gradual decline, while Côte d'Ivoire's economy flourished. Then from 1980 to 2000, when the Ghanaian economy began to recover, the Ivorian economy continually weakened, with the exception of a brief recovery following the devaluation in 1994. After 2000, Ghana's economy continued to grow, whereas, notwithstanding a recovery in the past three years, the Ivorian economy remains much weaker than it was.

**Figure 4.3: GDP per Capita: Côte d'Ivoire, Ghana and Sri Lanka**



**4.14. Côte d'Ivoire's and Ghana's reverse economic developments have been associated with changes in the structure of their economies.** While at present Côte d'Ivoire and Ghana have similar economic structures, their structures differed markedly over much of their history following independence. In Ghana, the share of agriculture declined from 54 percent in 1970 to 32 percent in 2012, while the shares of industry and services grew substantially. Sri Lanka's growth performance has also been strong and associated with substantial structural transformation, involving large increases in the manufacturing sector (in particular in the 1970s) and the services sector (from 1990 to 2013), at the expense of agriculture. In contrast, the structure of Côte d'Ivoire's economy has remained broadly unchanged since 1970 (Table 4.1).

**Table 4.1: Value Added as a Share of GDP—Ghana, Sri Lanka and Côte d’Ivoire**

Côte d’Ivoire	1970	1980	1990	2000	2013
Agriculture, value added (% of GDP)	31.9	25.9	32.5	24.2	22.3
Industry, value added (% of GDP)	18.5	19.7	26.3	24.9	22.3
Services, etc., value added (% of GDP)	49.6	54.4	41.2	50.9	55.5
Ghana	1970	1980	1990	2000	2013
Agriculture, value added (% of GDP)	53.9	60.1	45.1	39.4	21.9
Industry, value added (% of GDP)	21.1	12.3	16.9	28.4	28.5
Services, etc., value added (% of GDP)	25.0	27.6	38.1	32.2	49.6
Sri Lanka	1970	1980	1990	2000	2013
Agriculture, value added (% of GDP)	28.3	27.6	26.3	19.9	10.8
Industry, value added (% of GDP)	23.8	29.6	26.0	27.3	32.5
Services, etc., value added (% of GDP)	47.9	42.8	47.7	52.8	56.8

Source: Data retrieved from the World Development Indicators on December 17, 2014.

**4.15. Ghana’s growth performance has led to a significant reduction in poverty, although inequality has increased.** The number of citizens living below the poverty line decreased from 52 percent of the population in 1992 to 29 percent in 2006 and to 24.2 percent in 2013. Sri Lanka has also made significant strides in poverty reduction. In the latest household survey of 2012/13, poverty—measured using the USD1.25 a day poverty line—was estimated at 3.2 percent, down from 13.2 percent in 2002. Importantly, in contrast to Ghana, where the Gini coefficient continuously worsened, prosperity in Sri Lanka was broadly shared and income inequality improved.<sup>24</sup> Côte d’Ivoire, in contrast, experienced drastic increases in poverty and income inequality during this period.

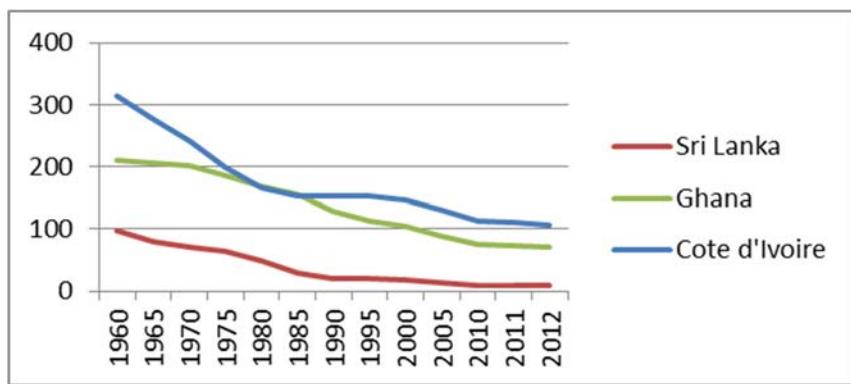
**4.16. Ghana’s social indicators have improved across the board.** In 2012, the net primary enrollment rate in Ghana was 81 percent, compared to 60 percent in 2000. In Sri Lanka, it is close to 100 percent. In contrast, Côte d’Ivoire’s enrollment rate was 64 percent in urban areas and 58 percent in rural areas in 2012, virtually unchanged compared to 2001. In addition, Ghana’s and Sri Lanka’s health indicators have improved much more than Côte d’Ivoire’s. In 2012, the mortality rate for children under 5 per 1,000 live births was 72 in Ghana, compared to 150 in 1985, and Sri Lanka decreased its infant mortality rate to 8.3 out of 1000 live births during the same period. In contrast, Côte d’Ivoire infant mortality went from 150 to a still very high 107.

**4.17. Ghana and Sri Lanka have also made considerable progress in increasing female enrollment in primary school.** In 2011, girls and boys were enrolled to nearly equal extents in Ghana and Sri Lanka had full gender equality in enrollment. In comparison, Côte d’Ivoire’s ratio of girls to boys was 83 percent.

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<sup>24</sup> The Gini coefficient decreased from 0.41 to 0.36 over the same period. Consumption in the bottom 40 percent grew by 4.3 percent annually, whereas in the top 60 percent, it only grew by 2.6 percent.

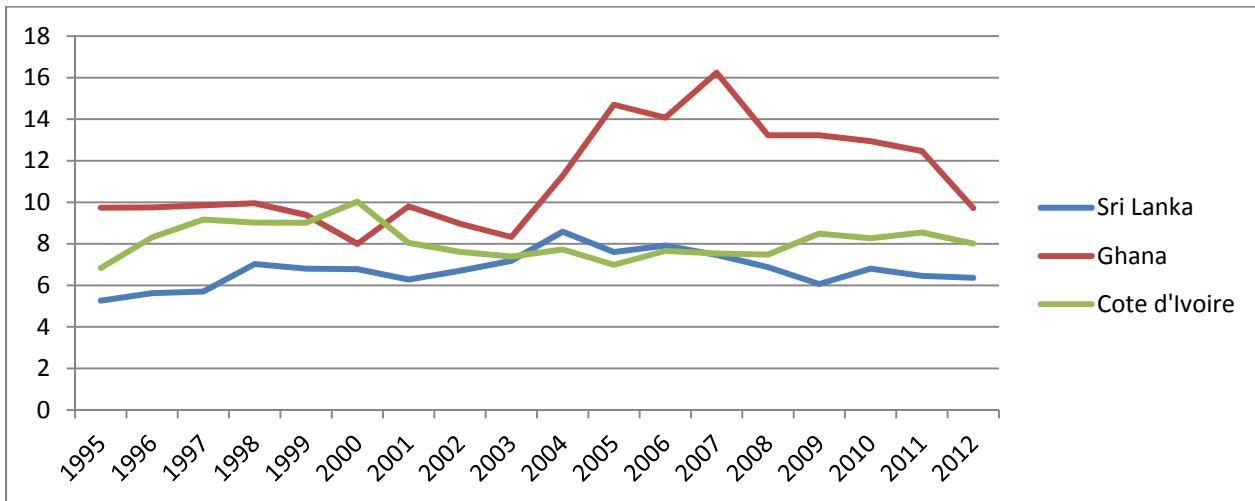
**Figure 4.4: Under-Five Mortality Rate per 1,000 Live Births**



Source: World Development Indicators.

4.18. In both the education and health areas, Ghana's progress was supported by substantially increased spending in the context of comprehensive new reform initiatives, such as the adoption of Community-Based Health Planning Services in 1996, Universal Health Insurance in 2004, and decentralization of education in 2008. In Sri Lanka, social expenditures as a percentage of GDP were below those of Ghana, yet results were superior.

**Figure 4.5: Health Spending a Share of Government Spending**



Source: World Development Indicators.

4.19. Sri Lanka also has a substantially higher level of competitiveness compared to Côte d'Ivoire, as measured by the Global Competitiveness Index (GCI).<sup>25</sup> The competitiveness gap is particularly pronounced in the area of institutions, health and primary education, goods market efficiency, business sophistication and innovation (Table 4.2). Following several years of improvement, Côte d'Ivoire's level of competitiveness is now broadly at the same level as that of

<sup>25</sup> According to the latest report (2014-2015) the ranking of Côte d'Ivoire improved to 115<sup>th</sup> out of 144, whereas Ghana is at 111<sup>th</sup> and Sri Lanka is 73<sup>rd</sup> out of 114. The GCI measures the microeconomic and macroeconomic foundations of national competitiveness. Sri Lanka's relatively strong performance in governance needs to be seen in the context of a relatively autocratic rule, with restrictions on freedom of expression and little accountability.

Ghana, with Côte d'Ivoire having a superior ranking in the area of infrastructure and the quality of the macroeconomic environment.

**4.20. Both Ghana and Sri Lanka also have higher levels of governance compared to Côte d'Ivoire, which--notwithstanding recent dramatic improvements--continues to be relatively weak after its prolonged period of political instability.** The World Bank's Worldwide Governance Indicators (WGI), which look at various dimensions of governance including voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption, show a profound deterioration of governance in Côte d'Ivoire from the mid-1990s to 2010 (Table 4.3 and Box 4.1).

**Table 4.2: Global Competitiveness Index (GCI)**

Global Competitiveness Index (GCI)	Sri Lanka	Ghana	Côte d'Ivoire
	Rank out of 144	Rank out of 144	Rank out of 144
<b>GCI 2014-2015</b>	<b>73</b>	<b>111</b>	<b>115</b>
GCI 2013-2014 (out of 148)	65	114	126
GCI 2012-2013 (out of 144)	68	103	131
GCI 2011-2012 (out of 142)	52	114	139
<b>Basic Requirements</b>	<b>75</b>	<b>123</b>	<b>119</b>
Institutions	62	69	86
Infrastructure	75	108	93
Macroeconomic environment	114	133	68
Health and primary education	45	121	140
<b>Efficiency enhancers</b>	<b>75</b>	<b>89</b>	<b>108</b>
High education and training	72	106	121
Goods market efficiency	39	67	82
Labor market efficiency	135	98	73
Financial market development	47	62	78
Technological readiness	94	100	117
Market size	61	69	94
<b>Innovation and sophistication factors</b>	<b>43</b>	<b>68</b>	<b>86</b>
Business sophistication	39	70	100
Innovation	46	63	69

*Note:* The detailed rankings are for the sub-components (basic requirements, efficiency enhancers and innovation and sophistication factors) of the Global Competitiveness Index 2014-2015. The World Economic classifies Côte d'Ivoire and Ghana as factor driven economies (i.e. countries competing based on their factor endowment, mainly unskilled labor and natural resources), while Sri Lanka is classified as an efficiency-driven economy (i.e., an economy that has started developing more efficient production process and increased product quality to counterbalance the effect of higher wages).

*Source:* Global Competitiveness Report 2014-2015 published by the World Economic Forum.

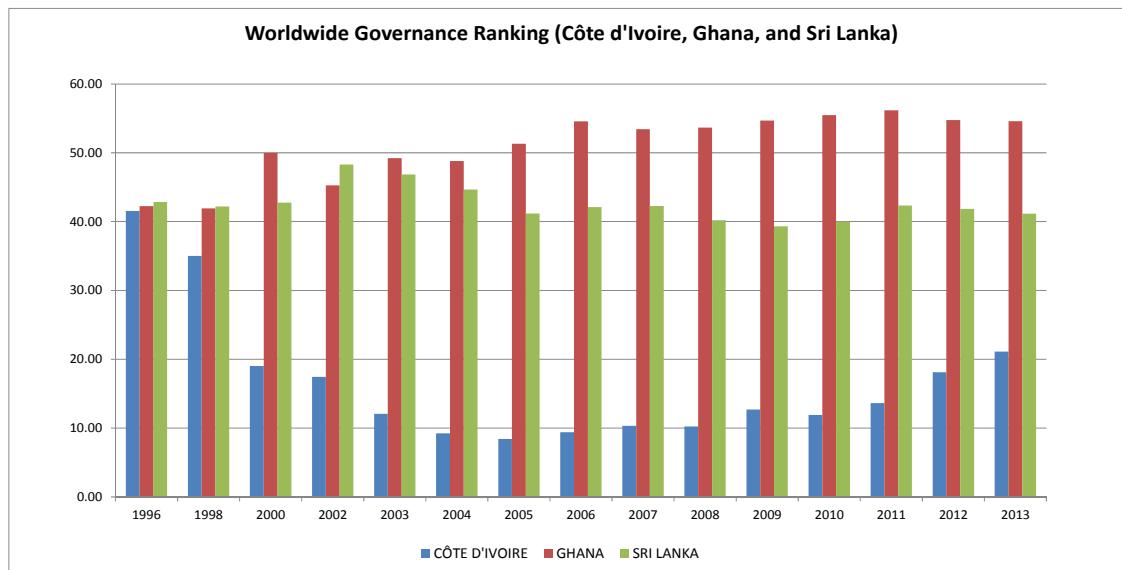
**4.21. The decline in governance in Côte d'Ivoire is particularly notable in the areas of corruption, government effectiveness, safety, and rule of law.** The control of corruption sharply declined from a WGI ranking of 63 percent in 1996 to only 20 percent in 2012, although the latest ranking shows a substantial improvement. Government effectiveness, safety, and rule of law have deteriorated over the last two decades, but show improvement in recent years.

**Table 4.3: Worldwide Governance Indicators**

	1996	1998	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Voice and Accountability	30.3	28.4	17.8	15.4	13.5	12	9.6	9.6	10.1	12.5	15.2	15.6	15.0	25.6
Political Stability	46.2	34.6	12	2.4	4.8	2.9	1	2.9	3.8	7.2	11.4	8.0	8.5	11.4
Government Effectiveness	54.6	47.8	16.1	15.6	13.7	7.3	7.8	8.8	9.2	9.7	11.5	8.1	12.8	13.9
Regulatory Quality	29.9	37.7	28.9	36.8	20.1	16.7	19.1	20.1	20.9	18.0	18.7	19.6	21.8	23.9
Rule of Law	24.9	19.1	12	7.2	6.2	7.2	4.3	3.8	3.8	3.8	7.1	9.5	7.5	13.7
Control of Corruption	63.4	42.9	27.3	27.3	14.1	9.3	8.8	9.3	10.7	10.2	12.4	10.5	12.8	19.6
Average score	41.6	35.1	19.0	17.5	12.1	9.2	8.4	9.1	9.8	10.2	12.7	11.9	13.1	18.0

#### **Box 4.1: Worldwide Governance Ranking—A Comparison**

**While in the mid-1990s Côte d'Ivoire had levels of governance comparable to those of Ghana and Sri Lanka, its governance trajectory significantly worsened and diverged in the past two decades.** Ghana succeeded in sustaining a good level of governance compared to Côte d'Ivoire. Sri Lanka had a similar experience in spite of going through a protracted civil war.



**4.22. Even when Côte d'Ivoire had relatively stronger governance, it lagged significantly in the areas of rule of law, voice and accountability, and regulatory quality.** Its performance in these areas continued to deteriorate during the period of political and economic instability,

which was quite the opposite in the case of Sri Lanka and Ghana. Sri Lanka did well in maintaining the rule of law and regulatory quality during its civil war; and Ghana, which had a more stable political environment, kept improving in all areas of governance (Table 4.4).

**Table 4.4: Worldwide Regulatory Indicators**

	1996	1998	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>RULE OF LAW</b>															
CÔTE D'IVOIRE	24.88	19.14	11.96	7.18	6.22	7.18	4.31	4.78	4.31	3.85	7.11	9.48	7.04	13.74	18.96
GHANA	41.15	35.89	54.55	51.67	53.11	48.80	48.80	54.07	53.59	52.40	52.61	54.03	53.99	54.03	56.87
SRI LANKA	56.94	53.11	56.94	60.77	60.29	59.33	56.94	57.42	57.42	54.33	53.55	53.55	52.58	52.13	46.45
<b>REGULATORY QUALITY</b>															
CÔTE D'IVOIRE	29.90	37.75	28.92	36.76	20.10	16.67	19.12	19.61	20.87	17.96	18.66	19.62	21.80	23.92	24.40
GHANA	35.78	38.24	49.02	35.29	45.10	41.18	52.45	51.96	52.43	53.40	54.07	54.07	55.45	55.98	55.50
SRI LANKA	56.37	58.82	60.29	59.31	56.37	53.43	44.12	45.10	45.15	41.26	44.98	45.93	50.24	48.33	47.85
<b>VOICE AND ACCOUNTABILITY</b>															
CÔTE D'IVOIRE	30.29	28.37	17.79	15.38	13.46	12.02	9.62	9.62	10.10	12.50	15.17	15.64	15.02	25.12	27.01
GHANA	39.42	37.98	49.52	46.15	55.29	55.29	57.21	58.65	60.10	58.65	62.09	62.56	61.97	60.66	60.66
SRI LANKA	37.02	43.27	42.79	44.23	44.23	42.31	40.87	37.50	34.62	33.65	32.23	30.33	30.05	29.86	28.91

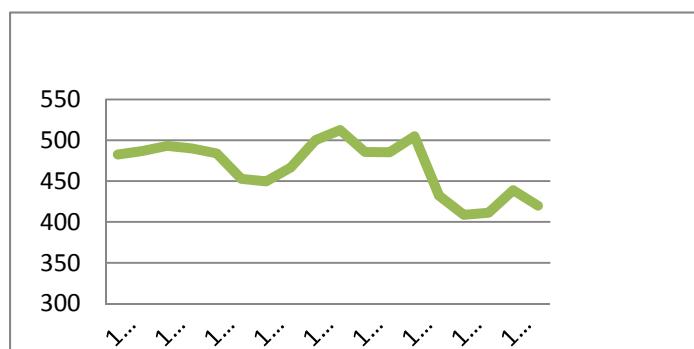
Source: World Bank

#### ➤ Policy implementation in Ghana and Sri Lanka

4.23. Identifying strategies and pathways that helped these countries to reduce poverty at a time when Côte d'Ivoire's poverty rates climbed can be useful in informing policy options for Côte d'Ivoire.

4.24. In Ghana, during the two decades following independence, farm-gate prices were maintained at low levels, reflecting high taxation of the agriculture sector to finance infrastructure projects and state-led industrialization. In parallel, the Government seized control of land from traditional chiefs. Both policies created strong disincentives for agricultural production, particularly cocoa, and, in combination with a failed growth strategy aimed a state-driven fast-track industrialization, set the stage for Ghana's economic collapse at the beginning of the 1980s (Figure 4.5).

**Figure 4.5: Ghana's GDP per Capita**



Source: World Development Indicators.

4.25. In response to imminent economic collapse, Ghana adopted, at the beginning of the 1980s, a range of policies aimed at reestablishing macroeconomic stability and stimulating private sector-led growth. A pivotal element of this policy package was the devaluation of the Cedi, which

allowed the Government to increase producer prices at a time when cocoa prices fell on world markets. At the same time, liberalization policies (simplified export procedures, incentives to allow exporters to keep part of their earnings in foreign accounts); reinvigoration of the Ghana Export Promotion Council (GEPC); and strengthening of sector governance institutions, created an environment in which farm-gate prices tripled over five years, even though prices on world markets were in free fall.<sup>26</sup>

**4.26. Macroeconomic stabilization in Ghana since the early 1980s was accompanied by a broad range of reforms** in the areas of public financial management, procurement, audit, business environment, and restructuring or privatization of public enterprises, particularly in the financial sector. As a result of these reforms, Ghana's Doing Business ranking rose from 102<sup>nd</sup> in 2005 to 70<sup>th</sup> in 2013. Ghana's political stability helped to further consolidate these achievements.<sup>27</sup> Recent macroeconomic instability mainly reflects unsustainable fiscal policies since the discovery of large oil reserves. Similarly, implementation of structural reforms has been varied on several indicators, since the discovery of oil and the increase of gold production.

**4.27. Sri Lanka--which ranked 85<sup>th</sup> on the Cost of Doing Business index of 2014--undertook in the 1980's and 90s macroeconomic and structural reforms, and in addition adopted an export promotion policy focused on a specific set of sectors with high growth potential.**

### **Social policies**

**4.28. While these economic policies helped Ghana and Sri Lanka to establish sustained growth, a set of social policies appears to have been critical in reducing poverty and improving gender equality.** Higher allocations to the education and health sectors were accompanied by efforts to increase expenditure efficiency, including through targeted social service delivery programs in rural areas. Key aspects of education reform in Ghana were the establishment of compulsory and free junior secondary school, followed by the passage of the Basic Education Sector Improvements Program (BESIP) to develop the quality of education and improve access to basic education facilities.

**4.29. Sri Lanka's efforts at improving the efficiency of social sector spending were remarkable** in that lower spending compared to Ghana and Côte d'Ivoire was associated with more favorable development outcomes. Key aspects of social spending were free health care, and spending on education aimed at reducing the pupil-teacher ratio, especially in the 1970s and 1980s. Nonetheless, in recent years, severe underinvestment in education has taken a toll on the overall quality of services.

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<sup>26</sup> The world market price for cocoa fell from USD4,000 in 1976 to less than USD2000 in 1979, and has not exceeded USD 2000 since then.

<sup>27</sup> Mitchell, Matthew I. 2011. "Insights from the Cocoa Regions in Côte d'Ivoire and Ghana: Rethinking the Migration-Conflict Nexus." African Studies Review 54 (2): 123-44.

### **Growth strategy**

**4.30. Ghana's growth strategy essentially entailed the adoption of structural reforms aimed at creating an environment conducive to private sector investment, as reflected in the Doing Business index, as well as large-scale privatization.** Sri Lanka, in contrast, began to pursue in the 1980's a wide-ranging export promotion policy focused on sectors with high growth potential. Export promotion schemes included duty rebates, direct cash subsidies to exporters of certain products, medium and long-term credit schemes to finance export-oriented investment, and presidential export awards. In addition, the Board of Investment (BOI) adopted incentives for traditional industry sectors such as electronics and components for electronic assembling, industrial and machine tools, ceramics and glassware, rubber-based industries, and light and heavy engineering. There were also measures to promote non-traditional exports, including a pre-shipment refinance scheme, two Export Processing Zones, and a targeted public sector investment program, as well as tourism. These policies were critical in helping the economy to diversify.

**4.31. The SME sector has played a particularly important role in Sri Lanka's growth strategy.** Ninety percent of all business establishments, 70 percent of employees and 55 percent of the gross value added in the industrial sector are attributable to SMEs, which thereby make a significant contribution to employment and poverty alleviation.<sup>28</sup> SMEs also play a role in increasing domestic savings, improving skills for workers, and developing entrepreneurs, many of whom become local suppliers for large firms.

### **Synthesis and conclusions**

**4.32. Ghana was able to recover from the collapse of cocoa prices by increasing farm-gate prices, including through reduced taxation, which helped increase production and improve the welfare of producers.** At the same time, Ghana allowed the exchange rate to rise, liberalized the economy, improved the business environment, and invested in social policies that improved gender equity and outcomes in education and health. Although not as successful as Sri Lanka, Ghana also succeeded in bringing about some degree of structural transformation of the economy, including in the manufacturing and tourism sectors. Increases in cocoa prices and improved social policies were critical to Ghana's success in poverty reduction. Nonetheless, non-traditional sectors of the economy have been in stagnation since 2000, and growth has been largely driven by primary commodities (cocoa and gold), as well as by, since 2007, investments and services associated with oil exploration.

**4.33. Sri Lanka overcame its dependence on its main export commodity (tea) by focusing on creating enabling conditions for firms, including SMEs, in a number of selected manufacturing sectors as well as tourism, in the context of a pro-active industrial policy.** In spite of success in the 1980s and 1990s, skills shortages and an increasingly closed economy have, over the past decade, impeded foreign direct investment and constrained further structural transformation. Furthermore, support to SMEs has become less effective.

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<sup>28</sup> Government Policy and Strategy for SME Development, Ministry of Finance and Planning, Sri Lanka. April 2013.

**4.34. In Côte d'Ivoire, the recovery following the collapse of cocoa prices was made more difficult than in Ghana by ethnic tensions and the Government's inability to adjust the exchange rate.** However, these events by themselves did not account for the country's rapid descent into poverty and political instability. *That was the result of the Government's failure to pursue any of the essential pathways out of poverty—it did not diversify the agriculture sector, develop new industries with higher value added in areas of comparative advantage, invest in human capital, or provide a social safety net.*

**4.35. In all three countries, the governance framework was a critical factor in policy formulation and outcomes.** In Côte d'Ivoire, political and social instability—itself partly the outcome of adverse economic developments—was exacerbated by ethnically divisive politics and prevented effective policy formulation during much of the period from 1999–2011. In Ghana and Sri Lanka, the return to political and social stability was instrumental in laying the basis for comprehensive reforms and unleashing a virtuous cycle for strengthening the governance framework.

**4.36. Even though Côte d'Ivoire's economic performance was generally inferior to that of the comparators, its accomplishments in the first decades after independence continue to have an impact.** Notwithstanding decades of decline, Côte d'Ivoire's per capita GDP remains above that of Ghana's. Also, the relatively good state of infrastructure, the availability of a skilled managerial labor force, and the advanced state of the manufacturing sector are long-term benefits of the successful policies implemented earlier and bode well for the country's ability to turn the corner.

**4.37. The review of Sri Lanka also underscores the importance of sustained efforts at diversifying the economy** through creating an enabling environment for business, including in sectors in which the country has a comparative advantage; and by improving the education system, partly to ensure that skills availability corresponds to demand.

## **5. MAIN PATHWAYS OUT OF POVERTY, PREREQUISITES, AND CONSTRAINTS**

**5.1 The analysis in part 1 indicates that Côte d'Ivoire's development trajectory can be attributed to its response regarding four sets of policy issues.** The importance of these policy issues can also be illustrated by the comparative analysis with Ghana and Sri Lanka.

- **Agricultural development:** While a sharp fall in cocoa prices appears to have been a primary determinant of poverty in Côte d'Ivoire, the real issue was low productivity. Both Ghana and Sri Lanka adopted policies aimed at increasing productivity and diversifying the agriculture sector, and these policies helped develop the rural economy more broadly, including through the services and micro-enterprise sectors. In contrast, Côte d'Ivoire's economic performance suffered from poor governance of the cocoa sector, along with failure to promote agricultural productivity and diversity.
- **Structural transformation:** Beyond progress in developing their agriculture sectors, Ghana and Sri Lanka also diversified away from dependence on agriculture by creating an

enabling environment for private sector-led growth. Sri Lanka, however, went further by adopting a proactive industrial policy with targeted incentives to promote growth in certain industries, which allowed it to make considerably more progress in achieving structural transformation.

- **Social policies:** Both Ghana and Sri Lanka adopted education and health policies that succeeded in improving social indicators, including in more backward areas. Particularly noteworthy is the fact that education and health spending as a ratio of GDP was lower in Sri Lanka than in both Ghana and Côte d'Ivoire, yet results were better, pointing to superior efficiency, including in terms of achieving a better gender balance and preparing the work force for the labor market. In addition, Sri Lanka put in place social protection programs to address vulnerability.
- **Governance and business environment:** A commitment to good governance, along with a relatively stable political framework, is a cross-cutting enabling condition for all actions aimed at poverty reduction and equitable growth. Good governance encompasses, *inter alia*, concrete measures against corruption, an improved public administration, and—as emphasized by stakeholders—enhanced access to justice and more transparent and predictable relations between government and the private sector. A prerequisite for improved governance is firm political leadership capable of building consensus for reform and withstanding pressures from vested interests. Without such commitment and corresponding policy measures, Ghana and Sri Lanka would not have been able to make progress.

**5.2 This analysis has informed the identification of main pathways out of poverty for Côte d'Ivoire, and the associated prerequisites.** The first main pathway entails *creation of better jobs through sustainable private sector-led growth*. This pathway is divided in two sub-pillars:

- (a) *development of the agriculture sector, including agro services*, by enhancing productivity; and
- (b) *development of agro-business and non-agro-business sectors*, including value-adding manufacturing. The development of manufacturing industries with progressively higher value added drives the process of structural transformation, leading to higher levels of development and innovation, and also supporting human capital development and absorption of urban labor, including by promoting the growth of services and other economic activities.

**5.3** The second main pathway to attaining inclusive growth is to build human capital by *increasing allocations and efficiency in education and health spending and social protection*. The review of the experiences of Ghana and Sri Lanka shows the critical importance of more effective spending in the education, health and social protection sectors to attain inclusive growth.

### **Specific Prerequisites for Côte d'Ivoire**

**5.4 There are four main prerequisites that require the sustained attention of the Government in Côte d'Ivoire as it seeks to foster sustainable and inclusive growth:** (a) macroeconomic stability and debt sustainability; (b) continued social and political stability; (c)

reform of the land market; and as a cross-cutting requirement, (d) financial sector deepening and inclusion and (e) improved governance.

**5.5 With a view to illustrating the link between parts 1 and 2 of the analysis, Figure 5.1 shows which particular aspect of the backward-looking analysis of poverty, jobs, comparative analysis and stakeholder consultations informed the identification of prerequisites and pathways.**

### ➤ Macroeconomic stability and debt sustainability

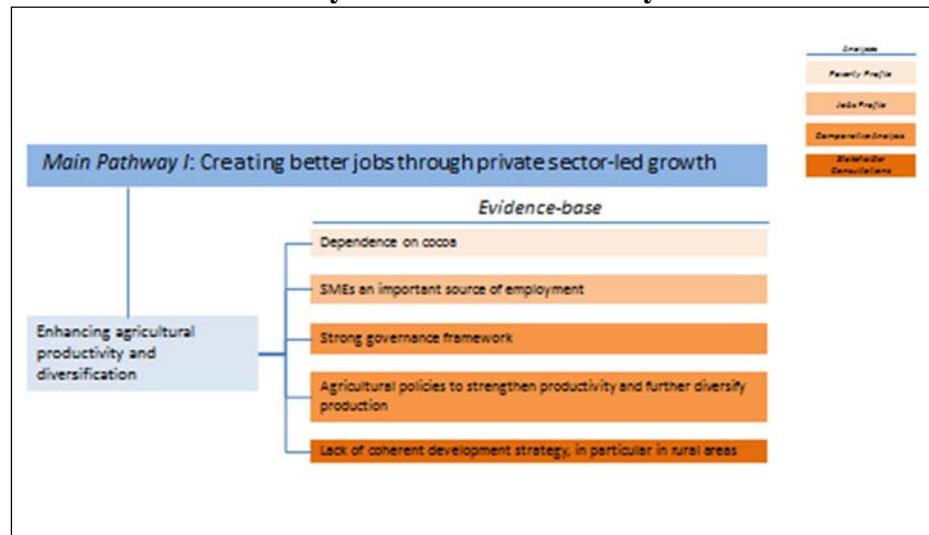
**5.6 Côte d'Ivoire's record in maintaining macroeconomic stability since the end of the crisis has been impressive.** Growth has been strong and the fiscal deficit has declined, in spite of the increase in capital expenditure (Table 5.1). Yet maintaining macroeconomic stability will be challenging in light of the need for increased capital expenditure, and spending on social programs and agriculture, to rehabilitate damaged infrastructure and create the basis for sustained growth. In addition, financial imbalances in the energy sector and the need to recapitalize several public banks will be a burden on the budget. Therefore, balancing spending needs—possibly through increased recourse to non-concessional financing—with the need to maintain debt sustainability will be the critical trade-off.

**5.7 In this context, creating fiscal space will be crucial, and will require efforts to both enhance revenue collection and review expenditure priorities.** Measures to enlarge the tax base through reforms of tax policy and tax administration should be prioritized, as currently tax collection is disproportionately centered on a few large, formal sector enterprises. Review of tax policy should also aim at streamlining the currently quite generous incentive regime. At the same time, expenditure savings may be possible, if subsidies on fuel and other commodities are replaced by more targeted income support measures. Furthermore, the expanded use of public-private partnerships (PPPs), already at a considerable level, may help reduce fiscal pressures.

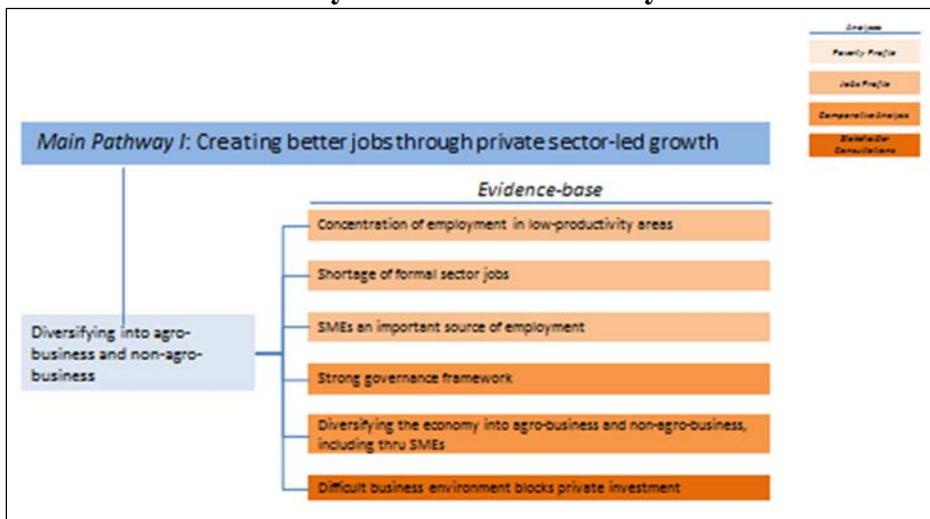
**Figure 5.1: Analytical Basis for Prerequisites**



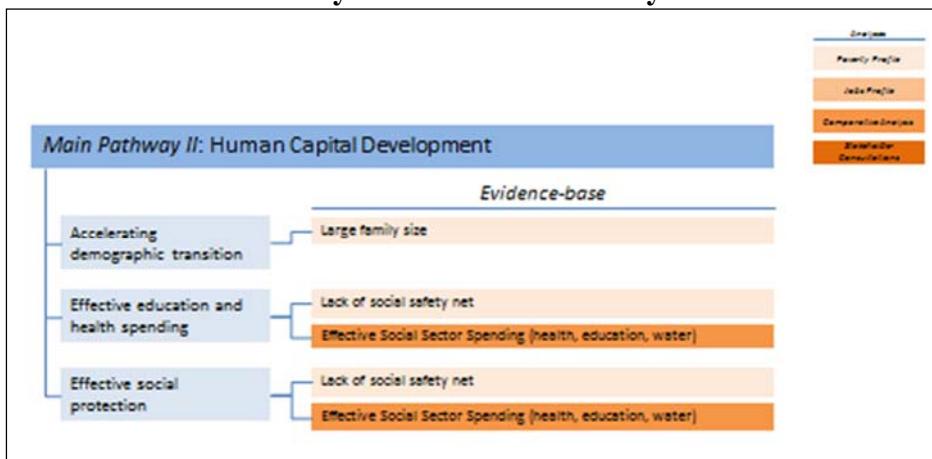
## Analytical Basis for Pathway 1



## Analytical Basis for Pathway 2



## Analytical Basis for Pathway 3



**Table 5.1: Selected Economic Indicators, 2012–16**

	2012	2013	2014	2015	2016
(Annual percentage changes, unless otherwise indicated)					
<b>National income</b>					
GDP at constant prices	10.7	8.7	8.0	8.0	7.7
GDP deflator	4.4	2.0	4.6	5.1	3.1
Consumer price index (annual average)	1.3	2.6	0.6	2.6	2.5
Consumer price index (end of period)	3.4	0.4	1.6	1.6	2.5
<b>External sector (on the basis of CFA francs)</b>					
Exports, f.o.b., at current prices	-4.1	5.7	13.3	14.4	10.0
Imports, f.o.b., at current prices	35.8	16.4	3.9	11.9	12.0
Export volume	7.9	6.7	4.9	12.4	8.8
Import volume	52.0	13.2	4.7	8.8	8.8
Terms of trade (deterioration –)	-4.1	-1.7	8.9	5.8	1.5
Nominal effective exchange rate	1.7	4.5	...	...	...
Real effective exchange rate (depreciation –)	2.5	2.5	...	...	...
(Changes in Percent of Beginning-of-Period Broad Money)					
<b>Money and credit</b>					
Money and quasi-money (M2)	4.4	11.6	17.1	17.8	15.6
Net foreign assets	-5.5	0.1	1.6	5.0	1.8
Net domestic assets	9.8	11.5	15.5	12.9	13.8
Of which: government	5.5	3.5	2.0	1.1	0.2
Of which: private sector	5.3	10.7	13.5	11.8	13.5
(Percent of GDP unless otherwise indicated)					
<b>Central government operations</b>					
Total revenue and grants	18.9	19.8	19.6	19.6	20.2
Total revenue	18.4	18.5	17.7	17.7	18.4
Total expenditure	22.1	22.1	21.8	23.0	23.5
Overall balance, incl. grants, payment order basis	-3.1	-2.3	-2.3	-3.5	-3.3
Primary basic balance <sup>1/</sup>	-1.2	-0.1	-0.5	-0.2	-0.2
<b>Gross investment</b>					
Central government	4.5	6.1	6.3	7.5	7.3
Nongovernment sector	12.0	11.0	11.0	11.0	12.0
<b>Gross domestic saving</b>					
Central government	20.5	16.8	19.2	21.2	21.3
Nongovernment sector	1.9	3.2	2.7	2.7	3.0
18.6	13.6	16.5	18.6	18.3	
<b>Gross national saving</b>					
Central government	15.3	12.2	14.2	16.5	16.8
Nongovernment sector	1.3	3.8	4.1	4.0	3.9
14.0	8.4	10.1	12.5	12.9	
<b>External sector</b>					
Current account balance (including official transfers)	-1.2	-4.8	-3.2	-2.0	-2.4
Current account balance (excluding official transfers)	-1.7	-6.1	-5.1	-3.9	-4.2
Overall balance	-2.6	0.4	-0.3	1.0	0.3
Gross public debt <sup>1/</sup>	44.7	43.3	41.8	43.5	45.2
External public debt <sup>1/</sup>	28.0	25.9	27.1	30.5	31.9
External public debt (excluding C2D)	17.1	16.5	19.3	25.0	27.5
Public external debt-service due (CFAF billions)	245	243	326	386	434
Percent of exports of goods and services	3.7	3.5	4.2	4.3	4.5
Percent of government revenue	9.7	8.6	10.7	11.1	10.8
Memorandum items:					
Nominal GDP (CFAF billions)	13,835	15,346	17,333	19,670	21,861
Nominal GDP per capita (CFAF thousands)	592	638	699	770	831
Nominal GDP per capita (US\$)	1,160	1,291	1,444	1,578	1,711
Real GDP per capita growth (percent)	7.7	5.7	5.0	5.0	4.7
Poverty rate (in percent)	48.0	...	...	...	...

Source: IMF

**5.8 Debt relief has greatly improved the sustainability of Côte d'Ivoire's public debt profile, but challenges remain.** A joint Bank-Fund post-HIPC debt sustainability analysis (DSA) issued in November 2013 found that Côte d'Ivoire is at moderate risk of debt distress.<sup>29</sup> While a combination of bilateral and multilateral debt relief has cut Côte d'Ivoire's nominal debt stock by about two thirds, new borrowing—in particular to finance large-scale infrastructure investments and improve service delivery—will increase debt service requirements over the medium term.

**5.9 Côte d'Ivoire's competitiveness and ability to absorb exogenous shocks is constrained by its membership in the CFAF zone,** and this was an important factor in its increasingly unsustainable macroeconomic situation in the late 1980s and 1990s. However, recent estimates of the real exchange rate have shown that it has been on a depreciating trend and is broadly in line with its equilibrium level.<sup>30</sup> Moreover, the recent depreciation of the Euro has boosted competitiveness.<sup>31</sup> At the same time, the fact that the exchange rate is not available as an instrument to improve competitiveness may encourage the Government to strengthen competitiveness through reforms of the business environment.

**5.10 The country has a favorable medium-term economic outlook.** Growth is expected to rise moderately, averaging 8-9 percent over the next few years as construction accelerates and growth in agriculture and agro-business remains strong. Côte d'Ivoire's membership in the CFAF zone ensures that inflation will remain at low levels. The external current account deficit is projected to widen over 2014-17, as export growth slightly outpaces imports.

#### ➤ **Political stability**

**5.11 There has been substantial progress in restoring political and social stability since the civil war of 2011.** The security situation has dramatically improved across the country and efforts to achieve reconciliation between the two major political parties have gained momentum, including as a result of the recent inclusion of more opposition members in the Electoral Commission. While the Government has gained credibility across the country—an essential prerequisite for implementing reforms—further progress toward reconciliation is necessary to build a solid foundation for political stability and security (Box 5.1) and sustainable and inclusive growth.

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<sup>29</sup> IMF Country Report No. 13/367.

<sup>30</sup> See 2013 Article IV Consultation (IMF Country Report No. 13/267), p. 84.

<sup>31</sup> See Economic Update for Côte d'Ivoire: *Performances Economiques IvoirIennes Depuis la Fin de la Crise Post-Electorale*.

### **Box 5.1: Côte d'Ivoire: Security and Peace in a Post-Conflict Era**

At the end of the electoral crisis, President Alassane Ouattara created the *Force Républicaine de Côte d'Ivoire* (FRCI), the new army, as a unified army of ex-rebel *Forces Nouvelles* (FN) and the former national Defense and Security Forces (DSF). A national security sector reform (SSR) strategy was developed to operationalize this decision and ensure the effectiveness of the new army. Since 2012, the mutual suspicion that prevailed between the two armies forced to operate as one has diminished. The Government recently adopted a new Military Law aimed at accelerating the pace of reform, restoring public confidence in the national security forces, and strengthening the capacity of the police and *gendarmerie*.

The Government has prioritized the comprehensive implementation of its SSR strategy, in order to address some of the longer-term challenges that face the different components of the security sector—including the army, police, prison system, and intelligence services. The implementation of the SSR strategy enabled the strengthening of the army command chain.

The SSR strategy also includes the disarmament, demobilization, and reintegration (DDR) of former combatants, as well as the dismantling of militias. A census of the security forces was carried out, and in 2012 the Government established a new single authority for DDR. The establishment of the single DDR Authority—*Autorité pour le désarmement, la démobilisation, et la réintégration*—helped address the inefficiencies of the previous institutional arrangement for the DDR program, which was led by 7 different entities. Of the 74,068 ex-combatants targeted under the DDR program, more than 44,493 have been processed, indicating a coverage rate of 60 percent. More specifically, 27,528 have been effectively reintegrated, while 16,965 are currently being retrained for civilian life. Despite these encouraging results, the Government has to accelerate DDR if it is to meet its target of disarming the full case-load of former combatants by mid-2015, before the presidential elections.

Overall Côte d'Ivoire is making good progress towards lasting peace and stability, but with presidential elections on the horizon, urgent steps need to be taken in security sector reform and national reconciliation as well.

#### ➤ Social stability

**5.12 Political instability resulted in a significant increase of poverty in Côte d'Ivoire, from less than 18 percent in 1985 to almost 50 percent in 2014.** Some of the root causes of the crisis, as identified by the World Bank's Center on Conflict, Security and Development,<sup>32</sup> were (a) national identity; (b) deficit in youth integration; and (c) land conflicts.

- *National identity*

**5.13 Identity and citizenship have been used to support political objectives and the capture of power**, which has had very detrimental effects on social cohesion. Discrimination and competition among *autochtones* (original inhabitants, or natives), *alloctones* (Ivorians from another community or region), and *allogenes* (foreigners from another country) were evident for years in many aspects of social life, and peaked during the 2010/11 post-electoral crisis in the West of the country.

**5.14 Closely related to identity is the issue of citizenship.** A large proportion of the population—including many stateless persons—do not have identity papers, and newborn children are often not automatically registered. This creates serious problems regarding land ownership, political participation, access to social benefits, and access to justice and education.

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<sup>32</sup> "Walking the Path of Peace Consolidation and Reconciliation." World Bank: Center on Conflict, Security and Development.

- **Deficit in youth integration and the syndrome of the lost generation**

5.15 **Disenfranchised youth are at the center of ongoing political tensions, as they are easily mobilized and manipulated by various political actors.** Their mobilization has been facilitated by the lack of improvement in education over the past decade, the politicization of higher education, high unemployment and poverty rates, and significant rural-to-urban migration in search of jobs.

5.16 **Jobs creation is a unifying objective of this Systematic Country Diagnostic, and will be an essential element of a strategy aimed at building social cohesion and solidifying peace and stability.** Jobs creation requires a comprehensive strategy that encompasses education and vocational training reforms, better access to finance, the revival of agriculture, the promotion of private sector development, and the provision of infrastructure and basic services.

➤ ***Land reform***

5.17 **Reform of the land market is an essential prerequisite for social and political stability, and the lack of reform is a binding constraint for both main pathways towards poverty reduction.** The development of agriculture is greatly affected by the insecurity of land tenure, while the development of new industries is often hindered by the lack of industrial land. Inclusive growth also depends on secure land titles for lower-income households, to provide the poor with opportunities in small-scale agriculture and micro and small enterprises.

5.18 **Increasing pressures on rural land are threatening social cohesion.** When rural migration began in the 1960s and 1970s, access to land was not a major issue. Land was abundant and the rural population in the forest areas readily accepted the presence of the new migrants.

5.19 **Successive socio-political crises have exacerbated land tensions in some rural areas, which are reflected in intra-family or inter-community conflicts:** (a) urban dwellers returning to their villages tend to undermine the land rights previously allocated to migrants, now considered "foreigners" on the land leased by the migrants' parents; (b) following the post-election crisis, *autochtone* families living in the forest areas had to leave their lands to seek refuge in safer areas. During their exile, their lands were appropriated by migrants left behind, and the challenge now is how to reintegrate the displaced people; (c) the recent rise in the price of some cash crops has encouraged agricultural investment and further increased the demand for land.

5.20 **Secured and documented property and land use rights will reduce the potential for conflicts.** They are also prerequisites for increased agricultural productivity, food security, and rural development, and provide incentives to invest in long-term plantations, which facilitate access to land rental for landless households. Reform of the land management system is also an essential prerequisite for the development of new industries, including micro and small enterprises. Issues around land use and access to undisputed, clean land titles continue to present risks and therefore limit investors' appetite for investments in the sector. Moreover, the lack of clean land titles affects the ability of banks to accept land as collateral or to extend loans to the primary segment of the agriculture value chain.

**5.21 Implementation of the 1998 Land Law**, which aimed at addressing many of these issues, has been constrained by the following factors:

- **Ambiguity of the legal framework:** Ambiguity exists regarding the legal value of a land certificate as opposed to a land title; and to the validity of a land certificate for only three years—an insufficient amount of time to complete the process of transforming the certificate into a title. Notably, it is unclear whether land certificates that have not yet been converted into land titles are still valid. Moreover, the definition of rural and urban land is unclear: The 1998 Land Law covers an area defined by default: what does not fit into the different categories of public land, urban land, development zones, and classified forests is considered as part of the State property.
- **Complexity and cost of land rights procedures:** Effective village demarcation is an essential prerequisite for securing land rights and mitigating conflicts in rural areas by clarifying the geographical space of local authorities. Yet, the process is extremely complex and the cost prohibitively high.<sup>33</sup> Implementation at a large scale seems impossible under current procedures and existing institutional arrangements.

**5.22 Given the mismatch between current administrative capacities and complex land rights registration procedures, the 1998 Land Law implementation strategy needs to be reconsidered**, including by permitting the land certificate to become a sufficient document for registering land rights and streamlining procedures. More fundamentally, the Land Law itself may have to be amended to ensure that it is internally consistent and can be implemented. Issues of implementation surround the question of nationality and inheritance, questions that are currently being reviewed by a stakeholder committee convened by the Government.

**5.23 In summary, maintaining political and social stability will require progress on each of the fronts discussed above.** Addressing the issue of national identity and progress towards political reconciliation is beyond the scope of this SCD. However, identifying and implementing a new framework for land policies is an essential prerequisite for progress along the pathways toward poverty reduction.

➤ **Financial sector deepening and inclusion**

**5.24 Financial sector deepening and inclusion will be critical to achieve growth and poverty reduction in Côte d'Ivoire**, Although the ratio of credit to GDP (20 percent) increased rapidly over the last two years, it is still inferior to levels observed in Burkina (25 percent), Senegal (32 percent) and Kenya (40 percent). Only 12 percent of the population had access to a bank account in 2013; and possibly 15 percent if accounts at microfinance institutions (MFIs) are included. This is significantly below the credit-to-GDP ratios of other African countries.

**5.25 Housing finance barely exists and benefits only a few.** Only 696 mortgage loans were granted in 2013, essentially to bank employees and a few staff from ministries and a few large companies. In a region where housing finance is barely developed, Côte d'Ivoire fares particularly

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<sup>33</sup> With an estimated one million parcels of rural land in Côte d'Ivoire, the cost of a nationwide certification operation would cost a staggering CFAF 700 billion (USD1.4 billion).

poorly, representing only 5 percent of all mortgage loans granted in the WAEMU region by number and 18 percent by value. Inclusion is far worse than in regional peers. Even when taking into account the use of medium-term consumer loans to finance housing, credit is grossly inadequate to meet the country's growing housing needs, particularly in rapidly urbanizing areas. Banks have expressed interest in growing housing finance, especially to support the Government's affordable housing program, but are concerned about the availability of collateral.

**5.26 Since the end of 2011, the Government has been developing a social and affordable housing program.** The strategy comprises supply-side measures to support the construction of social and affordable units (with a target of 60,000 units over 2012-2015); as well as market measures, including increased budget support for the Housing Mobilization Account to provide low-interest, long-maturity mortgage refinancing for low-income households.

**5.27 Increasing access to housing for low-income households will require the Government to broaden its social and affordable housing program in a sustainable way.** In particular, the Government will need to strengthen the role of the Land Management Agency in developing land banks, in anticipation of urban development. The Government will also need to assess the feasibility of a guarantee scheme to alleviate part of the risk taken when banks lend to informal sector borrowers. Further, the Government will need to undertake public-private partnerships with MFIs to promote a viable approach to self-construction, starting with pilot projects. These projects would integrate finance, low-cost building technologies, administrative services, and possibly specific support to saving for housing schemes. In support of this strategy, the Government will need to develop and implement tools to quantify the economic costs of the various forms of assistance provided to housing, including through the provision of serviced land, tax relief and interest rate subsidies.

**5.28 Medium and long-term financing to support investment has increased rapidly over the past two years** (rising 53 and 77 percent, respectively), owing to a conducive environment and less stringent prudential requirements. However, these loans still represent only 5 and 1 percent of GDP, compared to an investment rate of 16.5 percent.<sup>34</sup> Insufficient capital buffers and still uncertain profitability affects banks' ability and willingness to lend more or explore new markets.

**5.29 The banking system showed remarkable resilience during the years of political unrest,** due in large part to regional arrangements. The industry capital adequacy ratio (CAR) improved in 2013 (9.2 percent compared to 8.2 percent in 2012) for the first time since 2010, but remains significantly below the average WAEMU ratio of 12.9 percent. The profitability of the banking system improved in 2013 after several years of losses (2008, 2010, 2011) but still faces significant headwinds.

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<sup>34</sup> If we consider an average three-year maturity of medium and long-term credits, medium-term credits represent 30 percent of total credit, and long-term loans represent only 5 percent.

**5.30 There has been progress in launching the restructuring of state-owned banks.** An action plan was adopted on May 5, 2014. Its full implementation will help resolve non-viable institutions and strengthen and reorganize others.

**5.31 The capital market does not contribute to financing economic activities, and therefore provides no competition for banks in providing credit.** A regional stock exchange, *Bourse Régionale des Valeurs Mobilières* (BRVM), was created in 1998 in Abidjan and lists 37 companies, of which 31 are Ivorian. However, due to political unrest and lower than expected privatizations, the exchange has seen little activity. The regional market capitalization reached only 14 percent of the regional GDP in September 2014. Float and turnover are limited. Some government bonds are listed, but most are issued by the Central Bank of West African States (*Banque Centrale des Etats de l'Afrique de l'Ouest*, BCEAO) and held to maturity by commercial banks. The lack of capital market development limits not only term financing for companies, but also large financing for banks, which generates risks for banks and constrains their ability to go down-market towards individuals and SMEs.

**5.32 Contractual savings are also limited, which affects the availability of term financing and capital market development.** Existing pension schemes are not sustainable and have not accumulated meaningful assets. Actuarial studies are being commissioned to design a reform of the pension system. The insurance industry is growing but remains small in terms of turnover and assets.

**5.33 The payment infrastructure is modern but under-utilized.** Cash remains a dominant means of payment for individuals and small businesses. Mobile payments have been slow to develop, with some rapid progress observed in 2013. The World Bank is supporting the design of a regional retail payment strategy to increase the penetration of retail payments, including mobile payments. In addition, regional authorities are working on the introduction of a modern credit bureau, with IFC support.

**5.34 To address these constraints, the Government articulated a comprehensive Financial Sector Development Strategy (FSDS) in 2013 with the support of the Bank.** Full implementation of the FSDS is critical to ensure that the financial sector contributes to sustained growth and poverty reduction. To achieve these goals, the Government will need to focus on three key priority areas:

***Ensuring financial sector stability.*** This will entail:

- Restructuring or resolving weak institutions in the banking, insurance and microfinance sectors;
- Strengthening banking supervision;
- Strengthening supervision of decentralized financial services (DFS)
- Strengthening financial infrastructure (including credit information) and the business and judiciary environment (creditors' rights in particular).

- ***Deepening the financial sector.*** This will involve:
  - Providing market friendly public support for intermediation rather than direct public interventions;
  - Fostering capital markets development;
  - Encouraging the development of non-bank financing (leasing, private equity);
  - Promoting contractual savings (including through pension reform).
  - Developing investment funds to mobilize foreign and domestic private investors for long-term financing of infrastructure PPP projects
  - Broadening the social and affordable housing program in a sustainable way
- ***Formulating and implementing a comprehensive National Financial Inclusion Strategy (NFIS),*** which should encompass the following key dimensions:
  - *Savings:* increase savings including micro-savings account ownership and usage by the adult population, in particular women
  - *Credit:* increase responsible credit including micro-credit to the adult population, in particular women
  - *Insurance:* increase responsible insurance including micro-insurance coverage of the adult population, in particular women
  - *Payments:* increase use of e-payment for salaries, wages and social transfers
  - *Financial education:* increase the percentage of adults who report receiving training/advice on personal finance management, in particular women
  - *Consumer protection:* all institutions providing financial services publicize arrangements for customer complaints and queries
  - *Vulnerable populations:* extend via cost-effective channels financial services to populations in the poorest regions of the country, in particular women

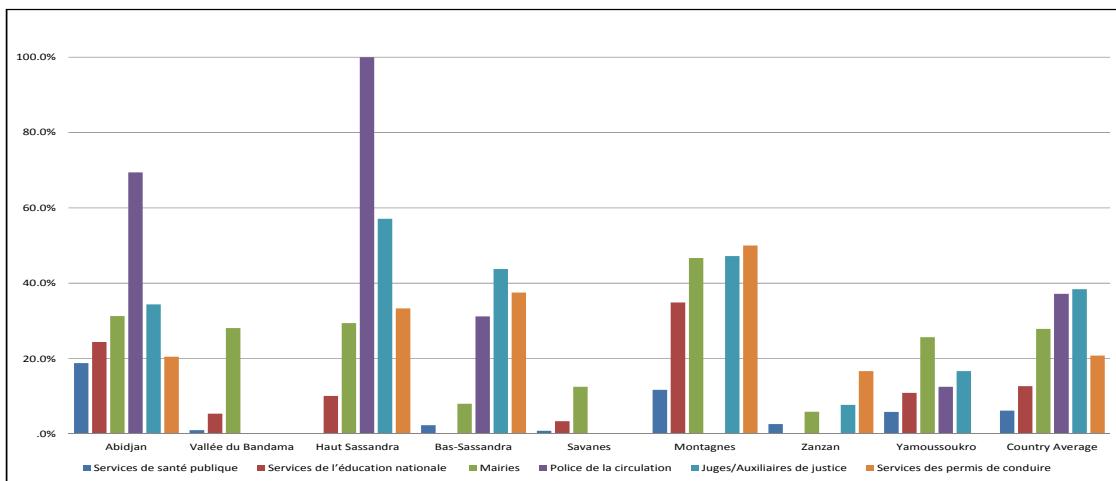
**Note: The NFIS will build upon the National Microfinance Strategy published in 2013, and should be formulated in collaboration with all relevant stakeholders,** including the BCEAO, bank and non-bank financial institutions, mobile telephone operators, private enterprises, and households. The Government will need to translate NFIS strategy into a time-bound action plan with measurable targets, and systematically monitor and evaluate its implementation against those targets.

#### ➤ Governance and business environment

5.35 **The comparative analysis found that Côte d'Ivoire's poor governance framework, including its weak business environment, was a key factor in its divergent policy responses and outcomes.** Improved governance is therefore a critical prerequisite for sustained and inclusive growth in Côte d'Ivoire. In the context of this SCD, governance-related reforms will be addressed in both this and a later section. This section focuses on the need for cross-cutting governance reforms in the areas of public administration—including the supervision and regulation of the financial sector—justice, corruption, and rule of law, in order to create an enabling environment for sustained and inclusive growth. Chapters 6-8 will discuss sector-specific constraints to good governance, with a focus on the misallocation of resources and on market distortions, and how they pertain to progress toward poverty reduction under each of the pathways.

**5.36 A recent Bank diagnostic of drivers of poor governance in Côte d'Ivoire** (Figure 5.2) found a majority of people reporting incidences of bribery when they attempted to access public services (justice and police).

**Figure 5.2: Request for Bribes by Region and Service**



**5.37 Furthermore, the quality of service was reported as generally poor.** Citizens gave strongly negative feedback on services provided by customs, the police, and the justice system, all of which had less than 15 percent satisfaction rate. Regarding the quality of public health and education services, which are particularly critical for the growth and inclusiveness agendas, the satisfaction rates nationally were, respectively, 36.1 and 33.3 percent. In Abidjan and some areas in the west, the rate for both of these services was below 10 percent. The main grievances reported by citizens with regard to education and health services included (a) absenteeism of teachers and health workers, (b) lack of supplies, (c) poor facilities, and (d) corruption.

**5.38 Addressing these governance issues will require measures to strengthen public administration and sector institutions,** reform the civil service, improve efficiency of service delivery, enforce professional standards, and streamline administrative processes.

**5.39 A particularly important area of reform affecting overall governance is public financial management.** The 2013 Public Expenditure and Financial Accountability (PEFA) assessment highlighted some progress vis-a-vis 2008, in particular: (a) improvement of the legal and regulatory framework and partial alignment with WAEMU directives on PFM<sup>35</sup>; (b) budget preparation and debt monitoring; and (c) improved public information on budgetary allocations and execution. Despite this progress, however, several issues continue to affect the overall effectiveness and efficiency of public expenditure. These include (a) the persistence of large domestic payment arrears; (b) insufficient controls and consolidation at different levels of government; (c) inadequate macroeconomic framework and tools to forecast the level of revenues;

<sup>35</sup> In 2013, the Government adopted (a) the Transparency Code for Public Financial Management, and (b) the Budget Law. However, application decrees related to the general regulations for public accounting, the government budget classification system, the government chart of accounts, and the government financial operations table have not yet been adopted.

(d) absence of a multi-year general budget; (e) incomplete reporting on budget execution; and (f) weak internal and external controls. In generally, progress in these areas is affected by shortcomings in the implementation of reforms. Notably, the standard budget cycle was disrupted and public financial management processes and procedures are not fully applied. Most of the investment expenditures are executed outside regular budget procedures using discretionary treasury advances and simplified procedures.

**5.40 The effectiveness of public expenditure in Côte d'Ivoire will also depend on progress in improving procurement.** Important steps have been taken, such as the adoption of a new Code of Public Procurement, the creation of the National Public Procurement Regulating Authority (*Autorité nationale de régulation des marchés publics*, ARMP), the recent adoption of standard bidding documents, and the creation of procurement units, supported by advanced training in risk-based audit and in-depth sector and entity-specific audits and reviews. Although still within the 10<sup>th</sup> -25<sup>th</sup> percentile, the Regulatory Quality indicators of the 2013 Worldwide Governance Indicators (WGI) indicate a good improvement for Côte d'Ivoire compared to the previous year. Yet, there are still many capacity and institutional constraints impacting policy implementation and regulation management. Due to many years of political and economic crises, staff capacity in public administration has been weakened by lack of adequate training, remuneration and supervision, and by rent-seeking behavior.

**5.41 Key steps going forward** will be the establishment of procurement units in all ministries and government agencies; and the regular execution of procurement audits and follow-through of audit recommendations.

**5.42 Better governance will also require the development of more appropriate statistical systems.** A recent Country Statistics Brief found a large number of shortcomings in the quality of data across all sectors which need to be addressed to create a more adequate basis for policy formulation. To this end, capacity in the National Statistical Office, including its branches across the country, will have to be strengthened.

**5.43 In the area of justice, the Truth and Reconciliation Commission has made headway in fostering social peace;** and the establishment of a Commercial Court (*Tribunal de commerce*) has substantially reduced transaction costs for resolving commercial disputes. Nonetheless, major shortcomings in access to justice for the population as a whole persist, in particular in rural areas, and more efforts will be necessary.

**5.44 According to the Worldwide Governance Indicators, Côte d'Ivoire's Rule of Law score declined from 24.9 in 1996 to 13.7 in 2012.** Likewise, the 2010 and 2012 governance diagnostic surveys indicate: (a) a 75 percent unsatisfactory rate for the length and complexity of judicial procedures; (b) a 75 percent rate for corruption; (c) a 67.2 percent rate for lack of equity and justice in verdicts, especially in cases related to poor people; and (d) a 60 percent rate for bias in favor of political or business actors. Weak performance of the judicial system and other authorities with rule of law functions, which allows impunity and corruption to fester, has crippling effects on: (a) the business environment, which is key for private sector-led economic development; (b) public sector performance, which is critical for service delivery and oversight of the executive including the armed forces; and (c) its relevance for victims of the 2002 armed rebellion, the 2011 post-electoral crisis, and the population at large. In particular, failure to

adequately address the expectation that “justice will be done” risks increasing feelings of victimhood among those on all sides of the conflicts.

**5.45 Constraints in the area of justice can be categorized as follows:**

- Accountability constraints

Lack of adequate enforcement and a perceived political bias in decisions by the judiciary, partly reflecting the authority of the President to appoint the heads of judiciary institutions without approval by Parliament, give rise to an accountability gap. Moreover, the justice system lacks mechanisms to adequately monitor the performance of judicial staff and managers.

- Human resources constraints

The shortage of qualified personnel remains a key challenge in Côte d’Ivoire that impedes good functioning of the judiciary system. The lack of training and equipment of judicial officers and prison staff undermines the effectiveness of service delivery. The National Legal Training Institute (*Institut national de formation judiciaire*, INFJ) is outdated, not fully operational and not well structured. The INFJ does not have the necessary resources to perform its mandate and train enough qualified staff to fill the personnel gap.

- Poor infrastructure

Justice facilities and courts are limited in number and unevenly distributed across the country. Judicial activities are highly concentrated in the southern part of the country. This leads to an overburdened court system, especially in Abidjan, Yopougon and the Abidjan Court of Appeals. The manual transmission and storage of files among different judicial services contributes to slow processing of files and sometimes their loss.

**5.46 These constraints foster a serious lack of confidence of citizens in their institutions.** Financial, geographical and cultural barriers hamper access to the law and justice and increase the remoteness of the judicial system from the population.

**5.47 An overarching issue is the need to reinforce the fight against corruption.** While systems will need to be put in place under each area of governance, and in particular the justice system, in order to reduce corruption, a high-level institution dedicated to governance has already been created. At end-2013, the High Authority for Good Governance (*Haute autorité pour la bonne gouvernance*, HABG) was established with a view to strengthening the legal framework for containing corruption. An anti-corruption observatory and the Special Court to Prevent and Fight Corruption is also expected to be set up after the regulations for their operations have been finalized. The President is currently the only public official required by law to declare his interests and assets, but this requirement is expected to be extended to other officials. It will be of paramount importance for the anti-corruption agenda to ensure that these institutions are sufficiently empowered to effectively carry out their mandate.

**5.48 Trust, shared vision, and collective action are all critical for addressing issues of rule of law, decentralization, corruption, and service delivery.** The lack of trust, as noted above, with citizens giving a score of less than 20 percent for confidence in government officials and

political leaders, clearly indicates a big divide between the haves and have-nots in the society. Citizens view government elites as enriching themselves by means of predatory systems in public administration, customs, police, big business, and the justice sector.

**5.49 Effective decentralization is also necessary to lessen political tensions and regional cleavages.** Successful decentralization and improvement of local governance will strengthen the reconciliation process and reduce glaring social and economic disparities. More than 60 percent of the national wealth is concentrated in Abidjan, while the level of poverty is quite high in the rest of the country. The transfer of resources and competencies to regions and collectivities is required by current decentralization texts, but the political will to do so has been lacking. Political dialogue and technical assistance will be critical to unblock bottlenecks in this area.

**5.50 Improved governance also means improved delivery platforms, including a structured and sustained Public Private Sector Dialogue, to foster sustainable private sector-led growth and the development of growth poles.** Typically, growth poles require a well-sequenced, multi-sectoral approach, which requires high-level coordination and ground-level feedback mechanisms to manage implementation and maintain relevance. Regional growth pole structures have been set up in the past in Côte d'Ivoire and many other countries, and it would be important to learn how these could be improved and adapted to the new challenges facing Côte d'Ivoire.

## **6. MAIN PATHWAYS OUT OF POVERTY I: JOB CREATION THROUGH HIGHER AGRICULTURAL PRODUCTIVITY**

**6.1 The agriculture sector is the cornerstone of Côte d'Ivoire's economy, accounting for 22 percent of Côte d'Ivoire's GDP and more than 75 percent of exports.** It also serves as the primary source of employment and income for two-thirds of the nation's households. It is closely linked with other sectors of the economy, particularly manufacturing, commerce and transportation. Cotton, rubber, palm oil, and sugar factories—some large and relatively modern, others small and artisanal—are key elements of rural industry. Meanwhile, cocoa, textiles, coffee, cottonseed oil and oil-based soaps and cosmetics are all critical components of the urban industrial sector. Furthermore, growth in agriculture can have substantial positive effects on non-agriculture self-employment and micro-enterprises in rural areas, including in the services sector.

**6.2 Recent analysis indicates that the agriculture sector will remain the engine of growth in Côte d'Ivoire over the medium to long term, and that many of the entrepreneurs involved in the sector are SMEs.** According to the latest Country Economic Memorandum (CEM, 2011), the sector has the potential to grow at an annual rate of at least 5 percent over the next decade. A number of important advantages underpin this conclusion, including: (a) Côte d'Ivoire's generally favorable climate and strong overall agricultural conditions; (b) its considerable and underutilized endowment of arable land; (c) its relatively large average farm size; (d) strong global demand for the country's main export crops; and (e) the strong medium-term prospects for global commodity prices. Moreover, the agriculture sector is comparatively diversified, even though cocoa and coffee dominate by a wide margin. However, policymakers will face a critical challenge in leveraging the continued growth of the sector to enhance incomes and accelerate poverty reduction. The development of Côte d'Ivoire's agriculture sector also has significant regional importance, as

greater exports of agricultural products to neighboring countries could help reduce prices and improve food insecurity there.

**6.3 Despite its critical importance to the economy, the sector has had only a modest impact on income growth and poverty reduction in rural areas.** Although it continues to provide the livelihoods of the majority of Ivoirians, the sector is characterized by low and unstable value addition. This is caused by constraints in:

- The country's capacity to promote local agricultural research and development and to transfer new skills and new technologies to farmers: *the skills and technology gap*;
- Current practices for enforcing land tenure that are rarely formalized, and a formal land titling and certification system unaffordable for most of Ivorian rural households; *the rural land rights gap*;
- The availability and quality of rural infrastructure, particularly the rural road network: *the physical capital gap*;
- A negative incentive structure caused by distortive tax policies and low levels of public spending: *the policy support gap*; and
- Limited access to private investment and financial services, including banks and microcredit networks: *the financing gap*.

**6.4 These five constraints have contributed significantly to the decline and stagnation of Total Factor Productivity (TFP).** According to various estimates,<sup>36,37,38</sup> the annual average growth in TFP over various periods shows a general trend of continuous deterioration since the 1960s, with most of the observed TFP growth explained by improved efficiency rather than technical change (Table 6.1). Côte d'Ivoire shares the early trend with many African countries, which showed an improvement in TFP growth in the early 1960s followed by a rapid deterioration stretching from the mid-1960s to the mid-1980s. However, the rapid recovery and improved performance extending through the mid-2000s noticed in countries such as Angola, Ghana, Nigeria, Malawi, Gabon and South Africa has eluded agriculture in Côte d'Ivoire.

**Table 6.1: Total Factor Productivity Estimates in Côte d'Ivoire's Agriculture Sector, 1961-2005**

Study	Period	Value
Avila & Evenson (2010)	1961-1980	1.91
Avila & Evenson (2010)	1981-2000	0.63
Alene (2010)	1970-2004	-0.9
Benin, Nin Pratt, Wood and Guo (2011)	1985-2005	1.0
Benin, Nin Pratt, Wood and Guo (2011)	2000-2005	-0.25

<sup>36</sup> Antonio Flavio Dias Avila, Robert E. Evenson, "Total Factor Productivity Growth in Agriculture: The Role of Technological Capital." In *Handbook of Agricultural Economics*, Burlington: Academic Press, 2010, pp. 3769-3822.

<sup>37</sup> Alene, A 2010. Productivity growth and the effects of R&D in African Agriculture. *Agricultural Economics* Vol. 41 pp. 223-238. International Association of Agricultural Economists.

<sup>38</sup> Benin, S., Nin Pratt, A., Wood, S. and Guo, Z. 2011. "Trends and Spatial Patterns in Agricultural Productivity in Africa, 1961-2010." *ReSAKSS Annual Trends and Outlook Report 2011*. International Food Policy Research Institute (IFPRI).

**6.5 The agriculture sector can be divided into (a) export-oriented cash crops, such as cocoa, coffee, rubber, oil palm, cotton and cashews; and (b) food crops for domestic consumption**, including plantains, yams, cassava, maize, rice and livestock.<sup>39</sup> The cash crop subsector benefits from the bulk of agricultural investment and typically involves more sophisticated production techniques. By contrast, food crop production, which is characterized by traditional practices, receives little support from either the public or private sectors, with the exception of rice and maize. For these crops, international and local groups, with the assistance of the Ivorian Government, have been intensifying their efforts to ramp up production. The value chains for the cash crops are relatively well-organized, with processors providing efficient access to markets and sometime inputs on credit. However, the cash crop sector suffers from limited value chain integration among farmers, intermediaries and processors, which prevents the country from increasing downstream transformation of its food production. This constraint is due to two factors—lack of appropriate warehousing capacity, and lack of financing mechanisms—both of which processors need to secure seasonal raw materials for an entire year. While cash crop agriculture is potentially lucrative, it also entails considerable risk, as export prices are determined by volatile international commodity markets. Conversely, food crops often represent greater economic security, but tend to offer very limited returns.

**6.6 The country falls into two distinct agricultural regions:** the forest region in the south and the drier savannah in the north. With higher and more reliable rainfall and better soils, the forest region produces the majority of the export crops. However, both regions suffers from low agricultural productivity, high cost of inputs, considerable post-harvest losses, inadequate use of modern farming techniques, lack of modernization and mechanization, all contributing to a decline in agricultural production. Hence, the identified constraints apply more generally.

**6.7 Food crops for domestic consumption represent about three-quarters of the sector's total output, and production is concentrated among the rural poor.** The relatively strong performance of the food crop subsector is critical to food security in Côte d'Ivoire, and has enabled the country to become self-sufficient in most key staple crops, with the exception of wheat, rice and dairy. Nevertheless, this subsector is often neglected in agricultural research and sector development strategies, and as a result, food production tends to be small scale, traditional, and largely informal. Moreover, the unwillingness of financial institutions to finance stocks of these movable and perishable crops leaves processors struggling to secure, during the harvest season, the quantity of raw material needed to run their facilities year-round. This, in turn, limits selling opportunities and depresses prices to farmers during the harvest. Staple foods are often produced on plots of less than two hectares, and marketing is typically channeled through networks of domestic traders or marketing cooperatives. Food crop producers suffer from poor infrastructure, inadequate support services, and weak institutions, all of which increase transaction costs and exacerbate price volatility in local markets. Due to the demographic characteristics of staple food

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<sup>39</sup> The agriculture sector in Côte d'Ivoire's is not divided into subsistence and cash-crop farming. Smallholders with a farm size of less than 10 ha represent about 90 percent of all farming households and 50 percent of the land cultivated (Agricultural Census of 2001). They are well diversified and their activities are based on a cash crop (cotton, cashew and livestock in the North, cocoa, rubber, and oil palm in the South), with some staple crops as secondary activity. Even food crop producers are commercial farmers in that they sell a significant part of their production on the market (cassava, yams, rice, plantains).

producers, the functioning of the domestic agricultural market has an enormous impact on income levels and poverty rates in rural areas.

6.8 **While export-oriented production represents just 25 percent of the total, it generates almost 50 percent of Côte d'Ivoire's total export earnings.** Cocoa is the country's dominant agricultural export commodity, but rubber is growing in importance. Despite its greater integration into international value chains, the export-oriented subsector still faces significant constraints on productivity, market access, technology and financing—especially for small producers—as well as challenges related to governance and the business climate.

#### ➤ FAILURE OF THE AGRICULTURE SECTOR TO REDUCE POVERTY

6.9 **Over the past several decades, agricultural production in Côte d'Ivoire has been highly unstable.** Output grew by an annual average of about 3 percent from 1996 to 2001, then slid to just 0.2 percent per year from 2006 to 2011, significantly below the growth rate of the rural population. The sector has since rebounded, growing by a moderate but significant 2.3 percent in 2012 and 6.9 percent in 2013.

6.10 **Farmers in Côte d'Ivoire face numerous constraints that negatively impact their productivity.** These include a range of technical and circumstantial issues, such as limited access to inputs; weak extension services; considerable post-harvest handling, transportation and storage losses; inadequate information about modern farming techniques; and poor plantation maintenance (especially for coffee, cocoa and oil palm). These limitations are compounded by structural economic factors, such as high input costs, declining market prices, poor sector governance, deteriorating physical infrastructure, and a general absence of public goods, all of which have contributed to the long-term stagnation of productivity.

#### Policy Area 1: The Skills and Technology Gap

6.11 **Agriculture in Côte d'Ivoire is dominated by smallholder farmers, the majority of whom use traditional practices and rely on family labor.** Data from the most recent Agricultural Census (2001) estimated that there are 8.3 million farmers nationwide, of whom 49 percent are women. The average cultivated area for each household is about 3.89 hectares, but 80 percent of households cultivate less than 2 hectares.<sup>40</sup>

6.12 **The overall education level of Côte d'Ivoire's farmers is a major constraint to agricultural development.** An estimated 60 percent have never been to school. And although 46 percent of farmers are literate, the overall rural literacy rate is just 25 percent. Large-scale efforts to improve farmers' knowledge and skills will be required to increase agricultural productivity. Expanding educational access and enhancing the quality of primary education in rural areas should be accorded a high priority, as basic literacy and numeracy are required for more specialized forms of education. Rehabilitating the national Agricultural Education and Training (AET) system would allow policymakers to leverage gains in primary education to build the stock of knowledge specific to agricultural production. The National Institute for Professional Agricultural Training (*Institut*

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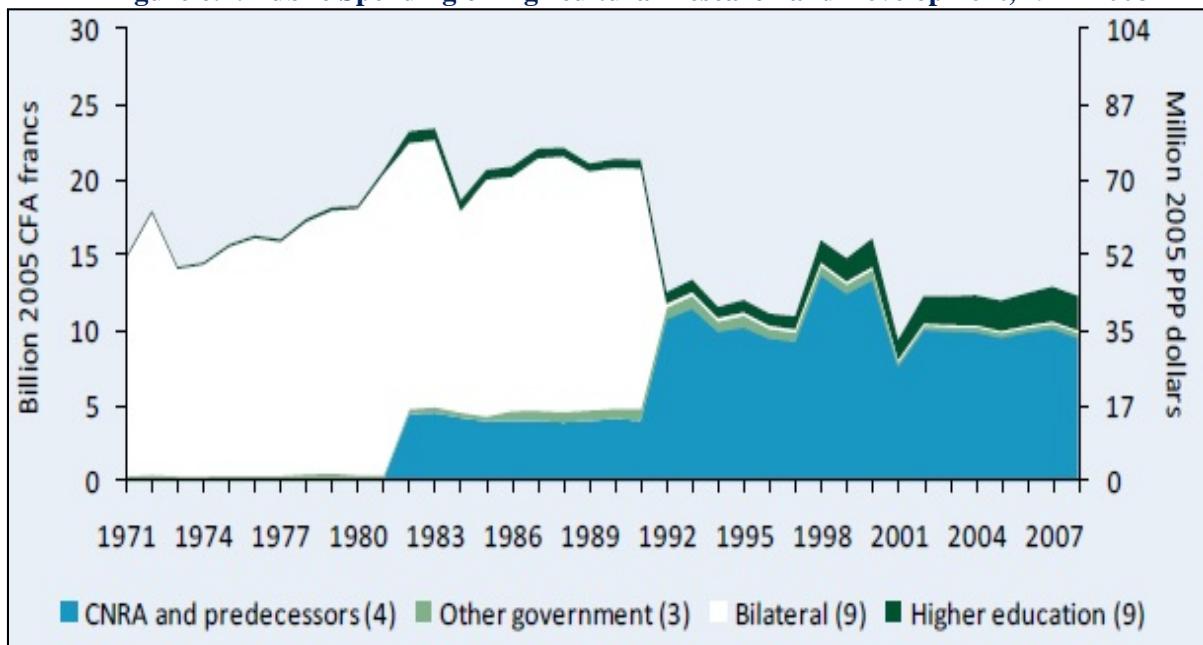
<sup>40</sup> Ministère de l'Agriculture, 2004. « Recensement National de l'Agriculture (RNA) de 2001 : Analyse des Données au Niveau Nationale. Direction Des Statistiques, de la Documentation et de L'Informatique.

*National de Formation Professionnelle Agricole*, INFPA), created in 1997, is the country's premier institution for public agricultural education, but the training it supplies does not come close to meeting demand. In 2011, the INFPA's 9 schools accepted about 600 students out of more than 20,000 applicants.

**6.13 Human capital constraints exacerbate the limited use of new agricultural technologies.** Farmers overwhelmingly rely on traditional farming techniques. Mechanization is very limited, as is the use of improved seeds and fertilizers. In the absence of new technologies and increased capital investment, agricultural output has grown largely through the expansion of cultivated area (often at the expense of forests and wilderness areas) rather than through increased productivity.

**6.14 Investment in agricultural research and development (R&D) has declined over time (Figure 6.1).** Total public spending on agricultural research as a percentage of agricultural output is known as the research intensity ratio. This ratio declined from 1.15 (or USD1.15 in R&D investment per USD100 of agricultural output) in 1971-1976 to 0.59 in 2006-2008.<sup>41</sup> R&D investment dropped sharply in the early 1990s, recovered somewhat in the late 1990s and early 2000s, and remained relatively stable during 2002-2008. Côte d'Ivoire invested CFAF 12.3 billion (USD42.6 million in PPP terms) in agricultural R&D in 2008, down from CFAF 16.1 billion (USD55.9 million) in 2000.

**Figure 6.1: Public Spending on Agricultural Research and Development, 1971-2008**



Source: ASTI (2010).

<sup>41</sup> Stads, G. J. and S. Doumbia. 2010. Côte d'Ivoire Country Note. Recent Development in Agricultural Research. Agricultural Science and Technology Indicators. Facilitated by the International Food Policy Research Institute. Document downloaded from [www.asti.cgiar.org](http://www.asti.cgiar.org).

**6.15 Increased investment in agricultural R&D and extension services could significantly enhance marginal productivity.** The overall return on public agricultural investment in Sub-Saharan Africa is estimated at around 35 percent. In addition, a recent study in Uganda and Tanzania demonstrated that an additional USD1 in agricultural R&D spending boosts agricultural output by as much as USD12.<sup>42</sup> The Comprehensive Africa Agriculture Development Programme's (CAADP) Maputo Declaration established an indicative target for investment in agriculture at 10 percent of sector output. However, Côte d'Ivoire is far from reaching this goal.

**6.16 Although agricultural R&D is acknowledged by national policy decisionmakers to be a major factor in agricultural development and poverty reduction, albeit with a long time lag, Côte d'Ivoire has spent far less than the target of 1 percent of agricultural GDP set by NEPAD.** Spending currently stands at 0.6 percent of agricultural GDP compared to spending above 2 percent in Botswana, Mauritius and South Africa. Agricultural R&D expenditures in Côte d'Ivoire decreased around the turn of the millennium, but remained relatively stable during 2002–08. The sociopolitical turmoil that Côte d'Ivoire faced between 1999 and 2002, and the civil war over the two subsequent years, had a particularly negative impact on agricultural R&D investments in the country's central, northern and western zones. In 2008, the 12 Ivorian agencies involved in agricultural R&D employed a total of 123 full-time equivalent (FTE) researchers—a significant decline compared with the 200 FTE staff total recorded in the 1990s. However, it is important to note that unlike the situation elsewhere in the region, the national government and donors play a minimal role in financing agricultural R&D in Côte d'Ivoire. The National Center for Agricultural Research (CNRA) is funded mainly by the private sector through the Inter-Professional Fund for Agricultural Research and Extension (FIRCA). CNRA also uses internally generated resources to fund its research. Participation of the food industry in agricultural research is also developing; and some multinationals are establishing local research centers that are, for example, developing seedless plant varieties by means of in-vitro embryogenesis; and creating varieties of maize, yam, manioc and vegetables that are higher yield, more resistant to pests and drought, and richer in iron and vitamins. In view of the country's limited financial resources, it is critical for Côte d'Ivoire to encourage private sector investment to finance its agricultural research needs.

## **Policy Area 2: The Rural Land Rights Gap**

**6.17 Nearly 64 percent of Côte d'Ivoire's land area is used for agriculture, and almost all farmland is owned and transferred according to local customary law.** Because customary land tenure systems are not well defined or consistently applied, their use has led to conflict, which has intensified in recent decades as population growth, immigration and the commercialization of agriculture have increased competition for land. With support from the World Bank, Côte d'Ivoire adopted a new Rural Land Law in 1998, which aims to transform customary land rights into private property rights regulated by the State. However, this attempt to radically transform customary rights into private ownership, the political turmoil of the 2000s and a lack of resources have slowed the implementation of the Rural Land Law, and traditional customary systems remain unchanged throughout much of the country. The recommendations discussed in paragraphs 5.20 and 5.21 could go a long way towards addressing the situation.

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<sup>42</sup> World Bank 2007. World Development Report 2008. Agriculture for Development.

**6.18 The current socio-political context offers prospects for substantive reform of the land regime. In particular:** (a) the Government is expected to implement an updated and realistic Rural Land Policy; (b) Ivorian civil society is about to establish a platform aimed at launching a national debate on land; (c) the ministry in charge of rural land now recognizes the inefficiencies of the land rights registration system and has recently proposed a set of decisions to dramatically simplify the current procedures; and (d) private companies have recently offered their services to the Government to improve land registration operations in the field, using more appropriate and less expensive technologies.

**6.19 Targeted support for women's land rights would make implementation of the Land Law a more inclusive process.** Although women play a vital role in Côte d'Ivoire's agriculture sector, producing and marketing a majority of the country's food crops, custom excludes women from land ownership. A woman's access to land is based on her status within the family and involves only the right of use. Of particular concern is a widow's right to remain on the land she farmed while her husband was alive. The Land Law reforms traditional practices with respect to women and land, granting them rights equal to those of men. However, making these rights a reality will require active engagement at the village and family levels. As an integral part of implementing the Land Law, there should be a specific focus on the enforcement of women's land rights, such as through legal and education programs targeting rural communities, and paralegal assistance in asserting those rights.

**6.20 Facilitating the resolution of land disputes, especially those involving immigrants, is a priority for promoting greater inclusiveness in rural land tenure and preventing conflicts.** However, informal adjudicators, such as village chiefs or other traditional authorities, are sometimes viewed by immigrants and younger Ivoirians as biased or even illegitimate. The Government should work with traditional and local authorities to develop alternative dispute resolution mechanisms that will protect individual rights while preserving social cohesion.

### **Policy Area 3: The Physical Capital Gap**

**6.21 Road networks, storage facilities, electricity and telecommunications services are essential to the efficiency of the agriculture sector. However, Côte d'Ivoire's rural infrastructure has become severely dilapidated, with about 40 percent of the road network not or only partially useable.** Strong rural infrastructure can reduce transportation costs, increase competition, reduce local and seasonal price differentials, improve farmers' incomes, and expand private investment opportunities, including in the microfinance sector, which could help support the creation of a significant number of jobs in the near future. Investment in rural roads is especially critical to limit production costs and increase market access. Support to initiatives to develop storage and warehousing facilities is paramount to develop sustainable value-addition processing in the agribusiness sector.

**6.22 While rebuilding the country's rural roads will be expensive, the current state of the road network exacts a far higher opportunity cost.** Poor road conditions increase maintenance costs for commercial vehicles and agricultural equipment. They also significantly increase travel times and fuel consumption (by up to 35 percent), limit access to markets, and cause spoilage of

produce. These higher logistics costs are borne by both final consumers of these products and the farmers who produce them, with deeply negative implications for their competitiveness in domestic and international markets. The continuous degradation of the road network over the past 15 years has had a serious adverse impact on rural incomes and rural poverty rates.

#### **Policy Area 4: The Policy Support Gap**

**6.23 Agricultural production is severely disadvantaged by a distortive policy framework, coupled with a strong urban bias in development spending.** Taxes on export commodities have remained high for decades, as a result of which nominal rates of assistance (NRA) for cocoa, coffee and cotton were -43 percent, -55 percent and 31 percent from 1960-2005.<sup>43</sup> However, recent analysis indicates that taxation has been declining since 2010 (Figure 6.2).<sup>44</sup> Cocoa is taxed at 22 percent of its CIF value, which corresponds to about 40 percent of the farm-gate price and an even larger percentage of net profits. This rate is still far higher than that imposed on any other economic activity and well above the tax rates imposed on cocoa by neighboring countries. In the 2012-2013 season, the net revenue from one hectare of cocoa was CFAF 250,000 (before deducting family labor). A 10 percent decrease in the export tax would boost net revenue by 22 percent, to CFAF 305,000 per hectare (Table 6.2). This could improve the living conditions of roughly 4 million Ivoirians, and increase the resources available for agricultural investment.

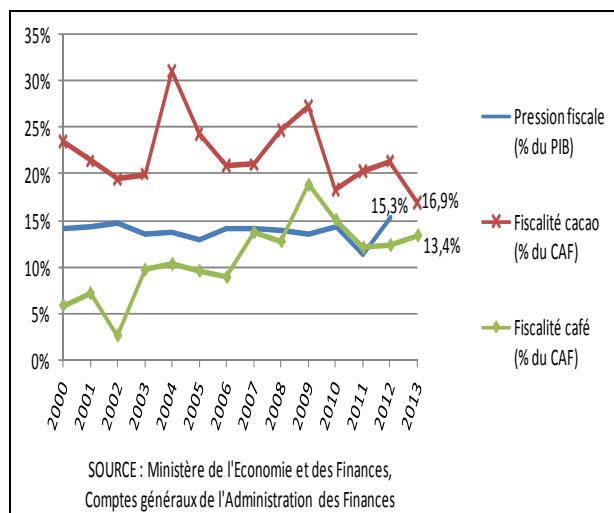
**6.24 The importance of the agriculture sector to income growth and poverty reduction has long been recognized in successful economic development strategies.** There is a range of instruments that governments can use to promote agricultural growth. Among them, efficient government spending is one of the most direct and effective methods and is viewed as a fundamental prerequisite for achieving a 6 percent annual growth rate in agricultural GDP—the goal adopted by NEPAD through the Comprehensive Africa Agriculture Development Program (CAADP). In the Maputo Declaration, African leaders called for a 10 percent budget allocation to agriculture, as part of their commitment to MDG1 and the CADDP goals. While Côte d'Ivoire has subscribed to this vision, agricultural spending in the country remains low compared to that of other African countries and other developing nations.

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<sup>43</sup> Abbott, P. « *Distortions to Agricultural Incentives in Côte d'Ivoire* ». World Bank Agricultural Distortions Working Paper Series. Working Paper 46.

<sup>44</sup> « Etude d'Evaluation des prélèvements ad valorem dans la filière café-cacao » Rapport provisoire 23 septembre 2013. Study funded under the World Bank Governance and Institutional Development Grant.

**Figure 6.2: Trends in Coffee and Cocoa Taxes, 2000-2013**



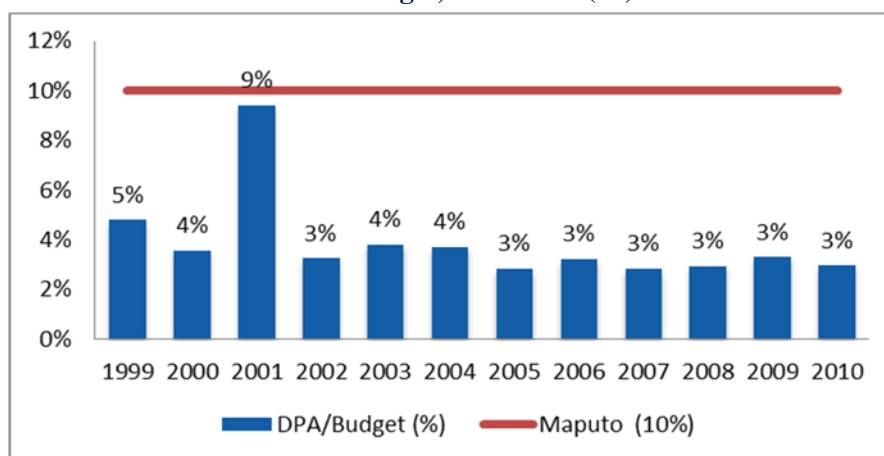
**Table 6.2: Gross Revenues per Hectare of Cocoa**

	Number of Units	Unit	Unit Price (FCFA)	Value (FCFA)
Cost of Production				
Labor	19	Man-day	2000	38000
Herbicides	3	liters	3000	9000
Fungicides	24	bags	600	14400
Pesticides	2	liters	6000	12000
Small equipment	1	task	5000	5000
Total costs				78400
Revenues	455	kg	725	329875
Gross Revenue/ha				251475

Source: World Bank staff estimations based on the Côte d'Ivoire Agricultural Sector Support Project Economic Analysis.

6.25 An Agricultural Public Expenditure Review conducted by the World Bank for the period 1999-2012 identified key trends and patterns in public agriculture spending in Côte d'Ivoire. The Government spent an average of about 3.9 percent of the budget on the agriculture sector during the period (Figure 6.4), far less than the 10 percent called for by the CAADP Maputo Declaration. Agricultural expenditures as a percentage of agricultural output may be a more appropriate measure of government support, but in those terms as well, Côte d'Ivoire's agriculture spending was very limited, averaging only 2.5 percent from 1999-2012 (Table 6.3).

**Figure 6.3: Public Spending on Agriculture Sector as Share of the Total Budget, 1999-2010 (%)**



Source: Ouedraogo and Berté, *Revue diagnostique des dépenses publiques dans le secteur agricole en Côte d'Ivoire période 1999-2012*, A consultant report for the World Bank (2014).

**Table 6.3: Public Agricultural Expenditures and Agricultural Output, 1999-2010**

Year	PAE	GDP	Ag GDP	Ag GDP/ GDP	PAE/ GDP	PAE/Ag GDP	Orientation Index
1999	49.13	7,731.00	1,700.00	22.00%	0.60%	2.90%	0.22
2000	38.75	7,416.70	1,796.00	24.20%	0.50%	2.20%	0.15
2001	91.56	7,730.10	1,909.30	24.70%	1.20%	4.80%	0.38
2002	45.61	8,006.07	2,053.90	25.70%	0.60%	2.20%	0.13
2003	46.77	7,984.23	2,040.40	25.60%	0.60%	2.30%	0.15
2004	47.7	8,178.43	1,895.90	23.20%	0.60%	2.50%	0.16
2005	37.84	8,631.19	1,969.30	22.80%	0.40%	1.90%	0.12
2006	45.95	9,081.19	2,081.80	22.90%	0.50%	2.20%	0.14
2007	45.26	9,487.42	2,263.10	23.90%	0.50%	2.00%	0.12
2008	51.15	10,485.03	2,619.00	25.00%	0.50%	2.00%	0.12
2009	62.89	10,879.94	2,682.80	24.70%	0.60%	2.30%	0.13
2010	61.02	11,352.14	2,588.70	22.80%	0.50%	2.40%	0.13
Average	51.97	8,913.62	2,133.35	23.90%	0.60%	2.50%	0.16
Annual mean growth rate	1.99%	3.55%	3.90%	0.33%	1.51%	-1.84%	-4.70%

Source: Ouedraogo and Berté, *Revue diagnostique des dépenses publiques dans le secteur agricole en Côte d'Ivoire période 1999-2012*, A consultant report for the World Bank (2014).

**6.26 An analysis of a sample of World Bank Agricultural Public Expenditure Reviews in SSA** shows that Burkina Faso, Ghana, and Senegal had relatively high agricultural spending compared to Côte d'Ivoire, both per capita and relative to agricultural GDP. These countries also outperformed Côte d'Ivoire in output growth. However, a closer examination reveals that this growth was mainly driven by agricultural land expansion rather than by increases in productivity. This is evident by the fact that overall levels of yield per hectare of some of these countries' most important crops remained relatively flat, or actually declined, while output was growing significantly (Table 6.4). This experience is consistent with that of other SSA countries, where overall productivity has fallen behind that of other regions.

**Table 6.4: Relationship between Expenditure and Sector Outcomes in Select Countries**

Country	Share of Ag Spending in National Budget, 2009, %	Ag Spending per capita, 2009, \$	Share of Ag Spending in Ag GDP, 2009, %	Average Ag Output Growth 2001-2009, %
Burkina Faso	10.9	20.8	9.2	3.22
<b>Côte d'Ivoire</b>	<b>3.3</b>	<b>19.1</b>	<b>2.3</b>	<b>1.4</b>
Ghana	10.3	25.8	5	4.17
Liberia	7.2	4.7	6.8	1.05
Senegal	10.9	51.1	20.4	3.62
Togo	5.1	11	3.6	1.39

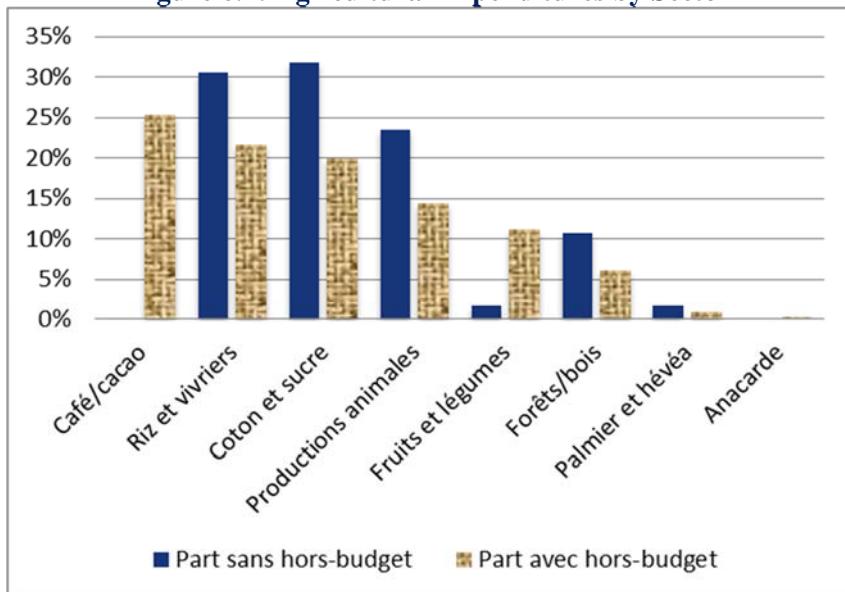
**6.27 Public agriculture spending is dominated by the Ministry of Agriculture, whose spending on crop production alone accounted for an average of 72 percent of agriculture expenditures from 1999-2012.** This share is even greater if off-budget spending, which is almost entirely directed to crop production, is also included. Given the importance of diversification in agriculture as a prerequisite for poverty reduction, this seems excessive given that livestock production and aquaculture are equally in need of investment.

**6.28 The recent performance of various crop sectors does not seem to be related to the expenditures they receive, raising concerns about the quality of spending.** The most successful crops have been cashew, which grew by 21 percent over the 1999-2012 period, followed by papaya (11 percent) and rubber (7 percent). The worst-performing crops were bananas, which contracted by 2 percent, cotton (-5 percent), coffee (-10 percent) and pineapple (-13 percent). The Savannah region, long considered a neglected area, received the largest share of agricultural resources at 25 percent,<sup>45</sup> followed by Nzi Comoé (11 percent) and Mountain Center (6 percent), but did not register a strong performance.

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<sup>45</sup> This refers to the geographic region, not the administrative region.

**Figure 6.4: Agricultural Expenditures by Sector**



Source: Ouedraogo and Berté, *Revue diagnostique des dépenses publiques dans le secteur agricole en Côte d'Ivoire période 1999-2012*, A consultant Report for the World Bank (2014).

### Policy Area 5: The Financing Gap

**6.29 The ability of rural households and rural enterprises, including in the non-agriculture sector, to invest for the long term and make calculated decisions involving income and risk is largely determined by their access to financial services.** Despite the ongoing development of Côte d'Ivoire's financial sector, a majority of smallholder farmers are unbanked and have limited access to credit. Increasing rural bancarization rates would expand possibilities for investment, technological adoption and diversification among smallholder farmers. In fact, in the current context of reconstruction, access to financial services needs to be seen as an essential means to reduce the vulnerability of persons to the hazards of life and to develop a fabric of small private companies with a view to creating employment and increasing incomes.

**6.30 Côte d'Ivoire has a large and fragmented group of financial services institutions, existing along a continuum from the informal (friends and relatives) to the formal sector.** Formal financial institutions include public and private commercial banks, one state-owned agricultural bank (BFA), insurance companies, microfinance institutions, social impact funds and private equity funds; but they are not able to reach rural populations and meet their financial needs. Even financial NGOs, self-help groups, and small financial cooperatives<sup>46</sup> are mostly present in urban areas and are largely under-represented in rural areas, drastically limiting rural access to finance. Initiatives to expand access to finance in rural areas—such as increasing the number of branches (from 314 commercial bank branches in the country in 2009 to 557 in 2012), strengthening regulations regarding branchless agents of microfinance institutions (MFIs), and supporting the expansion of mobile banking services—have as yet proven unsuccessful. Moreover, the low level of financial literacy for the vast majority of smallholder farmers remains a major

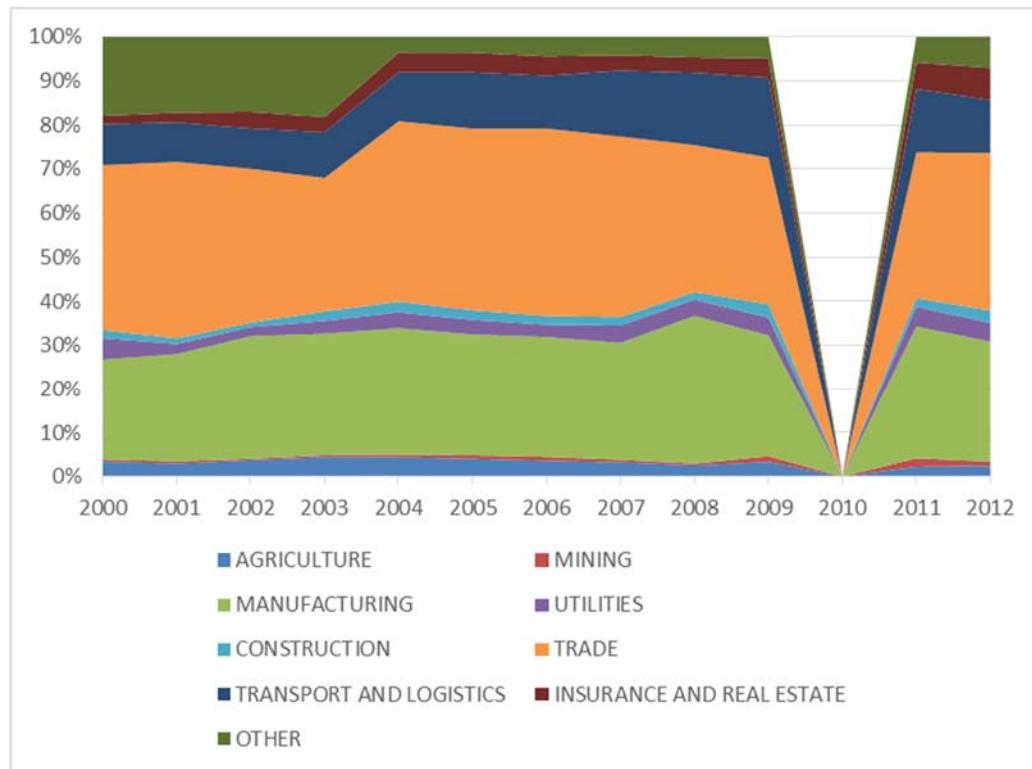
<sup>46</sup> Biley, 2014. Improving access to finance for agri-business value chains in Côte d'Ivoire (A consultant report for the World Bank).

obstacle to the penetration of financial services in rural areas. The lack of innovation and competition in both the commercial banking and insurance industries in the past decade has also resulted in a limited range of costly financial products, often inaccessible to smallholder farmers and other microenterprises.

**6.31 Although private banks are nominally open to financing agriculture, they generally regard agricultural producers as high-risk clients.** Low levels of capitalization, the lack of formal credit history, inadequately secured collateral (due in part to land tenure issues), seasonality of revenues, the influence of unpredictable weather conditions and other exogenous factors, and the limited legal avenues for enforcing contracts, all discourage commercial banks from financing small farmers and other micro/household enterprises. Banks do, however, provide loans to large formal companies (often involved in export or processing) that operate in the most profitable sectors (cocoa, rubber, palm oil, cotton), have sophisticated logistical and marketing capabilities, and are linked to multinationals that can guarantee their loans. Prevalence of short maturities also tends to negatively affect their ability to finance medium and long term (Joyn Coop, 2014).

**6.32 Even MFIs devote only 5 percent of their total portfolio to financing agriculture (Figure 6.5).** While a significant number of MFIs operate in rural areas, most focus on commercial credit or consumer finance. When they do engage in agricultural lending, MFIs often limit their activities to the perennial cash crops—rubber, palm oil, cocoa.

**Figure 6.5: Commercial Lending by Sector, 2000-2012 (percent)**



Source: Biley 2014.

**6.33 As a result of these constraints, few farming households or small firms in rural areas are able to access credit and other financial services.** Although there are no survey data available on financial inclusion, it is estimated that only 14 percent of the population has access to formal financial services. Microfinance institutions play an only minor role in mitigating this gap, as there are fewer than a million accounts and the industry is in disarray.<sup>47</sup> The opportunity cost of financial constraints is huge, in terms of both foregone opportunities and increased exposure to risk.<sup>48</sup>

**6.34 The root of the problem seems to be that lenders in Côte d'Ivoire tend to offer very few financial products, many of which come with heavy collateral requirements.** Wealthier farmers can obtain larger loans at lower costs. Asset-poor households, by contrast, are limited to considerably smaller loans at much higher rates. In some cases, poor farmers may turn down loans even if they qualify for them because they are unwilling to bear the risk of losing the collateral, a concept termed “risk rationing.” Access to credit and insurance are closely linked and must be jointly improved to enhance credit access. At present, insurance coverage is often limited to major exporters of the major commodities in much the same way that credit is limited.

**6.35 The deficiencies of rural financial markets reflect their high risks and transaction costs for both financial institutions and borrowers.** For example, default rates of up to 74 percent on agriculture sector loans have led to the failure of a number of Ivorian financing institutions.<sup>49</sup> These risks and costs are inherent in the structure of the agriculture sector and cannot be eliminated by economic policy. However, it is possible to facilitate more flexible forms of lending while guaranteeing that borrowers can repay loans. This will require innovative approaches tailored to the specific needs of both export-oriented and staple-crop agriculture. There are three avenues for addressing constraints in agricultural and rural finance that should be further explored:

- Preparing and regularly updating a comprehensive agricultural finance diagnostic

**The Government could prepare a baseline diagnostic** of the supply and demand for agricultural finance and engage in a dynamic process to continuously assess needs in the sector in order to develop strategies and value-chain specific solutions. To this end, it needs to collect and disseminate reliable data related to agricultural finance, agricultural production, supply chains, and market pricing information.

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<sup>47</sup> The growth of mobile phones and the ability to use them for financial transactions provides a viable alternative for those without bank accounts. In the case of Côte d'Ivoire, both Orange and MTN have launched mobile payments systems, and had a total of half a million subscribers by June 2010.

<sup>48</sup> In the rice subsector, a survey of 400 farmers in northern Côte d'Ivoire Djato (2001) found that credit-constrained producers tended to use fewer purchased inputs than unconstrained producers, and their net incomes were substantially lower. The study also showed that credit can increase farmers' economic efficiency. Since both sets of farmers were found to have the same allocative efficiency, the difference in their productivity was attributable to the credit-induced difference in technical efficiency.

<sup>49</sup> Ministère de l'Agriculture, 2013 “*Rapport General de l'Atelier sur la Strategie de Financement des exploitations agricoles*,” Grand Bassam, 29-31 Octobre 2012.

- Developing a supportive legal and regulatory framework

**The development of agricultural finance will depend critically on the enforcement of legal contracts in the agricultural sector,** in particular commercial contracts among actors in agricultural value chains, which can provide a valuable collateral for the provision of credit to SMEs in these value chains. The development of a supportive legal and regulatory framework for agricultural finance, in particular in the area of warehouse financing, will be critical to reduce the access to finance gap.<sup>50</sup>

- Designing and implementing effective government support mechanisms

**The development of agricultural finance** will depend on the design and implementation of market-friendly government support mechanisms, including partial credit guarantee schemes and public private partnerships to encourage the development of agricultural insurance.

- Strengthening financial infrastructure

**To better enforce the Land Law,** the Government needs to develop a modern registry for movable collateral and develop alternative forms of collateral to support the development of lending to SMEs in agricultural value chains and other firms in rural areas. Also, the Government will need to actively promote the penetration of mobile payments and mobile banking in rural areas, for example by developing e-payments for civil service salaries including agricultural extension agents and for social safety net transfers.

- Building capacity of financial institutions and their clients

**To support increased flow of agricultural and rural finance,** the Government will need to scale up programs to build the capacity of financial institutions, agricultural cooperatives and their clients, including in product development and risk management specific to agriculture.

#### ➤ Environmental Degradation a Major Obstacle to Sustainable Agricultural Development

**6.36 Current practices in the agricultural sector are not environmentally sustainable; agricultural expansion is one of the greatest drivers of deforestation and of the loss of natural habitat.** Increases in output are largely the result of the expansion of cultivated land, with little increase in marginal productivity. Agricultural value added, while increasing in absolute terms, has fallen as a share of total GDP. After a slump in 2005, cereal yields have stagnated (Figures 6.6 and 6.7). The ongoing expansion of rice cultivation could become one of the greatest threats to Côte d'Ivoire's remaining forests. Meanwhile, new cocoa plantations could reduce the existing forest area in the country's Grand East and South West by an estimated 18 percent. Similar losses due to rubber and palm oil expansion could cost Côte d'Ivoire another 9 percent and 5 percent of its forested area, respectively, over the near term.<sup>51</sup>

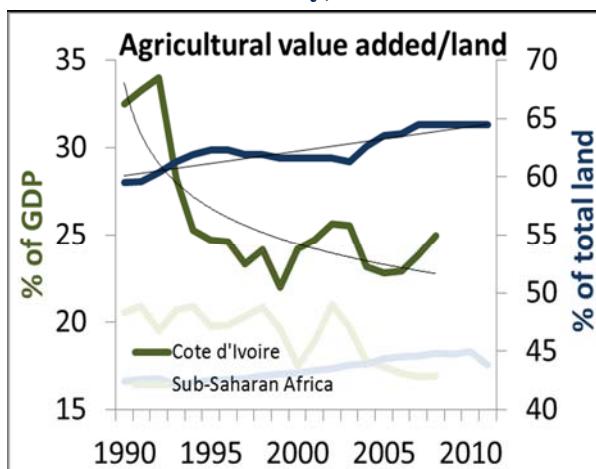
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<sup>50</sup> Warehouses are of critical importance to reduce farmers' vulnerability to price fluctuations.

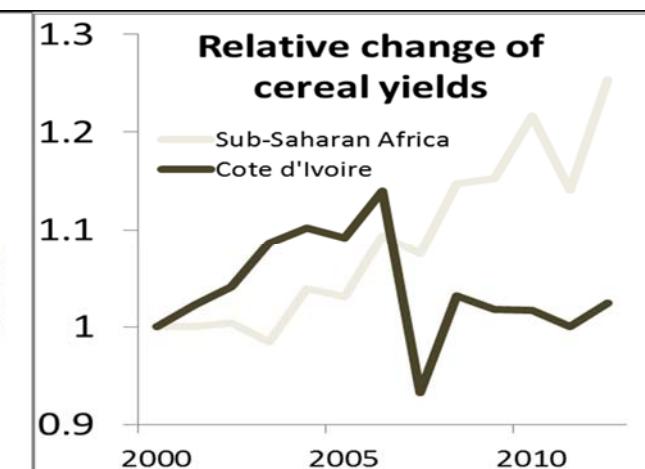
<sup>51</sup> Ministère de l'Environnement, de la Salubrité et du Développement Durable, Côte d'Ivoire : Plan de Préparation à la REDD.

**6.37 A more intensive and sustainable production model that respects the existing ecosystem can minimize negative environmental impacts, while helping to realize the full production potential of the agriculture sector.** The further expansion of agricultural land and the continued degradation of local ecosystems could undermine critical ecosystem functions that benefit agricultural production, such as water regulation, soil erosion control, nutrient cycling and pollination. In 2010, 49 percent of the rural population in Côte d'Ivoire already lived on marginal agricultural lands.<sup>52</sup> Policymakers should support the sustainable intensification of agriculture based on eco-friendly production models, including agro-forestry, the use of natural buffer zones, improved crop rotation, and the adoption of resilient, high-yield crop varieties.

**Figure 6.6: Trends in Agricultural Productivity, 1990-2010**



**Figure 6.7: Marginal Cereal Yields, 2000-2010**



Source: WDI, 2014.

**6.38 Beyond the problem of agricultural encroachment into forests and protected areas, many agricultural practices commonly used in Côte d'Ivoire entail the excessive use of chemical fertilizers and pesticides, which contribute to soil and water pollution.** While these inputs increase crop yields, they may also degrade soil quality and pollute groundwater.<sup>53</sup> About 4,500 tons of chemical inputs were used each year in the early 2000s, with 93 percent used on cash crops, including cotton (50 percent) and cocoa (10 percent). In contrast to areas cultivated for staple crops, where contamination is currently low, the land used for export crops shows significant traces of pesticides. Research indicates that in cocoa plantations, lindane remains present for many years. In banana plantations, traces of organochlorine are heavily concentrated in the lower layers, compared with the surface layers.<sup>54</sup> Potentially harmful long-term effects of this type of contamination include degradation or deterioration of certain ecosystems and soils, and the spread of diseases caused by chemical residues in food. Moreover, the continuing use of fertilizers

<sup>51</sup> European Forestry Institute, 2013 Côte d'Ivoire: [Summary report of the first negotiating session](#) of the Voluntary Partnership Agreement, 20-21 June 2013

<sup>52</sup> Barbier and Hochard, 2014.

<sup>53</sup> AGRIFOR Consult, 2006. Profil Environnemental de la Côte d'Ivoire downloaded from [http://ec.europa.eu/development/icenter/repository/ivory\\_coast\\_CEP\\_2006.pdf](http://ec.europa.eu/development/icenter/repository/ivory_coast_CEP_2006.pdf)

<sup>54</sup> (Aldrin, Dieldrin, Endrin) (MINNEF, 2006).

accelerates eutrophication of water bodies, such as the Cocody bay in Abidjan lagoon. Finally, the excessive concentration of chemical pollutants in water affects the natural food chain and can decimate ecologically and economically important aquatic organisms.

**6.39 Mitigating the negative impacts of agriculture on the environment will contribute to economic growth, poverty reduction, and increased resilience to the effects of climate change.** Sustainable agricultural practices will slow or even reverse the gradual decline of per-hectare productivity over the long term. It will improve rural incomes and limit the health risks associated with pesticides. And it will protect vital ecosystem services and reduce greenhouse gas emissions caused by deforestation and forest degradation (REDD+: Reducing Emissions from Deforestation and Forest Degradation). International financial incentives for REDD+ could be harnessed to support the “Zero Deforestation Cocoa Initiative” to be launched by 2017 according to the policy statement made by President Ouattara at the Climate Summit in New York in September 2014. In addition, the forestry component of the PNIA consisting of forest rehabilitation and promotion of the timber value chain could be supported. Furthermore, a “landscape approach” to agricultural development operations, which entails zoning to balance the multiple, interlinked land uses (agriculture, forests, mining, natural areas conservation, etc.), should be considered.

### **Managing the Impact of Climate Change**

**6.40 There is a growing consensus that temperature increases caused by climate change will affect many crop growing areas in the world.** Côte d’Ivoire is no exception, and smallholders who produce the majority of the crops are both the most vulnerable group and the least equipped to cope with climatic changes. The effects of climate change are becoming increasingly apparent in the country’s southwest, which is dominated by agriculture. Weather patterns are increasingly unpredictable: rainfall is more frequent in the dry season, while dry periods in the rainy season have become shorter. Heavy downpours are leading to flooding and soil erosion, with less rainwater infiltrating the soil. These phenomena are disrupting agricultural production cycles, and in many cases local farmers are either unaware of strategies for adapting to climate-related challenges, or lack funding to implement remedial measures. Table 6.5 provides a summary of the potential implications of climate change on the country’s four agro-ecological zones and key agricultural subsectors.

**6.41 Though its effects are inherently difficult to predict, climate change is expected to adversely affect Côte d’Ivoire’s major export crops, including cocoa and coffee.** Research carried out by the International Center for Tropical Agriculture<sup>55</sup> on cocoa-producing areas in Côte d’Ivoire concluded that by 2030, declines in production will be significant. By 2050, “a rise of 2.3 degrees Celsius will drastically affect production in lowland regions, including the major cocoa-producing areas of Moyen-Comoe, Sud-Comoe and Agneby (Figure 6.8). Farmers in these areas are particularly vulnerable, since cocoa production is often their primary source of income.” Not only will these small producers be at risk of losing their livelihood, but the national government may also lose an important source of foreign exchange earnings.

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<sup>55</sup> Centro Internacional de Agricultura Tropical (CIAT). 2011b. Predicting the impact of climate change on the cocoa-growing regions in Ghana and Côte d’Ivoire. Cali, Colombia: CIAT.

**Table 6.5: Vulnerability of Different Agricultural Regions to Climate Change**

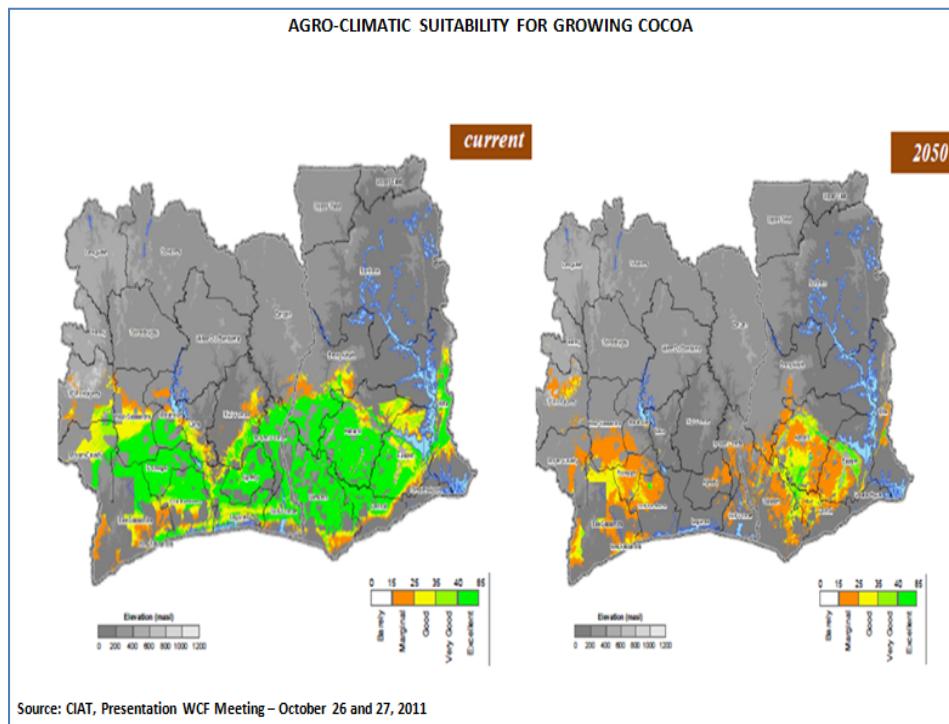
	<u>Agro-ecological Zone 1</u> Coastal South: Humid Forests	<u>Agro-ecological Zone 2</u> South: Sub-humid forests	<u>Agro-ecological Zone 3</u> Center: Dry forests and savannas	<u>Agro-ecological Zone 4</u> North: Savannas
Expected climatic impact	Temperatures will increase from 24-28° to 27-31° with more unseasonable rains fluctuating between 500-23000 mm/yr. Aridity index > 1 implies that Coastal South forests will become less humid, leading to drier forests in the Sudano-Guinean zone	Mean temperatures are expected to rise from 25-27° to 28-30° with rains relatively stable but exhibiting a slight downward trend from 1200-1700 to 1090-1500 mm/yr. Aridity index < 1 will allow forests to retain high humidity levels	Mean temperatures are expected to increase from 26-28° to 29-30°. Mean precipitation will decrease from 1000-1400 mm/yr to 770-1200 mm/yr. Aridity index < 2 indicates that the zone will remain Sudano-Guinean with sub-humid forests and humid savannas.	Mean temperatures will increase from 26-28° to 29-31°. Mean precipitation will decrease from 900-1400 to 700-1200 mm/yr. Aridity index > 2 will transform the region into a semi-arid area at risk of irreversible soil erosion.
Main agricultural and forestry activities	Coffee, cocoa, rubber, oil palm, cola, citrus, papayas, pineapple, plantain, banana, roots, rice, maize, horticulture Large and small ruminants, poultry, fishing and aquaculture	Coffee, cocoa, rubber, oil palm, rocou, cola, coconut, pineapple, plantain, banana, roots, rice, maize, avocados, peanuts, horticulture Large and small ruminants, poultry, and aquaculture	Coffee, cocoa, rubber, oil palm, cashew, cotton, rocou, cola, coconut, pineapple, plantain, banana, roots, rice, maize, avocados, peanuts, horticulture Large and small ruminants, poultry, honey, aquaculture, shea butter and nere	Cashew, cotton, sugarcane, soya, sorghum, millet, roots, rice, maize, peanuts, horticulture and mangoes. Large and small ruminants, poultry, honey, aquaculture, shea butter and nere
Impact on major cash crops (cocoa, rubber, oil palm, coffee)	Cultivation practices will likely have to change with more losses of young plants as a result of drier spells during the rainy season	Combination of temperature and precipitation changes would likely improve prospects for export crops	Limited precipitation will damage cocoa, coffee, rubber and oil palm output; bush fires are expected to become more frequent	
Impact on major staple crops (cassava, rice, plantain, maize, taro)	Farmers are likely to delay planting, and drier spells will have an impact on maize and rice yields; strong winds could damage plantain, rice and rubber production; a longer dry season will negatively affect cassava yields	A combination of temperature and precipitation changes could improve prospects for staple crops		
Impact on livestock production				Changes in climatic conditions will have substantial impacts on livestock fodder availability is reduced due to longer drought periods; conflicts between crop farmers and herders will intensify; bush fires are expected to become more frequent, with negative implications for both agricultural and pastoral areas
Infrastructure implications				Necessity to mobilize water resources to maintain staple crop production at higher levels of productivity.

Source: MINESUDD-UNDP (2013), *Study on the Vulnerability of the Agriculture sector to Climate Change* (Final Report), October 2013.

**6.42 Rising temperatures are expected to render certain agricultural areas less suitable or even completely unsuitable for their current crops; production patterns will have to shift, and alternative crops will need to be identified.** Incidences of pests and diseases are expected to increase, and crop quality is likely to suffer over time. Also, as ideal growing areas gradually shift to higher altitudes (e.g. coffee cultivation), further deforestation is likely to occur.

**6.43 In light of current climate change projections, Côte d'Ivoire should explore proactive adjustment and response policies.** This could involve promoting the use of more adaptable agricultural systems or research into more resilient crop varieties. Measures that could help farmers to adapt to the impact of climate change are also necessary. These may include, among other interventions: producer organizations to assist smallholders in accessing new markets, changes in agricultural practices, improving soil fertility, new technologies, and various support programs. Other responses could include diversification to non-farming activities, and establishing new financial mechanisms, including climate insurance and micro-credit, to facilitate adaptation.

**Figure 6.8: Land Area Suitable for Growing Cocoa, 2011 and 2050 (projected)**



**6.44 Climate models indicate a decrease in overall precipitation coupled with a rise in average temperatures, with some showing increases of up to 2.5°C by 2050.<sup>56</sup> Maize, a critical staple crop, is particularly vulnerable to adverse climatic conditions. As a majority of Côte d'Ivoire's workforce derives its livelihood from the agriculture sector, the Government must**

<sup>56</sup> Ahossane, Kadio; Jalloh, Abdulai; Nelson, Gerald C. and Thomas, Timothy S. 2013. Côte d'Ivoire. In West African agriculture and climate change: A comprehensive analysis. Chapter 5. Washington, D.C.: International Food Policy Research Institute.

pursue policies to ensure the resilience of farmers and the integrity of the agricultural recourse base in order to maintain, and even increase, food production in the context of a changing climate.

## Conclusion

**6.45 The agriculture sector is the engine of the Ivorian economy.** It employs 68 percent of the economically active population, contributes 25 percent to GDP and represents 60 percent of export earnings. It is a diverse sector, encompassing cocoa, coffee, cashew nuts, palm oil, rubber, rice, maize, cassava, and numerous other cash and staple crops. Agricultural producers include both small- and medium-sized family farms and large industrial plantations.

**6.46 However, this critical sector faces multiple complex challenges.** Overall output and marginal productivity are both stagnating, infrastructure has deteriorated, and public institutions are no longer capable of supporting robust agricultural development. As a result, the value added by the agriculture sector does not reflect the sector's natural endowments or the opportunities offered by domestic, regional and international markets.

**6.47 Côte d'Ivoire's agriculture sector faces five critical constraints, which also present key opportunities for policy support.** First, improving agricultural productivity depends on facilitating *access to technology and developing farmer skills*. Second, the Government must implement its current legal framework for *land tenure*. Third, the State needs to allocate more resources to *rural infrastructure*, and particularly the rural road network. Fourth, policymakers must increase public spending on agricultural development, reform agricultural taxes, and increase its overall *policy support* to the sector. Fifth, innovative solutions must be found to improve *access to financial capital and risk management services* by agricultural enterprises and rural households. Finally, addressing these five constraints and establishing the technical, policy and investment framework necessary to achieve sustainable agricultural development must be achieved within the difficult context of global climate change and local socio-economic and environmental challenges.

**6.48 The priority interventions are summarized and assessed in the matrix below.**

**Table 6.6: Prioritization of Constraints**

Constraint	Impact on goals	Time horizon	Pre-conditions	Complementarities	Evidence Base	Political Feasibility
<b>I. Reduce the Gap in technology transfer and skills to boost agricultural productivity</b>						
Technology transfer <ul style="list-style-type: none"> <li>Market failures continue to induce serious underinvestment in R&amp;D and in related extension systems.</li> <li>CIV needs to increase public and private investments in R&amp;D and strengthen institutions and partnerships with the private sector, farmers and CSOs.</li> <li>Limited support to the following thematic areas: genetic improvements, adaptation to climate change, phyto-sanitary protection and animal health</li> </ul>	<p>Agricultural R&amp;D and its capacity to produce more productive technologies are at the heart of long-term agricultural growth. New technologies, in light of the limited potential for land expansion, are strongly needed for smallholders.</p> <p>Public investments in R&amp;D will increase incomes for small-holders through productivity increases.</p>	Impact may be over the medium term.	<p>An assessment of the institutional structure (NARS and FIRCA) and policy environment is needed before moving forward</p> <p>A barrier to technology adoption is the lack of well-functioning credit markets. New technologies require initial investments, and farmers who lack sufficient funds and cannot obtain loans might be unable to adopt new technologies even if it is more profitable</p> <p>Property rights for land may be an important determinant of adoption of new technologies</p> <p>Lack of appropriate infrastructure might also be a barrier to technology adoption as it drives up the cost of inputs</p>		<p>The evidence base is medium very few assessments have been made since 2010. Need to have a better assessment of investment and capacity patterns in Agricultural R&amp;D</p>	Limited opposition to increasing public investments and expenditures in R&D and extension services

Constraint	Impact on goals	Time horizon	Pre-conditions	Complementarities	Evidence Base	Political Feasibility	
Skills	Higher levels of education increase the return to experience with new technologies		Assessment of job-market needs per region Development of skills requires a solid education and vocational systems				
<b>II. Reduce the Gap in access to secure land</b>							
Land tenure	<ul style="list-style-type: none"> <li>Implement the Rural Land Law through programs to demarcate village lands and through the issuance of land tenure certificates</li> <li>Operationalize a nationwide land information system</li> <li>Strengthen capacity of agencies involved in implementing the Land Law whether through the option of public service or delegation of public service via PPP arrangements</li> <li>Promote access to land for women and youth from rural areas through specific arrangements</li> </ul>	Securing land transactions could take away a major source of tenure insecurity and land conflicts and provide incentives to use land more productively and sustainably and carry out land-related investments	A minimum of ten years would be needed to reach an enhanced tenure security system, to enable land rental markets and strengthen land sales.	<p>Adjustments in the legal framework (“Re-lecture de la Loi”)</p> <p>Reducing the complexity and cost of land procedures</p> <p>Restructuring institutional arrangements</p> <p>Formalizing rural land leases</p>	<p>More secure and unambiguous property rights allow markets to transfer land to more productive uses and users.</p> <p>Cost effective systems of land administration facilitate agricultural investments and lower the cost of credit by increasing land as collateral thus reducing risk for financial institutions. This also helps to develop the micro-enterprise sector.</p>	<p>Medium</p> <p>Technical and Financial partners (including WB, AFD and EU) have conducted several studies on opportunities and threats in land tenure and land policies and have financed various operations since 1999.</p>	<b>Politically difficult, but recently strong commitment from the government</b>
<b>III. Reduce the gap in access to physical infrastructure</b>							
Rural productive infrastructure and in particular Rural Roads	<ul style="list-style-type: none"> <li>Weak governance of the rural roads system</li> <li>Limited financing mechanisms</li> </ul>	Impact of growth will be immediate as more produce will make it to markets, costs of production will be lowered and gains in competitiveness will be secured.	A 6-yr period is needed to rehabilitate in priority 31000 km of rural roads in bad condition	<p>MEI and MoA have to genuinely commit to a joint strategy.</p> <p>An evaluation of the rural road system</p> <p>Increase resources available for the Road</p>	<p>Promote cohesion at the local level by increasing participation of local communities to rural road maintenance programs</p>	<p>Ministry of Economic Infrastructure and Ministry of Agriculture have to join hands in finalizing the Rural Roads Strategy</p>	Most important factor is availability of financial resources but both ministries (MoA and MEI) and AGEROUTE could forge a compromise if

Constraint	Impact on goals	Time horizon	Pre-conditions	Complementarities	Evidence Base	Political Feasibility
• Weak capacity to perform infrastructure planning, and implementation	Impact on inclusiveness of growth will be positive as smallholders and rural households will be able to market their produce and have easier access to inputs. Indirect effect will on improving well-being through better access to education and health and physical safety.		Maintenance Fund by securing extra resources Establish an allocation scheme for the Fund Increase the private sector participation in rehabilitation efforts Include systematically road maintenance in agricultural development projects and programs	Promote performance based contracts and multi-years contracts in rural roads maintenance	Additional studies are needed to (a) assess needs and as limited information is currently available on the road network profile and condition (b) evaluate costs of implementation Studies	assessments are jointly conducted and institutional arrangements are agreed upon
<b>IV. Reduce the gap in policy support to provide higher returns and lower risk in agriculture</b>						
Reducing the taxation of export agriculture to a maximum of 10-15% (particularly cocoa)	Will have a direct impact on poverty reduction with farmers receiving a higher share of the international price but lower revenues could reduce scope for public expenditures	Will have an immediate effect on incomes received by farmers	Finding other sources of revenues for the budget		Strong evidence Well researched area but a study determining optimal taxation rate in selected commodities would	Has strong support in the population, but may be resisted to the extent that the necessary expenditure cuts to maintain fiscal sustainability are politically sensitive.
<b>V. Reduce the financial access gap</b>						
Main obstacle: large-and largely unmet-need for finance in agriculture and rural areas <ul style="list-style-type: none"> <li>Lack of up to date diagnostic of supply and demand for agricultural finance</li> <li>Weakness of legal and regulatory framework</li> </ul>	Catalyzing smallholder finance will make the business of agriculture grow, improve productivity of farmers and improve ability of rural households to invest for the long term and make calculated decisions for risky and time-	Time horizon is value chain specific and depends on what segment of the rural population is targeted.	Carry out baseline diagnostic of supply and demand for agricultural finance  Establish intergovernmental coordination-mechanism	Development of financial infrastructure in rural areas will also catalyze better access to finance for non-agriculture firms and hence support self-employment.	.	

Constraint	Impact on goals	Time horizon	Pre-conditions	Complementarities	Evidence Base	Political Feasibility
<ul style="list-style-type: none"> <li>• Lack of effective government support mechanisms</li> <li>• Weakness of financial infrastructure</li> <li>• Lack of up to date data</li> <li>• Lack of capacity of financial institutions and their clients</li> </ul>	<p>patterned income flows. As a large segment of the rural population is without access to financial services, the immediate impact is inclusiveness</p>		<p>Strengthen legal and regulatory framework Strengthen legal and institutional framework for agricultural cooperative and farmers associations</p> <p>Design and implement portfolio partial credit guarantee schemes coupled with technical assistance</p> <p>Promote agricultural infrastructure investment via public private partnership</p> <p>Develop public private partnership for agricultural insurance</p> <p>Develop movable collateral registry</p> <p>Measure and monitor agricultural finance gap</p> <p>Design and implement capacity building programs for financial institutions and their clients</p>			

## 7. MAIN PATHWAYS OUT OF POVERTY II: JOB CREATION THROUGH PRIVATE SECTOR-LED GROWTH IN AGROBUSINESS AND NON-AGROBUSINESS

### *Key Findings of the Diagnosis*

- Strong potential for development of value-adding industries that could drive structural transformation, especially agro-businesses, given already existing industrial base, relatively well-developed infrastructure, and managerial class.
- Potential for development of non-agrobusiness remains to be confirmed, given relatively high wages.
- SMEs could be important drivers of growth.

### *Key Priority Areas identified*

- Address binding constraints, especially:
  - cost of logistics;
  - lack of industrial land;
  - availability of electricity, notably outside Abidjan and in rural areas;
  - lack of technically skilled workers, in particular in promising value chains.
- SMEs face additional constraints, in particular:
  - access to finance;
  - relations with regulatory authorities and other government institutions
  - lack of capacity.

**7.1 Agricultural growth by itself will not be sufficient to bring about high and sustainable growth.** Historical experience with economic development has shown that most transitions from mainly agricultural to industrial economies are characterized by a process of increased value addition, starting with labor-intensive manufacturing.<sup>57</sup> This has been borne out by the recent experience of fast-growing emerging countries, especially in Asia.<sup>58</sup>

**7.2 Côte d'Ivoire faces some significant opportunities and challenges with regard to its potential for structural transformation.** The country has a relatively well-developed manufacturing sector, ranked among the top 10 African countries for manufacturing share of GDP, with about US\$3.5 billion in value added and more than 540 000 jobs in 2010. Moreover, according to the 2014 African Transformation Report (ATR) published by the African Center for Economic Transformation (ACET), Côte d'Ivoire ranked 3<sup>rd</sup> (just behind South Africa and

<sup>57</sup> For example: Lin, Justin Yifu, 2011: "From Flying Geese to Leading Dragons: New Opportunities and Strategies for Structural Transformation in Developing Countries". *UN-WIDER Lecture No.15*

<sup>58</sup> For example: Lin, Justin Yifu and Volker Treichel, 2012: "Learning from China's Rise to Escape the Middle-Income Trap-A New Structural Economics Approach to Latin America."

Mauritius) out of the 21 African countries in the 2010 African Transformation Index (ATI). However, according to the ATR, Côte d'Ivoire is losing ground in terms of diversification of production and exports, productivity (in both manufacturing and agriculture), technological upgrading of production and exports, and human well-being (as measured by per capita GDP and the percentage of formal employment in total employment).

**7.3 The manufacturing sector is supported by an infrastructure backbone, including a fairly extensive high-voltage national power grid, road, rail, and ICT,<sup>59</sup> that is relatively strong if compared to the region.** Notably, infrastructure extends to the less populated northern regions and is generally integrated with those of neighboring Burkina Faso (but not with coastal neighbors Ghana and Liberia). Nevertheless, the country faces infrastructure challenges and spending gaps (Table 7.1) that will need to be addressed to support the economic transformation.

**7.4 A significant part of the investments since the crisis has been in infrastructure, namely power, transport and telecommunications, but with a large portion of it financed by the public sector.** Indeed, the government launched important infrastructure projects (such as the Yamoussoukro highway, a bridge in Bouaflé, the road from Bassam-Noé). It also recently set up an agency to develop Public Private Partnerships, routinely inviting companies to come and express interests for investments in particular sectors. Stronger macroeconomic growth and foreign investment (from DFIs and local financial institutions) in infrastructure (container terminal of the Port of Abidjan, expansion of the railway network of Sitarail) will generate spillover in others sectors (e.g. construction where players are mostly SMEs).

**7.5 Access to electricity outside major urban centers is poor and overall household access to power is only 26%, well below the access rate of two decades ago and rather low by the standards of countries with comparable GDP.** The urban power distribution systems are ageing and overloaded in many areas, due to big increases in electricity consumption that have not been matched by system reinforcements. Energy sector investments need to be ramped up, if economic growth is not be constrained by power scarcity. Furthermore, the absence of any significant new discoveries of natural gas is making the power sector increasingly reliant on expensive, imported liquid fuel that has undermined the finances of the sector. Reliance on budgetary subsidies to cover operating costs has now become the norm in a sector that ought to be commercially viable, due to the Government's reluctance to align power tariffs with higher production costs.

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<sup>59</sup> ICT is particularly relevant as it provides a range of emerging work opportunities for the youth, from microwork to applications development, that are a direct result of global internet diffusion and increased availability of affordable broadband. Many of these areas are experiencing exponential growth ([http://www.rockefellerfoundation.org/our-work/current-work/digital-jobs-africa](http://www.itu.int/en/ITU-D/Digital-Inclusion/Youth-and-Children/Documents>YouthReport_2014.pdf</a>). Acknowledging that the current pace of job creation in Africa cannot meet the demands of the world's fastest growing youth population, the Rockefeller Foundation has launched a Digital Jobs Africa Initiative to stimulate job creation focusing on vulnerable youth and disadvantaged populations (<a href=)

**Table 7.1: Achievements and Challenges in Côte d'Ivoire's Infrastructure Sectors**

	Achievements	Challenges
<b>Air Transport</b>	Good airport infrastructure	Improving safety and security standards, and capacity to handle more airline traffic
<b>ICT</b>	Highly competitive mobile market with very high levels of penetration. New legal and regulatory framework	Establishing competitive access to submarine cables. Extending GSM signal and Internet coverage into rural areas. Extending GSM signal and mobile broadband Internet coverage into rural areas. Developing a robust National Broadband Policy <sup>60</sup>
<b>Ports</b>	Port of Abidjan has the potential to be a regional maritime hub.	Expanding capacity to deal traffic growth. Moving ahead with institutional reform. Improving operational performance, in particular for transit goods
<b>Power</b>	Well-developed power system and regular regional power exporter. Involvement of private sector.	Expanding generation capacity to keep up with demand; upgrade transmission and distribution to improve reliability of power supply; increasing access to electricity in rural areas; Addressing growing financial shortfall of sector due to underpricing of power.
<b>Railways</b>	The rail concession (SITARAIL) has boosted traffic and performance.	Rebalancing financial structure of the railway concession.
<b>Roads</b>	Second generating road sector institutional reforms are in place.	Securing adequate funding for road maintenance and rehabilitation. Promoting innovative financing mechanisms to increase private investments in road network development
<b>Irrigation</b>		Expanding irrigated area and rehabilitating abandoned perimeters, possibly through PPP's.
<b>Water and Sanitation</b>	Longstanding and successful <i>affermage</i> (lease contract) has expended access and boosted performance.	Adjusting tariffs to stem growing hidden costs of utility. Raising access to improve sanitation.

**7.6 While a concentrated segment of large enterprises exists, the manufacturing sector is currently dominated by small, informal enterprises with relatively low productivity, such as bakeries, garment manufacturing, leather and metal work, and furniture making.** There are also about 500 formal sector firms, which account for one third of the manufacturing sector's value added, but employ only one out of seven jobs (78,000 out of a total of 541,000 in 2010). The formal industrial sector includes very few firms that are labor intensive and consists mostly of subsidiaries of multinationals (primarily European-owned), involved mostly in the commodity

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<sup>60</sup> The document referred in the latest annual report of the Broadband Commission for Digital Development dates back 2010 (Objectifs Stratégiques du Gouvernement de Côte d'Ivoire en Matière de Télécommunications et de TIC) and does not contain specific targets to facilitate the national roll-out of broadband in Côte d'Ivoire (<http://www.broadbandcommission.org/Documents/reports/bb-annualreport2014.pdf>)

sector (cocoa, oil & gas, cashew, rubber). The local enterprises, with the exception of a handful of companies, are SMEs and represent over 80 percent of the total private sector.

**7.7 Foreign Direct Investment (FDI) in Côte d'Ivoire since the resolution of the crisis is estimated at \$8.9 billion.<sup>61</sup>** This includes a US\$750 million over-subscribed bond issued by the government in 2014. In terms of sources of FDI reported officially by the investment promotion agency (CEPICI), Mauritius was Côte d'Ivoire's primary investor in 2013, providing about one-third of all investment capital.<sup>62</sup> Although many countries invest in Côte d'Ivoire, France and Lebanon, are perhaps the country's most important investment partners and are bound to remain in this important position, even though both China and Morocco take an increasingly important interest. Other leading investors include the United Kingdom (primarily through the investment of UK-based Globeleq in power plant Azito), and, India, Singapore, Libya, and Tunisia.. The United States and Canada, for example, have not been a large source of FDI, but have made major investments in oil and gas exploration as well as in mining.

**7.8 To achieve structural transformation, the country will need to address binding constraints to expanding the formal manufacturing sector, in particular in industries in which Côte d'Ivoire has a latent comparative advantage.** A recent Bank study finds that Côte d'Ivoire's comparative advantage vis-à-vis developed countries and regional markets lies in resource-based and agro-business exports.<sup>63</sup> For agrobusinesses, the country's relatively high wage level is offset by the availability of key inputs in domestic market. It remains to be established, however, whether high wages will allow Côte d'Ivoire to be competitive in labor-intensive non-agro business sectors, such as consumer electronics.

#### ➤ CONSTRAINTS TO THE DEVELOPMENT OF MANUFACTURING INDUSTRIES

**7.9 Among the factor costs determining Côte d'Ivoire's competitiveness, recent studies have identified several binding constraints<sup>64</sup>,** including (a) efficient and transparent institutions and regulations regarding business operations; (b) cost and quality of transport logistics; (c) availability and cost of industrial land; (d) electricity; and (e) cost and quality of labor for a number of labor-intensive industries with high growth potential. In addition, access to finance is a cross-cutting constraint to private sector-led growth, but affects in particular small and medium and household enterprises.

##### *Institutions and regulations related to business operations*

**7.10 Private sector investors operating in Côte d'Ivoire face a challenging institutional and regulatory environment,** as reflected in the Global Competitiveness Index and the Doing

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<sup>61</sup> Source: *Centre de Promotion des Investissements en Côte d'Ivoire* or “CEPICI”, the Ivorian government investment promotion agency

<sup>62</sup> However, it is worth clarifying that although many companies are registered in Mauritius, their operations are not necessarily inside of Mauritius. A key example for 2013 of FDI by Mauritius-registered investors was the acquisition of the holdings of Emerging Capital Partners (ECP) in MTN Côte d'Ivoire (MTN-CI) by Mauritian investment vehicle, Planer Capital International (PCI), which was already the second largest investor in the Ivorian subsidiary of the South African telecom company, MTN.

<sup>63</sup> Competitiveness and Growth of the Manufacturing Sector in Côte d'Ivoire, September 2014.

<sup>64</sup> Competitiveness and Growth of the Manufacturing Sector in Côte d'Ivoire, September 2014.

Business report. After years of deterioration, the enabling environment has shown some signs of improvement between 2012-2014, as shown in the country's competitiveness and governance ranking. But the road ahead is still steep to bring back FDI and sustain local private sector development, with particular concern for foreign investors over the non-equitable and dysfunctional justice system. While there are domestic laws and regulations, their application and enforcement is not reliable, and sometimes skewed in favor of entrenched interests. Corruption and lack of capacity in the judicial system have resulted in poor enforcement of private property rights, particularly when it involves a foreign-held entity against an Ivorian with political clout, and with significant delays as court cases move slowly, spanning sometimes over decades. The government is working to restore credibility in the system: following the Arbitration Tribunal that was formed in 1999, a commercial court was launched in 2013, and it has helped to reduce some of the backlog in the judicial system. However, appeals for cases over XOF 1 billion are returned to the regular tribunal, where decisions are not always based on the legal or contractual merits of the case.

**7.11 In addition, important institutional actors (such as investment and export promotion agencies, and SME development centers) need to be strengthened, and barriers pertaining to licensing, inspections, and taxes needs to be reduced to facilitate business operations.** In particular, the efficiency, predictability and transparency of the interface between public and private sector will need to be improved to build investor trust. Improvements in the enabling environment should also promote the formalization of businesses and foster linkages and outsourcing—which at the moment are still limited. These constraints affect in particular SMEs that could play a critical role in absorbing labor in the rural and urban areas.

**7.12 Côte d'Ivoire ranks near the bottom on the “Paying Taxes” indicator of the Doing Business index (175<sup>th</sup> of 181 countries).** This largely reflects the quality of tax administration which collects a large portion of revenue from a small number of formal sector enterprises and leaves the informal sector mostly untaxed.<sup>65</sup> While recent improvements have made tax administration and policy more favorable to the business environment, especially in the area of corporate profit tax, constraints exist in particular in the area of value-added tax (VAT) and para-fiscal levies.

### *Transport infrastructure and logistics*

**7.13 While Côte d'Ivoire still has one of the most developed infrastructure networks in the West Africa region, this advantage has been eroded in the past decade due to lack of maintenance and new investments.** The rehabilitation and investment program under way or at the planning stage, including public-private partnership (PPP) investments, could make infrastructure a competitiveness factor for Côte d'Ivoire once again, especially in view of the regional importance of Abidjan as a hub for land-locked and other neighboring countries. Detailed analysis of infrastructure subsectors (port, road, railway, air) is available in recent reports.<sup>66</sup> The most important findings are highlighted below:

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<sup>65</sup> The tax burden in percent of GDP is fairly low in the sub-regional context.

<sup>66</sup> See, for example, IOS Partners: *Étude sur la compétitivité des Entreprises IvoirIennes*, December 2013.

## **Port**

**7.14 The cost of port transit is a major factor for the great majority of Ivorian firms.** According to Doing Business 2014, the Abidjan Port is the most expensive port in West Africa, a region where port cost are already considerably higher than for well-performing ports in other regions of the world.

**7.15 The physical efficiency of the Abidjan Port (loading/unloading cranes, handling) is generally considered good using various performance measures.** Moreover, capacity will be doubled by 2016/17 with the construction of a second container terminal. However, clearance procedures, including customs, are a constraint for businesses. Implementing trade facilitation measures, after dialogue with the private sector through the Competitiveness Committee, would immediately improve the modern manufacturing industry's competitiveness (Table 7.2).

**Table 7.2: Port Transit Cost (for one TEU container)**

Country	Export (\$US)	Import \$US)	Doing business Ranking (out of 189 countries)
<i>Sub-Saharan Africa</i>	2201	2931	
Senegal	1225	1940	79
Ghana	875	1360	120
Togo	1015	1190	112
Nigeria	1380	1695	159
Côte d'Ivoire	1990	2710	158
<i>North Africa / Middle East</i>	1127	1360	
Tunisia	775	860	50
Morocco	595	970	31
<i>East Asia and Pacific</i>	856	884	
Singapore	460	440	1
Taiwan, China	655	720	32
Vietnam	610	600	75

*Note:* The port transit does not include maritime transport or customs duties. See detailed Doing business methodology and assumptions. <http://doingbusiness.org/methodology/trading-across-borders>. The ranking includes cost and delays. Côte d'Ivoire improved from rank 166 in 2013 to rank 165 in 2014.

*Source:* Doing Business 2014.

## **Road and railway transport**

**7.16 The road and railway network has deteriorated considerably since 2000, due to insufficient funding for maintenance and non-compliance with the axle load standards.<sup>67</sup>** Other aggravating factors are:

- an obsolete truck fleet—out of 30 000 trucks, only 60 percent operational, 85 percent more than 10 years old, and only one third outfitted for container transport;

<sup>67</sup> From a promising start in 1996, SITARAIL's performance has shown continuous decline, mostly as a result of a design flaw in the concession which puts considerable financial burden on the concessionaire. Low investments led to Sitarail's average operating speed between Ouagadougou and Abidjan to fall to about 30 km/h, as opposed to an average speed of 60-70 km/h in late 1990s.

- low profitability of the trucking industry because of (a) entrenched monopolies, and (b) the transport quota system in force between Côte d'Ivoire and the hinterland countries of Burkina and Mali, with two thirds of transport volume reserved for transporters originating from the hinterland countries—which leads to a high price-low quality equilibrium, characterized by slow rotation times and trucks coming back empty.
- Pervasive road blocks and interstate checks, especially for transport in the North.

### *Access to industrial land*

**7.17 The availability of industrial land poses a major problem, despite the existence of three industrial zones in the outskirts of Abidjan: Yopougon, Koumassi and Vridi (all of which near full capacity).** According to the Ministry of Industry, 144 applications for industrial land were filed between 2010 and 2013, but could not be filled due to lack of land. The factories that would have been built on that land had an employment creation potential of 13,000 jobs. An effective land allocation system is an important prerequisite for development of the manufacturing sector.

**7.18 Furthermore, the existing industrial land is in bad condition, and occupied by a number of lower productivity firms.** Restructuring of the functioning of the existing industrial zones so that infrastructure can be upgraded and maintained, and there is natural selection of the most efficient firms is therefore essential. Finally, a policy framework for the development of new zones is necessary with a view to incentivizing the development and maintenance of the most appropriate infrastructure and sectors.

### *Electricity*

**7.19 While the cost of electricity is lower than in most countries in the region, the major issue is inadequate supply,** especially outside of Abidjan. Access to electricity is rather unreliable outside urban centers, due to lack of investment in rural electrification programs over the past 15 years. The government has embarked on a program to extend the electricity grid to connect 500 villages annually and has ambitious plans to connect a million unelectrified households to the grid over the next five years. It recently approved a new subsidized connection scheme at a price of CFAF 150,000 per household, with CFAF 2000 (US\$4) due immediately, with the remainder to be paid over a period of 10 years.<sup>68</sup>

**7.20 To ensure that economic growth is not held back by electricity shortages it will be essential to invest in new generation capacity and in reinforcing the distribution and transmission network.** The Government has set the goal of doubling the country's power production capacity by 2020 (to 4000 MW) to meet rising demand, but this target may be difficult to achieve by that date. The bulk of current power generation capacity is mainly in gas-fueled thermal plants, which, in light of the absence of any new natural gas discoveries in recent years, is problematic, as existing reserves will be severely depleted within a decade. Furthermore, the absence of additional gas reserves represents a constraint to further expansion of generation capacity by the private sector. Côte d'Ivoire is an important exporter of power to its neighbors and

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<sup>68</sup> The stated objective of this scheme is to enable energy access for all households by 2020.

wishes to reinforce this role, but is hindered by the lack of adequate generation capacity and lower-cost fuel for power generation. Import of liquefied natural gas (LNG) will be needed by 2018 to provide fuel for new thermal plants and investment in the necessary infrastructure to import LNG needs to be accelerated. The construction of new hydro-powered plants will also be necessary to tap the country's unexploited hydro potential, but these will not be in service for at least 6-7 years, given the long development lead times for such projects and the government's wish to see these built and operated by the private sector. Other forms of renewable energy such as biomass (agricultural wastes) and solar also have considerable untapped potential, but have been neglected and in any event cannot be developed on a large enough scale in the near term to close the supply gap.

## ***ICT***

**7.21 Increasing the population's access to high-speed internet can contribute to jobs creation, human skills development, sustainable economic growth, and social transformation.** Côte d'Ivoire has a mobile phone penetration of about 95 percent<sup>69</sup> (end 2013), and mobile phones have become an essential utility, including for the poor. Moreover, they are revolutionizing the way services are delivered, including banking, agriculture, and health and education services.<sup>70</sup> At the same time, however, mobile broadband penetration is only 6.8 per 100 inhabitants (end 2013), which is on a par with Senegal and Nigeria but significantly lower than Ghana (28.2 per 100 inhabitants) and Sri Lanka (15 per 100 inhabitants). This despite the fact that Côte d'Ivoire has a fiber-optic network that links all major cities to the rest of the world; and that most citizens live within reach of a 3G-enabled mobile telephone network—which suggests that most potential customers cannot afford the service and that the amount of relevant local content and applications is still very limited.

**7.22 High-speed internet is also key to improving the efficiency and coverage of government service delivery.** According to the United Nations E-Government Survey 2014, Côte d'Ivoire is currently 171<sup>st</sup> in the world, near the average of ECOWAS countries, but significantly behind Ghana (123<sup>rd</sup>) and Sri Lanka (74<sup>th</sup>). The recent approval of a national ICT strategy<sup>71</sup> is expected to provide a more robust enabling environment for electronic government and improve service delivery in priority sectors. To support the scale-up of e-government, however, there is a need to address key binding constraints such as the population's ICT literacy.

## ***Labor as a Production Factor***

**7.23 Labor costs are particularly important for countries at the factor-driven stage of development.** A recent World Bank publication<sup>72</sup> concludes that African countries have a labor-

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<sup>69</sup> Source: ITU, June 2014.

<sup>70</sup> Côte d'Ivoire is one of the pioneer countries in West Africa to help address society development questions in novel ways using for mobile applications including applications using mobile open data (see <http://www.d4d.orange.com>), which has fostered a vibrant young developer community.

<sup>71</sup> Document national de stratégie «Efonctionpublique» September 2014.

<sup>72</sup> "Light manufacturing in Africa: Targeted Policies to Enhance Private Investment and Create Jobs" 2012 has focused attention on new opportunities for Africa opening up in labor-intensive industries. The structural trend of rising salaries in China has spurred some delocalization of industries which could accelerate in the future. The World Bank report

cost advantage which could enable them to attract labor-intensive industries—provided they engage in structural reforms to alleviate other constraints which currently erode this advantage, such as transport logistics. Any analysis of binding constraints in Côte d'Ivoire's manufacturing industry needs to examine whether these conclusions can be extrapolated to Côte d'Ivoire, at least in the medium term.

**7.24 Côte d'Ivoire is not a low-labor cost economy.** The minimum wage was increased to CFAF 60,000 (about US\$120 per month) in November 2013, plus a transport allowance of CFAF 25,000 (US\$50) for Abidjan. Based on recent case studies, only a small percentage of the workforce (such as watchmen or cleaners) are paid at the minimum wage. All other workers, including unskilled production workers, are paid at a scale negotiated with trade unions, where the minimum wage is the lowest level. Though these negotiated wages apply only to the formal sector, compliance is enforced, including through trade unions. In a comparison of minimum wages with potential competitors in West Africa and selected countries in North Africa and Southeast Asia, Côte d'Ivoire does not rank favorably—its minimum wage is three times the minimum wage in Ghana, for example. Salaries for skilled technicians and managers are also high, reflecting their relative scarcity on the labor market.

**7.25 Is the relative high labor cost in Côte d'Ivoire justified by equivalent productivity levels?** International productivity comparisons are a difficult undertaking. Enterprise survey findings on apparent labor productivity can often be explained by differences in capital intensity. In case studies for the Ivorian competitiveness report, managers' assessments of labor productivity diverge considerably.<sup>73</sup> Moreover, the sample is too small to draw any conclusions. It is therefore uncertain whether productivity levels are commensurate with the wage level.

#### *Human capital / qualification of the work force*

**7.26 The qualification of the work force presents a mixed picture.** While availability of highly qualified managerial class is among the country's most important assets and the level of education is comparatively high, there is a mismatch between the training provided by the country's general, vocational and higher education systems and the country's current and emerging needs. In 2009/10, technical and vocational facilities registered 4,600 students / trainees (compared to 76,000 students in higher education), and only one third of those students received training relevant to the current needs of industry. Training is particularly important for sectors such as rubber (where grafters and tappers are in short supply) and cashew nut (where shellers need to be trained). SMEs that constitute 90 percent of all private enterprises face the skills and capacity shortage in a more pervasive and crucial way, hampering their ability to interact adequately with, and project confidence to, the financial intermediaries, ultimately restricting their ability to secure funding from traditional lenders.

**7.27 Moreover, the wage system does not provide incentives for Ivorian workers to improve their performance and productivity.** Against this background, and with a view to

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analyses production costs in three African countries (Ethiopia, Tanzania and Zambia) and compares them to those of similar industries in China and Vietnam.

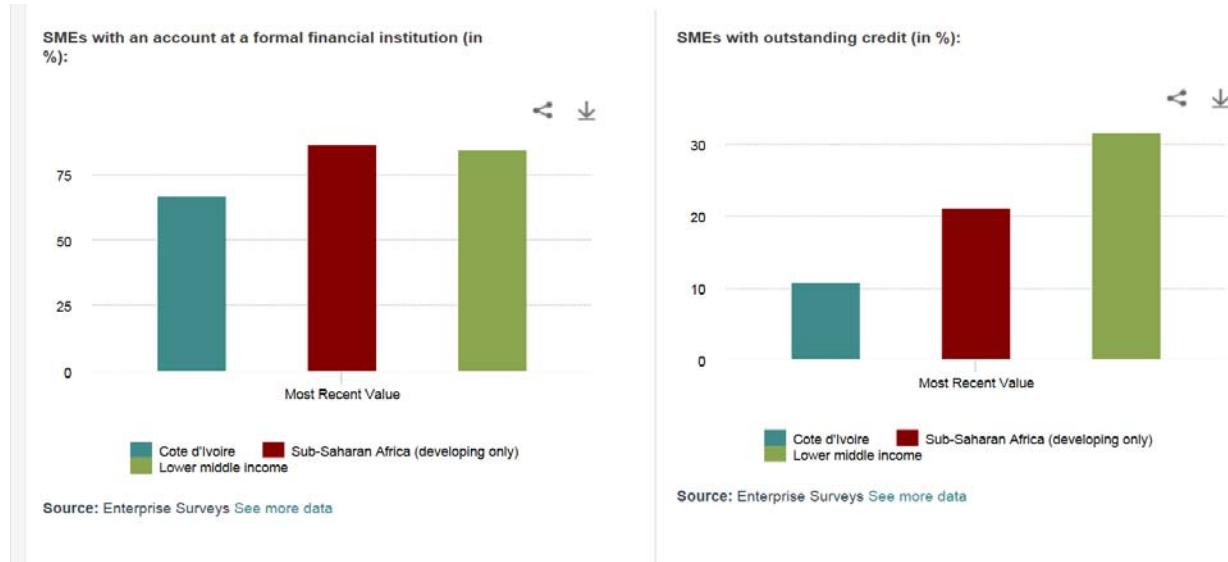
<sup>73</sup> Côte d'Ivoire Investment Climate Assessment, 2012.

addressing a possible comparative disadvantage from higher wages, it will be important to explore options to improve wage flexibility and differentiation.

## Access to Finance

**7.28 The Enterprise Survey also showed that lack of financial sector development is another cross-cutting constraint to private sector-led growth in Côte d'Ivoire (Figure 7.1).** Larger enterprises do not report problems in access to finance, which can be met by a few larger and financially solid institutions. Yet, limited financing for SMEs and startups affects their ability to grow and compete with larger companies.

**Figure 7.1: Small and Medium Enterprises Survey**



**7.29 Banks seem to show a growing interest in lending to medium-sized domestic companies with a turnover of CFAF 1 to 10 billion. Medium and long-term financing to support investment increased rapidly over the past two years** (rising 53 and 77 percent, respectively), owing to a conducive environment and less stringent prudential requirements. Yet, this lending is largely directed at the subsidiaries of multinationals and the large local corporates, leaving out the vast majority of SMEs that cannot offer the collateral and/or solid financials required by the banks. These loans still only represent 5 and 1 percent of GDP, compared to an investment rate of 16.5 percent.<sup>74</sup> Insufficient capital buffers and still uncertain profitability affects banks' ability and willingness to lend more or explore new markets. The weakness of Côte d'Ivoire's financial system compared to that of other WAEMU countries is shown in Table 7.2.

<sup>74</sup> If we consider an average three year maturity of medium and long-term credits, medium-term credits represent 30 percent of total credit, and long-term loans represent only 5 percent.

**Table 7.3: Credit Deepening: Comparison with Select African Countries  
(credit to GDP ratio in percent)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Côte d'Ivoire</b>	12.1	13.3	13.0	14.1	16.1	16.2	17.2	17.9	19.1	19.3
<b>Kenya</b>	25.0	27.1	26.1	26.1	23.9	26.9	26.4	29.3	32.2	31.1
<b>Mozambique</b>	11.4	9.4	11.8	13.1	13.4	18.1	24.6	26.5	24.1	25.0
<b>Tanzania</b>	7.4	8.5	9.7	12.1	14.4	15.7	15.0	15.9	17.6	17.7
<b>Uganda</b>	8.3	8.4	8.5	10.0	10.1	13.8	13.2	15.6	17.8	16.4
<b>Morocco</b>	48.7	49.2	53.3	56.9	68.7	75.5	77.7	68.5	71.9	72.7

7.30 **Moreover, financial services, including credit, are still fairly expensive**, although credit is significantly cheaper than in the WAEMU region (7.6 percent in 2013) and is declining faster. The average observed credit rate in Côte d'Ivoire declined from the WAEMU average of 7.6 percent in 2012 to 6.8 percent in 2013, with particularly pronounced decline for individuals, from 11.8 to 9.6 percent.

7.31 **Increasing SMEs access to finance will require a comprehensive strategy based on the following priorities:**

***(a) Implement improved regulatory and supervisory framework for SME finance***

- First, the Banking Commission could implement the improved regulatory and supervisory framework for SME finance recently approved by the regional Central Bank (BCEAO). This framework is based on three pillars: (i) harmonization of the definition of SMEs across the West African Economic and Monetary Union (UEMOA); (ii) eligibility of all SME loans backed by guarantee for refinancing by BCEAO; and (iii) zero risk-weight for all SME credits backed by a guarantee.
- Second, the Government will need to review the fiscal treatment for leasing in order to establish a level playing field between leasing and other financial instruments.
- Third, the Government will need to develop the legal and regulatory framework for private equity and venture capital, with the objective of providing a framework that is attractive for investment by international private equity funds. Fourth, the Government will need to strengthen the legal and regulatory framework for factoring, in particular by clarifying the laws governing contracts between parties, and by determining the criteria for the entities that will be allowed to perform factoring activities.

***(b) Strengthen financial infrastructure***

- The Government could strengthen the legal and regulatory framework for secured transactions regulating all aspects of security interests in movable property, and to develop a modern movable collateral registry (see above). The Government could also strengthen the legal and regulatory framework for creditor rights and the credit information systems, in particular supporting the development and implementation of the regional credit registry under the leadership of BCEAO.

**(c) Design and implement effective public sector interventions**

- The Government could develop effective market-friendly interventions in support of increased access of SMEs to finance. The first priority is to further develop portfolio partial credit guarantee schemes for SME loans through commercial banks and through micro-finance institutions, coupled with technical assistance programs with participating financial institutions.
- The second priority is to support the development of a broad ecosystem for private equity at all stages of development of SMEs from start-up to venture capital to growth and to pre-IPO. This ecosystem would extend beyond equity to include quasi-equity finance. In this framework, the Government could consider risk sharing with private equity investors through investing as a limited partner in early stage or venture capital equity funds.
- The third priority is to design and implement scalable capacity building programs for SMEs. In this framework, the Government will need to ensure that training is standardized enough to allow for scalability. In particular, the Government will need to build public-private partnerships with local training firms in which capacity development services are delivered by private actors while still meeting broader objectives.

**(d) Tailor SME finance support program for women entrepreneurs**

- The Government will need to ensure that SME finance support programs are tailored for women entrepreneurs. To this end, the baseline and updated diagnostics of demand and supply for SME finance will need to be structured to uncover gender gaps, the drivers of access to finance for women, and the need for tailored policy responses.

**(e) Building data bases on SME finance**

- The Government will need to invest in strengthening databases on SME financial inclusion, including supply and demand of SME finance, the role of informal providers, improved measures of financial identity, and improved harmonization of definitions. These improved data set will feed into the production of SME finance gap indicators that will provide the foundation for improved monitoring and evaluation of SME finance development programs.

➤ **ENVIRONMENTAL MANAGEMENT**

**7.32 The development and operation of manufacturing and mining projects often have a negative impact on natural resources and the environment.** Article 39 of the *Code de l'Environnement*<sup>75</sup> states that any major project that could have an impact on the environment has to be screened through an ex ante Environmental and Social Impact Assessment (ESIA). In addition, any program, plan or policy likely to affect the environment must be subject to a Strategic Environmental Assessment (SEA). In turn, physical infrastructure such as ports and roads that could be of critical importance to enabling growth in manufacturing and the creation of regional

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<sup>75</sup> The *Loi Cadre portant Code de l'Environnement* and its decrees and *arrêtés d'application*, 2012.

growth poles, may be subject to coastal erosion. Construction of such infrastructure should therefore incorporate risks from such potential calamities.

**7.33 The mission of the National Environment Agency (ANDE), a one-stop window for environmental assessments**, is to ensure the integration of environmental concerns into projects, policies, plans and programs in the manufacturing sector. ANDE is responsible for developing terms of reference, reports and procedures for the implementation of ESAs, SEAs, environmental audits and environmental monitoring. However, ANDE has difficulty performing its mission due to a lack of human resources, staff training and efficient collaboration with other agencies authorized to use environmental assessments tools, including the Ivorian Centre for the Promotion of Investment in Côte d'Ivoire (CEPICI), the Ivorian Anti-Pollution Centre (CIAPOL), the National Bureau of Technical Studies and Development (BNETD), Côte d'Ivoire Energy, the Public Procurement Directorate, and the various ministries.

**7.34 In addition, private operators, NGOs and local communities are still insufficiently involved in the process of environmental assessment, and remain unfamiliar with its tools and procedures.** Public awareness remains inadequate despite ANDE's sensitization and training efforts, and despite the existence of legal provisions that allow any citizen to draw the attention of concerned ministers to projects that threaten environmental quality.

**7.35 The following actions would help ANDE to improve the efficiency of the SEA, ESIA, monitoring and audit processes in securing the environmental sustainability of the manufacturing sector development in Côte d'Ivoire:**

- Capacity building (training on specific projects, training in environmental monitoring, provision of equipment);
- Decentralization or creation of regional representations closer to local authorities;
- Revision of the Agency's legal statute to ensure greater autonomy;
- Establishment of a permanent framework for collaboration and cooperation between project promoters and ANDE, and between ANDE and agencies authorized to use EA tools;
- Better dissemination of environmental information and procedures;
- Sensitization, information and training of local actors, local authorities, traditional leaders and NGOs in order to enhance participation in public hearings during SEAs and ESAs.

## **Conclusion**

**7.36 Côte d'Ivoire has the assets to develop into a regional industrial power**—a diversified manufacturing base; an infrastructure network that was once considered the best in West Africa (and could quickly regain this position in view of present and planned investment programs); the second most important hydro-electric potential in West Africa; a number of solid financial institutions with considerable financing capacity; well-educated and experienced human capital; and a dynamic entrepreneurial class. Achieving the Government's vision of an emerging nation by 2020 will require a structural transformation of the economy. This transformation will not be possible without addressing binding constraints at the sector level. Regional growth poles that have been drivers of growth in the past, including in Bouake, an important economic center for the North, can play a crucial role in catalyzing more formalized urban markets and developing rural supply chains. Such regional growth poles can also help local industries integrate into regional

value chains, for example leather and agribusiness industries such as mango, which source inputs from Sahel countries in the North. These cross-country linkages can help reduce regional disparities. Effective regional growth centers will also require institution building at the sub-national level, to support measures in the areas of logistics, skills development, and physical infrastructure, and ensure coordination in the creation of new industrial zones.

**7.37 Côte d'Ivoire may also have considerable potential in mining.** However, the knowledge base in this sector is not firmly established.

#### **Box 7.1: Constraints to Development of the Mining Sector**

Côte d'Ivoire is presumed to have significant reserves of copper, nickel, manganese, gold and iron ore. Of these minerals, only gold is currently being mined, while the others are yet to be exploited. Mining has considerable potential for jobs creation, and successful operations can catalyze economic activity, including service-oriented SMEs, in surrounding areas.

One constraint to effective exploitation is the 12-year exploratory period specified in the Mining Code, which has impeded engagement in the sector by several potentially interested companies. At the end of this period, a mining company which has not put its mine into production will lose the license for the mine. Countries with a longer period of exploration, such as DRC and Tanzania, have more than four times the number of projects under exploration in the base metals sector than Côte d'Ivoire. A further constraint to development of the mining sector is physical infrastructure, including availability of electricity which is often unreliable in rural areas outside Abidjan, and an effective system of transport. In addition, the fiscal regime needs to offer appropriate incentives for mining companies to take on the often considerable risk of operating mines.

The following tables show a sample of mining projects in Côte d'Ivoire by various foreign companies.

#### **Exploration Permits**

##### Permit de Recherche

Mining Cote	Year	Exploration Period	Valid for	Dimension		Tax Ad valorem	Participation
				Total	Carried interest		
Côte d'Ivoire	2014	4-3-3 (+2)		12	400km <sup>2</sup> max	2.50%	10%
Guinée	1995	3-2-2 (+1)		8	500km <sup>2</sup> max	2.00%	15%
Mauritanie	2010	3-3-3		9	1000km <sup>2</sup> max	3.00 à 6.50%	10%
Gabon	2000	3-3-3 + (time needed to finalised)		9+		variable	10%
RDC	2002	5-5-5		15	400km <sup>2</sup> max	2.00%	aucune
Tanzanie	2010	4-3-2 (+2) + (2 x 5)		21		4.00%	aucune
Botswana		3-2-2		7		3.00%	
Namibia		3-2-2		7	1000 km <sup>2</sup>	3.00%	

**Table 7.4: Reducing the Gaps to Unlock the Agro-Business and Other Manufacturing Potential:  
Prioritization of Constraints Matrix**

<i>Constraint</i>	<i>Impact on goals</i>	<i>Time horizon</i>	<i>Pre-conditions</i>	<i>Complementarities</i>	<i>Evidence Base</i>	<i>Political Feasibility</i>
<b>Reduce the Gap in infrastructure and resource factors to improve firm competitiveness</b>						
Limited access to Industrial land: Current and future demand for industrial land largely exceeds available supply  <ul style="list-style-type: none"> <li>• Rehabilitate Existing industrial zones around regional growth poles</li> <li>• Develop new industrial zones in partnership with the private sector (PPPs)</li> <li>• Improve government agency (AGEDI) capacity for effective zone management</li> </ul>	<p>Increased availability of industrial land would encourage the building of new production facilities and the expansion of existing ones</p> <p>Finding an appropriate mechanism for allocation of land will be an essential element in encouraging businesses to invest in the existing and newly identified zones.</p>	Impact would be immediate given pending unsatisfied demand for industrial land.	Identify financial resources to compensate land owners		<p>Medium</p> <p>According to the Ministry of Industry, 144 applications for industrial land were filed between 2010 and 2013, but could not be filled, with an employment creation potential of 13 000 jobs</p>	Strong government engagement; Process already started for development of a new zone at PK24 (outskirts of Abidjan); However private sector concerns about increased fees.
Unreliable supply of electricity, especially outside of Abidjan  <ul style="list-style-type: none"> <li>• Devise alternative contingency solutions to address scarcity of natural gas</li> <li>• Diversify sources of energy (e.g. hydropower)</li> <li>• Invest in new power generation capacity and distribution networks that target both Abidjan and the interior of the country</li> </ul>	Increase in power generation capacity and distribution networks that target both Abidjan and the interior of the country will allow Côte d'Ivoire to meet rising demand in electricity, particularly from manufacturing firms.	Power production capacity to double by 2020 to over 3000 MW				Politically and technically feasible
High labor costs and skills	Comparative advantage in labor (cost and		Improve technical capacity for		Medium World Bank Report on the	Minimum wage was recently

<i>Constraint</i>	<i>Impact on goals</i>	<i>Time horizon</i>	<i>Pre-conditions</i>	<i>Complementarities</i>	<i>Evidence Base</i>	<i>Political Feasibility</i>
Cost of labor is high relative to similar markets Clear mismatch between the training provided by the education system and the country's needs <ul style="list-style-type: none"><li>• Implement wage flexibility measures to improve labor competitiveness</li><li>• Collaborate with the private sector in addressing skills shortages through public-private partnerships, in particular in high potential value chains</li></ul>	productivity) could enable Côte d'Ivoire to attract labor-intensive industries (provided structural reforms to alleviate other key constraints such as in transport logistics)		implementation of effective training programs		Competitiveness of the Ivorian Manufacturing Industry finds that Côte d'Ivoire is not a low-labor cost economy. But uncertainty remains as to whether the relative high labor cost is justified by equivalent productivity levels.	increased. Introducing wage flexibility measures may be politically difficult.  Government is aware of the challenge posed by inadequate training and reform programs are being designed and implemented
<b>Reduce the Gap in cost of transport logistics</b>						
High cost of port transit: While physical efficiency is considered good, clearing procedures, including customs, are a constraint for businesses <ul style="list-style-type: none"><li>• <i>Implement trade facilitation measures, after dialogue with the private sector (Competitiveness Committee)</i></li><li>• <i>Demonopolize trucking industry and allocation of freight</i></li></ul>	Implementing trade facilitation measures would immediately improve the modern manufacturing industry's competitiveness.				According to Doing Business 2014, the Abidjan Port is the most expensive port in West Africa, a region where port costs are already considerably higher than for well-performing ports in other regions of the world.	While technically feasible, customs, and port procedures reform is likely to face significant political resistance
Weak road infrastructure: Insufficient funding for maintenance and non-compliance with axle load standards <ul style="list-style-type: none"><li>• <i>Rehabilitation and investment</i></li></ul>	Rehabilitation and investment programs in the form of PPPs could significantly contribute to making infrastructure a			Modernizing the trucking industry (obsolete truck fleet that has not kept up with the changes	Strong evidence. Detailed analysis of infrastructure subsectors (port, road, railway, air) is available in recent reports	Rehabilitation and investment program under way

<i>Constraint</i>	<i>Impact on goals</i>	<i>Time horizon</i>	<i>Pre-conditions</i>	<i>Complementarities</i>	<i>Evidence Base</i>	<i>Political Feasibility</i>
<i>programs in the form of PPPs</i>	factor encouraging the competitiveness of emerging manufacturing sector			in transport modes)	(IOS Partners: Étude sur la compétitivité des Entreprises Ivoiriennes, December 2013)	
<b>Reduce the financial access gap, especially for SMEs</b>						
Limited financing is available to SMEs, affecting their ability to grow and compete with larger companies  <ul style="list-style-type: none"> <li>• Promote stability of the financial sector (Restructure or resolve weak institutions, Strengthen financial infrastructure and banking supervision, etc.)</li> <li>• Promote expansion of the financial sector (development of non-bank financing; capital market development, etc.)</li> </ul>	Promoting the development of the financial sector will improve SMEs access to a variety of financing options at competitive prices and hence improve their ability to grow and compete with larger companies		Improve technical capacity to design and implement reform	Greater financial inclusion will also benefit access to finance by the self-employed and micro-enterprises.	Strong evidence  Recent World Bank technical assistance for the development of a financial sector strategy highlights key issues and possible solutions.	Politically feasible

## 8. MAIN PATHWAYS OUT OF POVERTY III: HUMAN CAPITAL DEVELOPMENT THROUGH INCREASED AND BETTER SOCIAL SPENDING

### *Key Findings of the Diagnosis*

- *Limited access and low quality of education and health services*
- *Imbalance of resource allocation between:*
  - *Different levels and types of services (primary, secondary and tertiary, etc.)*
  - *Different expenditure items (investment, operating cost, etc.)*
  - *Geographic areas*
- *Inefficient use of resources*
  - *Constraints related to human resources (skills, mix and distribution)*
  - *Constraints related to availability of quality input (equipment, teaching materials etc.)*
  - *Constraints related to management of facilities and accountability*
- *Demand constraints (affordability, acceptability, etc.)*

### *Key Priority Areas Identified*

- *Address access issues to the poor segment of the society, including demand side constraints through targeted interventions to deal with affordability and acceptability (through safety nets, access to universal health coverage, etc.)*
- *Improve governance and accountability of services at the central and local levels*
- *Improve performance by moving away from input based and provide incentives for increased quality and quantity of services (e.g. result-based financing)*
- *Strengthen national systems for health, education and social protection linking information, management and accountability tools*

### *Risks*

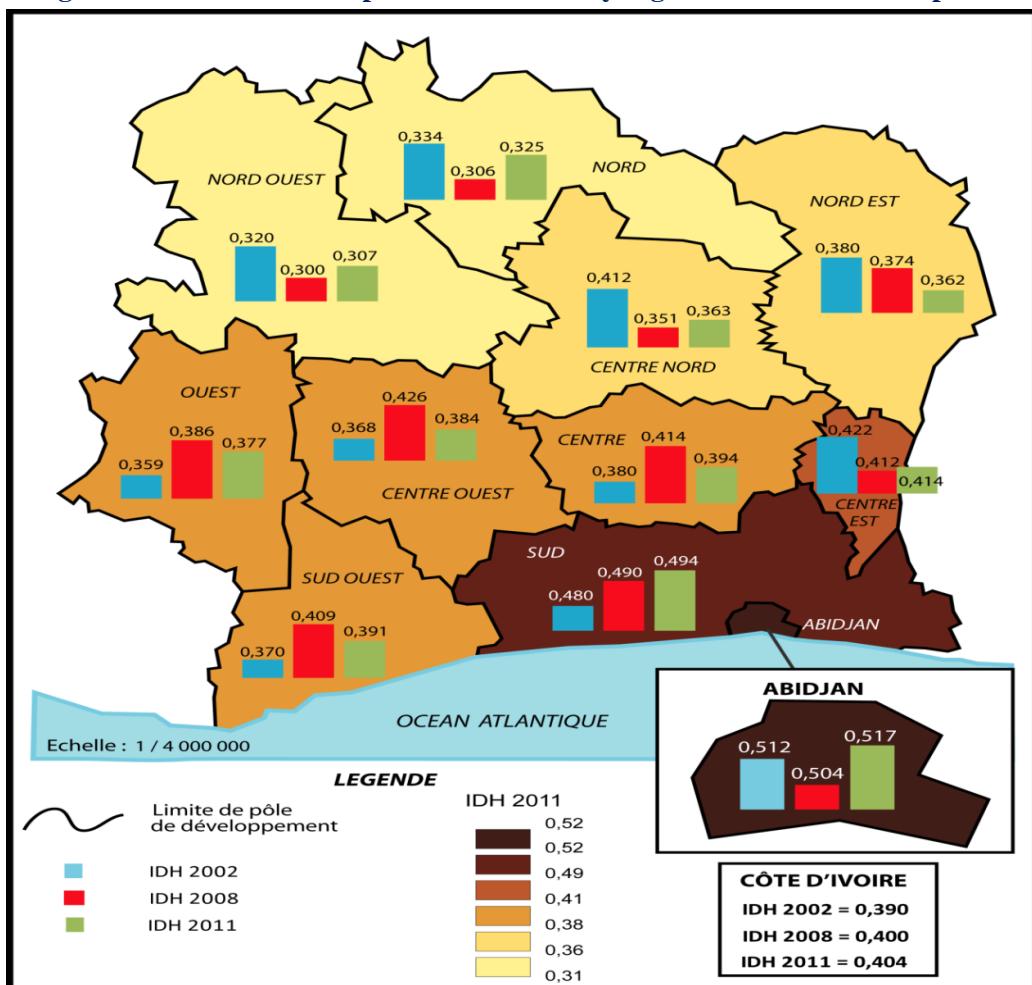
- *Political resistance due to vested interests in service delivery systems and reluctance to change customary patterns of resource allocation*
- *Fiscal pressure may affect resource allocation. However, if not addressed the human capital deficit will be a serious barrier to sustainable growth, social cohesion and poverty reduction.*

**8.1 Côte d'Ivoire has a serious human capital deficit due to repeated and prolonged crises.<sup>76</sup>** Health and education indicators are among the weakest in the region (Figure 8.1), and both poverty and vulnerability have worsened, particularly in the North and West. Social protection programs have had a marginal impact on poverty reduction and can hardly be counted on in case of crises. While the formal unemployment rate is relatively low, most of the population is engaged in low-productivity occupations, such as agricultural and non-agricultural self-employment, creating an enormous challenge in presence of rapidly expanding cohorts of youth aspiring to more productive jobs.

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<sup>76</sup> This section based on Background Note to the Systematic Country Diagnosis prepared by a team representing Education, Health and Social Protection & Labor Global Practices, November 2014.

**Figure 8.1: Human Development Indicators by regions across the crises period**



**8.2 Côte d'Ivoire is behind schedule to reach most of the MDGs.** The exceptions are gender parity in school, halting the spread of HIV/AIDS, and access to an improved source of water, which could be attained by 2015. Otherwise, nearly all social indicators have stagnated or deteriorated. The country's Human Development Indicators (HDI), at 0.452 in 2013, are below the average of 0.493 for countries in the low human development group, and below the average of 0.502 for countries in Sub-Saharan Africa. Côte d'Ivoire ranked 161<sup>st</sup> out of 187 in 2013. With about the same level of GNI per capita, Senegal has a much lower under-5 mortality rate than Côte d'Ivoire; and Sierra Leone, the Gambia, and Guinea have higher primary completion rates with less than half its per capita GNI.

➤ A Slow Demographic Transition is Delaying the Benefits of the Demographic Dividend

***Key Findings of the Diagnosis***

- Continued high fertility, together with improvements in infant and child mortality have resulted in high population growth, putting pressure on social and economic infrastructure
- Low contraceptive prevalence

***Key Priority Areas Identified***

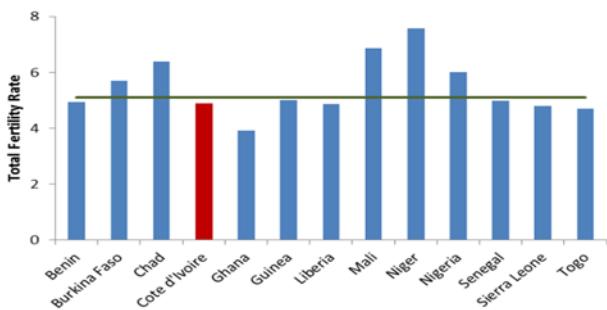
- Encourage girls education at least to the secondary level
- Promote a package of health services and family planning comprising:
  - *Maternal and infant health*
  - *Awareness to health benefits of birth spacing and the health risks of early marriage*
  - *Use of contraceptives*
- Increased labor market opportunities to women (outside the home)

***Risks***

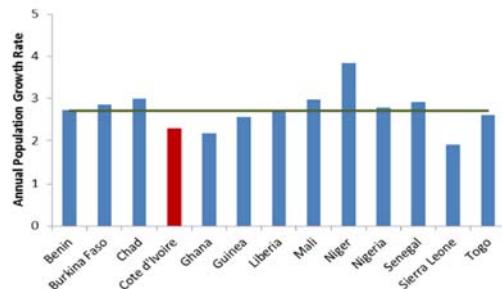
- *Cultural resistance may hinder progress*

8.3 **Like most of Sub-Saharan African countries, Côte d'Ivoire has a rapidly growing and young population.** According to the National Institute of Statistics (INS), the annual growth rate was an estimated 2.6 percent per year in 2013, down from 3.1 percent in 2009, but still among the highest in the world. This high growth is due to the combined effects of a falling mortality rate, high fertility rate (4.6 children per woman), and high level of international migration (26 percent of the population was not Ivorian in 1998). According to 2009 INS estimates, 39.7 percent of the population was 15 years old or younger, 57.9 percent was between 15 and 59 years old, and only 2.4 percent was older than 60—all of which lead to a high dependency ratio of 72.7 percent. With almost one out of two women of childbearing age, the population is expected to continue to grow, and more importantly, to stay young in coming decades (Figures 8.2 and 8.3). Much remains to be done in the area of family planning. The contraceptive prevalence remains very low, with the 2012 DHS showing that only 14 percent of women use modern methods (up from 8 percent in 2006). This growth, allied with fast urbanization, puts a high pressure on basic social infrastructure. For instance, the country will need to create at least 1,000 new classrooms each year to accommodate all children of school age.

**Figure 8.2: Total Fertility Rate**



**Figure 8.3: Population Growth (%)**



**8.4 The total fertility rate is around 5 births per woman, but is significantly higher for women in the poorest quintile, at 6.7 births (Figure 8.4).** The adolescent fertility rate is around 130 births per 1,000 women aged 15-19. This is significantly higher than the average of 109 for all of Sub-Saharan Africa. This issue is particularly serious for the poorest women living in rural areas: 54 percent of the poorest 15-19 year old females have started their procreative lives, compared to 15 percent of the richest; and 46 percent of those in rural areas, compared to 19 percent of those in urban areas. Population growth fueled mainly by high fertility produces and maintains a flatter population pyramid and diminishes the ratio of the working-age population. Furthermore, it has strong effects on critical human capital development, as children are likely to be in worse health and have poor nutritional status, impacting long-term survival, cognitive development, and labor productivity. High fertility also impacts the health of mothers, the investment in female education, as well as the participation of women in productive employment both in the formal labor market and in informal self-employment. In terms of system needs, high fertility puts more pressure on both education and health systems, which are already very weak in Côte d'Ivoire.

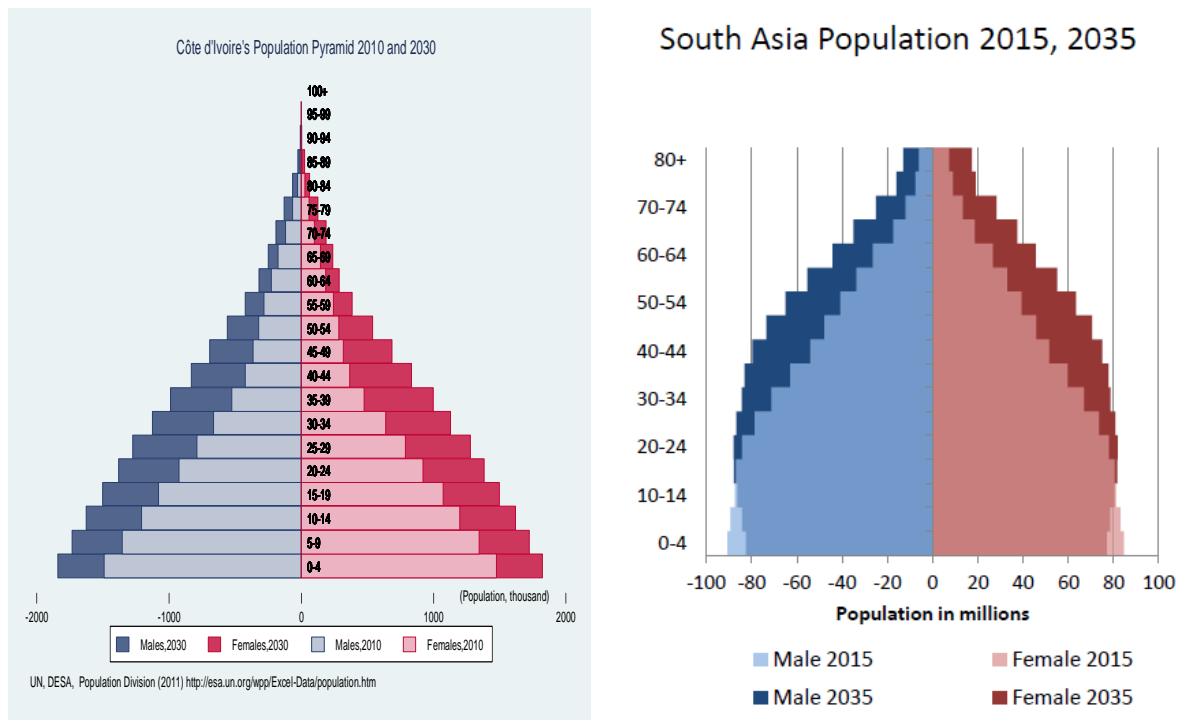
**8.5 Key drivers of high population growth in Côte d'Ivoire include:** (a) a very young age at first marriage; (b) an early age at first sexual debut; (c) low usage levels of modern methods of family planning; (d) a high desire for large families. Furthermore, DHS data show that rural women are entering marriages earlier; as do those from households with the lowest wealth index and those with the lowest levels of education. Differences in median age at first birth by level of education also indicate a higher median age among those with at least secondary education. The gap between those with no education and those with at least secondary education is higher than the gap between the rich and the poorest.

**8.6 A recent World Bank study on Population and Development in the Sahel provides important hints as to why demand for children remains high.<sup>77</sup>** First, it appears that having many children for old age insurance remains a strong motivation, which could mean that the decrease in infant and child mortality has not been fully appreciated, or has not reached levels that change societal perceptions. Second, the cost of raising children is not high due to the practice of child fostering. Third, there are strong religious interpretations around the desirability of children. Fourth, even when women prefer to limit the number of children, often husbands prefer larger families and have the stronger decisionmaking power within the family.

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<sup>77</sup> Population and Development in the Sahel: Demographic Dividend or Disaster- World Bank 2014 (draft).

**Figure 8.4: Côte d'Ivoire's Population Pyramid in 2010 and 2030 Compared to South Asia**



### ***Key challenges and priorities***

**8.7 Accelerating the fertility transition will require focused attention on child health interventions (including education about the risks of young marriage), combined with access to quality secondary education for girls and women, elimination of gender inequities, and a comprehensive package of family planning and health services.** Increased labor market opportunities for women outside the home can also work to this end, as well as old age-related social protection measures. The challenge is to how long it will take to reverse the country's human capital deficit and to accelerate the demographic transition in order to contribute productively to the country's growth. For this, Côte d'Ivoire needs to significantly expand not only access to social services, but also quality to all of its citizens in an equitable manner. The country cannot afford the usual sequential or linear approach to service delivery, expanding access first and fixing quality afterwards.

#### ➤ Social Protection

**8.8 Notwithstanding improvements since the end of the crisis, the incidence of poverty and vulnerability has significantly deepened in recent years.** This section assesses the state of existing social programs and their potential to contribute to poverty reduction.

**8.9 Existing social protection programs have had a marginal impact on poverty reduction.** Contributory programs (pensions and insurance), cover only about 5 percent of households, as they tend to benefit only workers in the formal private sector and civil servants. The public pension system runs a structural deficit, and due to the high statutory payouts and

limited revenues, delays in the payments of public pensions may emerge unless structural reforms are implemented.

**8.10 Non-contributory safety nets are practically non-existent. Most people rely only on informal safety nets**, such as “mutuelles” and various types of associations, or family and neighbors, and these systems tend to collapse in times of shock. Côte d’Ivoire has been approaching social protection measures in an ad-hoc manner in terms of interventions and administrative delivery instruments. Interventions have been generally prompted by temporal events, largely driven and funded by donors, and tend to use various (and often inconsistent) targeting and delivery systems.

**8.11 With the exception of two emergency Bank-funded, labor-intensive public works programs and a diminishing World Food Program (WFP) school feeding program**, there are no well-designed non-contributory safety net programs that can be counted on in times of crisis.

#### *A new social protection strategy handicapped by low institutional capacity*

**8.12 The recent adoption of a new national social protection strategy paves the way for better coverage, increased efficiency, and higher impact on poverty reduction and risk management.** The strategy is organized around four main strategic axes: (a) improving living standards for vulnerable and poor households; (b) improving access to basic social services, and investment in human capital; (c) strengthening social action against violence, abuse, exploitation, discrimination and exclusion; and (d) extending gradually formal social protection to a larger share of the population. As part of this strategy, the Government, with support from the World Bank, is currently designing a social safety net program modeled on Brazil’s Bolsa Família program, which has demonstrated the potential of social safety net programs to reduce poverty.. The Government is also preparing to launch a universal health coverage (UHC) scheme in 2015.

#### *Key challenges and priorities*

**8.13 While the country has moved quickly in the definition of strategic orientations, much remains to be done to ensure that the strategy is being implemented effectively and concretely** serves the expansion of health coverage and financial protection of Ivoirians. The weak institutional administrative capacity and lack of experience in the design and implementation social protection programs at the national level constitute a major challenge.

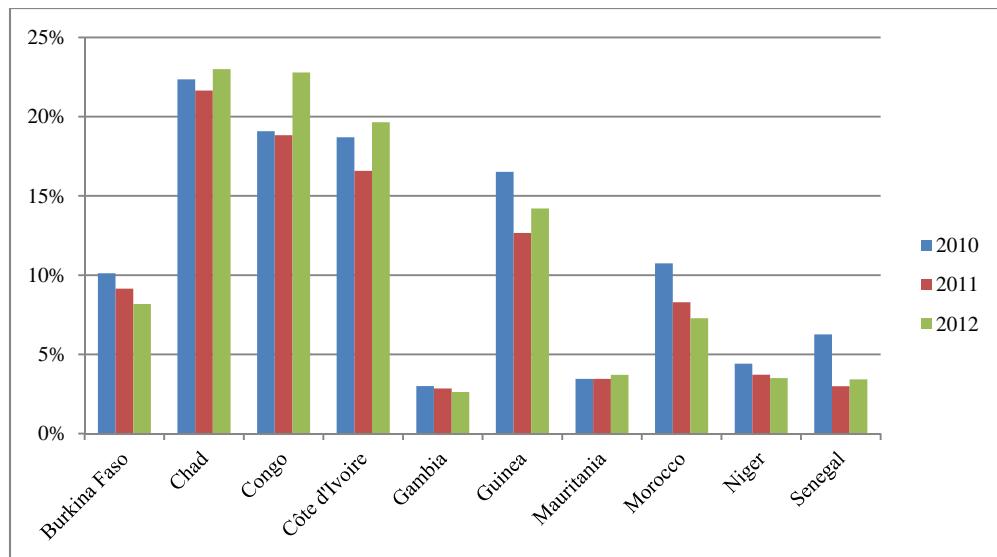
**8.14 The development of a national social protection system and a consolidated approach to poverty programs will require capacity building for the relevant ministries and local service delivery institutions.** It will also require the creation of and training in (a) systems to identify and target beneficiaries; (b) information management systems; and (c) monitoring and evaluation mechanisms; as well as regular, predictable funding from the Government budget. Simulations using data from 2008 the household survey (DHS) show that a scaled-up cash transfer program providing CFAF 10,000 per month per household and covering all extreme poor households in rural areas (about 500,000 households or 3.5 million people) would cost about US\$ 144 million per year, or 0.6 percent of GDP (assuming a 20 percent delivery and administration cost). Such a program would reduce the extreme poverty headcount by 20 percent, the extreme poverty gap by 30 percent, and the severity of extreme poverty by 37 percent.

**8.15 Furthermore, a targeted safety net system should allow for a more effective and efficient utilization of public expenditures, as it could be used instead of the highly regressive general price subsidies.** Given the expected positive economic growth of the country and potential savings from reducing untargeted subsidies, Côte d'Ivoire should have the necessary fiscal space to fund a strong national social protection system. Importantly, Côte d'Ivoire's National Development Plan 2012-2015 commits a strong political will to establish targeted social services as a tool to reduce extreme poverty and inequality.

#### ➤ Education and Skills Training

**8.16 Over the last few years, education and training have become more accessible.** At the primary level, the number of pupils increased by 6 percent on average between 2009 and 2013, triggering a 10 point rise in the gross enrollment ratio (GER). The number of students in secondary increased by 7.3 percent during the same period, to more than 1.2 million students in 2013. The enrollment rate in the first secondary level witnessed a much higher increase (from 32.8 percent to 47.3 percent between 2006-07 and 2012-13) than enrollment in the second level (from 13.0 percent to 14.7 percent for the same period). The number of registered students in technical secondary studies more than doubled between 2011 and 2013, to close to 50,000 students. The ratio of students in higher education also increased from 674 to 702 per 100,000 inhabitants between 2010 and 2013, to almost 170,000 students.

**Figure 8.5: Percentage of Repeaters at the Primary Level**



Source: UIS - UNESCO Institute of Statistics

**8.17 Despite increased numbers of students in schools, dropout and repetition rates are high.** For nearly 30 years, dropout rates at the primary level have remained high in Côte d'Ivoire. In addition, the proportion of repeaters has been hovering around 20 percent (20 percent in 1980, 24 percent in 1990 and 22 percent in 2014). For comparison, repetition rates for Mauritania, Senegal, and Niger are between 3 and 4 percent (Figure 8.5). These high and relatively stagnant repetition rates, especially at the primary level, suggest that the issue is a structural feature of the system.

**8.18 Improvements have been made in school coverage, but student-to-teacher and student-to-classroom ratios remain high.** From 1998 to 2012, there were some improvements in classroom construction and teacher recruitment in public elementary schools. The number of classrooms went from 43,406 in 1998/1999 to 58,230 in 2013/2014, representing an average increase of 1.6 percent per year. The number of teachers rose from 39,810 in 1998/1999 to 61,322 in 2013/2014, representing an increase of 2.2 percent per year. Despite these improvements, there is still a lack of classrooms and an insufficient number of teachers which negatively impacts the quality of learning and quality of interaction between teachers and students

**8.19 The education sector in Côte d'Ivoire is characterized by significant disparities across region, social-economic status, income and gender.** Despite a revival of education services following the conflict, out-of-school youth remain highest in the Center, North and West regions (CNO area), which was under rebel rule for nearly a decade and saw restored services only after 2011. **According to DHS data, approximately 53 percent of youth ages 6-18 in the North administrative region and 46 percent in the North West administrative region have never attended school.** Secondary enrollment rates also significantly differ by region. The GER at the upper secondary level is only 10.9 percent in the West region, as opposed to nearly 60 percent in the city of Abidjan (Table 8.1).

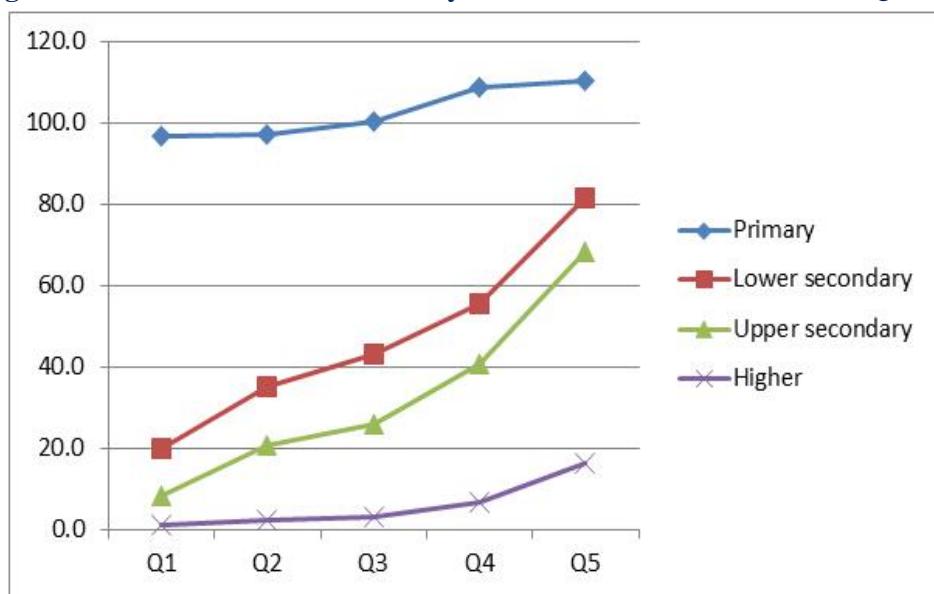
**Table 8.1: Gross Enrollment, Primary Completion and Out-of-School Rate by Region (%)**

Region	Gross enrollment			Out-of-school (age 6-18)
	Primary	Lower secondary	Upper secondary	
Centre	94.1	37.9	57.2	27.8
Centre-Est	101.8	42.9	46.7	28.9
Centre-Nord	96.4	43.2	38.2	29.4
Centre- Ouest	94.5	33.5	32.0	29.9
Nord	62.6	25.5	33.8	52.9
Nord-Est	91.3	37.8	19.5	30.5
Nord-Ouest	74.7	21.3	12.6	46.1
Ouest	98.8	31.8	10.9	26.7
Sud sans Abidjan	112.3	48.1	37.1	20.0
Sud-ouest	81.3	37.3	12.4	37.4
Ville d'Abidjan	108.0	66.8	59.7	18.6

Source: DHS, 2012.

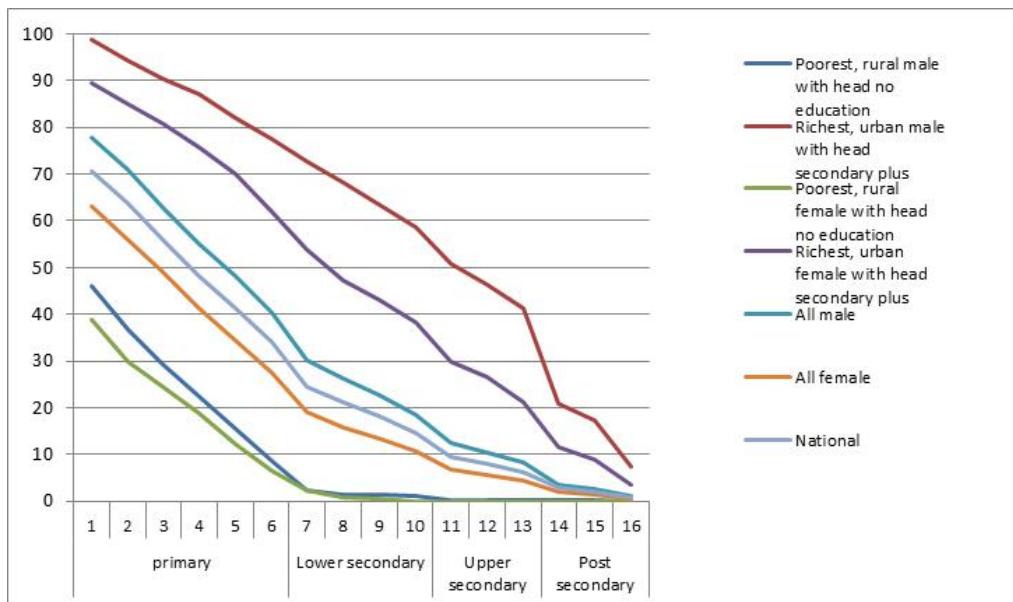
**8.20 The imbalance in educational achievement becomes more pronounced by level. In secondary education the gap is especially wide.** Only 2.2 percent of the girls in the poorest rural areas complete the first year of secondary school compared to approximately 54 percent of girls in the wealthiest urban areas (Figures 8.6-8.7).

**Figure 8.6: Gross Enrollment Rates by Level of Education and Wealth Quintile**



Source: 2013 (National Employment Survey)

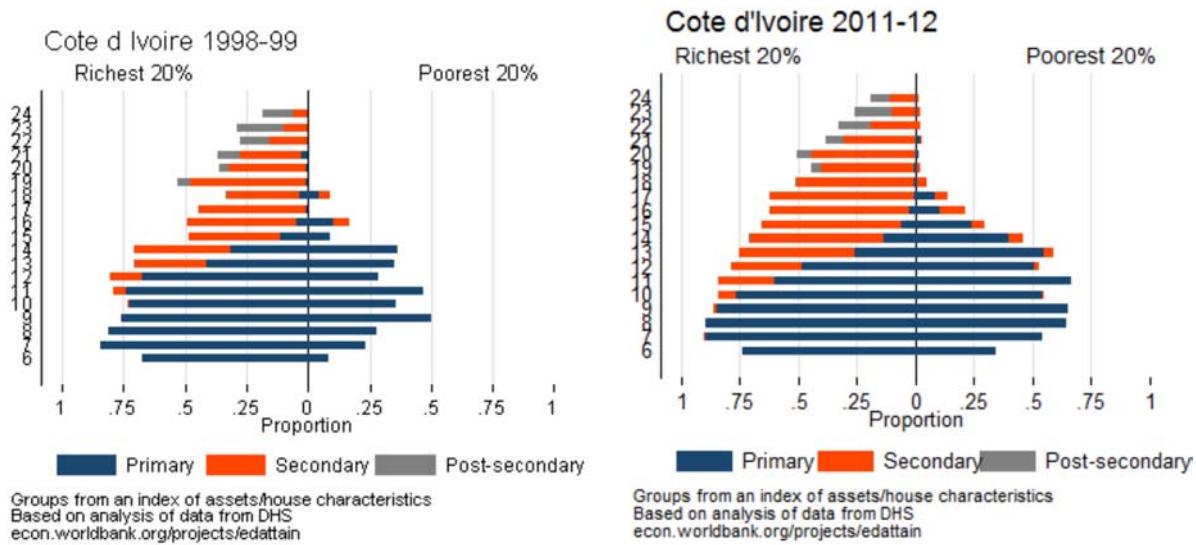
**Figure 8.7: Disparities of Attainment by age 6-30 by Socio-economic Status (% of completing grade)**



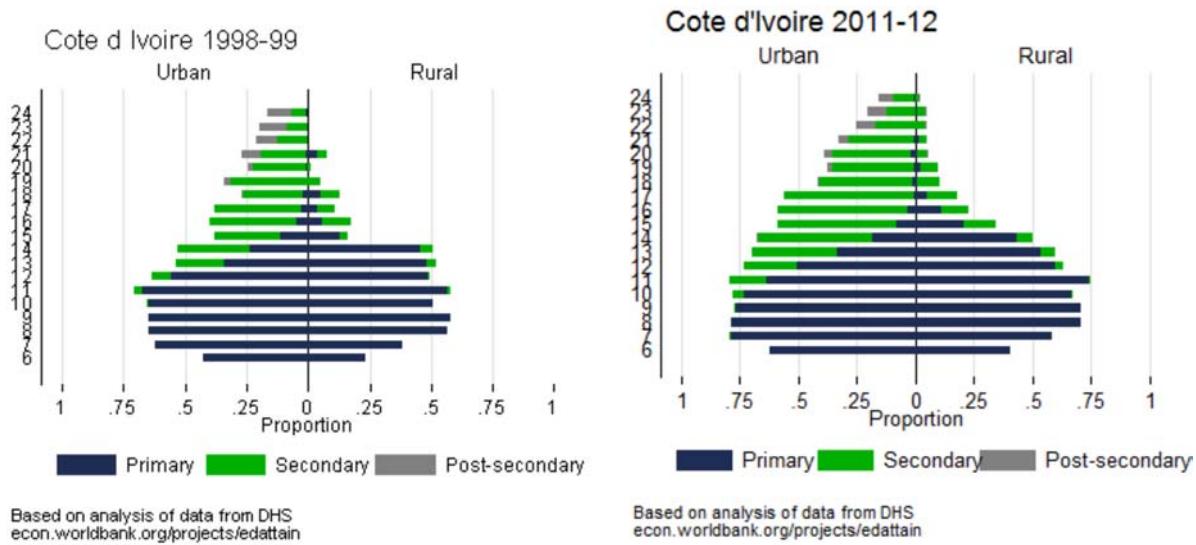
Source: 2013 (National Employment Survey).

8.21 While some important gains have been made in school coverage, particularly at the primary level, interventions have not been targeted enough toward the most vulnerable populations. The enrollment pyramid shown in Figures 8.8 and 8.9 below clearly depicts a widening gap across time between income levels and areas of residence. Although there is an improvement in enrollment at the primary level for the poorest 20 percent in rural areas, access to secondary and tertiary education is largely dominated by the richest 20 percent in urban areas.

**Figure 8.8: School Enrollment Pyramids, by Age and Level of Education- Wealth**



**Figure 8.9: School Enrollment Pyramids, by Age and Level of Education- Area**



### Applying the gender lens

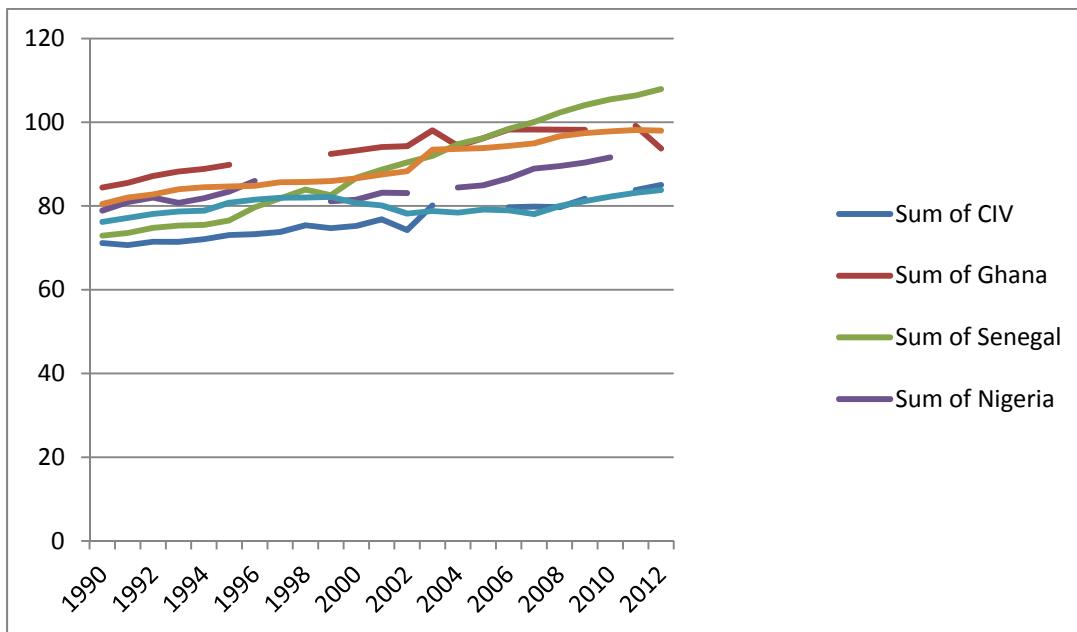
**8.22 Girls living in rural areas, in families with low income, are the least likely to complete primary school.** In Côte d'Ivoire today, there are large gender gaps in primary enrollment and completion, in secondary and tertiary enrollment, and in literacy.<sup>78</sup> According to analysis cited in

<sup>78</sup> Only 38 percent of girls residing in rural areas and the poorest quintiles complete the *first year* of primary school, while nearly 90 percent of girls complete primary school in urban areas and the richest quintiles. Violence against

the 2012 World Development Report (WDR), gender contributes more to inequality among school attendance in Côte d'Ivoire than in any other highly unequal country, and has a much greater impact than wealth on inequalities in access to education.

**8.23 At the primary level, whereas many other developing countries have achieved gender equality, the female/male enrollment ratio in Côte d'Ivoire is still a very low 0.81 (Figure 8.10).** Girls also finish primary school at a lower rate: 41 percent compared to 58 percent for boys. At higher levels of education, the most recent figures from the World Development Indicators show that in 2002 the ratio of females to males in secondary school was just 0.50 (i.e., boys are twice as likely to be enrolled), with the tertiary enrollment ratio of 0.55.

**Figure 8.10: Ratio of Female to Male Primary Enrollment (%)**



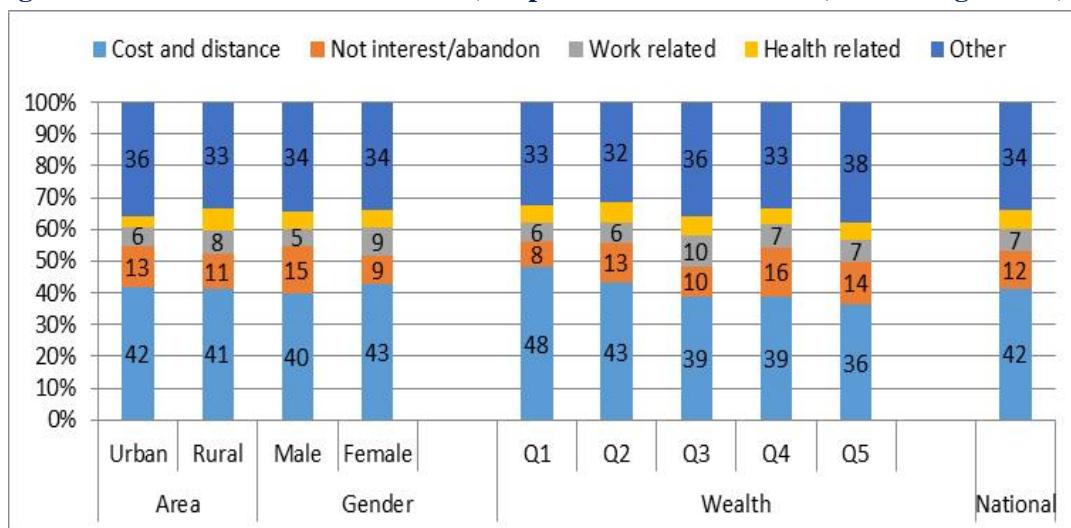
Source: World Development Indicators, 2012.

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girls persists and can be a barrier to educational achievement. In the academic year 2013-14, there were 1,334 documented cases of pregnancy at the primary level and about 3,000 documented cases of pregnancy at the secondary level.

**8.24 High cost and distance to schools have a strong impact on enrollment and dropout rates (Figure 8.11).** Basic education is limited by lack of infrastructure, which is often a barrier to continuity between levels of schooling in rural areas. High repetition rates are particularly burdensome to the poorest families. In the Country Status Report (CSR 2009) family spending on education fees reached as high as 34 percent of family income.

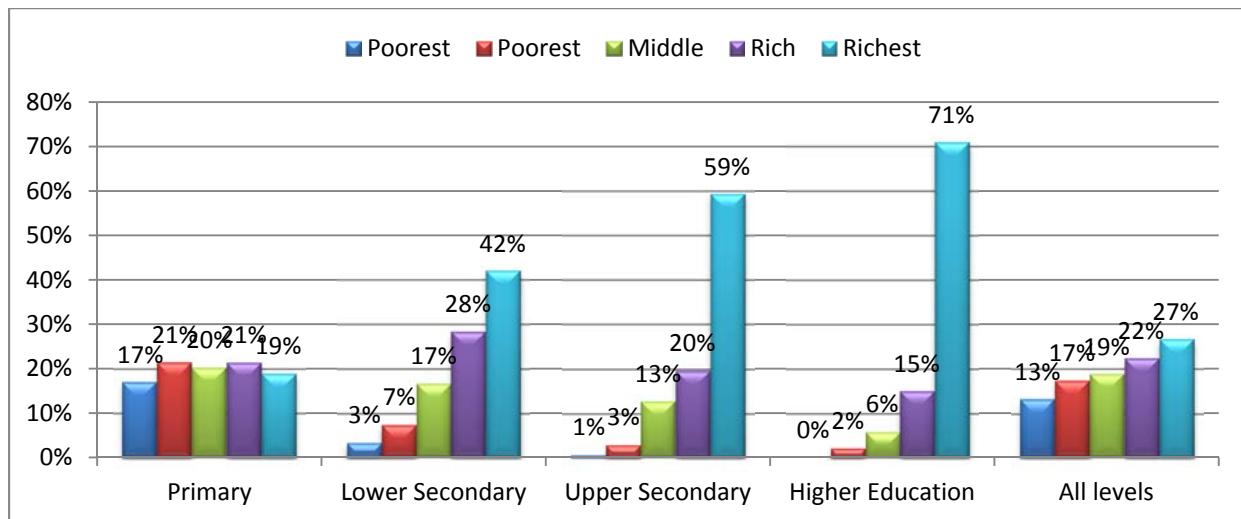
**Figure 8.11: Reason for Not in School (Dropout or Never Attended) – 2013-Age 6-18 (%)**



Source: DHS 2012 and Public Spending 2012.

**8.25 Spending rarely benefits the poorest.** The gap in overall public spending on education between the poorest and richest quintiles is 14 points, with 13 percent of spending on the poorest quintile and 27 percent on the richest (Figure 8.12). As the level of education increases, so does the gap in spending. At the primary level, spending benefits each quintile fairly equally. However, at the upper secondary level, given the low completion rates of the poorest quintiles, the share of public spending on education for the poorest is just 1 percent, while it is nearly 60 percent for the richest.

**Figure 8.12: Share of Public Spending on Education by Level of Education and Wealth Quintile**



Source: DHS 2012 and Public Spending 2012

**8.26 The quality of education remains a primary concern.** Specialized surveys<sup>79</sup> conducted between 1996 and 2009, to assess student learning in mathematics and French in primary school, show an alarmingly low level of achievement (Table 8.2)

**Table 8.2: Contextual indicators (PASEC VII, VIII, IX)**

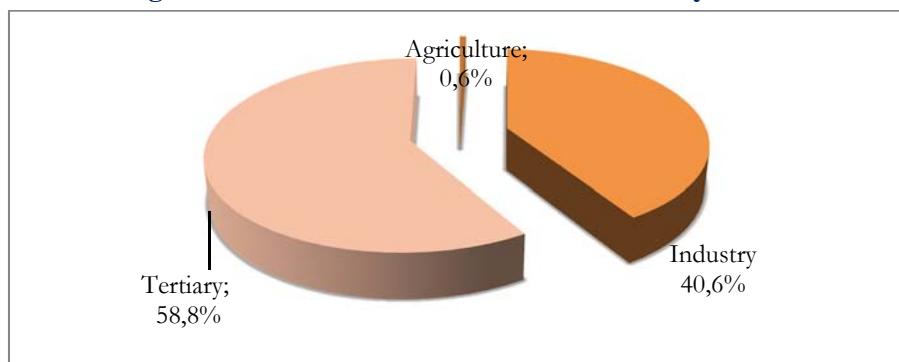
Year	Country	GDP per capita USD	Public expense by student in % of the GDP per capita	5th year enrollment rate	Percentage of students using French <sup>80</sup> at home	5th. Year average score in French (out of 100)	5th. Year average score in Mathematics (out of 100)
2006	<b>Gabon</b>	13094	4.0%	70	94.3%	61.4	44.3
2010	<b>RDC</b>	320	-	60	14.0%	42.3	45.5
2009	<b>Burundi</b>	393	20.7%	62	2.7%	41.6	45
2007	<b>Sénégal</b>	1666	16.5%	71	5.2%	40.6	42.1
2007	<b>Burkina</b>	1124	29.7%	72	9.8%	37.7	38.5
2007	<b>Congo</b>	3511	11.1%	77	29%	36.9	36.4
2010	<b>Tchad</b>	1301	9.6%	32	13.87%	35	37.4
2009	<b>Comores</b>	1183	29.5%	-	7.0%	33.6	36.5
2010	<b>Togo</b>	851	10.8%	78	8.7%	30.9	46.4
1996	<b>Côte d'Ivoire</b>					<b>50</b>	<b>41</b>
2009	<b>Côte d'Ivoire</b>	<b>1702</b>	<b>16.6%</b>	<b>66</b>	<b>23.7%</b>	<b>29.2</b>	<b>33.8</b>
<b>Average</b>		<b>2514.5</b>	<b>16.5%</b>	<b>65.33</b>	<b>18.46%</b>	<b>39.73</b>	<b>39.94</b>

**8.27 Poor learning outcomes have implications for employability.** Even those with secondary and tertiary education face serious employability challenges because of a mismatch between skills acquired at school and labor market demands. For example, according to the 2010 Investment Climate Survey Report (ICSR), 43 percent of managers in the manufacturing sector indicate that the education and training of job seekers do not match their needs, which constitutes a major obstacle to their business development. As a consequence, approximately 38 percent of recent university graduates in the 25-34 age group are unemployed, and 30 percent are employed below their level of academic qualification. The unemployment rate for youth with secondary education is 27 percent; 25 percent for Master's graduates; 53 percent for *Brevet d'études professionnelles* (BET, 3 years vocational lower secondary education) graduates; and 45 percent for "Brevet de technicien supérieur" graduates (BTS, professional certification after secondary completion).

<sup>79</sup> Regional standardized system of student testing for francophone African countries called Programme d'Analyse des Systèmes Educatifs de la CONFEMEN (PASEC).

<sup>80</sup> French is the language of instruction in education in Côte d'Ivoire.

**Figure 8.13: Distribution of TVET Trainees by Sector**



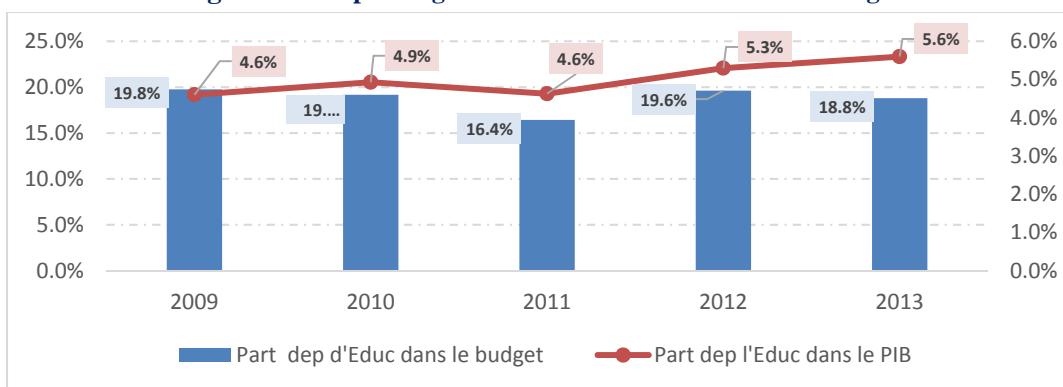
Source: Statistics Annualy 2012–2013 MEMASFP.

**8.28 The quality of teaching at all levels is low and impacts learning outcomes.** Reforms aimed at strengthening teacher training, training of vocation and technical (TVET) trainers, and monitoring and feedback mechanisms have been constrained by low government spending. Although a Government priority is to increase the productivity of the agriculture sector, which occupies the largest number of workers and contributes substantially to the country's wealth, only 0.22 percent of trainees benefit from training in agriculture-related fields. The largest numbers of TVET trainees are in the tertiary sector (58.8 percent) followed by the industrial sector, with 40.6 percent of the trainees (Figure 8.14).

**8.29 Despite successive crises in the country, the Government has made significant contributions to the financing of education.** The share of public spending in GDP increased from 4.6 to 5.6 percent between 2009 and 2013 compared with 3.9 percent, on average, for countries in the region. Recurrent expenses over 2009-2013 represented more than 90 percent of total education spending, whereas only 10 percent of the expenses went toward new investments (Figures 8.14 and 8.15).

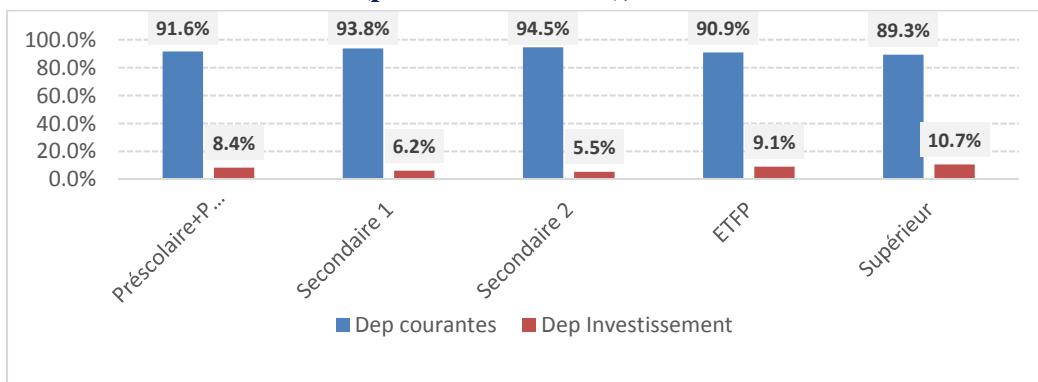
**8.30 The share of investment spending is more substantial in higher education because the Government made a decision, following the 2011 crisis, to rehabilitate and expand the country's public universities.** Preschool and elementary education have benefited from investments in construction and the rehabilitation of classrooms and school equipment. However, secondary education and TVET have seen little investment despite demographic pressures.

**Figure 8.14: Spending Trends—GDP and the National Budget**



Source: Ministry of Education, September 2014.

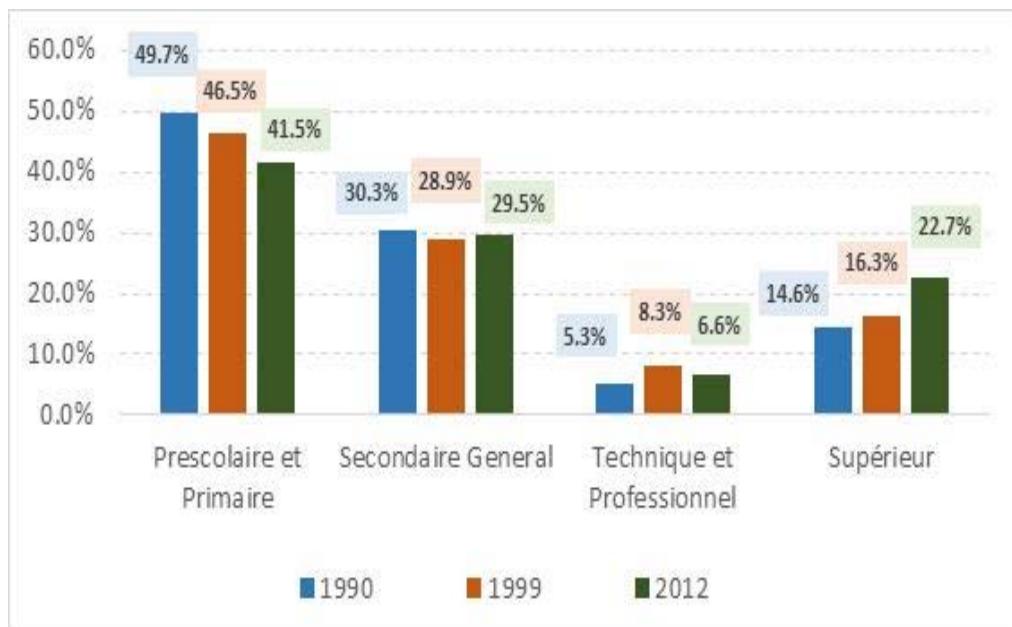
**Figure 8.15: Distribution of Total Spending Between Recurrent and Investment (performance-based), 2012**



Source: Ministry of Education, September 2014.

**8.31 The quality of public expenditure is a major issue.** First, in recent years there has been a fall in investment in primary education (49.7 percent to 41.5 percent) in favor of expenditures in higher education (14.6 percent to 22.7 percent). The fall is worrisome in view of the fact that primary and secondary education continue to suffer from significant issues of quality and access. Second, the largest portion of education expenditures is for personnel and has increased over the past 15 years. The payroll was an average of 75.4 percent of the total resources in 2012 compared to 69.9 percent in 1999 at the expense of expenditure on teacher training, better management, assessments of quality, and social spending. Lastly, social spending through the education system, including school feeding programs, transportation, early education childcare, and scholarships, has declined overall from 12 percent in 1999 to 3.7 percent of overall current spending in the education sector in 2012 (Figure 8.16). This is particularly problematic given that low social spending hurts the poorest of the poor, who are most in need of these services.

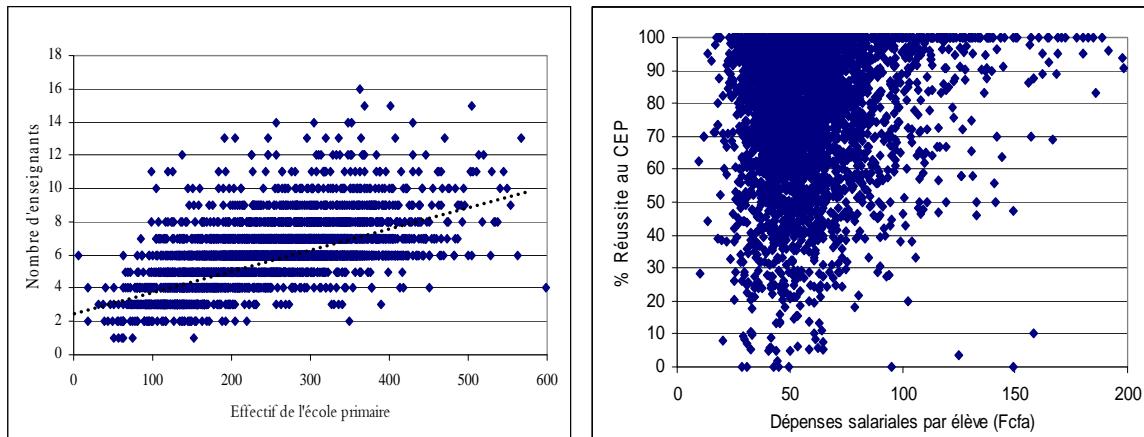
**Figure 8.16: Operating Expenditures by Level of Education (1990-2012)**



Source: Ministry of Education, 2013.

**8.32 The allocation of resources and personnel to schools appears highly variable and does not correlate with better education results.** Figure 8.17 (left panel) illustrates this variability of staffing for schools with the same number of enrolled students. However, schools that are allocated more resources (including more teachers) do not yield higher success rates (right panel). This points to low internal efficiency and ineffective resource management.

**Figure 8.17: Personnel and Resources in Education**



Source: Country Status Report, 2009.

**8.33 The sector is in need of strategic orientation, institutional strengthening, and improved resource allocation and coordination;** but divided responsibility makes the harmonization of policies and coordination of actions a challenge:

- The Ministry of National Education and Technical Education (MENET) is responsible for all levels of general education, technical as well as preschool and non-formal education;
- The Ministry of Employment, Social Affairs and Vocational Training (MEMEASFP) is responsible for the high levels of professional training at the sector level;
- The Ministry of Higher Education and Scientific Research (MHESR) is responsible for the implementation of Government policy in the field of higher education and scientific research.

**8.34 In 2009, the Government completed a sector analysis,** the Country Education Status Report, based on which it prepared and endorsed, over the next few years, a National Education Sector Strategy (*Lettre de politique sectorielle*), approved by Cabinet; a National Education Sector Plan (ESP); and a Medium Term Action Plan (*Plan d'Action au Moyen term – secteur education*, PAMT), jointly developed by all three education ministries.

**The guiding principles of the reform are to:**

- ensure universal completion of quality primary education for all;
- ensure that youth training is consistent with the capacity of the labor economy while maintaining international quality;
- significant expansion of vocational training in order to improve labor productivity in the various sectors of the national economy;

- regulation of resources, including staff, to correlate with results.

**8.35 In addition to the Medium Term Action Plan, a decision was taken in September 2014 to make nine years of education compulsory in Côte d'Ivoire.** Beginning in academic year 2015-2016, all children will be required to attend 9 years of schooling. While this represents a positive step towards achieving education for all, the increase in students necessitates careful planning in order to accommodate the larger group of students at the secondary level in an already strained system.

**8.36 The Medium Term Action Plan needs to be accompanied by clarification of the responsibilities of the different actors.** Though the educational system has established rules, charts and salaried personnel to fill the identified structures, the management system is not working effectively. Job descriptions of the different actors (teachers, principals, supervisors, regional managers and central directors) are too broad and vague, and often little known to the actors themselves. The management culture is often focused on defining rules and standards regarding practices and formal process, while giving little attention to incentive structures and observable results.

**8.37 Vocational training has suffered from a heterogeneous and poorly coordinated institutional framework for many years, and from lack of a clearly defined mission vis-à-vis a large set of private sector stakeholders involved in labor market activities.** For the TVET reform to succeed, these multiple structures need to be more efficiently integrated and the governance structures and responsibilities more clearly delineated. The fact that some structures are government ministries (*Emploi, Travail, Formation professionnelle, Enseignement supérieur*); others are public institutions; others professional associations (*Fédération PME, Chambre des métiers*); and still others para-public associations (*Plate-forme*), does not make the task of imposing a coherent structure any easier. Thought should be given, at the very least, to clearly mapping responsibilities (and, in the case of overlap/duplication, centralizing into a single structure), and to providing direct targets and incentives to reach the targets, to those responsible for the different entities. The Government needs to engage in a profound institutional reform, favoring a clear hierarchical structure with well-defined roles, responsibilities, incentives and (eventually) credible sanctions.

**8.38 Higher education has also suffered for years from a lack of central control and the articulation of a clear vision.** It lacks reliable and systematic information including on students, teaching, and budget parameters.

**8.39 Private higher education institutions, in increasing number, provide some response to overcrowding problems in higher education, but they lack any form of quality assurance.** A regulatory framework clarifying the role of these institutions and providing quality assurance guidelines is necessary. Quality assurance measures will be essential to set and harmonize standards across public and private institutions and gradually improve outcomes.

**8.40 Furthermore, lack of relevance remains a significant concern for higher education institutions,** which need to achieve a better balance between humanities and STEM fields, which are undersubscribed at the tertiary level. The imbalance is further exacerbated by lack of curricular focus on STEM in primary and secondary education.

## ***Key challenges and priorities***

**8.41 Quality education is critical to support the transformation of the economy, and ensure that benefits from growth are equitably shared regardless of differences across geographic, socio-economic, and gender lines.** Investing in education offers the poor the opportunity to pull themselves out of poverty, engage in more productive employment, and contribute to the growth and transformation of the country. Evidence shows that the incidence of poverty decreases when the head of household has completed primary education, and continues to decline with longer enrollment. Improvements in education quality and relevance are critical if goals related to higher employment and productivity are to be met. Higher quality and better skills are needed to ensure better access of youth and adults to more productive employment opportunities, including in the microfinance and self-employment sector. Targeted improvements from primary through secondary and higher levels of education are necessary to enhance equality of opportunity and meet the demands of the labor market.<sup>81</sup> A more focused list of priorities will be based on the results of the ongoing Public Expenditure Review in education.

**8.42 Targeted policies are also necessary to overcome extreme disparities in educational attainment.** These disparities include those between males and females, between poor and rich, and between rural and urban populations. Approaches should focus on improving access for underserved populations, addressing high repetition rates and low teacher quality, and instilling a culture of accountability in schools.

**8.43 New education policies should work towards a demonstrable improvement in management of the system,** including increased accountability of key actors for better learning and labor market outcomes. Before pouring in the additional resources called for by the current challenges of the education system, more transparent and better implemented policies are needed to ensure that resources are translated into tangible learning results.

**8.44 The TVET sector is also in need of institutional reform, and needs to clearly define its mission and its relationship to private sector stakeholders.** The large number of agencies with duplicate mandates, and the multiple funding agencies, create confusion for policymaking and operational interventions. Acceleration of the process of TVET reform through the introduction of results-based management and performance contracts, and laying the foundations for an effective framework for public-private partnership to enhance relevance and employability, including in the non-wage formal sector, will be priorities in this regard.

**8.45 For many years, higher education has suffered from a lack of centralized control and clear vision.** A new policy framework for the management and financing of higher education, including private provision and financing, is necessary. Better planning at central and facility

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<sup>81</sup> Of particular relevance in this respect is ICT. Cell phones could contribute to empowering women: they can alleviate time and mobility constraints for women by increasing their ability to coordinate their family and work lives, reducing the cost of money transfers, and cutting down the physical labor or travel required to discover information. 41 percent of women interviewed in Bolivia, Egypt, India, and Kenya declared that owning a mobile phone had increased their income and their access to economic opportunities. Women in places as different as Kivu, Democratic Republic of Congo and Papua New Guinea, use mobile phones to facilitate their trade activities. Additional data is required to indicate the percentage of women with mobile phones in Mali and measure the gender gap with respect to mobile telephony.

levels, accompanied by administrative and budgetary autonomy, are necessary mechanisms to support good governance.

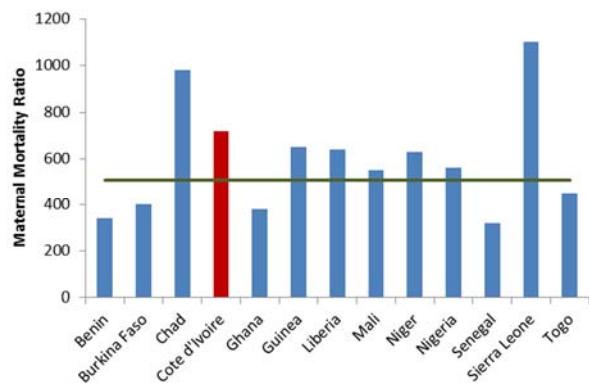
**8.46 Throughout the education system, there is a need to strengthen interventions by seeking synergy with other sectors and actors;** e.g., in health (early childhood development, nutrition); in social protection (strengthening the demand side for education, effective labor market functioning); with private sector (as employer of skilled labor and partner for delivery of educational services).

**8.47 Specific attention should be given to the promotion of public-private partnerships in the higher education, training and research sectors.** This will be especially important in improving the relevance of education with regard to the labor market. It will also enhance the financing sources beyond just the State and the household, and will catalyze the virtuous cycle between education, research and economic transformation that has yet to take off.

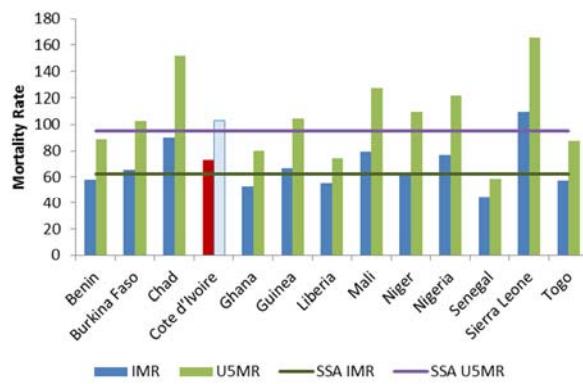
### ➤ The Health Sector

**8.48 Health status indicators in Côte d'Ivoire are generally worse than those of its neighbors in West Africa, and higher than the average for Sub-Saharan Africa.** Figure 8.18 shows the results for the Maternal Mortality Ratio (MMR) per 100,000 live births, based on the latest data from World Health Organization; and Figure 8.19 shows figures for Infant (IMR) and Under-5 (U5MR) Mortality Rates per 1,000 live births. Only Chad and Sierra Leone have a higher MMR, and Côte d'Ivoire's ratio is higher than those of Guinea, Liberia, Mali and Niger.

**Figure 8.18: Maternal Mortality Ratio**



**Figure 8.19: Infant and Under-5 Mortality**



Source: World Databank, Health Nutrition and Population Statistics, downloaded October 26, 2014.

**8.49 While some health status indicators in Côte d'Ivoire have improved, others have worsened or remained static, pointing to significant issues in the health care delivery system.** The maternal mortality ratio, for example, has increased from 543 deaths per 100,000 births in 2005 to 614 in 2012.<sup>82</sup> Approximately 80 percent of maternal mortality is due to direct medical

<sup>82</sup> All of the data in this section are taken from the 2005 and 2012 DHS, unless otherwise noted.

causes, such as hemorrhage, obstructed labor, high blood pressure, and abortion complications, reflecting a lack of coverage and inadequate obstetric care. Under-5 mortality is still high at 108 deaths per 1,000 live births, down just 14 percent from 2005. An estimated 60 percent of these deaths are due to communicable diseases and perinatal causes. Basic immunization rates have declined—for example, measles immunization decreased from 66 percent in 1999 to 65 percent—and recent years have seen outbreaks of polio and cholera. The use of anti-malarial drugs has remained around 20 percent. Adult HIV prevalence among 15-49 year olds is 3.7 percent (4.6 percent for females and 2.9 percent for males), one of the highest in West Africa.

**8.50 Notwithstanding ongoing challenges, there has been some improvement across a number of health indicators since the 1990s, although progress is skewed towards urban populations.** Skilled birth attendance increased from 47 percent in 1994 to 59 percent in 2012, but with significant geographic disparities (27 percent in the North-West versus 92 percent in Abidjan). In 2012, 44 percent of women (33 percent rural, 61 percent urban) had at least four antenatal visits, compared to 36 percent in 1999. Use of long-lasting insecticide-treated bed nets in 2012 was estimated to be 37 percent for children under five and 40 percent for pregnant women (DHS 2012), with higher use in the North and lower use in the South and in Abidjan. This compares to 28 percent and 14 percent for children under-5 and pregnant women, respectively, in 2009. Despite these improvements, bed net use is still well below that of other African countries.

**8.51 Côte d'Ivoire's public health situation is likely to be exacerbated by climate change, as the population is exposed to many diseases that are influenced by climate parameters,** such as malaria, which is the leading cause of morbidity and mortality.<sup>83</sup> As temperatures increase and become more conducive to survival of the vector, malaria could expand into previously unaffected areas. Cholera and meningitis have also begun to reemerge. Poor sanitation and water resources infrastructure increase the risk for some of these diseases. Information and awareness raising will help the population to understand the ways these diseases are changing as a result of climate change.<sup>84</sup>

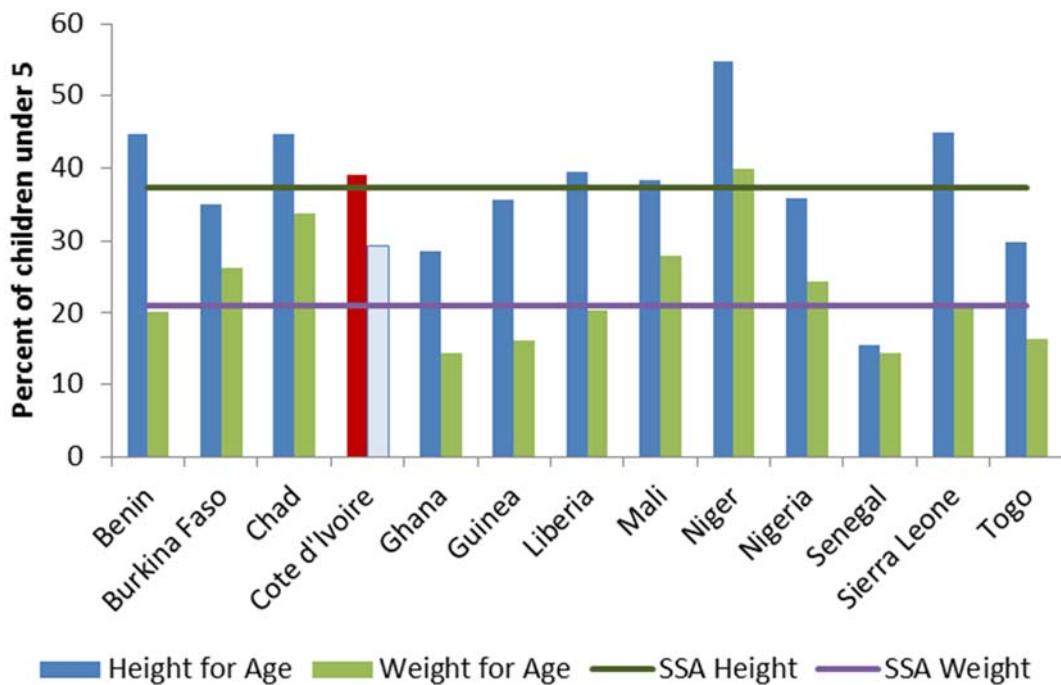
**8.52 While nutrition indicators have shown some improvement, the results in Côte d'Ivoire remain worse than those in neighboring countries, suggesting that more concerted effort is needed (Figure 8.20).** Rates of child malnutrition have declined somewhat, from 34 percent chronic and 16 percent severe in 2006 to 30 percent chronic and 12 percent severe in 2012, while Vitamin A supplementation has increased from 55 percent in 2006 to 61 percent in 2012. Only 12 percent of women exclusively breastfeed until 6 months, suggesting that there may be quality issues in ante-natal, maternity and post-natal care. International comparisons show that Côte d'Ivoire is somewhat higher than the SSA developing country average in stunting (height for age), in roughly the same range as Liberia and Mali and somewhat below Benin, Chad, Niger and Sierra Leone; while with respect to underweight (weight for age), Côte d'Ivoire is considerably above the average, exceeded only by Chad and Niger.

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<sup>83</sup> Republique de Côte d'Ivoire – Seconde Communication Nationale – 2010, p. 17; and Poverty Reduction Strategy Paper, 2009, p. 77.

<sup>84</sup> Republique de Côte d'Ivoire – Seconde Communication Nationale – 2010, p. 18

**Figure 8.20: Nutrition Indicators**



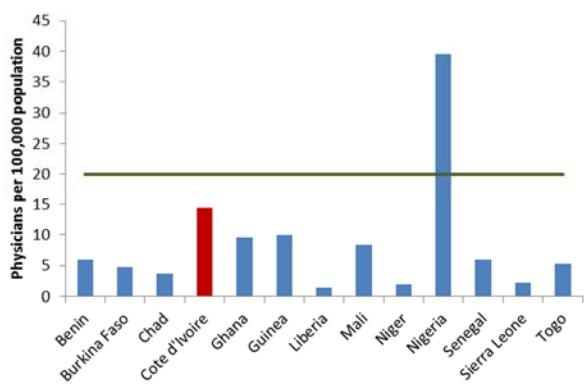
Source: World Databank, Health Nutrition and Population Statistics, downloaded October 26, 2014.

- Human and Financial Resources: a mixed picture with high volatility and imbalances across regions and levels of health services

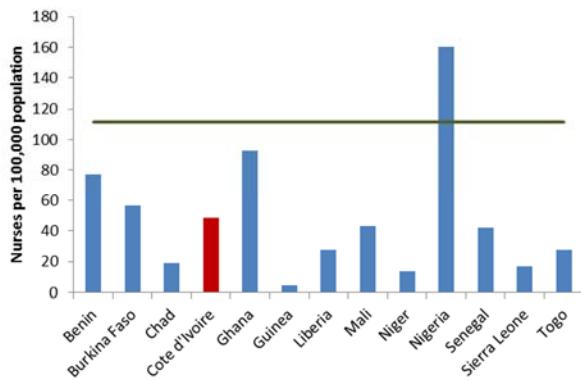
**8.53 In terms of the resources available to the health system, the picture is mixed, with some positive elements and some challenges.** The health system in Côte d'Ivoire was modelled on the French system, with heavy reliance on physicians and secondary and tertiary care institutions. There is a relative abundance of doctors, especially in urban areas, but generally fewer nurses and midwives country-wide, with the greatest shortages occurring in the rural areas and in the north. The 2010 Country Status Report (CSR) shows that in 2008, the number of physicians per 100,000 people ranged from 13.1 to 3.0 depending on the region, with a dispersion of 4.28:1 between the highest and lowest density regions.

**8.54 Moreover, the ratio of nurses and midwives per physician was the lowest**, at 3.4:1, compared to 5.2:1 for the next lowest group of countries Mauritania, Togo and Mali), around 7:1 for Senegal, Niger and Sierra Leone, and over 12:1 in Benin, Ghana, and Burkina Faso. International comparisons show that except for Nigeria, all other countries are considerably below the SSA average, indicating that the overall level of human resources is a regional problem. That said, figures 8.21 and 8.22 below show that Côte d'Ivoire is considerably better resourced in physicians than its neighbors, but that several countries have more nurses per 100,000 people, including Benin, Burkina Faso, and Ghana.

**Figure 8.21: Physicians per 100,000 people**



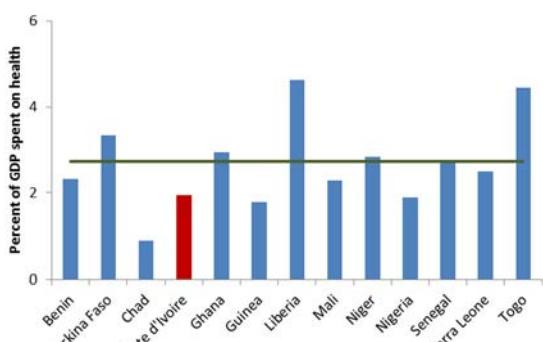
**Figure 8.22 : Nurses per 100,000 people**



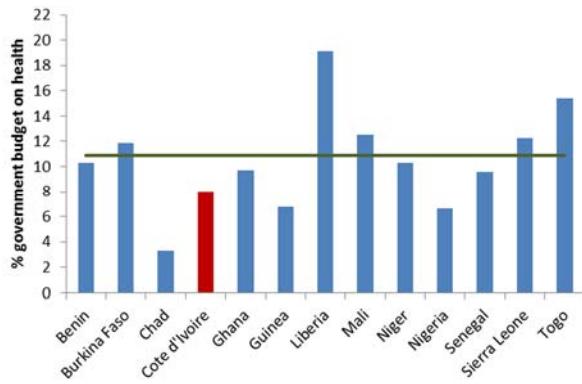
Source: World Databank, Health Nutrition and Population Statistics, downloaded October 26, 2014

**8.55 Publicly financed expenditures on health are quite low by international comparison, both in terms of the percent of GDP devoted to health and the percent of total government expenditures in the health sector.** The latter has consistently been considerably below the Abuja target. As shown in figures 8.23 and 8.24 below, the level of GDP spent on health is on par with Nigeria and higher than just Guinea and Chad. In terms of percent of government spending, only Nigeria, Guinea and Chad devote less of their government budget to health, raising a question about the priority of health in terms of funding.

**Figure 8.23: Health as a Percent of GDP**



**Figure 8.24: Health – Percent of Gov. Budget**

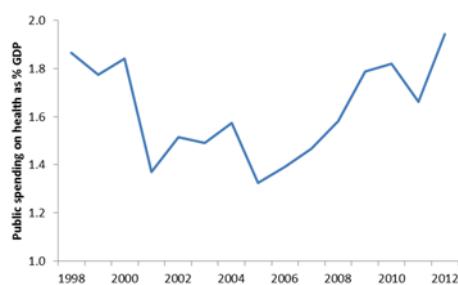


Source: World Databank, Health Nutrition and Population Statistics, downloaded October 26, 2014

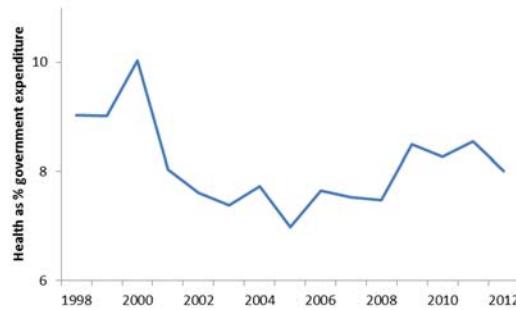
**8.56 Historical data on health financing show large amounts of volatility, underscoring the need for consistent and sustainable levels of funding.** As shown in figures 8.25 and 8.26, the trends in health as a percent of GDP and of the budget of Côte d'Ivoire are very volatile. Both peaked just before the first round of civil unrest and then plunged in the following several years. Beginning in 2005, both started to increase again, although the increase was smoother for health as a percent of GDP than for health as a percent of the budget. The 2010 crises created more

volatility. However, by 2012, the proportion of GDP spent on health rebounded to pre-crisis levels although health as a proportion of the budget remained significantly lower than the pre-crisis levels.

**Figure 8.25: Trends in Health as % of GDP**



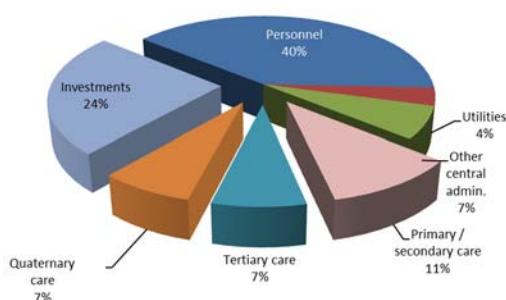
**Figure 8.26: Trends in Health as % Budget**



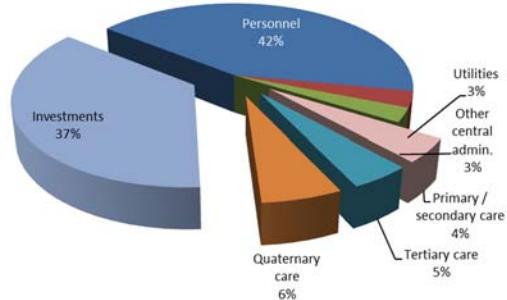
Source: World Databank, Health Nutrition and Population Statistics, downloaded October 26, 2014.

**8.57 The composition of health expenditures is also highly volatile.** For example, comparing the actual 2013 expenditure (Figure 8.27) with the 2014 budget (Figure 8.28), large shifts can be seen. The amount allocated to investments in 2013 was less than a quarter of the overall budget, compared to more than a third in 2014. While delays in budget execution will likely result in actual investment spending being less than budgeted, the high budget amount underscores the value placed on such investments by the government. . Central costs (personnel, utilities and other central administrative costs) constituted roughly one half of the total each year. While personnel costs only increased by 2 percentage points in relative share, the 2014 budget for personnel is 42 percent higher than in 2013 (FCFA 101.9 vs. 71.6 billion). It appears that the focus on investments has come at the expense of non-wage health facility spending, which went from about one third to one quarter of the total. Primary and secondary care was especially hard hit, going from an 11 percent share to just 4 percent. It is not clear that it would be possible to maintain 2013 levels of activity with the budget available in 2014.

**Figure 8.27: Health Spending by Type 2013 Actual**



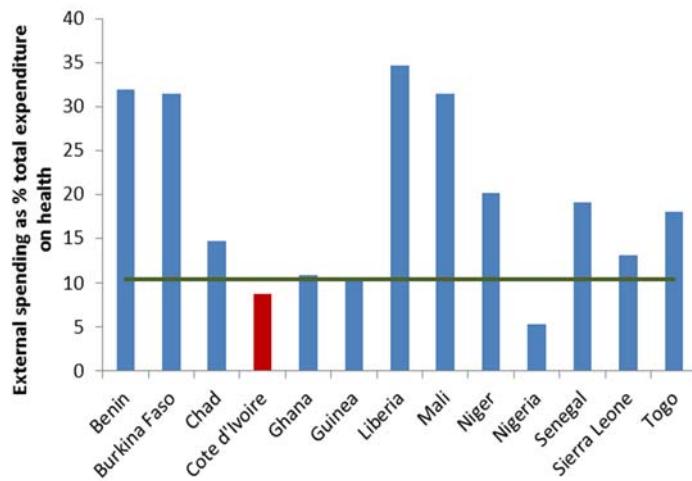
**Figure 8.28: Health Spending by Type 2014 Budget**



Source: Côte d'Ivoire Ministry of Finance, “Communication en Conseil des Ministres Relative à l'Execution du Budget a Fin Juin 2014”

8.58 **Levels of external financing are significantly lower in Côte d'Ivoire.** An important consideration in the discussion of financing for health is the level of external support through bilateral and multilateral grants and credits. Figure 8.29 shows that while Côte d'Ivoire is close to the SSA average in terms of external assistance as a percent of health spending, the level is considerably below other countries in West Africa. Only Nigeria has a lower overall level of external spending, and only Ghana and Guinea are close to the level which currently exists in Côte d'Ivoire. This clearly has an impact on the range of options available to the Government, but hopefully with the end to the civil strife the level of external support will increase.

**Figure 8.29: External Financing in the Health Sector**



Source: Côte d'Ivoire Ministry of Finance, “*Communication en Conseil des Ministres Relative à l'Execution du Budget a Fin Juin 2014*”

8.59 **Health human resources policies need to adapt to a changing environment in order to maximize the impact of health care spending and staffing.** Looking ahead, it would be wise to train fewer doctors and use the funds to increase the training of paramedical personnel instead. It would also be important to develop and implement strategies to attract and retain staff in rural or difficult areas. The performance of staff could be improved with a combination of real decentralization of the health system (including HRH management) and the implementation of a payment scheme based on the achievement of results, as other countries have done successfully and as is currently being piloted by other donors. Unlike other countries in West Africa, Côte d'Ivoire does not currently use community health workers or other lower-level clinical staff, increasing the over-reliance on physicians and nurses. In terms of competence, a 2010 study showed that the health worker training does not prepare them for the realities on the ground in terms of care and treatment because training institutions offer a range of materials, equipment, and drugs that are not found in the vast majority of health facilities.<sup>85</sup> This results in a mismatch between the competence of health workers, and their capacity to perform.

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<sup>85</sup> ENSEA, Health Systems 20/20, *Characterization the competences of recently graduated health providers to support the most frequent pathologies in Côte d'Ivoire - Investigation Report*, mimeo, May 2010.

**8.60 Political and social crises have taken a heavy toll on the health system.** In the first phase of the crisis (2002-2010), most health centers were closed in the central and northern part of the country (52 percent of health centers nationally), and only Non-Governmental Organization (NGO) facilities remained open. During the post electoral crisis (2011-2012), health centers in the west and in the city of Abidjan (the communes of Yopougon and Abobo) were closed. Nationwide many hospitals and health centers were looted and remain in dire shape.

**8.61 Governance and management of the health system is also problematic.** The central level lacks effective control mechanisms and strategic planning capability, with overlap between different parts of the Ministry of Health and the Fight against AIDS (MSLS). Despite the generally high competence of managers, technical capabilities were greatly blunted during the civil war period.

**8.62 Progress in decentralization in Côte d'Ivoire lags behind other countries.** At the sub-national level, Côte d'Ivoire is one of the last countries in SSA to develop a district model. In part due to the various crises, this process is incomplete, with a large number of districts still not operational. Effective control and management of the health system is hampered by two key factors. Firstly, the quality and timeliness of the information system, which suffered greatly during the civil war, and has been further hampered by the delay in the decentralization, is weak. Second, funding is highly centralized, with the central administrative budget (including salaries and utilities for all public structures), comprising about half of total expenditures. A further quarter or more of the budget goes to tertiary care and one-tenth to public health, leaving less than 5 percent each for secondary and primary care.

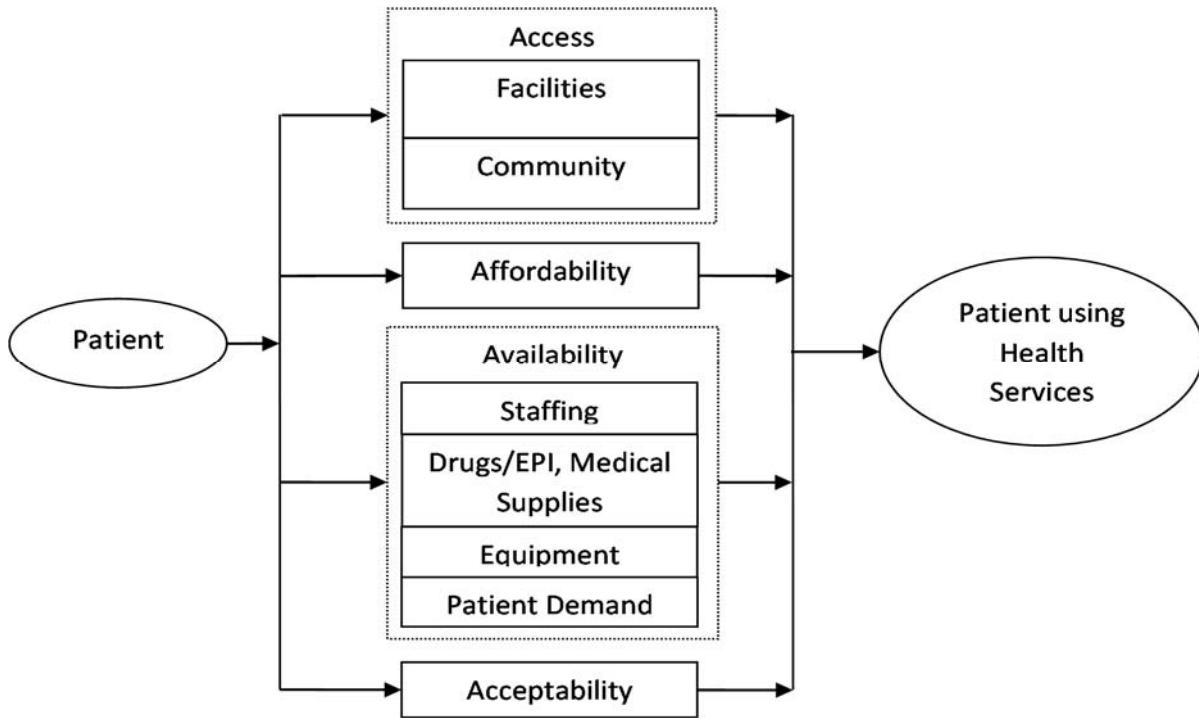
- A Health System constrained by several barriers

**8.63 Barriers to health service utilization can be grouped into four key factors:** access, affordability, availability, and acceptability.<sup>86</sup> These factors and their inter-relationships are diagrammatically shown in Figure 8.30.

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<sup>86</sup> Jacobs, B., et al, *Addressing access barriers to health services: an analytical framework for selecting appropriate interventions in low-income Asian countries*, Health Policy and Planning, 2012;27:288-300, Oxford University Press.

**Figure 8.30: Barriers to Health Services Use**



### Income and Regional Inequalities

8.64 **The available data show significant issues related to income and regional inequalities in health services access, affordability and use.** Access issues include where health facilities and staff are located, and whether health services are delivered in the community. In Côte d'Ivoire, less than 45 percent of the population lives within 5 km of a health center, with a large share of the poor not having access to a health center (12 percent) or to a general hospital (26 percent) in 2008. The 2012 DHS indicated that 60 percent of women in the poorest quintile mentioned distance to health services as a major barrier to maternity care, compared to 25 percent for women in the wealthiest quintile. Issues of access are currently being partially addressed by the President's Emergency Fund (PPU) and through development partners via interventions such as the World Bank's Emergency Infrastructure Project, although funding for necessary equipment for these facilities has to date not been provided. Clearly these differences are going to have an impact on the availability and access to services.

**8.65 Income-related and geographic inequalities are endemic in the current system.** These are summarized in the graphs below, which highlight the differences in health status and access to services by wealth quintile, region and urban versus rural split. For example, Figure 8.32 shows that the infant and under-5 mortality rates in the worst region (North) are 3.2 and 2.8 times higher respectively than the rate in the best region (Center-North). There are similar, although less dramatic gradients in health outcomes by urban-rural split and comparing the highest and the lowest income quintiles. As shown in Figure 8.33, despite the targeted free health care initiative, those in the highest income quintile are 2.7 times more likely than those in the lowest income to have facility-based delivery, and 2.3 times more likely to use modern contraceptive methods. The access to contraception by income quintile is reflected in the fertility rates, where the overall fertility rate of the lowest quintile is more than twice that of the highest, and the adolescent fertility rate is almost 4 times as high.

**Table 8.3: Indicators and Targets from National Development Plan**

Indicators	Rate in 2008	Target in 2013	Target in 2015
Percentage of the population with sustainable access to drinking water	61%	76.1%	82.5%
Percentage of the population with sustainable access to drinking water in urban areas	73%	75%	80%
Percentage of the population with sustainable access to drinking water in rural areas	50%	55%	60%

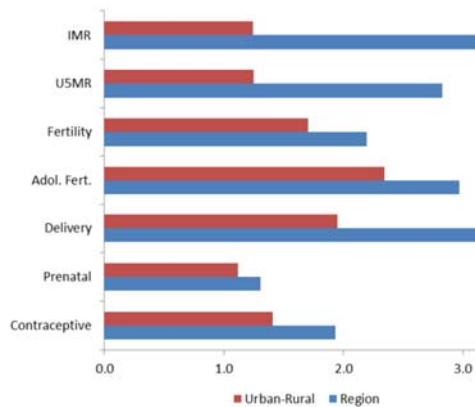
**8.66 Despite a Targeted Free Health Care Initiative (Box 8.1),** those in the highest income quintile are 2.7 times more likely than those in the lowest income to have facility-based delivery, and 2.3 times more likely to use modern contraception. Access to contraception by income quintile is reflected in fertility rates, with the overall fertility rate of the lowest quintile being more than twice that of the highest, and the adolescent fertility rate almost four times as high (Figures 8.32 and 8.33).

### Box 8.1: The Targeted Free Health Care Initiative

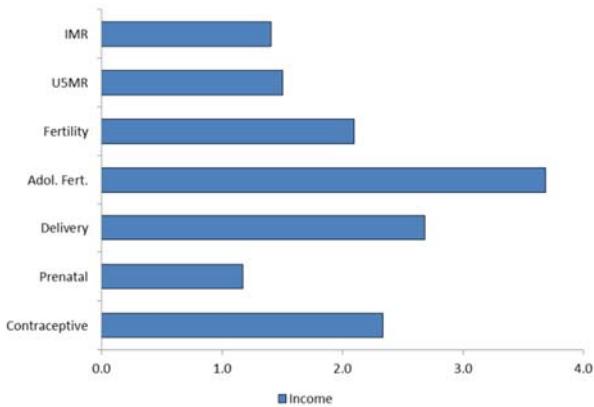
The Targeted Free Health Care Initiative (TFHCI) is a scheme that addresses the issue of affordability. In April 2011, the Government of Côte d'Ivoire declared that health care would be provided free of charge in all public facilities as a means of mitigating the consequences of the post-election crisis. This declaration was revised in February 2012, with free care targeted to pregnant women; children aged 0-5 years, emergency care and malaria.

The cost of the TFHCI is high, since it covers a large proportion of the patients who use public facilities. The scheme has succeeded in increasing the use of public health services; however, its effectiveness has been hindered by a number of challenges: (a) only 1-5 percent of first-level health facilities, and about 25 percent of second and third-level facilities, are regularly reimbursed for free health care services; (b) all facilities are not reimbursed at the same level, with some receiving 15 percent and others 80 percent; repayment favors tertiary facilities, which is a disincentive for primary facilities to provide services; (c) reimbursement is based on the invoices submitted and there is no pre-payment verification, creating opportunities for over-billing; (d) inadequate repayment and a lack of monitoring result in disruptions in the flow of inputs to health facilities, thereby effectively limiting access, as the patient is obliged to fill and pay for prescriptions, for example, in order to take advantage of "free care"; and, (e) an increase in the workload, arising from increased utilization, coupled with a decline in revenue, tends to demotivate staff. These challenges, together with the annual free health care costs of nearly CFAF 50 billion (US\$100 million or US\$5 per capita), seems very reasonable suggest that results-based financing (RBF) approaches, including performance-based financing (PBF), may be more cost-effective.

**Figure 8.31: Geographic Inequalities in Health Status and Service Access**



**Figure 8.32: Income Inequalities in Health Status and Service Access**



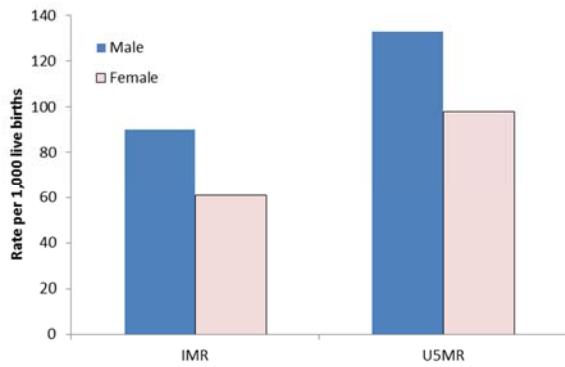
Source: Côte d'Ivoire DHS, 2012.

### Applying the Gender Lens

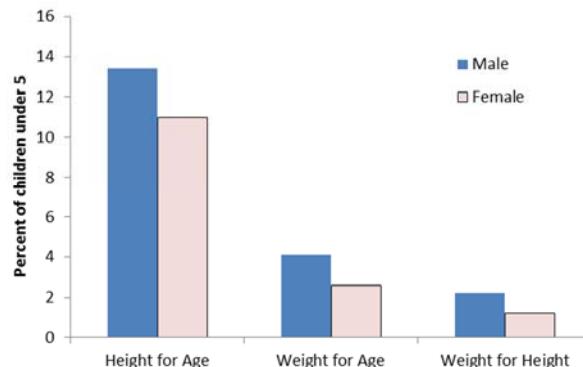
**8.67 Gender-based differences in health status are also prevalent in the existing system.** Looking at the data on health status, there are considerable differences in the situation of girls and women versus boys and men. Early in life, these differences clearly favor the girls over the boys, whereas later in life, men have a distinct advantage over women. The figures below show that boys are decidedly more likely to die in infancy and early childhood and are more likely to be malnourished. For example, Figure 8.34 shows that male babies are almost 50 percent more likely

to die than female babies and males under 5 are 35 percent more likely to die than females. Similar disparities are seen in Figure 8.35 with respect to malnutrition, including 22 percent greater likelihood of stunting (height for age), 58 percent higher level of underweight (weight for age) and 83 percent higher wasting (weight for height).

**Figure 8.33: Mortality Rates by Gender**



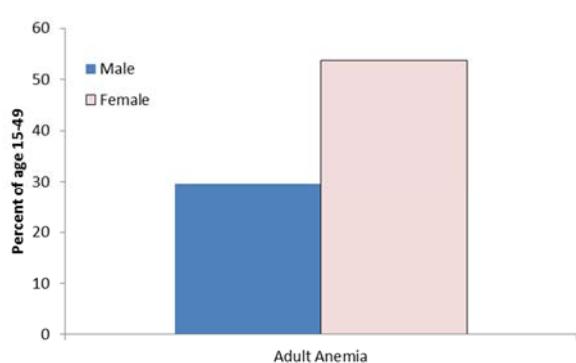
**Figure 8.34: Nutrition Status by Gender**



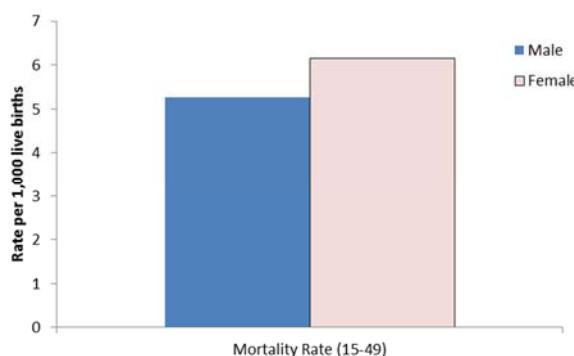
Source: Côte d'Ivoire DHS, 2012

**8.68 Gender differences favor males later in life.** After the age of 15, the tables appear to be turned. Figure 8.36 shows that levels of anemia are 80 percent higher in women than in men, while Figure 8.37 indicates that overall death rates of babies (per 1,000 live births) are about one-sixth higher.

**Figure 8.35: Gender Differences in Anemia**



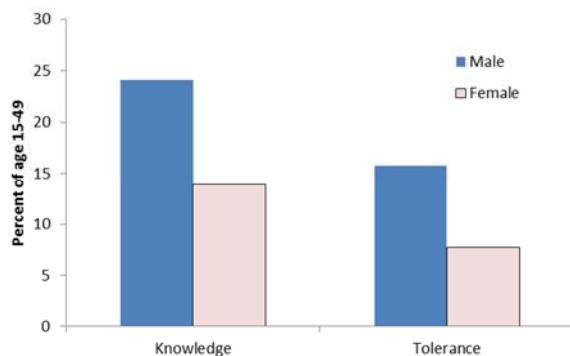
**Figure 8.36: Gender Differences in Mortality Rates**



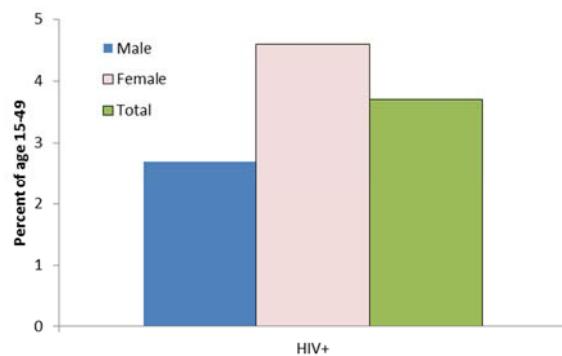
Source: Côte d'Ivoire DHS, 2012.

**8.69 The gender disparities that exist in the area of HIV/AIDS constitute a major public health issue and a challenge for the future.** Here the data show that women have both lower levels of knowledge and tolerance—willingness to address the issue—than men with respect to HIV/AIDS issues (Figure 8.38), but they also have significantly (70 percent) higher HIV prevalence (Figure 8.39). Clearly further work is needed in this area with respect to both increasing the levels of tolerance of women and empowering them in areas of reproductive health if HIV/AIDS prevalence is to be further reduced.

**Figure 8.37: Gender differences in HIV/AIDS Knowledge and Tolerance**



**Figure 8.38: Gender differences HIV+ Status**



Source: Côte d'Ivoire DHS, 2012.

### Tackling Issues of Affordability

8.70 **Affordability clearly poses a key barrier to the use of services.** According to the 2012 DHS, 91 percent of women in the wealthiest quintile delivered with skilled health personnel, compared to 35 percent of women in the poorest quintile. Similarly, almost 75 percent of women in the poorest quintile indicated that a lack of money was a major barrier to maternity care, compared to 55 percent of women in the wealthiest quintile. Households in the wealthiest quintile were more than 122 times more likely to have health insurance than those in the poorest quintile, and those in urban areas were almost six times more likely to have health insurance.

8.71 **Affordability** is currently being addressed through initiatives such as “Targeted Free Services” and the proposed “*Couverture maladie universelle*” (CMU) program, which aims to improve pre-paid health insurance coverage. At the present time, about 6 percent of the population is covered by health insurance. The groups covered are primarily in the formal sector and includes government workers through the “*Mutuelle générale des fonctionnaires et agents de l'Etat de Côte d'Ivoire*” (MUGEFCI); separate insurance funds for the military, the national police, and municipal workers; as well as the Social Health Insurance Fund for the private sector (“*la Caisse nationale de prévoyance sociale*” (CNPS), and “*Mutuelles*” which have been set up by/for private companies. The mechanism for integrating those who already have coverage into a national pooled system is part of an ongoing discussion that has not yet been resolved. Taking into account the specific circumstances in Côte d'Ivoire, the government is proposing the establishment of three types schemes:

- A contributory mandatory scheme (“*Régime Général de Base*”) for civil servants
- A subsidized (fully or partly) scheme for low-income groups (*Régimes d'assurance maladie*, RAM);
- An optional supplemental scheme relying on existing private and community-based insurance schemes.

8.72 **As part of CMU, the Basic Mandatory Scheme would be a contributory scheme which is based on the principle of co-payments and risk pooling.** The population to be covered

includes all residents (nationals and non-nationals) who are not eligible for RAM with systematic membership for those who report an income subject to tax. There would be progressive membership for those who have informal income and do not report income subject to tax. The premiums for this group would be a monthly fee of 1,000 FCFA (US\$ 2) per person, with the minimum basket of care to be defined. According to the latest household survey, the average amount of household contribution to health care costs was FCFA 20,501 per capita (US\$ 40) in 2008, suggesting that the majority of people can support the contribution to the financing of the CMU, set at 12,000 FCFA per year per person. The scheme would provide a package of curative care and maternal health care based on contracted rates (negotiated price), including the following: ambulatory and hospital care with co-payment, pharmaceuticals (Essential Generic Drugs), and maternity care. The plan would be funded through contributions (premiums); penalties and late payment fees; investment income; grants, donations and bequests; and other resources such as targeted taxes.

**8.73 The regime d'assurance maladie for low-income groups would be a non-contributory scheme**, based on the principles of national solidarity and third-party payment; covering the entire population for targeted free health care through the mechanism of targeted exemption (selective free health care), as well as the poor (indigents) with for health package defined for the basic mandatory scheme. RAM members would be entitled to receive support directly for certain curative and maternity care, provided in public or community health facilities; and would be funded by: grants from the national budget and local governments; investments; donations and bequests; and any other specific taxes (e.g.; tax on alcohol, etc.). Finally, the complementary regime would consist of traditional private insurance companies and others *mutuelles* for risk sharing that exist throughout the country.

### **Availability and Acceptability of Services**

**8.74 Availability constraints exist on both the supply and the demand sides.** Supply side issues include staffing, equipment, and drugs and medical supplies, while demand side issues relate to constraints that might hinder patient utilization of available health services. These constraints could factors such as whether the patient is able to get to the facility, whether drugs are available once a patient arrives, and whether the staff is perceived by the patient to have the technical capacity and/or the motivation of staff to provide high quality services.

**8.75 Acceptability includes the attitude of providers (supply side) and the perceived value or quality of services from the perspective of the patient (demand side).** While quality is objectively measurable, and clearly has an impact on the “real” availability of services (services of low quality may be provided but have no therapeutic value), perceived quality also has an impact on patient demand and acceptability. In this regard, many countries have found that RBF can have a positive impact on both the availability and acceptability of services, including both the quality and quantity of services delivered.

## ➤ An Ambitious Government program

8.76 **The Government has developed a National Health Policy**, which is accompanied by a National Health Development Plan (PNDS) covering the 4-year period, 2012-2015. Its main goal is to guarantee access to quality health care for all citizens, especially the most vulnerable. As shown in Table 8.4, the PNDS objectives and sub-objectives address the four barriers to health service utilization discussed above.

**Table 8.4: Mapping of PNDS Objectives and Sub-Objectives to Barriers**

Objective	Sub-Objective	Barrier Addressed
1. Reinforce governance in the sector and the leadership of the MOH	All sub-objectives	Support Structures
2. Improve the supply and use of quality health services	a) <i>the level and efficiency of financing the health sector are improved:</i>	Affordability Availability
	b) <i>the provision of health services has increased:</i>	Access Availability
	c) <i>human resources for health are available and effective:</i>	Availability Acceptability
	d) <i>the availability and accessibility of drugs, vaccines and other strategic inputs quality are improved:</i>	Access Availability
	e) <i>benefits of quality health services are improved:</i>	Availability Acceptability
3. Improve maternal and child health (under 5 years)	All sub-objectives	Availability Acceptability
4. Reinforce the fight against disease and nosocomial infections	All sub-objectives	Availability Acceptability
5. Reinforce prevention, health promotion and medical outreach	All sub-objectives	Access Availability Acceptability

Source: *Plan national de développement sanitaire*, 2012-2015.

## ➤ Access to water

8.77 **An important constraint to improving health in Côte d'Ivoire is the limited access to clean drinking water and sanitation.** Côte d'Ivoire has abundant water resources—about 77 billion m<sup>3</sup>/year, of which 39 billion m<sup>3</sup> is surface water and 38 billion m<sup>3</sup> is groundwater—but the unequal distribution of these resources makes domestic water supply scarce in some parts of the country. Moreover, raw water quality worsens year by year due to the use of fertilizers and pesticides in agriculture, toxic products for fishing, the lack of sanitation in cities, and illicit and uncontrolled industrial pollution. **The relatively high water table around Abidjan keeps the price of drinking water to an acceptable level in that area, but the aquifer is being depleted** by uncontrolled urbanization, the declassification of part of the Anguéédou forest, and the occupation by city dwellers of the well fields' protection zones, leading to additional water use, growing pollution of the lagoon, and climate change.

8.78 **Urban water supply is also constrained by insufficient infrastructure, resulting in a production deficit of about 200,000 m<sup>3</sup> day**, or about 30 percent of national consumption needs. This insufficiency is compounded by widespread infrastructure degradation, obsolete facilities (41 percent are more than 30 years old), and lack of maintenance. In addition, 145 out of 381 processing units (38 percent) have reached their saturation level, requiring the other 236 units operate beyond their capacity. This, combined with the deteriorating quality of surface water, has resulted in inadequate water treatment in several production centers. Further, a large number of

municipalities—including about 100 with more than 10,000 inhabitants—are no water treatment facilities. Even for communities that have service, many lack distribution networks. Finally, unplanned settlements in the outskirts of cities have little or no water and sanitation service. All in all, a third of drinking water needs in the urban areas of Côte d'Ivoire are going unmet. With an average population growth of 3 percent per year and an urbanization rate over 50 percent, water demand in urban areas is expected to double by 2032. The situation is even worse in rural areas, where, as a result of the long period of crisis, 55 percent of the hand pumps are no longer operational (9,121 operational pumps, down from 16,665 before the crisis).

8.79 **Several factors limit household access to safe drinking water:** (a) the high cost of connections; (b) the limited number of social connections; (c) the low incomes of disadvantaged communities. Added to this are social and cultural constraints, inter-community conflicts, and the low level of involvement of rural communities in the maintenance and management of water points.

8.80 **Climate change is affecting every aspect of the water situation in Côte d'Ivoire.** Flooding already repeatedly hit Côte d'Ivoire, especially in the southern part of the country, and are expected to become more frequent. Each flood further erodes the poor sanitation systems in Abidjan and other urban areas, leading to clogged drains and sewerage overflows. Structures are needed in urban areas to manage the risk of flooding and reduce its impact. Further, flooding from sea level rise is threatening coastal communities and their agricultural production, and these risks cannot easily be managed with infrastructure.

8.81 **In the semi-arid northern savannah region, where water is already scarce, droughts are expected to become more frequent and severe and increase the risk of food insecurity.** To manage these risks, Côte d'Ivoire will need an integrated resources management plan that addresses the need for more resilient crops and new planting strategies, while protecting biodiversity.

#### ➤ Key Challenges and Priorities

8.82 **The analysis above has highlighted a number of key challenges. The most important of these include:**

- overall levels of health and nutrition status that are below what would be expected;
- undersupply of nurses relative to physicians and the geographic mal-distribution of both;
- low levels of public funding that are quite volatile year-to-year both in terms of total amount and composition;
- inherent inefficiencies in the current health care system, including undeveloped decentralization mechanisms;
- significant geographic and income differentials in health status, access to services, as well as affordability;
- gender disparities, especially with respect to HIV/AIDS;
- the Targeted Free Health Care Initiative (TFHCI) is not working as effectively as possible;
- implementation of the CMU requires high levels of technical and financial input, neither of which has yet been secured;
- insufficient infrastructure for access to water.

**8.83 These challenges will need to be tackled in the coming years to ensure an effective, efficient and high-performing health system that is affordable and sustainable.** Because of the interconnectedness of the various issues, it will be necessary to focus attention on multiple fronts in order to tackle these challenges and improve the overall functioning of the system. A more focused list of priorities will be based on the results of the ongoing Public Expenditure Review in health. The overall Government program is well positioned to address many of those issues, but further work will be needed on others. Funding is a binding constraint, and the mechanisms for bringing more funding into the system need to be further developed. To this end, a comprehensive health financing strategy is needed which examines all of the sources of funding and the ways in which these funds are to be made available. For example, are payments through enhanced health insurance coverage going to cover the full cost of services, as they do in many countries, or are they meant to provide additional funds apart from the regular MSLS budget allocation? How should the existing TFHCI and the planned RBF schemes fit into all of this?

**8.84 While work is ongoing through the President's Emergency Program and other means to improve the physical infrastructure of the health system, issues related to the distribution of health workers and the balance between physicians and other health workers still need to be substantively addressed.** Similarly, further work is needed on developing and implementing the role of community health workers. Gender and income disparities also need further attention. Going forward, it is clear that there is a need for specific assistance to improve the overall functioning of the health system, including governance and accountability mechanisms, as well as both financial and technical support in implementing key initiatives such as results-based financing and universal health coverage. Specific attention is also needed on improving the distribution of staff across the country. Although experience in other countries has shown that the implementation of RBF could assist in this regard, other targeted interventions may also be needed.

**Table 8.5: Reducing the Human Capital Gap and Vulnerability/Poverty:  
Prioritization of Constraints Matrix**

<i>Constraint</i>	<i>Impact on goals</i>	<i>Time horizon</i>	<i>Pre-conditions</i>	<i>Complementarities</i>	<i>Evidence base</i>	<i>Political feasibility</i>
<b>Slow demographic transition</b>						
(i) Improved access to girls' education;  (ii) Enhanced access to a package of health services, especially for women and girls, and family planning;  (iii) Increased labor market opportunities for women.	Empowerment of girls and women through education, jobs, and access to family planning is likely to accelerate the demographic transition and contribute to more equally shared growth.	Impact would be over the medium term, as measures imply a change in culture and attitude that cannot be imminent.		Measures would help also in generally correcting gender imbalances	Strong	Strong government engagement; However cultural resistance may hinder progress, especially in the North
<b>High level of poverty and vulnerability</b>						
• Allocation of one percentage of GDP to a targeted social safety net	Would have strong impact on goals and build resiliency and human capital.	Impact would be immediate	Putting in place an institutional framework, including a registry and management	Strong complementarity with: -other basic social services, e.g.	Strong, based on analysis recently conducted	politically and technically feasible, yet increased fiscal pressure needs to be carefully monitored

<i>Constraint</i>	<i>Impact on goals</i>	<i>Time horizon</i>	<i>Pre-conditions</i>	<i>Complementarities</i>	<i>Evidence base</i>	<i>Political feasibility</i>
			information systems	health and education reforms; -labor market functioning -untargeted subsidies	the context of the social safety project	
<b>Low health outcomes</b>						
<ul style="list-style-type: none"> <li>Establishment of a National Insurance scheme</li> <li>Increase health spending in underserved areas, such as the North and the West; and rebalancing across health services</li> <li>Strengthening governance and accountability of health, including through establishment of a performance-based financing system</li> </ul>	<p>Enhanced access to health care across all segments of the population would have strong impact on inclusive growth</p> <p>Strong impact due to improved access to health care</p> <p>Stronger incentives for quality and quantity of services in context of performance-based financing system would improve geographical distribution of services.</p>	<p>Impact immediate</p> <p>Impact immediate</p> <p>Given that required institutions may need some time to be effective, impact may not be immediate</p>	<p>Institutional framework needs to be put in place to allow effective administration of new insurance scheme.</p>		<p>Strong</p> <p>Strong</p>	<p>Politically and technically feasible</p> <p>Strong political resistance due to vested interests in the health system and reluctance to change customary patterns of resource allocation</p>
<b>Low level of skills</b>	<ul style="list-style-type: none"> <li>Increase education spending in underserved areas to improve access and address quality issues certain segments of the population</li> <li>Improve quality of education, including through strengthened vocational training</li> <li>Align institutional framework so as to allow the educational system to respond to needs of the market.</li> </ul>	Strong impact on inclusive growth, as poverty and vulnerability are strongly associated with access to education	Impact is immediate, to the extent that the institutional framework is in place	Institutional framework needs to be put in place so expenditure can be effective.	Better skills will also benefit the growth of the self-employed and of micro-enterprises whose success has been linked better education.	<p>Strong</p> <p>Political resistance due to vested interests in the education system and reluctance to change customary patterns of resource allocation</p>

## 9. MAIN PATHWAYS OUT OF POVERTY: PRIORITIZATION

**9.1 This concluding chapter prioritizes actions needed to address the key constraints to poverty reduction in Côte d'Ivoire.** Addressing the cross-cutting issues of *land reform and improved governance, including a more effective public administration, fight against corruption, and better access to justice* will have the greatest impact. In addition, maintaining *macroeconomic stability* will require constant vigilance, given the strong expenditure pressures arising from the various initiatives and measures, especially in the immediate post-crisis environment. While maintaining macroeconomic, political and social stability are particularly urgent priorities in the aftermath of the crisis, land reform and governance are longer-term requirements as Côte d'Ivoire embarks upon a trajectory of sustained development.<sup>87</sup> Based on the matrices at the end of chapters 6-8, a set of priority actions under each of the pathways—agriculture, agro-business and manufacturing, and human development—has been identified as essential for Côte d'Ivoire to achieve its development goals.

**9.2 Box 9.1 defines the criteria that have been used to prioritize among binding constraints.**

### Box 9.1: Criteria for Prioritization

The following criteria were used in scoring the challenges as part of the prioritization exercise:

- *Impact on the goal of eliminating extreme poverty:* To what degree would resolving the constraint (or exploiting the opportunity) have a direct impact on eliminating extreme poverty?
- *Impact on the goal of delivering sustainable welfare improvements to the less well off:* To what degree would resolving the constraint (or exploiting the opportunity) have a direct impact on supporting sustainable incomes and livelihoods of the bottom 40 percent of the population? The emphasis here is on interventions that will support sustainable, job-creating growth.
- *Time horizon of impacts:* Over what timeframe will the impact be realized? While the focus of the CPF is a 5 to 7 year period, some of the priority issues will necessarily be longer term in nature. This is particularly true in Côte d'Ivoire, where many of the challenges are structural in nature and are focused on preparing the country for a more challenging environment in the medium-to-long term. The assessment, therefore, attempts to balance short and longer-term impacts.
- *Complementarities:* To what degree does the issue have influence across different domains (growth, inequality, sustainability) and/or would magnify the positive impact of addressing other constraints? As with the assessment of ‘pre-conditions’, all issues have some complementarity. Here, the assessment rated more highly those issues that had clear impacts across more than one pathway.
- *Evidence-base:* Based on the quality of the evidence, how confident are we in the identification of the issue as a priority? In many cases, the evidence base in Côte d'Ivoire – through statistics, strategies and reports – is relatively solid, despite the fact that data is often weak.
- *Adequacy of existing interventions:* The intention of the SCD is not to identify issues that have somehow been completely passed over by policymakers. This is unrealistic, and indeed it would be concerning if such issues were identified. In fact, all of the challenges identified here are being addressed in some form (with greater or lesser priority and effectiveness) by the Government of Côte d'Ivoire. This criterion aims to identify areas where significant additional public intervention is warranted.

<sup>87</sup> Governance and land reform were also priorities noted strongly in the SCD consultations.

### ***Prerequisite 1: Land reform***

**9.3 The insecurity of land tenure has been one of the root causes of conflict.** It also constrains investment in agricultural development, agro-business, manufacturing, and mining exploration. Further, land rights are an essential prerequisite for gender equity. Reform of the land tenure system will require simplification of the legal framework for land, reduction of the cost of land titling, and certification of the boundaries of all existing land claims, including customary claims—which is likely to be politically difficult and involve high costs to compensate customary land owners. Moreover, the Land Law itself may have to be revisited to ensure that it is implementable and internally consistent. Building administrative capacity is technically feasible and not subject to political dispute. Land reform needs to be pursued with priority and is expected to have immediate strong benefits, in terms of both sustainability of growth and the reconciliation process.

### ***Prerequisite 2: Governance***

**9.4 Côte d'Ivoire's weak governance framework undermines all aspects of policymaking,** including efforts to address resource misallocations and market distortions. Without strong leadership to ensure that reforms are effectively implemented, issues of poor service provision, youth unemployment, insecure land tenure, and access to justice—all of which exacerbate exclusion and social discontent—will continue to slow equitable growth and poverty reduction. Moreover, reforms of the public administration and the institutional framework will be critical to ensure that policies adopted at the highest level of government are effectively implemented, including in key areas of public administration (procurement, audit, tax administration) and the justice system. Improved access to justice is particularly important to reinforce social cohesion and strengthen the business environment. Improved governance also means improved delivery platforms, including a structured and sustained Public Private Sector Dialogue, to foster sustainable private sector-led growth and improve relations between the private sector and government. Moreover, with a view to enhancing evidence-based policy making, strengthened statistical capacity will be essential.

## **Main pathway I: Creating better jobs**

### **➤ *Increasing agricultural productivity***

**9.5 The main constraints to progress in the agriculture sector** are in the areas of: (a) **technologies and skills;** (b) **land and transport infrastructure;** and (c) the **incentive and taxation framework,** to provide higher returns and lower risk for producers.

- ***Technology and skills:*** Investment in R&D is crucial for long-term agricultural growth, particularly in view of the impact of climate change and phyto-sanitary challenges. In the shorter term, closing the skills gap through education and training will have an immediate impact on agricultural productivity and farmers' incomes, as well as productivity in the rural self-employment sector.
- ***Land and rural infrastructure:*** Reforms aimed at enhancing implementation of the Land Law—including a land information system and capacity building—are critically important to increase agricultural productivity, reduce trade transaction costs, and promote

investment in rural infrastructure. Given the vested interests, these reforms are politically difficult and will require firm political leadership. It will also be important to compensate customary land owners, which will require considerable fiscal resources.

- *Incentive and taxation framework:* Improving access to finance will be critical to empower smallholder farmers and enable them, in the short term, to increase agricultural productivity; and in the longer term, to invest in modernization and make calculated decisions for risky income flows. It will also be crucial to promote self-employment and microenterprises in rural areas, including in the services sector. This approach is not controversial from a political point of view and is feasible, given the availability of mobile technology and of micro-finance institutions. Moreover, greater access to finance for residents in rural areas will have positive spillover effects for the non-agricultural rural economy. Reducing taxation on export crops and increasing farm-gate prices are among the most effective means of increasing farmers' incomes and incentivizing increased productivity and investment. The recent increase in cocoa farm-gate prices has already had an immediate poverty reducing impact.

➤ **Promoting agro-business and non-agrobusiness**

**9.6 Côte d'Ivoire's considerable potential in the areas of agro-business and manufacturing is one of its main pathways out of poverty.** Exploiting these opportunities will require detailed analysis at the value chain level. Mining also has considerable potential, but the current regulatory regime is a constraint to investment in exploration to assess the country's mining potential.

**9.7 The most important constraints to the development of agro-business and manufacturing industries** are transport logistics, access to industrial land, electricity supply, and the cost and quality of labor. In addition, access to finance will be essential, as will a tax policy and administration conducive to private sector activity.

- **Logistics.** In terms of short-term impact, reducing the exorbitant costs of importation and exportation and truck transport within Abidjan is likely the highest priority and should have considerable complementary benefits for the development of the informal urban sector. In addition, the reform of the entire corridor from the port to the final destination, including customs, railway and port procedures, will be necessary to reduce transport costs. While technically feasible, the reform is likely to face significant political resistance.
- **Access to industrial land.** Similarly, improved access to industrial land is an imperative to facilitate growth in manufacturing enterprises and therefore the necessary structural transformation in the short term. Its implementation will require considerable financial resources to compensate land owners, but needs to be pursued with priority.
- **Access to electricity.** Improved access to electricity is of a lesser priority in terms of the growth of the manufacturing sector. The supply of electricity is reliable at a comparatively low cost in the main industrial centers. However, for the development of industries outside these centers, and for the growth of a broad-based SME sector, more reliable access to electricity will be critical.

- **Government-business relations.** Private sector investors operating in Côte d'Ivoire face a challenging institutional and regulatory environment, as reflected in the Global Competitiveness Index and the Doing Business reports for recent years. This environment affects in particular SMEs, and addressing this constraint will be important to enable SMEs to be a driver of growth.
- **Access to finance.** Improved access to finance is a critical constraint to the growth of SMEs and micro-enterprises in both urban and rural areas, and can have immediate benefits for poverty reduction by helping absorb the growing unemployed and underemployed labor force. While these SMEs and micro-enterprises may not have the capacity to drive the process of structural transformation, they could play a crucial role in unleashing economic potential in the areas of agriculture, services (including retail and wholesale, and tourism), and manufacturing (both within and outside the existing centers of economic activity), and hence contribute to sustainable and inclusive growth. Reform of the financial sector is thus of high urgency. While politically feasible, the technical capacity to design and implement reform is lacking and in need of support.
- **Labor costs.** Labor costs in Côte d'Ivoire are relatively high, and capacity is low, with the notable exception of a well-qualified managerial class. Making the wage regime more flexible is hence a priority to addressing high levels of unemployment and underemployment, and creating formal sector jobs. Introducing such measures may, however, be politically difficult. Moreover, while high wage levels are a constraint for the non-agrobusiness sector, it is less evident that they represent an obstacle to the development of the agro-business sector, given that available evidence points to the ability of such enterprises to compensate for high wage costs through the availability of abundant inputs.
- **Labor qualifications.** Lack of technical skills represents a major impediment to the development of a number of value chains, such as the transformation of rubber and cashew nuts. More generally, the absence of appropriate vocational training is a major factor hindering the effective integration of youth. Skills training needs to be addressed with urgency, and is politically feasible, but its effective implementation will require technical support. SMEs suffer the most from the skills and capacity shortage, which hampers their ability to interact adequately with, and project confidence to, financial intermediaries, ultimately restricting their ability to secure funding from traditional lenders.

## Main pathway II: Building human capital

**9.8 The central objective under this pillar is to build and replenish human capital.** A critical prerequisite to achieving this objective is to accelerate the demographic transition. Continued high fertility, together with improvements in infant and child mortality, have resulted in high population growth and put pressure on social infrastructure, including health and education, to an extent that improvements in the quality of this infrastructure are being outpaced by the increase in demand.

**9.9 Interventions that would have the greatest impact on building human capital include**  
 (a) improved access to girls' education; (b) enhanced access to a package of health services, especially for women and girls, and family planning; and (c) increased labor market opportunities

for women. Available evidence demonstrates that all of these interventions would have a direct and positive impact on the demographic transition and have a considerable positive complementary impact in terms of poverty reduction.

**9.10 The establishment of a social protection system has proven effective in reducing vulnerability in many countries.** Allocation of about one percent of GDP for a targeted safety net system is expected to have a direct and immediate impact on extreme poverty and shared prosperity in Côte d'Ivoire, while also building resilience and future human capital. Attaining this result will, however, be contingent upon putting in place the requisite foundations of an efficient national social protection system, such as a registry, as well as a management information system. Establishment of such instruments will have also positive complementary effects for other social services to the poor. Given tight constraints on the budget from the wage bill and large infrastructure projects, such a social safety net would, however, exacerbate budgetary pressures.

**9.11 Improving access to and quality of health care will require considerable changes in resource allocation in this key sector, as well as institutional reforms to effectively implement these changes.** With a view to addressing health access issues for the poor, the establishment of a National Insurance Scheme will be a key priority. Furthermore, strengthening governance and accountability of the health system (from the central level to the level of regional directorates) will be essential, and could be supported by a performance-based financing system, hence providing incentives for increased quality and quantity of services. These measures would also go a long way towards rebalancing expenditure in a way that would reduce geographical disparities in service delivery.

**9.12 Of particular importance in helping to improve the quality of health care is better access to drinking water.** Enhanced investment in infrastructure and a better regulatory framework will be essential to improve the availability of drinkable water, and priority will have to be given to underserviced areas, such as in the North.

**9.13 Improving access to and quality of education will also require considerable changes in allocation of expenditure.<sup>88</sup>** Improving access will require interventions on both the supply side (accessible schools with gender-friendly basic amenities) and the demand side (promoting education for girls). As in the area of health, of greatest importance is that the geographical allocation of expenditure on education will have to be rebalanced to address disparities.

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<sup>88</sup> Education was also mentioned as an important priority in the SCD consultations.

➤ KNOWLEDGE GAPS, IMPLICATIONS, AND PROPOSED ANALYTICAL WORK AGENDA

**9.14 Knowledge and data gaps have imposed limitations on some of parts of the analysis in this SCD.** A number of knowledge gaps have been identified in various areas. The following list is by no means exhaustive, but points to critical areas for future analytical work.

**9.15 Data constraints have limited the poverty analysis in this SCD.** In particular, it has not been possible to reliably assess how poverty has changed in Côte d'Ivoire since the 2008 LSMS was conducted. The ongoing Household Living Standard Survey for 2015 is expected to provide a comprehensive assessment of poverty along multiple dimensions. The results of the survey will need to be complemented by targeted studies to understand better the local context of the social, political, and economic issues in areas particularly affected by poverty and fragility, such as the West and the North.

**9.16 In addition, it has not been possible in some cases to fully understand the scale of the risks to development emanating from climate change.** The analysis presented in this report is tentative and will need to be buttressed by more substantive and detailed work.

**9.17 In the area of constraints to inclusive growth, there is a need for deeper understanding of the potential for effective decentralization to contribute to better service delivery and policy implementation at the local level.** At this point in time, Côte d'Ivoire is significantly centralized, with local governments in charge of only a limited number of functions. Yet, local governments are requesting additional responsibilities, especially in the area of service delivery, along with a commensurately higher share of revenue. Additional work will be necessary to ascertain the potential for effective decentralization and appropriate modalities to accomplish such an objective in Côte d'Ivoire.

**9.18 In the context of the discussion of drivers of fragility and consultations for this Systematic Country Diagnostic, lack of access to justice has been identified as one of the most important constraints affecting social stability.** Additional work will be required to identify with greater certainty how access to justice could be enhanced in the specific conditions of Côte d'Ivoire, especially in vulnerable areas of the country.

**9.19 In the area of growth strategy, the SCD has highlighted Côte d'Ivoire's considerable potential in the area of agro-business, including in the regional and global markets.** The extent to which Côte d'Ivoire could become competitive in labor-intensive industries outside the agro-business sector, such as consumer electronics, plastics, cosmetics and textiles, notwithstanding relatively high wages, remains to be ascertained and may require further research at the value chain level. Research is needed, in particular, on the nature of the skills mismatch that impedes growth in certain value chains, and options for increasing greater wage flexibility. Furthermore, the growth potential of livestock remains to be further ascertained, and could possibly be the foundation for a growth pole in the North. Mining also has considerable potential; however, there is not enough specific knowledge about the location of mineral resources. The scope for addressing these constraints will have to be assessed in the context of a review of options for Côte d'Ivoire to expand fiscal space, including through reform of taxation and subsidies.

## **Concluding remarks**

**9.20 Within the context of Africa's post-independence history, Côte d'Ivoire occupies a unique place:** when most African countries experienced a marked decline in economic performance, Côte d'Ivoire reached high growth and accomplished sustained poverty reduction. Yet, when in the early 1990s many African countries began to shift course and to substantially improve their growth performance, Côte d'Ivoire began a decades-long decline.

**9.21 In what way does this SCD amount to an endorsement of the growth model successfully followed by Côte d'Ivoire during the first three decades after independence?** The diagnostic indeed corroborates many elements of this successful growth strategy, notably (a) a regionally balanced allocation of infrastructure, and social spending supported by growth poles; (b) a focus on agriculture and agro-business, with the aim of increasing productivity and fostering diversification; and (c) a strong emphasis on education and health spending as a foundation for inclusive and sustainable growth.

**9.22 Yet in a number of ways, this SCD recommends to going beyond the post-independence growth model:**

- In the area of governance, Côte d'Ivoire, even during its most prosperous period, lagged behind other middle-income countries, especially in the areas of justice and rule of law. Shortcomings in these areas may have laid the ground for the country's continuous decline following the death of Preisident Houpet-Boigny.
- In the area of land rights, progress towards sustainable and inclusive growth depends on addressing legal uncertainties and simplifying the process to obtain legally secure land titles.
- In the area of diversification, there is a need to focus on constraints that may impede growth in industries in which Côte d'Ivoire has a latent comparative advantage. Such constraints include the relatively high cost of labor, which could be addressed through specific measures to introduce wage flexibility.
- Finally, the protection of the environment, especially of forest and water resources, needs greater attention than had been necessary in the decades following independence.

**9.23 These differences from the previous growth model are important and will be pivotal to ensuring that the country's recovery from the crisis and the resumption of a successful growth path will be durable over the long term.**

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