OECD Development Pathways

Multi-dimensional Review of Côte d'Ivoire

VOLUME 3. FROM ANALYSIS TO ACTION

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Foreword

Volume 3 of the Multi-dimensional Review of Côte d'Ivoire *is the third phase of the study, which began in September 2014. The OECD Development Centre worked closely with Côte d'Ivoire authorities during this phase. A multi-disciplinary team of experts from the Multi-dimensional Country Reviews (MDCR) Unit, as well as an infrastructure expert, worked in close partnership with the office of the Côte d'Ivoire prime minister to produce the report. The experts were actively supported by an Ivorian liaison team that helped organise the 21-30 September 2015 mission and provided access to many of the local documents and data cited in the report. A group of top Ivorian experts was also in Paris between 12 and 19 November 2015 to work with the OECD experts.*

MDCRs are a new tool at the OECD Development Centre aimed at helping countries achieve inclusive growth. They identify and analyse major constraints to a country's development and make practical policy recommendations. The reviews take a cross-sector rather than sectoral approach so as to consider the multi-dimensional nature of economic policies and their interaction. The first volume of a country review describes the economy and highlights the main obstacles to development. Volume 2 conducts an in-depth analysis of these constraints and makes policy recommendations. Volume 3 proposes concrete application of the recommendations.

Côte d'Ivoire is the first African country to have undertaken an MDCR. The first phase was done between September 2014 and March 2015 and resulted in the Multi-dimensional Review of Côte d'Ivoire – Volume 1, Initial Assessment (only available in French). *It identified structural transformation and the competitiveness of the Ivorian economy, infrastructure, development funding by the financial sector and government taxes, and education and skills as the main obstacles. Policy recommendations were formulated for each of these obstacles during the second phase, from March to September 2015. These were drafted taking account of the multi-dimensional and cross-sector links that can hamper development, and of Côte d'Ivoire's goal of becoming an "emergent economy" by 2020. The third phase presents an action plan, structured for each constraint, a scorecard for monitoring reforms, and suggestions for implementation.*

Acknowledgements

The *Multi-dimensional Review of Côte d'Ivoire* is the product of a joint effort between teams from the OECD and the Ivorian government, especially the prime minister's office.

It was produced by a team at the OECD Development Centre led by Jan Rielënder, head of the Multi-dimensional Reviews Unit, and overseen by the Centre's director, Mario Pezzini, and its head of research, Carl J. Dahlman.

The report was co-ordinated by Alexa Tiemann, and put together by Tim Bulman, Céline Colin, Juan Garin and Alexa Tiemann. Bert Brys, Deirdre May Culley, Adrien Lorenceau, Adam Ostry, Sarah Perret, Annalisa Primi and Bakary Traoré also made valuable contributions. Vital support was provided by Myriam Andrieux, translations by Catherine Nallet-Lugaz and Mathilde Domenget and editing by Isabelle Delpech. The Development Centre publications team, notably Delphine Grandrieux and Vanda Legrandgérard, supervised production.

The Centre would especially like to thank the Prime Minister of Côte d'Ivoire, Daniel Kablan Duncan, under whose auspices the report was produced, for his shrewd guidance at each stage.

Valuable contributions and comments were received from very many Ivorian government officials, from the private sector, universities, civil society and OECD experts, as well as Bethany Aquilina Brez, Bradley Cunningham, Carolyn Perrin, and David Weld of the Millennium Challenge Corporation. The report team also thanks the participants from workshops held in Abidjan on 23 and 25 September 2015 for fruitful discussions and useful comments.

The report was produced under the leadership, and with the unfailing support of Minister Théophile N'Doli Ahoua, head of the prime minister's office and head of the report's technical monitoring committee. It also received strong support from Prosper Akpa and Alexandre Acka, advisers to the prime minister, from Prof. Lambert N'Galadjo Bamba, special adviser to the minister attached to the prime minister's office with responsibility for the economy and finance, all members of the Ivorian liaison team, and the Ivorian Ambassador to Paris, Charles Gomis. We also thank the delegation led by Minister Ahoua comprising Tikoura Kone, advisor to the president; Adama Coulibaly, head of the office of the minister attached to the prime minister's office with responsibility for the economy and finance; Karim Traore, head of the office of the minister attached to the prime minister's office with responsibility for the budget; Alexandre Acka, co-ordinator of the report's technical secretariat; Prosper Akpa, head of department at the prime minister's office; Lanciné Diaby, director-general of planning and the fight against poverty at the ministry of state in the planning and development ministry; Zié Ballo, senior researcher at the economic policy analysis unit of CIRES (CAPEC); Issa Fadiga, special adviser to the executive secretary of the financial sector development programme; Lakoun Ouattara, director-general of the Côte d'Ivoire general business confederation (CGECI); Karine Kouassi Lou Kouacou, head of CGECI's economy and finance department; and Josther Kouakou, acting director of the economic and

financial studies department at the national office of technical and development studies (BNETD), for their valuable contributions and comments during the meetings in Paris from 12 to 19 November 2015.

The office of the prime minister, government ministries, agencies, international organisations and various firms gave special support to produce the report. They include the ministry of state at the planning and development ministry; the ministry of state at the ministry of labour, social affairs and vocational training; the ministry attached to the prime minister's office with responsibility for the economy and finance; the ministry attached to the prime minister's office with responsibility for the budget; the ministry of agriculture; the ministry of oil and energy; the ministry of economic infrastructure; the ministry for the civil service and administrative reform; the ministry of trade; the ministry of education and technical instruction; the ministry of industry and mining; the ministry of ICT and posts; the professional association of banks and financial institutions (APBEF); the economic policy analysis unit of CIRES (CAPEC); the Côte d'Ivoire general confederation of businesses (CGECI); the state auditing board at the supreme court; the PPP national committee; the financial sector development committee (CODESFI); the Abidjan commercial court; the national directorate of the Central Bank of West African States (BCEAO/CBWAS); the national authority for good governance; the autonomous port of Abidjan; the Côte d'Ivoire association of customers of banks and financial institutions; the African Development Bank (AfDB); the French Development Agency (AFD); the European Union delegation; and various private firms and banks.

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Abbreviations and acronyms

2QC	Quality Quantity and Growth Programme
AfDB	African Development Bank
AGEDI	Agency for the Management and Development of Industrial Zones
AMC	Authorized Management Centre
Anader	National Agency for Support of Rural Development
APEX-CI	Association for the Promotion of Exports of the Côte d'Ivoire
BCEAO	Central Bank of West African States (CBWAS)
BNETD	National Bureau for Technical Studies and Development
BSTP-CI	Exchange for subcontracting and partnerships of Côte d'Ivoire
BTP	Construction and Public Works
CCESP	Consultation Committee of the State/Private Sector
CCLVC	Commission for Competition and the Fight against High Cost of Living
CDC	Deposits and Consignments Fund
Cepici	Investment Promotion Centre in Côte d'Ivoire
CET	Common External Tariff
CFA	CFA Franc
CIE	Ivorian Electricity Company
CVGFR	Village Committees for Rural Land Management
DCC	Competition Directorate
DCCLV	Directorate of Competition Consumption and the Fight against High Cost of Living
DGD	General Customs Directorate
DGI	General Tax Directorate
DMP	Public Procurement Directorate
DRA	Regional Directorates of Agriculture
DUS	Single Exit Tax
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
EU	European Union
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FISME	Ivorian Federation for Small and Medium-Sized Enterprises

FODI	Industrial Infrastructure Development Fund
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GIFF	Growth Identification and Facilitation Framework
GUDEF	Single Repository for the Deposit of Financial Statements
ICB	Industrial and Commercial Benefits
ICT	Information and Communications Technology
IMF	International Monetary Fund
LNG	Liquefied Natural Gas
M&E	Monitoring and Evaluation
MDCR	Multi-dimensional Country Review
MENET	Ministry of Education and Technical Instruction
MFPRA	Ministry of Public Service and Administrative Reform
MTBF	Medium-Term Budget Framework
NAIP	National Agricultural Investment Plan
NDP	National Development Plan
NICT	New Information and Communications Technology
OECD	Organisation for Economic Co-operation and Development
Ohada	Organisation for the Harmonisation of Business Law in Africa
PAA	Autonomous Port of Abidjan
PDSFI	Financial Sector Development Programme
PIP	Public Investment Programme
PPP	Public-Private Partnerships
PPP	Purchasing Power Parity
RCCM	Trade and Personal Property Credit Register
RMF	Road Maintenance Fund
SME	Small and Medium-Sized Enterprise
SMIG	Interprofessional Guaranteed Minimum Wage
TVET	Technical and Vocational Education and Training
UT	Unique Tax
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union

Executive summary

Côte d'Ivoire's past shows that economic growth has not been sufficiently sustainable to allow the country to achieve emergence: that is to say, progress towards the status of an emerging economy or market. The sustained growth of the 1960-80 period, the Ivorian "miracle", was followed by a period of long decline. Per capita gross domestic product (GDP) doubled between independence in 1960 and the end of the 1970s. But 15 years later, into the mid-1990s, it receded to its 1960 level and stagnated there until the recent revival.

Growth has been sustained since the end of the 2011 crisis, but the population's well-being has not greatly improved. Despite substantial economic growth since 2011, per capita income has only risen slightly in recent years, uncertainty surrounds employment prospects and housing conditions remain archaic. Security has recently improved, but the standard of living is still precarious, held back by, among other things, poor education and healthcare and low civic participation.

To achieve emergence by 2020 – as it aims to do – Côte d'Ivoire needs structural transformation and needs to make growth inclusive. Sustainable economic growth requires more diverse structures, based on promising sectors and the creation of more jobs. But growth alone will not suffice. Its benefits must be shared more evenly among the population to raise living standards and material conditions. It must be made inclusive enough to increase overall well-being.

The *Multi-dimensional Review of Côte d'Ivoire* aims to support the elaboration of a development strategy for Côte d'Ivoire's emergence by 2020. Achieving sustained and inclusive growth calls for an ambitious national development vision. The Multi-dimensional Country Review (*Multi-dimensional Review of Côte d'Ivoire*) backed the idea of defining a vision for emergence, the characteristics of which served to guide the review's quantitative analysis and full assessment of development obstacles. This work was the basis of an in-depth analysis of the main development constraints which, once removed, should significantly accelerate the country's development.

Government efforts must focus on removing the main development obstacles in order to create a solid base underlying the competitiveness of the economy. Sustainable development, inclusive growth and structural transformation of the economy require several things. These include:

- efficient agriculture and high-potential agro-industrial sectors which drive growth
- a diversified industrial sector creating jobs and with a good production infrastructure
- mineral resources that contribute to economic growth
- a service sector in harmony with the modernisation of the economy
- small and medium-sized enterprises (SMEs) forming a dynamic basis of the economy

- creation of added value through innovation
- an encouraging investment climate for the private sector
- established quality standards
- robust competition
- easier trading conditions
- good use of the potential of land
- economic development spread over the entire country

To improve and develop nationwide infrastructure Côte d'Ivoire needs:

- access to key infrastructure for emergence made easier for the whole population
- competitive infrastructure
- financially sustainable infrastructure.

Côte d'Ivoire must also encourage funding of the private sector, growth of SMEs and boost financial inclusion. This requires:

- lower and better-evaluated credit risk
- a more effective system of guarantees
- increased national savings with longer maturity
- better financial inclusion through new and simpler use of banks
- greater public confidence in the banking system
- alternative funding sources to banks

Improving education and providing skilled workers who meet labour market requirements:

- better primary and lower secondary education results, in terms both of attendance and the acquisition of skills
- technical training that supplies the workforce with the skills needed for economic transformation
- bridging child education shortfalls with adult education.

In conclusion, the country needs a tax system that reduces distortions and generates more revenue to fund growing national needs. This means:

- an effective tax administration
- broader and simpler taxation
- a more efficient tax system.

Good implementation and monitoring and evaluation of reforms are vital if Côte d'Ivoire is to achieve the status of emergent economy/country. A well-designed development strategy must allow the monitoring and assessment of the effectiveness of government policy and allow political decision-makers regularly to re-evaluate and readjust reforms so they can be best applied. The MDCR highlights the risks of applying these measures that could make them less effective. It also proposes a scorecard to follow the progress made and to be used as a basis for assessing the changes needed for achieving emergence by 2020.

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Chapter 1

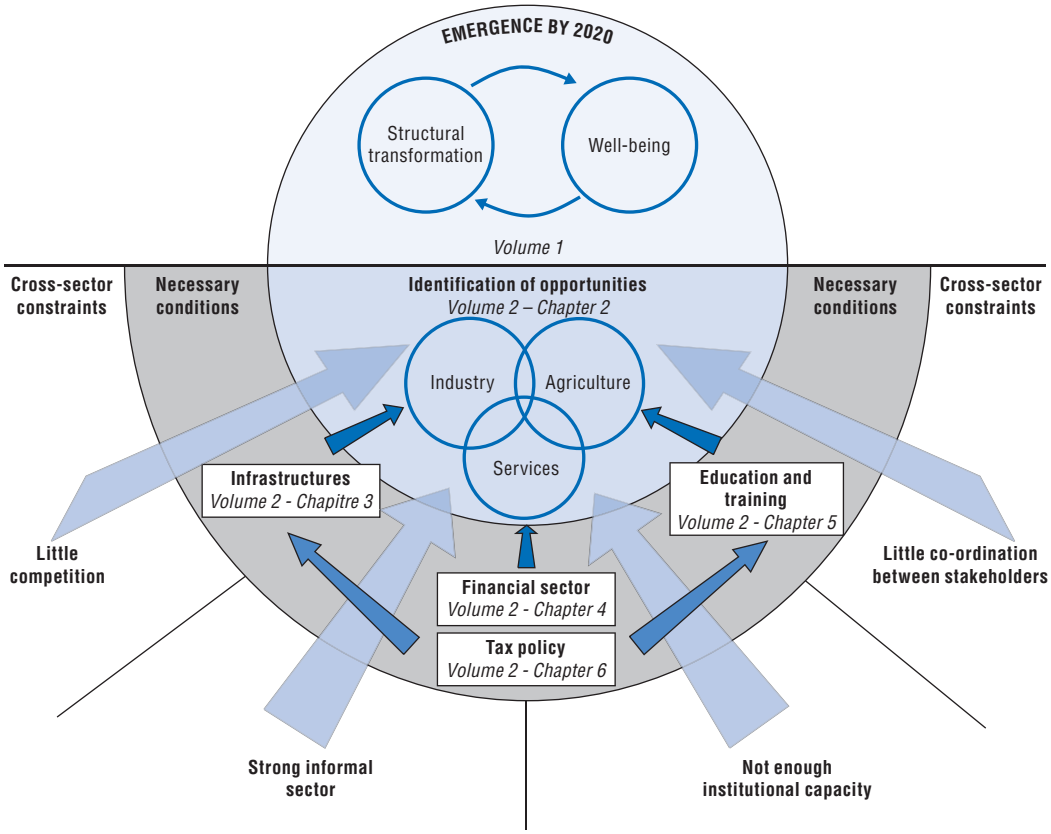
Opportunities and challenges for emergence

This chapter brings together findings from the three volumes of the Multi-dimensional Review of Côte d'Ivoire. *It describes Côte d'Ivoire's objective of reaching the status of emergent economy/country by 2020, which requires ambitious targets, avoidance of past errors, and the laying of solid development foundations. No universally agreed definition of emergence exists but there is a general agreement that it applies to what used to be called developing countries that have achieved some industrial capacity and are on the path to becoming industrialised nations. Economic development will rely on a balanced economic model for inclusive and sustainable growth relying on structural transformation that creates jobs and extra added value. Enhanced regional co-operation and integration will play a key part in making good use of opportunities in all sectors. Emergence also requires effective and sustainable infrastructure and better access to financing. The workforce will need to be take advantage of high-quality education and suitable skills. A tax policy well adapted to funding public goods and services will also be essential.*

The general aim of the Multi-dimensional Country Review (MDCR) is to support efforts to produce a development strategy to achieve emergence by 2020. The complexity of designing such a strategy involves identifying the major obstacles to inclusive and sustainable growth and the well-being of the population, tackling them systematically and setting priorities. In-depth analysis of the Ivorian economy, institutions and society must be accompanied by comparison and assessment of the best practice in economic and social policies.

This is the third volume of the Côte d'Ivoire MDCR. Figure 1.1 shows the areas covered in the review, which is organised into three phases (hence three reports). Based on methodology described in Appendix 1.A1, the first report assesses the economy, the challenges and opportunities the country faces and the chief constraints on its development (Phase I). It focuses on what is needed to achieve emergence – structural transformation and the well-being of the population.

Figure 1.1. **Multi-dimensional country review to help Côte d'Ivoire to achieve emergence by 2020**



Source: Authors.

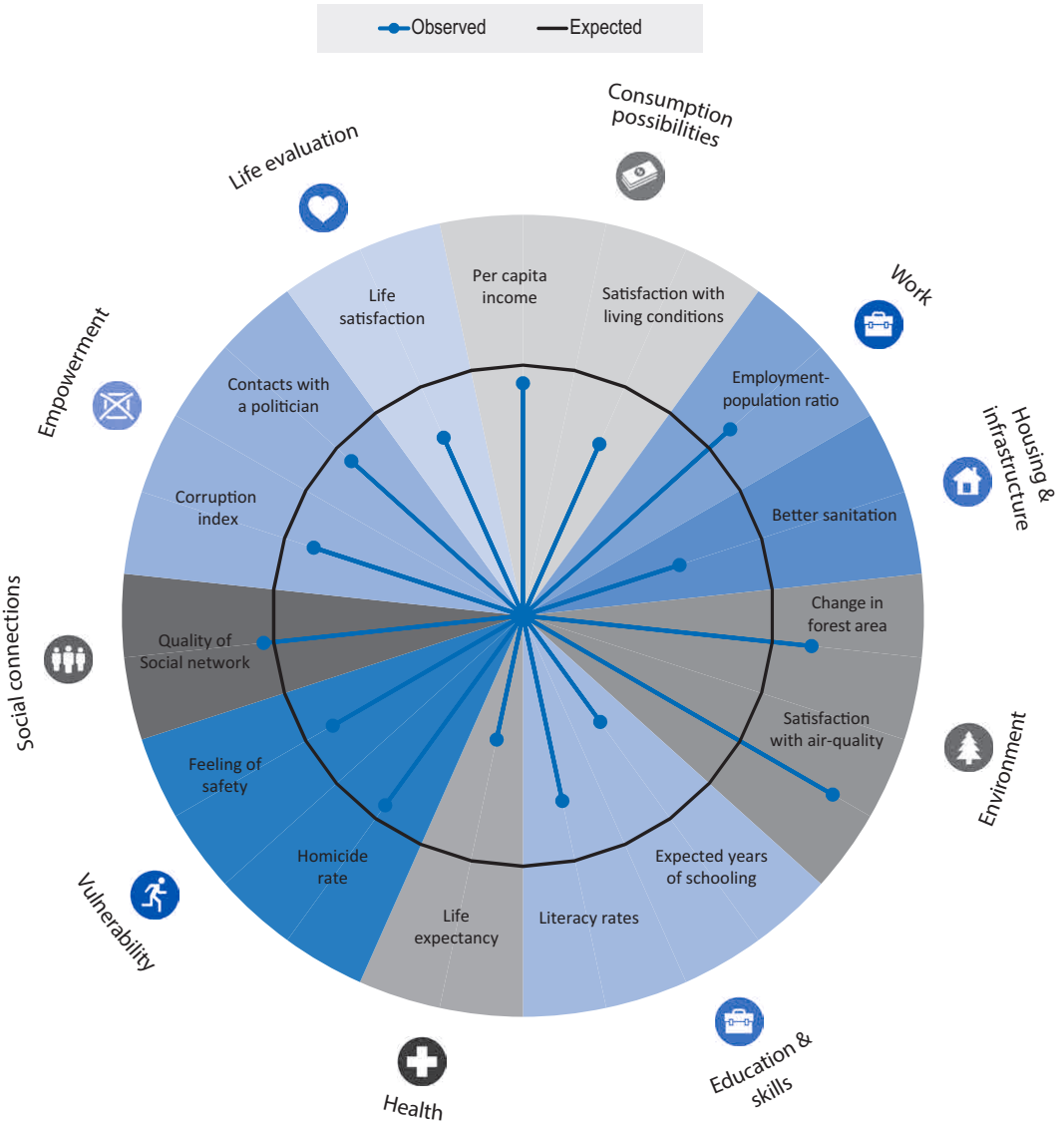
The second report is a detailed analysis of the constraints identified in the first report, their economic impact and cross-sectoral nature. It offers policy guidelines for the national development strategy and highlights many opportunities for diversifying agriculture, industry and services (Phase II). The review's third report backs government efforts to carry out the recommendations and its development strategy, proposing detailed action plans, a scorecard and a strategy to introduce the reforms (Phase III).

Côte d'Ivoire's development goal is to achieve emergence by 2020

Past economic growth has not been sufficiently sustainable for the country to achieve emergence. Robust growth during the "Ivorian miracle" years (1960-70) was followed by a long period of economic decline. Per capita gross domestic product (GDP) doubled between independence in 1960 and the end of the 1970s. But 15 years later, in the mid-1990s, it receded to its 1960 level and it stagnated at this level until the recent revival. Economic growth has resumed since 2011, but has not translated into an increase in people's well-being. The economy bounced back following the end of the conflict; from a 4.4% contraction of GDP in 2011 to an annual growth of about 10%, comparable to the post-independence days. This has helped to restore much-needed confidence in the economy and in Ivorian businesses. But strong economic growth has not translated into a rise in public well-being. Public satisfaction with living conditions diminished considerably in the post-election crisis period, and has profoundly affected the quality of life for Ivorians. Côte d'Ivoire's level of life satisfaction consequently remains weak (Figure 1.2). The Ivorian authorities have demonstrated the political will to revive growth, this time of a more equitable and sustainable nature, and are aiming for emergence by 2020.

Achieving emergence by 2020 requires the setting of ambitious targets, avoidance of past mistakes and the laying of solid development foundations. The country's history shows that periods of prosperity alone will neither guarantee long-lasting inclusive growth nor support the emergence process. Côte d'Ivoire's initial economic successes were fragile because they lacked a number of components: *i)* an economic structure that could withstand fluctuations in the global economy; *ii)* a social infrastructure that can deliver the necessary improvements in education and healthcare for a rapidly growing population; and *iii)* sufficient capacity at the local level to identify and then respond strategically to challenges. Hence the need for a broader and more ambitious plan of laying solid foundations which combine transformation of the economy with effective civil and social institutions, to ensure that development is resilient and sustainable.

Figure 1.2. **Côte d'Ivoire has performed only modestly in raising well-being**



Note: The methodology used to assess well-being is explained in Appendix 1.A2.
Source: Authors' calculations based on: Gallup Organisation (2013), *http://www.gallup.com* ; Transparency International (2013), *https://www.transparency.org/cpi2013* ; UNDP (2013), *http://hdr.undp.org/fr/content/indice-de-développement-humain-idh* ; UNESCO (2014), *www.education-inequalities.org/* ; WHO (2014), *http://apps.who.int/gho/data/view.main* ; World Bank, *http://data.worldbank.org/products/wdi*.

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A vision which is shared by all, adapted to Ivorian conditions, and which draws together the authorities' efforts will be vital if Côte d'Ivoire is to achieve emergence by 2020

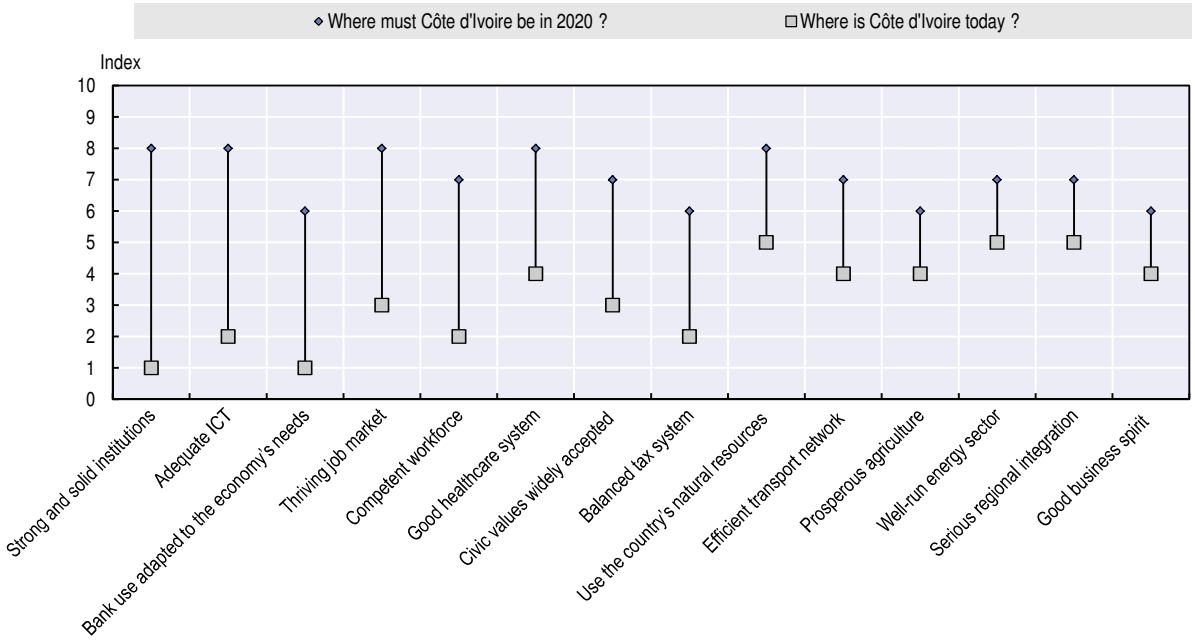
For Côte d'Ivoire to realise its ambition of becoming an emergent country by 2020, a clear vision and a coherent strategy will be needed. And emergence goes well beyond the ambition of revisiting old growth models: it requires a fundamental rethink of the country's development trajectory. There has to be a more overarching and holistic approach to development, one that reflects local preferences and priorities. Côte d'Ivoire therefore needs to adopt a multi-dimensional approach that tackles obstacles to development. Emergence

by 2020 relies on a vision which combines two essential components: improving people's well-being and boosting economic development; and laying solid economic, institutional and social foundations to remedy past weaknesses and ensure lasting progress.

The *Multi-dimensional Review of Côte d'Ivoire* contributes to the working out of a specifically Ivorian definition of emergence. The meaning of emergence is subjective and it can be seen from a number of angles. It was thus important to make possible a considered common consideration of the Ivorian definition of emergence and what emergence means in the context of Côte d'Ivoire. The first foresight workshop on the subject was held in Abidjan (in September 2014) and sought to capture Ivoirians' perceptions of the different dimensions that constitute emergence, to determine the direction that quantitative analysis should take. A second workshop (March 2015) then aimed to assess the progress needed for Côte d'Ivoire to realise emergence by 2020 (Figure 1.3). This exercise demonstrated that that emergence was not understood by Ivoirians to be an end in itself but a transitional stage in the country's further development.

Figure 1.3. **Emergence means...**

Key aspects and scores during the March 2015 workshop



Source: Based on strategic futures workshops.

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National development is guided by different aspects of emergence. Some of them relate to the structure of the Ivorian economy (banking adapted to the economy's needs, dynamic job creation, exploitation of natural resources, an efficient agricultural sector, advanced regional integration and entrepreneurial spirit). Others relate to the well-being of the population: such as strong institutions, new information communications technology (NICT), a skilled workforce, an efficient healthcare system, widespread civic values and attitudes, balanced taxation, and good transport and energy networks.

Structural transformation and people's well-being appear as the two main pillars of emergence, which support and reinforce each other in a dynamic process. Structural transformation will need to drive the creation of new jobs and increased added value

through the booming sectors. These new jobs will increase people's incomes. Emergence will thus gradually be matched by the rise of a middle class with specific demands on the private sector (in the form of consumer goods), on the government (education, healthcare and infrastructure) and on the financial sector (housing and consumer goods loans, special savings products). This new middle class, with its high consumption patterns, will in turn become one of the country's principal engines of growth. In parallel, improved citizen well-being, which includes better education and skills and healthcare, will underpin structural transformation. For example, a better trained workforce will enable the country to seize new economic opportunities.

Structural transformation of the Ivorian economy, including new opportunities for diversification, will make it possible to change the economic model

Structural transformation needs to be based on recasting the development model and to aim at achieving new economic opportunities. The current model does not allow sustainable development and creates risks of dependence and vulnerability, so the country must diversify its economy through new opportunities based on comparative advantages. The private sector is fundamental to successful structural transformation and the government must create conditions so it can be actively and substantially involved.

The economic model is not balanced enough to produce lasting and inclusive growth

Solid growth will have to involve a more balanced division between key elements of public and private investment. Government efforts in capital investment must continue but private investment must increase. Restoring business confidence must continue with more economic opportunities, encouraging private firms to reinvest in means of production abandoned during the crisis years, and building a financial climate to provide more credit for small and medium-sized enterprises (SMEs).

Revival of investment should create more jobs. More firms pumped more money into the private sector (domestic as well as foreign direct investment) between 2013 and 2014 and this was expected to continue in 2015. But employment is stagnant and far fewer jobs were created in 2014 than in 2013 (Figure 1.4). New investment must be directed towards sectors most likely to create more jobs.

Structural transformation must be based on opportunities to diversify which create jobs and more added value

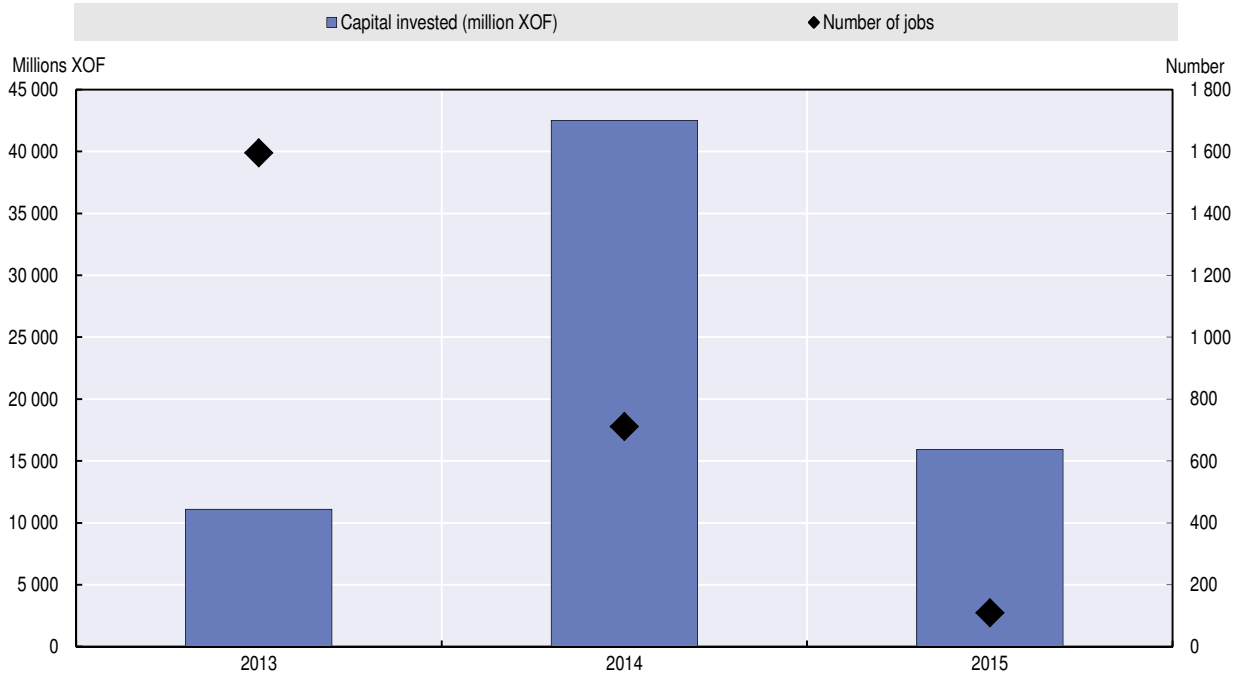
The Ivorian economy is quite diversified but still has plenty of room for more structural transformation. Industry (21%) and services (57%) are important elements (according to 2014 World Bank data) but most people still work in agriculture (33% of the workforce, excluding informal subsistence food farming), a sector not growing very fast. The secondary sector is predominantly based on activities with modest added value (such as extracting natural resources) with few formal jobs created. Services involve small-scale, often informal, activities offering few growth prospects. So productivity could be significantly boosted by channelling labour to industry and services that are productive than agriculture.

Structural transformation should combine greater productivity with more jobs in all three economic sectors and should aim for sustained higher productivity to raise incomes, as well as more jobs to make growth more inclusive. This will involve better quality products, especially in agriculture, industry that creates more jobs and added value, such as more

sophisticated products, and better use of the potential of services by making them more formal and professional. This requires faster modernisation and greater agricultural productivity, as well as priority being given to higher productivity and more competition in industries and services.

Figure 1.4. **Stimulating investment contributes little to job creation**

Jobs created and capital invested 2013-15



Notes: 2015 data are until the end of April; XOF = CFA franc.

Source: Cepici (2015).

StatLink http://dx.doi.org/10.1787/888933381061

The potential of agriculture and agro-industry is insufficiently exploited

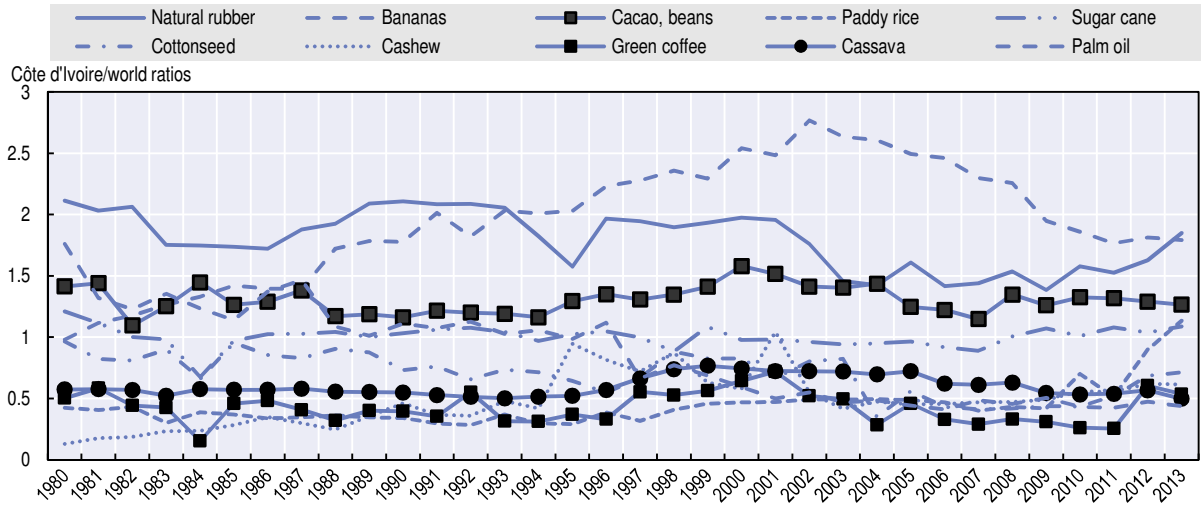
Côte d'Ivoire produces several much sought-after agro-industrial items that can stimulate new activity but have become less competitive and need to be paid more attention. Farm production by value is still overwhelmingly dominated by cocoa, which has always been the backbone of the economy. Current policy does not take full advantage of the productive capacity of agriculture and agro-industry which, if diversified, would be more competitive. In spite of higher agricultural yields, some key products are in trouble and their competitive advantage over other countries has fallen (Figure 1.5). Volume 2 of the MDCR (OECD, 2016) lists them.

To get the best out of the agri-food sector, processing capacity must match production levels. Some capacity (such as for palm oil) is idle, so the strategic reforms need to increase output through better access to high-quality inputs (seeds and fertiliser) and improve the skills of workers. Many sectors (rice, cashew nuts, cotton and cassava) could also modernise their processing equipment which would require new machinery.

Agro-food has an impact on several other activities that could be developed to boost added value and create jobs through their involvement in the agro-food chain. Many local agricultural sectors could expand their processing of products and beverages to the great

benefit of other sectors, such as agricultural services, storage, packaging, logistical services, collection and marketing, services that many products lack. National producers have poor storage facilities for perishable items such as cassava. Small-scale processors have little storage capacity and marketing is unsophisticated, when its improvement would take products into regional and global value chains. The "Made in Côte d'Ivoire" label had steadily lost its value until the arrival of the quality, quantity and growth programme (2QC).

Figure 1.5. **Agricultural yields of the 10 main products in Côte d'Ivoire decline compared to the rest of the world**



Source: Authors, calculations from FAOSTAT database *http://faostat3.fao.org*.

StatLink http://dx.doi.org/10.1787/888933381075

Industrial capacity is limited

Industry operates below its potential. The country has a bigger range of manufactured items than many others in Africa, but industries are hampered by poor access to, and the high cost of, factors of production such as electricity, information and communications technology (ICT) and land, along with low labour productivity (in agro-food, six times less added value than Morocco), which limits creation of formal jobs. Manufacturing had fewer than 100 000 formal jobs in 2012, in fewer than 1 300 formal enterprises.

Analysis of world trade data shows opportunities in major sectors linked to the current capacity and assets of the Ivorian economy. Manufacturing is largely agro-food (66% of the sector's added value and 72% of jobs). Chemical products contribute 6.2% of GDP and manufacture of vehicles and machinery 3.5%. The Growth Identification and Facilitation Framework (GIFF) (Lin and Monga, 2011) and the Product Space Conditions (Hidalgo et al., 2007) list sectors that contribute to added value and jobs but require somewhat greater capacity and skills than Côte d'Ivoire currently has. Priority sectors include (details in Volume 2 of the MDCR, OECD, 2016):

- Chemical and pharmaceutical products (beauty and body care products).
- Packaging (the country already has some firms).
- Manufactured items based on raw materials. New activities can be envisaged if they can join regional value chains.

- Light industry, including assembly and manufacturing (vehicles, specialised machinery and medical equipment).
- Construction materials (cement, ceramics).

Assembly of manufactured goods is a way into global value chains for Côte d'Ivoire that would create unskilled jobs and see it move up the value chain. Integration of the country into international manufacturing systems can play a big part in its economic structural transformation, creating the many unskilled jobs needed but also raising the general skills level through acquired knowledge and training of the workforce. It can also give access to nearby parts of the value chain in both directions, such as packaging (downstream) and production of parts and intermediary goods (upstream).

The services sector has unused potential

The service sector could be a driving force of the economy. It makes a strong contribution to economic activity and job creation and many firms (even informal ones) display fairly high labour productivity, especially in communications and transport, and one business survey showed that many informal businesses have major growth potential, as well.

Services can promote agricultural and industrial development and the most vigorous can spur the growth of other sectors through significant benefits for manufacturing, making them more productive and efficient. More modern and professional logistics and planning services, especially through new ICT, could unlock growth potential (transport is often informal and freight carried in an unorganised way) and bring benefits to other sectors (by creating demand for new ICT, for example, or cutting transport costs in manufacturing).

But Côte d'Ivoire has no services development strategy, and government and private sector bodies should conduct an in-depth study of the situation and service sector potential. A plan needs to be drafted and co-ordinated with industrial development strategy to make the most of connections and spinoffs between sectors.

Digital activity, transport and logistics, commerce and tourism are essential sub-sectors and would benefit from general support (such as new ICT access and electricity supply) complemented by more specific sectoral policies. Tourism, for example, could be provided it was accompanied by long-term investment to build infrastructure needed by the market and with an effective communication strategy.

Capturing new markets and ending obstacles to competition are needed for the country to use the opportunities of diversification

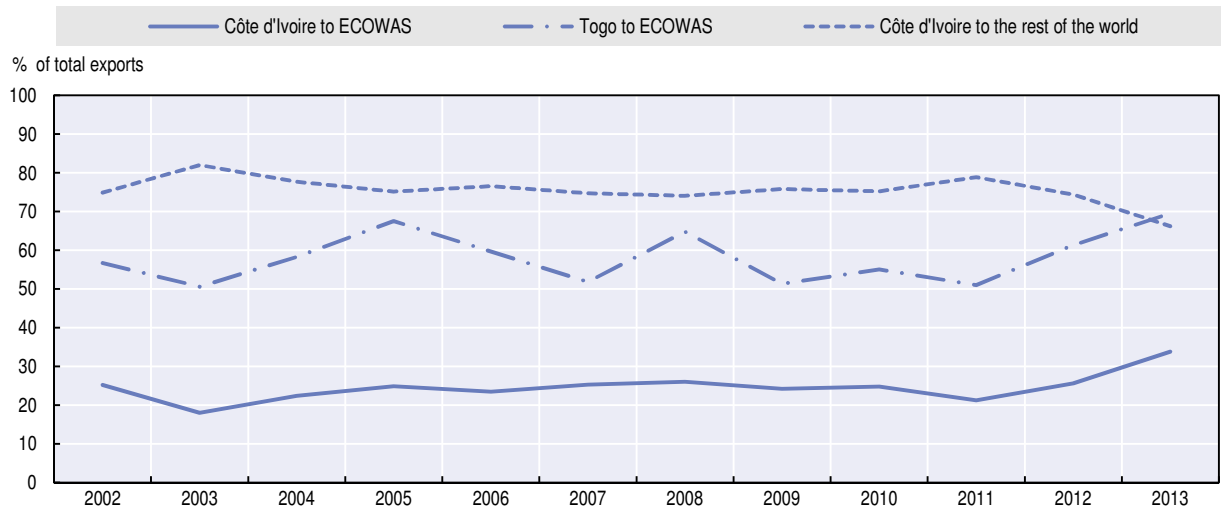
Conditions are not right for taking full advantage of the opportunities for diversification and for the growth of productive sectors. Quite apart from the need for Ivorian goods and services to win a place in new regional and world markets, obstacles to the country's competitiveness need to be removed. Reliable access to inputs and public services (electricity, transport and NICT) are essential to achieving sustained growth by local firms and attracting new investment. Enterprises and individuals also need easier access to credit. In the long term progress towards emergence will also require more skills and capacity from economic stakeholders, along with serious tax reform to free up enough funding for the growth of many sectors, including infrastructure and education.

Better regional co-operation and integration will be essential to taking advantage of opportunities across all sectors

The country does not make the best use of its membership of the West African Monetary and Economic Union (WAEMU) and the Economic Community of West African States (ECOWAS). Trade between Côte d'Ivoire and WAEMU states increased slowly between 2002 and 2013, while trade with the rest of the world has been more vigorous (Figure 1.6). It would be very important for Côte d'Ivoire, faced with higher customs duties since the introduction of a common external tariff (CET) in January 2015, and costlier inputs for consumer goods and intermediate items, to profit from the advantages provided by regional integration, such as the free circulation of goods, and campaign for the respect for common rules, technical regulations and human and plant health measures.

Figure 1.6. **Côte d'Ivoire can benefit more from regional trade**

Percentage of total exports, 2002-13



Source: United Nations (2015), Comtrade, *http://comtrade.un.org/*

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Not enough effort is made in respect of quality norms, standards and certification in the sub-region and harmonisation of all trade standards is still weak. For example there are many obstacles to reciprocal acceptance of such certificates and these are aggravated by decisions, sometimes arbitrary and unpredictable, by officials, especially customs officers.

Infrastructure is not effective enough

Infrastructure investment by the government is low in Côte d'Ivoire, at only 6.1% of GDP in 2013 (IMF, 2014) – not enough to remedy the damage caused during the political crisis and below the highest level of such spending (9%-10% of GDP, according to Fosu et al., 2011), in sub-Saharan Africa. Better economic infrastructure will boost growth and development by helping transformation and emergence of new industries, as well as improving private sector productivity.

The prospect of emergence, which involves both structural transformation and the greater well-being of all the people, offers a guide to choices of infrastructure development. Better electricity supply, transport (especially roads) and telecommunications have the greatest impact on growth and productivity. In the interests of well-being and social peace,

infrastructure should also boost regional development and reduce inequalities. Beyond these parameters for infrastructure planning, funding and human resources can focus on those areas with the biggest gaps between needs and existing infrastructure, to prepare the country for the future. The OECD suggests 18 priority projects – see methodology and list of projects in Volume 2 of the MDCR (OECD, 2016).

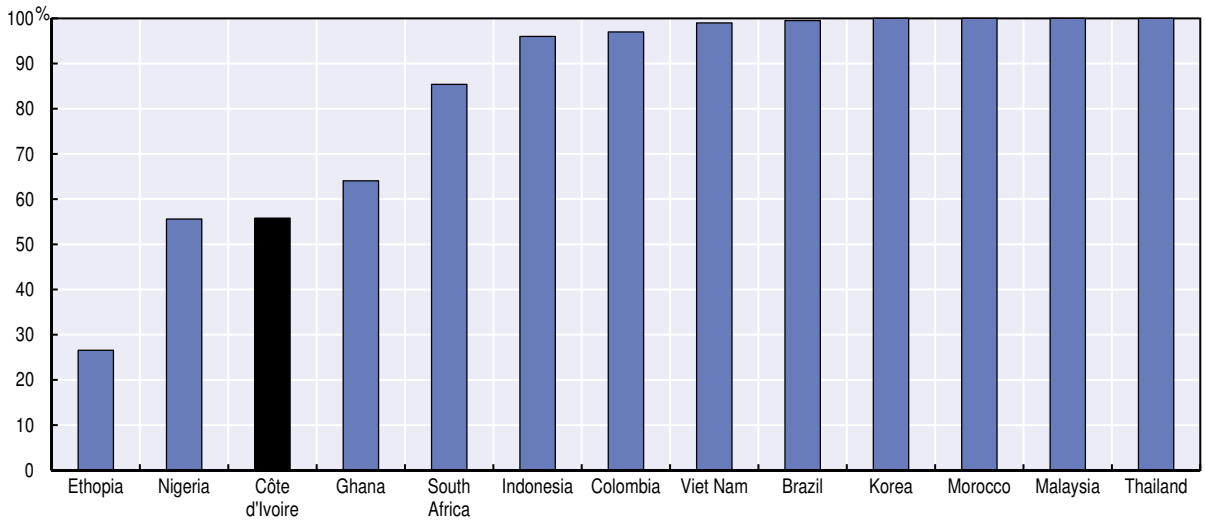
It is vital to give priority to the quality and efficiency of investments and the plan for governance. Infrastructure investment is especially vulnerable to delays in implementation, budgetary overruns, underperformance and underuse, and in some cases causes net losses to the economy through corruption. Good governance, supported by solid institutions that give priority to transparency and public responsibility, is essential for creating and making full use of efficient and good-quality infrastructure.

Competition does not seem always to be a major concern in choices about planning and managing infrastructure in Côte d'Ivoire. Open tendering is essential for infrastructure, which involves natural monopolies. But procurement too often side-steps the rules and too many public contracts are awarded without competition.

Lack of electricity and its high price remain obstacles to emergence, including for businesses. Only 56% of Ivorians had access to it in 2012, according to the World Bank (Figure 1.7). Many small villages are not yet connected, hampering services and industrial development in the countryside. Recent reforms raised power prices in an effort to strengthen financially the sector's finances and improve long-term viability, but these (about USD 0.15 Kwh in 2012) are still lower than in the rest of the sub-region and in Asia.

Figure 1.7. **Côte d'Ivoire lacks enough electricity access for an emerging country**

% of the population with access to electricity, 2012



Source: World Bank, World Development Indicators (2015), *http://data.worldbank.org/products/wdi.*

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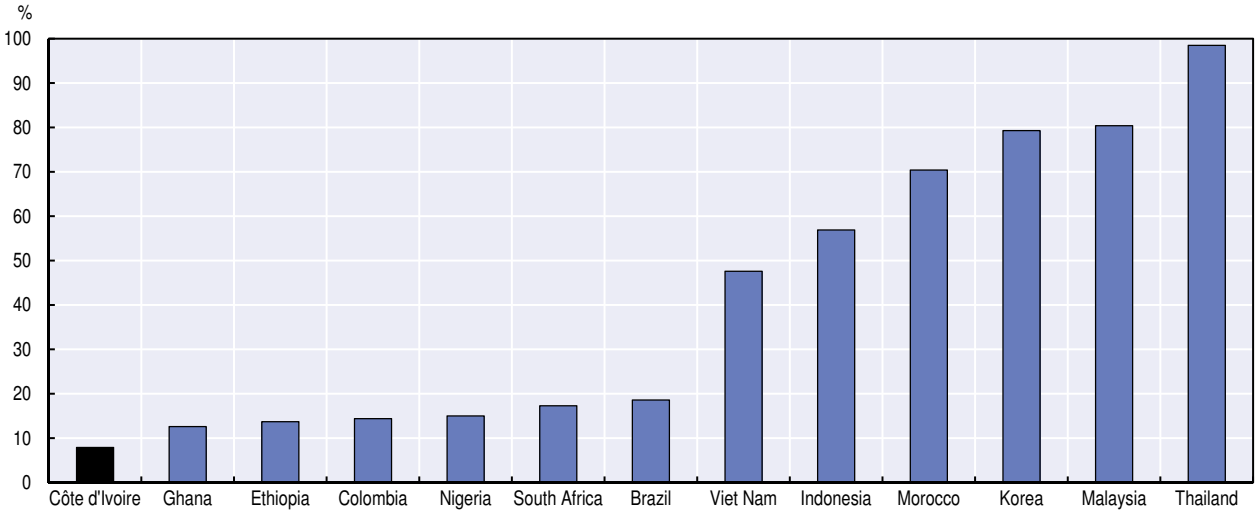
The country's road network is in very bad condition. Good and extensive roads reduce transport costs and losses (especially in the movement of agricultural products), give better access to opportunities and improve economic productivity and the general quality of life. The network is less than 10% surfaced (Figure 1.8) and not modern enough to cope with urban population growth, especially in Abidjan.

Figure 1.8. **Côte d'Ivoire has very few surfaced roads**

Paved roads (% of total) in 2010



Source: International Road Federation (2012).

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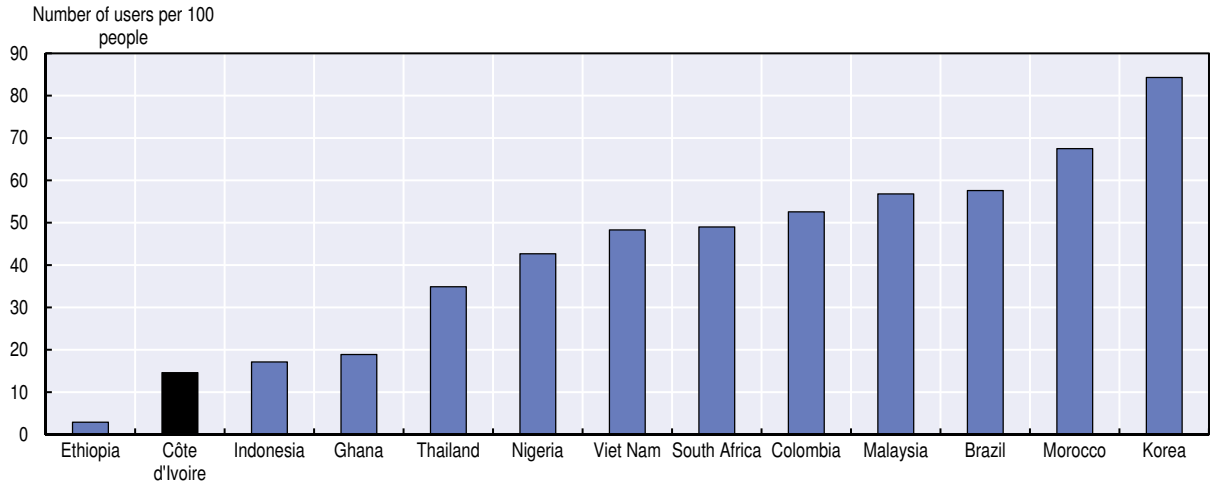
Figure 1.9. **Internet use is below that in many emerging countries**

Number of users per 100 people, 2014



Source: World Bank (2015), *http://data.worldbank.org/products/wdi*.

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Costs are high at Abidjan's port and high costs reduce competitiveness. Port facilities are crucial in making the Ivorian economy competitive and linking it with markets. The port is still quite costly because of official charges and the price of transfer services, themselves linked to customs clearance procedures. The port is not competitive enough because of several connected activities both in the port itself (haulage, handling, bureaucracy and registration) and in transport and logistics upstream and downstream. For example, access to the port is difficult, with congested approach roads increasing the time needed for the transport of goods.

Internet access is too expensive for most people and not widespread enough and its use is well below that in many emerging countries (Figure 1.9). The high charges, relative to average household income, are the main obstacle to its expansion, and the structure of

the market, dominated by two providers, makes cheaper access unlikely. Lack of physical infrastructure, especially outside urban areas, is another obstacle.

Some Ivorians still lack basic public services such as clean water and sanitation. Clean water, especially in the countryside, only reached 60% of the population in 2013. Sanitation and waste disposal is also poor, with a risk of environmental damage.

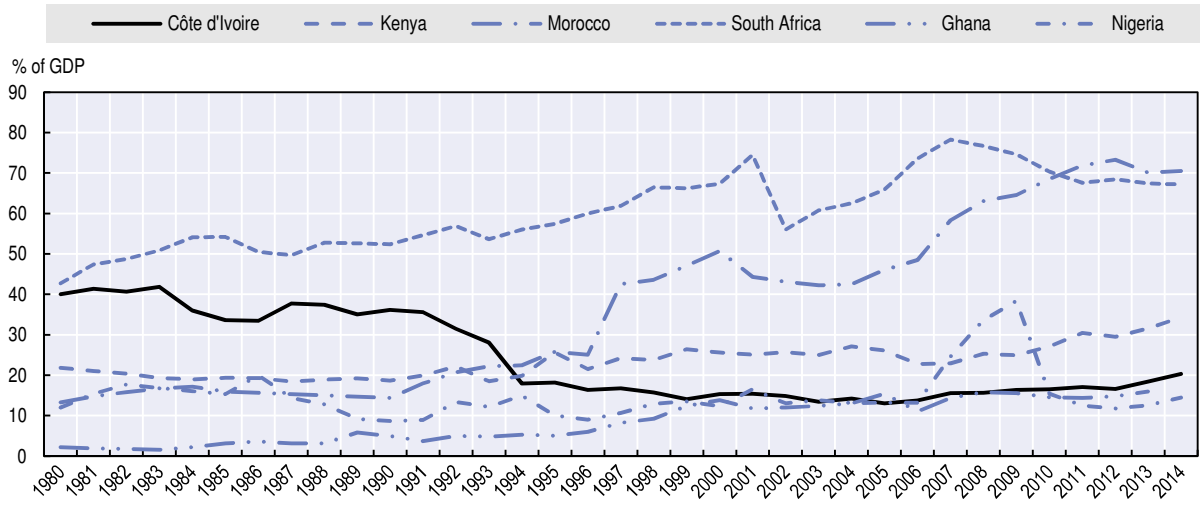
Access to funding is a constraint for business and individuals

The financial system is not sophisticated enough fully to support the real economy and the process of structural transformation. Some 90% of its funds are held by banks and the sector is not very diversified. Banking intermediation is inadequate (loans to the private sector are 20% of GDP) (Figure 1.10) and poor access to funding is an obstacle for many firms.

The financial system is not very inclusive, either. Two-thirds of Ivorians have no bank account and transactions are mostly through mobile banking. Banking services are largely inadequate, which discourages bank use by individuals, especially when Ivorians have little knowledge of finance. Only a small amount of household savings is deposited in formal financial institutions (13.9% of GDP in 2014).

Figure 1.10. **Bank credit to the private sector is largely inadequate**

Credit to private sector



Source: World Bank, World Development Indicators (2015), *http://data.worldbank.org/products/wdi.*

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Banking is focused on buying government bonds, which crowds out private sector investment. Banks buy the bonds with loans from the central bank, an event that crowds out both the private sector and consumers, hampers growth of the interbank market and threatens macroeconomic stability and the solvency of the banks if the government defaults.

Credit risk is high, something that limits access to loans. With little competition between banks and with generous refinancing, few loans are made because of the banks' fear of risk. Asymmetric information about borrower solvency as well as inadequate information-sharing systems increase risk. Unreliable settlement of trade disputes also makes banks feel insecure, along with the many questionably viable projects presented by firms for funding.

The system of guarantees does not work very well. Legal steps to establish them are long and difficult and prudential regulation by the Central Bank of West African States (BCEAO/CBWAS) is stricter than the Organisation for the Harmonisation of Business Law in Africa (Ohada), so firms are penalised. For lenders, lack of a register of guarantees based on movable assets means the market is still not very transparent.

The range of financial products is insufficient. Leasing and factoring are still uncommon in Côte d'Ivoire in the absence of tax incentives, proper legal guarantees and adequate financial expertise. But these represent solutions for firms (especially SMEs) excluded from traditional formal funding facilities because of insufficient guarantees or credit history.

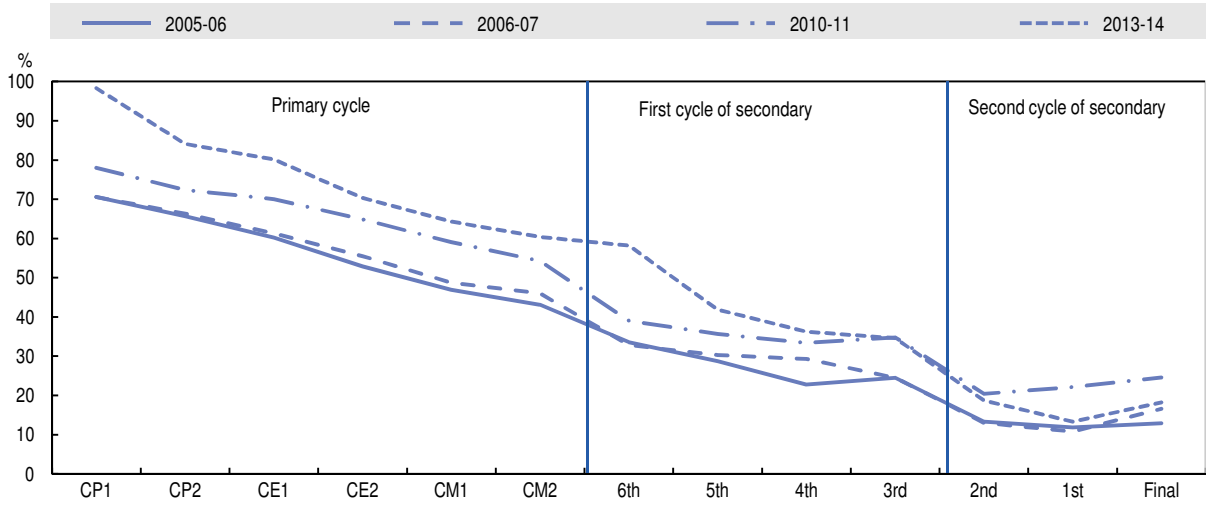
The workforce is neither well educated nor equipped with the required skills

The workforce is vital in transforming the economy, making it competitive, and must meet present and future needs. The country must be able to rely on solid human capital to achieve emergence. Without proper investment in such capital, higher productivity will not generate growth, the economy will become less competitive and workers' incomes will not rise.

The education system does not sufficiently answer this need because schools are still hard to access and the drop-out rate is high. Not enough children finish primary school and only a few go on to secondary and tertiary levels, meaning that most are not prepared for the labour market. Secondary enrolment was only 47% of the age group in 2013 and gross enrolment at tertiary level only 4.5% in 2012 (Figure 1.11). The government has taken steps to improve these figures.

Figure 1.11. **Few students complete all school cycles because of drop-out**

Educational profile (new entrants/share of age group, in %)



Sources : World Bank (2009) ; MENET and DPES (2014).

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Low-quality education hampers the development of human capital. Despite reforms, many teachers still have little initial training and in the countryside little opportunity to make up for it. Teaching conditions have declined, despite more government spending, in terms of equipment, teachers and infrastructure, something that exacerbates an already very high illiteracy rate (41% in 2012). The system does not guarantee fair access to education, in particular for girls, rural-dwellers and the poorest.

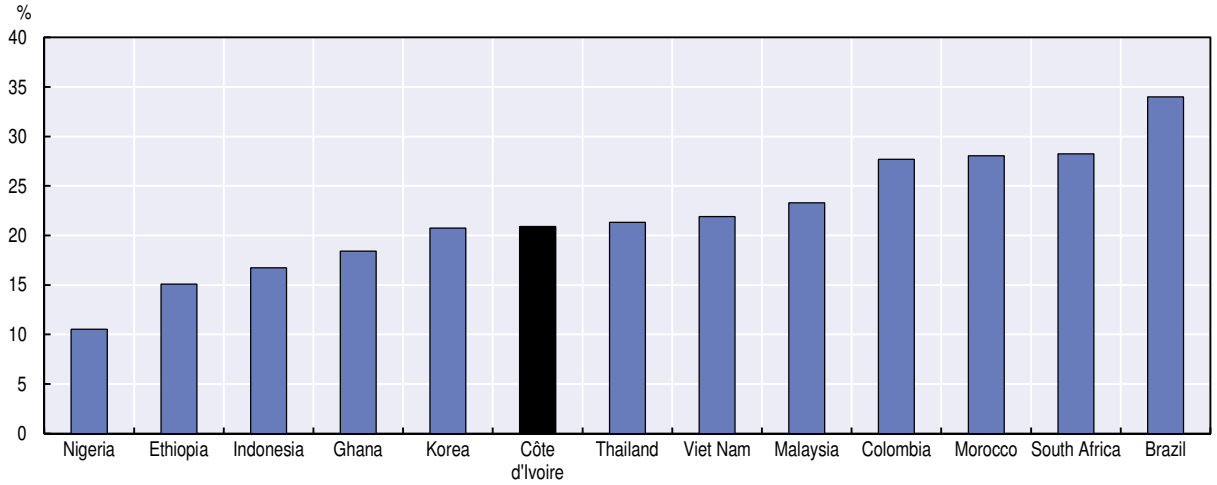
The training available is not sufficiently adapted to the economy's structure and must focus on the future needs created by structural transformation. The Ivorian economy is dominated by informal, self-employed workers and by agriculture, but technical and vocational education and training (TVET) remain poor, especially for agriculture and industry, and inadequate for the labour market. TVET coverage at secondary-school level is only 2.4% (compared with 18% in Indonesia and 60% in China). This is a big problem for small, sometimes informal, firms without the means to train workers on the job. Training also focuses on the formal salaried sector despite most workers being self-employed. More than a quarter of formal enterprises say the lack of qualified workers is a major obstacle to their activity. Sectors with strong growth potential for emergence must in the long run be provided with an adequate and trained workforce.

Tax policy is an inadequate instrument to provide high-quality public goods and services

Government revenue is not high enough to fund the growing needs of public investment. It was about 21% of GDP in 2014, below that in most comparable countries (Figure 1.12). Tax revenue was 15.6% of GDP in 2013 and below the WAEMU convergence criteria.

Figure 1.12. **Government revenues from Cote d'Ivoire are below that of most comparison countries**

Public revenue in comparison countries in % of GDP in 2014



Source: IMF, *https://www.imf.org.*

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The road to emergence will involve a gradual rebalancing of the composition of government revenue, which is mostly derived from indirect taxes. The tax structure is standard for a developing country, with a large contribution (28% of total revenue in 2013) from customs duties. Value added tax (VAT) provided 21% and other taxes 40%.

The size of the informal sector means the tax burden falls on a very small number of taxpayers, mostly large firms and formal sector employees, creating numerous imbalances and loss of direct and indirect tax revenue. The tendency is accordingly to raise taxes on the formal sector, which increases distortions between the two sectors and thus over time encourages people to stay in the informal sector or move to it. This makes the economy vulnerable through being dependent on the economic performance of only a few firms.

VAT revenue is quite small because of the many legal exemptions. Despite the strong renewed growth in 2012 and 2013, VAT collection stagnated at only 4.4% of GDP. Exemptions from VAT (66% of all exemptions in 2014) far outweigh those from other taxes.

Broadening the tax-base in several instances would boost government revenue. The many exemptions granted by common law, investment law and sectoral laws reduce total revenue. The most costly to the treasury are tax holidays – temporary exemptions such as those applying to industrial and commercial profits.

The revenue structure is partly based on taxes and levies that can generate distortions. The banking operations tax means banks and financial institutions are taxed twice. Company taxes are quite competitive but major distortions exist between sectors. Many taxes and levies that bring in little revenue are a burden and an irritation for companies.

Switching to a new tax system than can better support emergence will only work if it goes hand in hand with serious reform of the tax administration and a campaign to convince people they have an obligation to pay taxes in the first place. The tax and customs departments lack trained staff in some sections and inadequate computerisation of routine operations reduces efficiency. Online payment and other operations are not widespread at the general tax directorate (DGI), thus limiting capacity and creating a barrier for small firms, which are less able to respond to official demands. Better quality public services may encourage people to pay taxes and generally give the government more legitimacy.

Cross-sector constraints affect several economic sectors at different levels

Cross-sector constraints affect in varying degrees the productive sectors, the private sector and making a success of economic opportunities. Economic development and social cohesion are threatened by a well-established large-scale informal sector, by the continuing underperformance at many levels of co-ordination and co-operation between economic operators, by inadequate institutions that fail to provide quality goods and services to the whole population and by property reform that is not uniformly applied.

Flaws in public procurement operations and the double nature of some contracts penalise competition. Big infrastructure projects are not always put out to tender and many projects are carried out with obscure procedures. Oligopolistic structures, as in port procedures and the informal transport sector, sometimes hinder private sector activity, especially in respecting standards, combatting anti-competitive behaviour and price distortion. Sectors with many operators, such as banking, work in anti-competitive ways.

The large informal sector slows the growth of some activities. About 90% of the country's jobs are informal and many firms prefer to stay that way to avoid regulation and the cost of going formal. Such firms are harder for the authorities to regulate and supervise, which sometimes means their services and products are not as good as in the formal sector. Informal services in manufacturing, for example, tend to have fewer benefits for other activities.

The failure of stakeholders to co-ordinate and work together sometimes limits the effect of reforms and many sectors and projects suffer. Greater, more systematic and inclusive involvement of these parties and better co-ordination of major projects are needed to maximise the advantages of reforms and investment. For example the spread of infrastructure throughout the country seems poorly co-ordinated by high-level ministry officials, whereas done properly it could have a major impact. Besides, the large number

of operators involved in transport hinders good co-ordination of projects. In other areas, lack of involvement of the private sector means it often plays little part in government decisions. But the views of private firms can be beneficial in advising on the direction of structural transformation.

Problems with institutions, governance and government operational capacity produce unreliable public services. Official action is sometimes obstructed by underlying corruption, little involvement of civil servants and obscure procedures. The quality of public services varies, with police and customs seen as especially third-rate. Corruption in relations between the private sector and government services is always especially costly for private companies.

Land in Côte d'Ivoire has been the target of disputes for decades, making access to it by firms and individuals a delicate issue that can cause social problems. Land conflicts and legal disputes due to the coexistence of traditional and modern customs and laws create uncertainty for small landowners, established firms and newcomers. Disputes based on traditional law complicate recourse to modern law, aggravated by the fact that the bodies supposed to manage them do not always have the required capacity.

Many reforms, due to be carried out by 2020 and regularly assessed, form the roadmap for emergence

To achieve structural transformation, this report lays out detailed action plans for each listed constraint in relation to the recommendations in Volume 2 of the MDCR. All the action plans can be read online. They outline actions to be taken and identify institutions that need to be involved, distinguishing the one with primary responsibility from those that are secondary. Examples of countries that have carried out similar reforms and can serve as models for Côte d'Ivoire are given.

To monitor the actions and ensure the country moves towards the results suggested in the action plans, a scorecard of various indicators has been drawn up. A well-designed development strategy should enable the effectiveness of government policies to be monitored and assessed and allow political decision-makers frequently to re-evaluate and readjust the reforms to ensure their best implementation. The scorecard serves this purpose and is made up of primary indicators to measure progress towards emergence and secondary ones for closer monitoring of the reforms.

Reliable monitoring will require high quality statistical infrastructure providing national data. Reliable monitoring, giving a true picture of the real nature of the reforms and actions undertaken, relies on the collection of high quality statistical data. This will entail an effective statistical performance and qualified staff. The scorecard takes into account the failings of Ivorian data collection and suggests indicators from international sources. This allows Côte d'Ivoire to be compared with a group of middle-income countries and to assess its progress towards emergence. National data are given priority in the most relevant cases.

Strategies and ways to implement reforms are proposed. Implementation of structural reforms is hard for nearly all countries, so the report proposes setting up a top-level implementation unit that can steer all the changes, ensure communication and co-ordination between the parties involved and monitor progress.

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Appendix 1.A1

Methodology of multi-dimensional country reviews

The MDCRs use many analytical tools and combine different approaches to understand the basis for a country's development and respond to the complex and cross-sector challenges it faces. Quantitative analysis is based on a broad standardisation of indicators to compare the country with a group of similar ones to describe economic performance and highlight underperforming areas and its capacity to boost development. The Ivorian government agreed to 12 countries being used for this comparison according to the nature or level of their emerging economy or their notably successful implementation of reforms: Brazil, Colombia, Ethiopia, Ghana, Indonesia, Korea, Malaysia, Morocco, Nigeria, South Africa, Thailand and Viet Nam.

The exercise was completed by in-depth analysis using microeconomic databases and a standard range of OECD tools, including staff movement between sectors, growth accounting exercises, assessment of diversification of trade, and comparison and analysis of data on governance and capacity. This allows more accurate identification of fundamental obstacles to growth and the importance of cross-sectoral issues such as lack of government capacity, regulation and the limits of the financial system.

The MDCRs use an approach based on strategic foresight. Each phase of a review includes a particpaatory bringing together various national stakeholders. Taking account of future aspects noted during the workshops aims for deeper understanding of the country, its context, history, advantages and challenges, but also the preferences and priorities of its people about its development. The foresight workshops also aim to ensure recommendations are relevant to the country's situation and that the government can benefit from the other countries' experiences successfully to carry out reforms.

Appendix 1.A2

Methodology of assessing well-being

The OECD has been interested in measuring well-being and social progress for more than a decade and in 2011 launched the Better Life Index, dealing with aspects of life important for people which together determined their living conditions and ability to live together. The organisation came up with a definition of well-being that could be measured from data in two major areas – material living conditions and quality of life. Material conditions include income and possessions, housing, and jobs and salaries, while quality of life covers health, professional-personal life balance, education and skills, social ties, civic involvement and governance, environment quality, personal security and subjective well-being. The OECD is also interested in measuring future well-being by considering basic resources that influence the progress of well-being over time and are routinely affected by actions in the present.

This concept of well-being, initially devised for OECD countries, has been expanded to adapt to conditions and issues in developing and emerging countries and has ten aspects (Boarini et al., 2014). In the amended version, material conditions include consumption possibilities, access to, and quality of, housing and infrastructure, and having a job. Quality of life includes state of health and access to healthcare, access to education and level of skills, independence and participation, social ties, environment quality, degree of vulnerability, satisfaction with life, and emotions and meaningfulness of life.

For each aspect, bivariate regressions are calculated between a variable and GDP. Results in well-being indicators are considered dependent variables and per capita GDP an independent one. The correlation coefficient between the two kinds of variables can be calculated and then applied to Côte d'Ivoire's present GDP to calculate the expected figure of the different indicators. The present results of the Ivorian well-being indicators are expressed by the ratio of the expected result measured by the number of standard deviations. The comparison is based on a sample of 158 countries with populations of over a million.

Multi-dimensional Review of Côte d'Ivoire
Volume 3. From analysis to action
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Chapter 2

Continuing structural transformation of the economy

To achieve the status of an emerging nation, Côte d'Ivoire will need to move towards an economic structure that generates growth and jobs for people in all parts of the country, doing so by diversifying economic activity and relying on existing comparative advantages, as, for example, in agricultural processing. A vigorous and more professional services sector will support growth in other sectors while directly boosting the expansion of small and medium-sized enterprises (SMEs). Being competitive requires an encouraging investment climate, well-accepted quality standards and robust competition. Trade must be encouraged, especially through regional integration, to conquer foreign markets. Land and property laws that make best use of economic potential can also help development.

Côte d'Ivoire's economic structure is unsuited to job creation and encouragement of productivity and must be reshaped through diversification and the modernisation of production. Figure 2.1 shows what is needed for a competitive economy committed to structural transformation. A long-term growth strategy must make use of the country's main economic assets. Agriculture could boost overall growth by increasing productivity, and industry must expand to contribute more added value. Services, which already employ much of the workforce and help growth, must become more professional and high-quality for businesses.

The road to structural transformation must take into account products with existing comparative advantage, along with international demand and modernisation of key economic activities. The OECD analysis is based on a twofold approach pointing to the chief engines of growth. The Phase II report (2016) presents results of the "product space" analysis that lists the main opportunities, closely tied to necessary skills already existing in the country and potential improvement. The Growth Identification and Facilitation Framework (GIFF) supported this approach by comparing Côte d'Ivoire's experience with those of other countries, taking into account initial assets, international demand and the contribution of jobs and added value from processing. This quantitative analysis was accompanied by a qualitative analysis of key sectors and activities, and identifying priorities for Côte d'Ivoire.

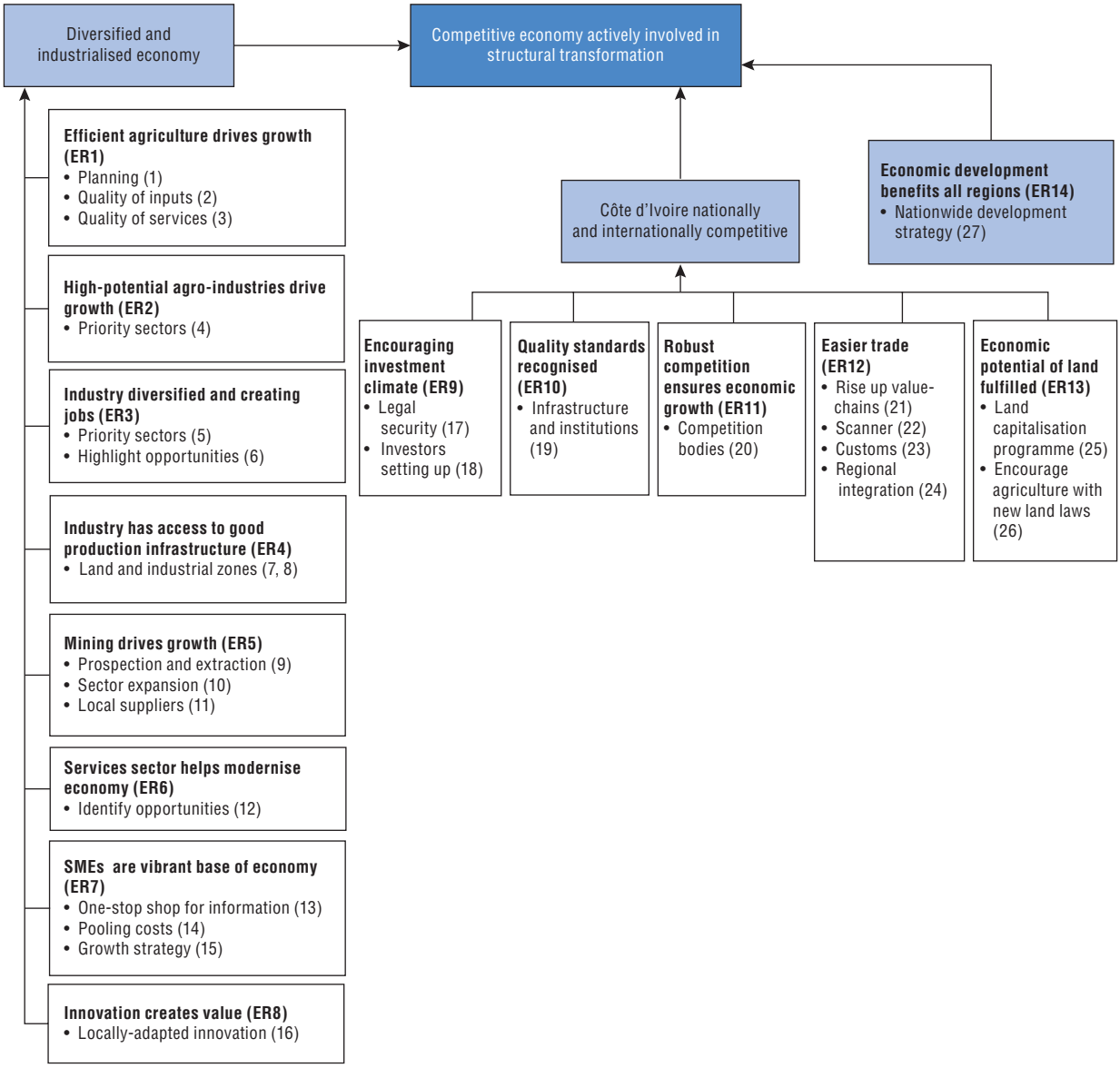
Listing priority products takes into account productivity, regional and world demand and potential for diversification. Côte d'Ivoire has regularly increased productivity in handling cocoa, cotton, rubber and cashew nuts. Important sub-regional food staples such as cassava and cereals have good processing potential, too. The country must also base structural transformation on activities that are already profitable and could generate much demand in the region, such as chemical and pharmaceutical products and construction materials. Other activities, such as packaging, will benefit the entire economy. Attracting assembly industries will be harder but Côte d'Ivoire could try to use its geographical position at the centre of the West African Economic and Monetary Union (WAEMU) and the Economic Community of West African States (ECOWAS), as well as its recent economic recovery, to attract flagship projects.

Improving and professionalising services will be vital for long-term development. They have growth potential and are crucial for industry, especially in the digital economy, transport and logistics. Trade will support the growth of many sectors. Tourism will need time because it requires long-term investment and targeted publicity campaigns, but it can boost the country's international image.

The government should act as a facilitator for sectoral development. Proactive and determined authorities can exploit the country's comparative advantages, not by interfering with market mechanisms or backing unprofitable activities, but through facilitating operations and supplying essential public assets with a focus on creating conditions for prosperity. The government's priority must be to improve infrastructure access, monitor

prices and their possible effect on wages, and continue educational reforms. More specific sectoral measures should benefit all of a sector's enterprises or else, more competitively, its best-performing ones.

Figure 2.1. **An emerging economy: More competitive and a strategic dialogue**



Note: This figure refers to the recommendations and action plan presented at the end of this report. "ER 1" stands for the main expected result and bracketed numbers to action plan recommendations.

Source: Authors.

Sectoral policies cannot work without basic cross-sector reforms. The entire economy will benefit from a better investment climate and more secure land tenure. Better quality standards are essential to winning new markets and improving the quality of national production. Successful production that needs inputs, along with export activity, depends on smooth passage through ports and customs clearance. These key elements, discussed in section 2 of this chapter, are vital for growth and successful economic diversification.

Diversified and industrialised economy

Efficient agriculture drives growth

Improve sector productivity and the capacity of those involved (Recommendations 1, 2 and 3)

The government must ensure good quality inputs, and especially seeds, along the whole distribution chain, in particular at the level of small traders. The agriculture ministry plans to set up an integrated distribution chain for good quality seeds, starting experimentally in rice production. The project does not take into account the risk of the adulteration and smuggling of inputs at the end of the chain, as happened in Uganda where fertiliser and seeds were adulterated by retailers. The government should consider a monitoring operation to remedy this problem and improve the quality of inputs sold to small farmers, while continuing with plans to set up larger supply chains. This would mean creating special offices inside quality-control bodies or a special agency to monitor food and pharmaceutical quality (like the US Food and Drug Administration), collecting samples, doing laboratory tests and imposing penalties. Overall, the government must provide enough funding for agricultural development, including the national agricultural investment programme (PNIA).

Agricultural services need to be strengthened and the national agency to support rural development (Anader) has plans to overhaul them comprehensively to tackle poor access to services and key inputs for small farmers and their physical dispersion, perhaps by combining some of them and locating them close to major input suppliers. The responsibilities and performance assessment of co-operatives could be reviewed to boost the training of those involved. The structure of key sectors also needs to be improved with better-trained operators and links between professions, along with introduction of new technology (Box 2.1).

Box 2.1. **Getting the most out of new technology (ICT) to promote development**

The Indian firm ITC Ltd. launched its E-Choupal programme in 2000 in its agro-industry division to tackle production problems, especially dispersed farming in the countryside, and won several prizes for its design and efficiency. It provides Internet terminals for farmers linked to a regional centre manned by professionals to supply storage, maintenance and transport. The cost of running ITC is covered by the owner of the terminal, who is in turn paid by other farmers who use it. The link provides better information about prices, weather and farming practices, and ITC also supplies inputs to farmers, while the firm gains through better quality and transaction savings when buying crops from farmers.

Among many examples of successful ICT is the firm Esoko in Ghana, which used mobile phones to provide information and links to agricultural markets (text messages, buying and selling offers).

Source: ITC Ltd. (2015); Esoko (2015).

High-potential agro-industries drive growth

Expand processing of raw materials, especially in key sectors (Recommendation 4)

Agriculture faces a range of problems in modernising and expanding processing. National capacity sometimes exceeds local output (as with palm oil), so strategic reforms are needed to improve productivity through better access to high quality inputs (seeds and fertiliser) and better trained local operators. Extra processing capacity is also needed

(for cashew nuts, for example), along with improved business conditions to encourage local processing through support for agricultural clusters and also steps to attract major international investors.

Vigorous and co-ordinated bodies to promote various sectors are essential for developing value chains. The government must get businesses to modernise to boost output and help them find new markets (Box 2.2). Present value chains focus on individual sectors and hinder such co-operation. The government could choose trial regions with a potential for some sectors and support clusters there to encourage exchange of information and links between value chains. The clusters could promote co-operation in packaging, storage, transport and funding and must be set up with carefully chosen participants to ensure enough skills and commitment. Then, to raise more money, they could welcome big firms in some value chains with an interest in improving quality which could help fund such initiatives.

Box 2.2. **Two ways to support agricultural progress: Morocco and China**

Morocco successfully applied a new agricultural development strategy in 2008 to boost the sector and support inclusion in global value chains over ten years. The main goals were to modernise production (performance and investment) and promote solidarity (reducing poverty, supporting remote and peripheral areas). The plan called for partnerships among upstream and downstream members of value chains and strengthening professional bodies and co-operatives, along with regulatory reforms and continuous monitoring and assessment.

China's development policy has long supported the integration of different operators into value chains and is based on major firms ("dragon heads," or *longtou*) connecting small farmers with big companies and modern markets. The firms have been picked by the government according to their capacity, size and location and are encouraged (and sometimes subsidised) to make formal links with small farmers. These vary greatly, from simple purchases to supporting farmers (such as contract agriculture arrangements between big buyer firms and the farmers). The programme was introduced by the Office for the Vertical Integration of Agriculture, set up in the mid-1990s to oversee China's efforts to integrate its agriculture, and has helped provide structure and modernise small-scale local production.

Source: Schneider (2014), Ministry of Economy and Finance, Morocco (2015).

Côte d'Ivoire should take specific steps in line with the needs of priority sectors and products (see action plan). Depending on the nature of the products and the structure of the market, it would be important to improve local capacity, attract big flagship firms, professionalise services upstream and downstream, and set up partnerships. The country would gain, for example, by attracting firms to process rice for local and cross-border markets. This can be done without expanding local output, as Côte d'Ivoire and neighbouring Mali and Burkina Faso have plenty of rice.

The storage and packaging of many other products, such as cassava, need to be improved. Ivorian producers are very short of good storage for perishable commodities and small processing plants have little space. To cut losses, rural infrastructure and transport need to be upgraded, and small businesses systematically trained in better packaging so goods have a longer shelf life.

Partnerships with competing countries, along with port reforms, could improve inclusion in global value chains. Côte d'Ivoire could benefit from continual contact with major competitors (such as Viet Nam and India for cashew nuts) to exchange information

and know-how about production, post-harvest technology, processing and import/export, as well as streamlining trade with these countries. Several products (such as cocoa-based items) are in heavy demand on world markets and to use this opportunity, greater participation in value chains will need easier transit through seaports. Box 2.3 gives two examples of insertion into world markets.

Box 2.3. **Linking industrial firms to the world market: Cut flowers in Ethiopia and pineapples in Ghana**

Ethiopia's cut flowers industry is an example of government co-ordination to attract foreign direct investment (FDI) and of perfect equilibrium between private sector initiative and strategic government support. The project uses Ethiopia's advantages of a reliable national airline and sufficient proximity to European markets. The country's Horticulture Producer Exports Association asked in 2002 for support from the government, which arranged transport by the state-owned Ethiopian Airlines, improved access to land and concessionary funding and abolished restrictions on importing pesticides and fertiliser.

A project launched in Ghana in 1998 also marketed agricultural products globally and highlighted the importance of streamlining trade, especially through rapid and reliable transport. The firm Blue Skies exports fresh pineapples to Europe and is involved in primary processing, buying fruit from small farmers who are part of a complex system of support, technical aid and loans.

Source: Gebreeyesus and Sonobe, (2012); OMPI

Great potential exists for expanding the present weak intermediate activity in coffee and cocoa, such as packaging, collection and marketing. The introduction of the Quality, Quantity and Growth Programme (2QC) has improved the status of the "Made in Côte d'Ivoire" label, which had declined. The advantages of such policies could last for years, increasing further with higher demand from traders and industry, and be boosted by the development of a Cocoa Côte d'Ivoire quality label, after the Café de Colombia brand, thus helping the private sector (especially SMEs) join global value chains.

Different levels of inputs and technology can be targeted to make the textile value chain competitive again. Côte d'Ivoire should thoroughly investigate its potential to re-enter the textile sector and focus on activities with market prospects. Survival of the Ivorian industry depends on efficient machinery, cheap energy and water, and a low-cost but adequately trained workforce: also there is a fundamental need to work with the private sector to identify the most suitable products for the industry's level of development.

Industry diversified and creating jobs

Make the industrial base more diverse (Recommendation 5)

Côte d'Ivoire aims to increase industry's contribution to the economy over the next five years, which will require targeted support for activities with potentially high growth. Suggested priorities are construction (because of strong domestic and regional demand driven by public and private investment), chemical products, pharmaceuticals and packaging (where the country already has profitable firms). Light assembly and manufacturing could also be developed if the country exploited its advantages, such as closeness to West Africa's emerging markets and fairly high level technology skills. New activities, such as leather

products, are a possibility for establishing regional value chains, with Côte d'Ivoire using its experience in related activities.

The government must focus on reforms that make trade easier with bigger sub-regional markets and must tackle local labour costs. A survey of foreign investors showed they were most attracted by local markets and local production costs, especially labour. The impact of a higher cost of living on labour negotiations, salary levels and the legal minimum wage (SMIG) will have to be monitored. The government could launch trial projects to make salaries more flexible, for example in industrial zones. Port reforms are also essential to help industrial firms to import inputs and export production more quickly. To avoid bottlenecks key firms, carefully chosen by the central customs administration (DGD), could benefit from a fast-track arrangement involving less paperwork, faster handling and fewer inspections.

Support measures must remain broad and accessible enough for a range of firms, especially under the Phoenix Plan and support for "national champion" firms. Local-content requirements can boost demand for local goods and supplies but carries risks: if local inputs are costlier than imported equivalents or inferior to them, this will push up overall production costs, making the item less competitive, and increase the retail price. Local-content requirements can also deter investors. These disadvantages are especially visible when protectionist measures are imposed indefinitely and local firms then get used to the protection and no longer feel a reason to be competitive.

Policies encouraging local content must remain flexible and transparent. Safety clauses can include a date for lifting protectionist measures as soon as they are introduced. Regular impact assessment can ensure such policies are effective. Other policies can include customs duties and subsidies, which can sometimes have similar effects on new industries, while being more transparent and easier to quantify and monitor in the longer run. Côte d'Ivoire's local-content policies must be well-designed and the "national champion" label must be open to firms in all sectors to foster competition. Close and continuous co-ordination and discussion with the private sector are essential to avoid distortions.

The government should continue talks with big private investors to attract flagship projects. Targeted in-depth studies can identify economic opportunities and major obstacles for firms, as well as suitable support policies, notably the potential for clusters and industrial zones in some sectors. To attract assembly industries, it will be important to stress Côte d'Ivoire's advantages, including easy access to regional markets, but also an understanding of the workings and requirements of African markets (Box 2.4).

Build a shared vision and strategic dialogue between all stakeholders to highlight opportunities for diversification (Recommendation 6)

The government can work with the private sector to drive structural change by co-ordinating provision of key goods and inputs, developing a strategic approach and preparing the ground for new activities, such as encouraging public-private dialogue and setting out a shared view of economic progress and overall priorities.

Côte d'Ivoire has many choices in diversifying its economy, which is very dependent on agriculture and (often informal) small-scale services, to ensure lasting growth. Analytical approaches, such as the "product space" methodology, can identify a range of products and activities suitable for diversifying the economy, which can use comparative advantages and existing production capacity and offer more added value and job creation prospects.

Box 2.4. **Using local know-how to build a "national champion" in the assembly industry: The Chinese firm Haier**

The Chinese manufacturing firm Haier is an example of how to conquer regional and global markets and develop potential for innovation, as well as demonstrating the important role of government in providing an economic framework and a good business climate, while initiatives based on knowledge of local markets are left to the private sector.

The firm was on the verge of bankruptcy when it refocused on its comparative advantage of expertise and supplying local markets. Among its flagship items are washing machines and the firm developed models more adapted to Chinese customers (such as being useable for cleaning agricultural products) than standard international ones. This enabled it to win local markets based on know-how and its local reputation before conquering foreign markets.

Haier's expansion strategy is still based on its knowledge of markets, consumer needs and ability to supply machines adapted for specific customer groups. This requires research and development based on local markets and lifestyles as well as consumer studies, rather than using sophisticated technology. While multinational firms offer a small range of models for each type of machine, Haier offers hundreds for many groups of customers – people living at the seaside, in farming areas and in industrialised countries. It has models that use no detergents for dry countries (Australia), large machines for robes in Muslim countries, coloured ones for special occasions (in Asia, where refrigerators have traditional wedding colours) and capacious ones for African countries that have frequent powers cuts.

Source: Danish Industry Foundation and Kata Foundation (2015); Khanna and Palepu (2006).

The government must organise systematic consultations with the private sector to discuss possible new activity and products (and the conditions needed) that can support growth, but also the obstacles to emergence and to the expansion of these products and activities. The process can use the public-private sector consultation committee (CCESP), where stakeholders discuss major issues such as new laws and ongoing reforms that affect the investment climate (Hausmann, Rodrik and Sabel, 2008). Using the CCESP would involve surveys among members of local professional associations about promising sectors, identifying key areas, as well as special working groups to analyse more closely the market potential, required conditions and current obstacles to growth of these activities.

Industry has access to good production infrastructure

Improve management and allocation of industrial land (Recommendation 7)

Industrial zones must supply firms with essential inputs and infrastructure (electricity, water, transport, ICT). The government must provide nationwide infrastructure in the long term but in the short term the zones can supply key inputs for certain firms (especially in manufacturing). Applications for industrial land titles must be urgently processed and infrastructure there improved to justify higher licence fees. The backlog of applications and poor collection of fees mean the industrial zones' management and development agency (AGEDI) and the industrial infrastructure development fund (FODI) probably need more staff and must streamline their operations and work more closely with the DGI, which is also involved in fee collection. The government must also continue efforts to create the PK24 industrial zone.

Procedures for access to industrial zones (land applications, document processing) must be simplified to encourage firms to file applications easing access to land, and also reduce the workload and speed up decisions. Staffing with an average 15 people per office seems too small to cope with applications and requests. Criteria (especially points allotted according to activity sector) should be reviewed to see if they comply with national development plans and include the creation of activity centres and joining of value chains. Bureaucracy must be reduced (currently 20 documents are required, each in 10 copies). It might be useful to post the AGEDI criteria online to make the process more transparent and show firms how to make applications.

A shortage of staff at the DGI hampers fee collection and little progress has been made in drawing up a full list of zone tenants and the land they occupy after on-the-spot inspections. The government should consider how boost temporarily to staff levels to speed things up.

The government should also strengthen co-operation between AGEDI, FODI and the DGI to improve overall collection, with the DGI having more flexibility to respond to the needs of AGEDI and FODI, perhaps by setting up a separate DGI office to handle the zones, whose staff would improve relations with the two bodies. This might also improve transfer of capacity and know-how to AGEDI and FODI so they could take over fee collection in the medium term, which would avoid the DGI's complicated bureaucracy.

Continue developing new industrial zones (Recommendation 8)

The government should continue developing new industrial zones and in the long term consider privatising some or all of their management. Continuing the zones is vital for firms to have access to high quality land and infrastructure to attract future investment. The present system is not yet fully operational but private management would be more efficient and give better access to government land. If this happens, bids should be sought from at least two or three firms (for different zones) to ensure healthy competition.

The government could think about setting up agro-industrial zones for priority products or sectors. Economic conglomeration spontaneously occurs where stakeholders can work together. In developing countries, especially in agriculture, conglomeration is sometimes hampered by dispersed production and the small size of businesses. This sometimes justifies government support for creating agro-industrial centres. The government can help growth of special zones by choosing a place, supplying basic infrastructure, encouraging firms to move there and setting up research institutions in the zone. The cost of all this means the government should begin the process with an in-depth survey of the economic potential of the zones and decide on their structures and activities before planning specific projects.

Mining drives growth

Use of natural resources can be increased (Recommendations 9, 10 and 11)

Côte d'Ivoire's mining sector is in its initial stages but has huge potential for economic development and the new 2014 mining law should attract investors. The new law sets geographical and time limits for exploration and requires firms to sign a mining agreement and commit themselves to developing local communities. To encourage modernisation and the growth of small local firms, the country can look to Chile and Mozambique where the government has persuaded big mining firms to use their buying power to boost local suppliers. Participants in the programme have gained new income opportunities, greater efficiency and innovation, and better access to funding and diversified markets.

The high costs of mining investment, direct and indirect, are obstacles. The government should continue with the Grand-ouest project to build a railway and other basic infrastructure for mining activity. To help interaction with private firms, transparent and reliable management of projects (planning, prompt execution, good government communication, and public tendering) are essential to ensure sustained confidence and interaction with private firms (see Chapter 3 and recommendations about infrastructure project management). Publication of the Extractive Industries Transparency Initiative (EITI) annual reports without delays a relevant moment could also boost the confidence of firms and the general population.

The services sector helps modernise the economy

Highlight key and priority services for a development strategy (Recommendation 12)

Digital activity, transport and commerce are listed in the Phase II report as drivers of growth in the services sector. The government should encourage the emergence of a solid range of firms there to boost other sectors such as industry. These drivers of growth would be generally supported (see next section) and also benefit from specific policies. The government could thus provide places (such as buildings) for ICT enterprises, ensure power supply and Internet connection, and support business incubators and communications partnerships and platforms. Transport and commerce would in turn benefit from greater use of ICT to become more efficient and productive (planning, freight monitoring). New geolocation methods will also improve logistics services. Continuous investment in infrastructure and railway rolling-stock is vital for modernising activity. Better identification of opportunities and constraints in the services sector will require more detailed statistics and targeted surveys with private sector help so as to benefit from specific measures.

Côte d'Ivoire also has potential for tourism, whose take-off depends on continued long-term investment in quality infrastructure, development of tourist attractions and advertising to draw new foreign customers. But international tourism is very competitive, and many countries are more advanced in the sector and have better basic infrastructure. The best policy would be long-term development, tied to overall development and emphasis on the country's special advantages. Côte d'Ivoire could draw inspiration from Colombia (Box 2.5).

Box 2.5. **Restoring an image: Colombia's country-brand strategy**

Country-brand strategies are based on the idea that a name can become a brand with special associations that can help change an international reputation, both for tourism and national products. This needs co-ordinated planning and time to take effect. Colombia established its coffee as a quality-brand in the 1960s and its coffee growers' federation devised the image of Juan Valdez, with his sombrero and donkey, today recognised around the world. After years of political crisis and civil war, the country has also managed to erase its image as a dangerous place and improve its international reputation, as well as modernising its infrastructure and boosting safety, especially on its roads. It has used skilful publicity campaigns and slogans, targeting first local, then foreign, tourists mostly based on the country's ecodiversity potential, streamlining entry visas and an international publicity campaign. The slogan "Colombia is Passion" used Colombia's well-known image as a coffee-producing country and associated ideas about the climate and friendliness of the people. The strategy, along with reforms, boosted tourist numbers and hotel occupancy.

Source: Toposophy (2015).

SMEs are a vibrant base of the economy

Make paperwork for SMEs easier (Recommendation 13)

Ivorian SMEs have trouble accessing the bodies supposed to help them. The limited capacity of SMEs and informal businesses reduces their contribution to economic growth and to private sector diversification. The government has introduced support measures, including the Phoenix Plan to improve their technical and managerial capacity and develop business practices and innovation. The plan relies on a wide range of institutions and agencies, from general professional associations – such as the investment promotion centre (Cepici) and the SME federation (FISME) – to more specialised bodies such as the exports promotion association (APEX-CI), the outsourcing and partnership exchange (BSTP-CI) and the business development centre (CDE). Many SMEs do not use their services to maximise the impact of their activities because available and accessible information adapted to their needs is lacking.

The government should co-ordinate all these SME support agencies and merge some to make them more transparent. The profusion of such bodies fragments government efforts without making it easier for SMEs, so the government should streamline its many initiatives through a central co-ordination body. A national SME development agency has been considered better to use the linkages and know-how of the agencies, facilitate contact with SMEs and make support programmes for SMEs more effective. Support structures would eventually be streamlined by merging some bodies and abolishing those that operate poorly. Here Côte d'Ivoire can draw inspiration from Malaysia and Thailand (Box 2.6).

Box 2.6. **Co-ordinating SME support activities**

Many countries have streamlined their measures to support SMEs by creating a single co-ordination body – Malaysia, with its Small and Medium Enterprise Corporation, and Thailand. These agencies co-ordinate all ministry and agency action, draft strategic plans and serve as a one-stop shop for businesses looking for help or information.

Thailand's Office of SMEs Promotion (OSMEP) was set up in 2001 under the SME Promotion Committee to co-ordinate planning of SME promotion (drafting, data collection and monitoring), look after more operational activities not supervised by other bodies and implement new strategies. OSMEP has multi-year master plans and close links with other bodies and ministries and various programmes and projects. Although it has made progress, problems remain in monitoring the effectiveness of measures and rationalising continuing projects to avoid overlapping.

Source: OECD (2011), Office of SMEs Promotion Thailand (2015).

SMEs must become professional (Recommendations 14 and 15)

The new body overseeing SMEs must improve the collection and dissemination of information. Business information is often hard to find, because it is scattered over several websites, hidden behind complex menus and not always presented in a very comprehensible way. The co-ordination body should try to collect all documents and information from all parties involved and revise the content of some by writing manuals that take into account entrepreneurs' ability to use them. The body could also organise co-ordination meetings and try to draft a coherent strategy to communicate with SMEs, including a well-publicised website containing the collected documents. In the medium term, the new agency should also help other bodies produce more readable documents for SMEs, especially manuals with checklists.

SMEs can benefit from new kinds of support, such as pooling of fees. Many SMEs face heavy charges for basic services such as accounting and auditing. A solution would be for SMEs to form sector co-operatives and hire a full-time consultant delivering services on demand. Germany has successfully tested such models for tax declaration support. The co-operatives have a strictly-defined range of basic services paid for out of annual members' contributions. Other models are found in the United States, where agricultural co-operatives also offer such services.

Innovation creates value

National strategic planning for innovation (Recommendation 16)

Côte d'Ivoire could devise a national innovation strategy, as it has good research skills, especially in agriculture. It could exploit its strategic advantages to boost the contribution of agro-industry and become a regional leader in exporting know-how. It must clearly list its comparative advantages in industrial innovation and services. Multinational firms have plenty of resources but find it hard to spot specialised markets and the special needs of local consumers.

Before an innovation strategy is launched, initial requirements include a balanced legal framework to protect intellectual property rights and remain flexible and consistent with the level of development. Investment will be needed to set up top research centres, as well as close co-operation with the private sector, a key research partner.

The government should encourage innovation in areas with which Western firms are not very familiar, seeking solutions for African needs linked to mobile banking, or devising business models that avoid local obstacles such as poor access to high quality services. Côte d'Ivoire should also benefit from higher future demand in the huge regional markets for beauty or food products (Prahalad and Hammond, 2002).

Box 2.7. **Identify comparative advantages to encourage competitive innovation**

Developing countries often lag behind with innovation, as private firms are often still far from technological frontiers in production and the main challenge is adopting existing technology. But early development of innovation could be supported.

Successful innovation has often been built on better knowledge of local markets and the tastes and needs of local customers, which is the key comparative advantage local firms have over the biggest multinationals. Examples include chain sales of chicken in South Africa (Nando's), soya-flavoured burgers in the Philippines (Jollibee) and multifunction washing-machines in China (Haier). Innovation will have to be guided and managed by the private sector, with the government providing good conditions as well as support from research institutions, while leaving the private sector and researchers to work out market needs and devise solutions.

Source: Khanna and Palepu (2006).

Skills will have to continue improving so the private sector can hire researchers when it needs to. Exchange of researchers between public and private sectors can help communication and co-ordination, which will require specific agreements and a regulatory framework.

Competition must improve nationally and internationally

Targeted sectoral policies can support economic diversification with cross-sector reforms in key areas. Basic reforms are needed in all economic sectors to:

- Improve the business climate to protect property rights (including land rights) and reduce administrative paperwork for firms.
- Strengthen the role of quality standards better to serve local customers and win international markets, with institutional reforms in quality control and better trained inspectors.
- Streamline trade procedures to give firms easier access to their imported inputs, improve storage and logistics and make exporting easier.

These reforms could make Côte d'Ivoire the sub-region's most competitive economy, which would stimulate national economic activity and attract investors. So they must be given priority and rapidly applied. This will support the sectoral policies for the structural transformation of the economy listed in the first part of this chapter.

The investment climate encourages the private sector

The legal framework must make investment easier (Recommendations 17 and 18)

Côte d'Ivoire could set up an observatory for the state of competition to monitor the progress of reform. The business climate has improved but new reforms are needed to make the economy more competitive. The observatory's monitoring would be based on data including the World Bank's useful *Doing Business* report that measures business regulations. But the report might also tempt the government to focus on the easiest reforms that would lift the country in the report's ratings, and diminish the greater challenges with big potential impact (such as land titles and greater use of banks).

The country's legal frameworks should also be improved. A short-term solution to get around legal uncertainty and foreign investors' distrust of the Ivorian legal system might be to use international arbitration. The government should continue talking to investors to discover the obstacles and constraints for them and speed up simplifying the tax burden, which could make the country more attractive to investors.

Quality standards are recognised

Strengthen infrastructure and institutions for quality standards (Recommendation 19)

Côte d'Ivoire should try to rebuild its historic reputation as a supplier of quality products to bolster long-term growth. During the recent crisis years, quality declined and the country has only a few active testing laboratories, something that handicaps producers faced with ever more demanding markets. Investment here will be vital in the long term to ensure markets for Ivorian exports and carry out continuous modernisation of production in agriculture, industry and services.

Well-equipped laboratories with enough staff to handle growing demands are essential and the government should continue efforts to expand their number. It should also review and harmonise accreditation rules for private labs so as to speed up issuing of licences. This will also be necessary for carrying out other recommendations, such as ensuring the quality of agricultural inputs.

Côte d'Ivoire could also consider the benefits of reorganising its institutional framework. Many countries have a dual system, with one body focusing on standards, procedures, inspections and monitoring of agri-food and pharmaceuticals, and one dealing with other products, such as packaging, household appliances and toys. A study could analyse the possible effect of such changes.

The government should also continue support for quality standards in all sectors, including quality strategies for some agricultural value chains to expand export opportunities. A tracking programme and support for small operators would also be useful and could be gradually extended to industry and services, which are important suppliers of inputs to the rest of the economy, with possible spillover effects. Quality certificates could help the services sector upgrade to meet the demands of increasingly choosy local customers (like multinational firms) and then to expand to other parts of the region. These efforts must be closely linked with reforms to boost SME capacity and rationalise institutional support for them.

Robust competition ensures economic growth

Strengthen competition regulation bodies (Recommendation 20)

Competition is one of the most important requirements for firms to provide high quality goods and services at competitive prices. Some products linked to natural monopolies need special rules to induce competition. Other markets behave in an anti-competitive way, such as when social networks help collusion, or the nature of the product leads to unfair price competition or grouping of goods and services. To remedy this, countries need a good and efficient competition commission to conduct investigations and impose sanctions. Observing competition principles will benefit consumers through lower prices and higher quality and indirectly affect production as soon as prices of intermediate goods and services fall.

Institutional flaws have been noted in several sectors, reducing competition between stakeholders. Reforms are needed to encourage a greater spirit and practice of competition throughout the economy, such as making the competition commission operational and efficient, and supporting, promoting and ensuring obedience to the rules by stakeholders.

Côte d'Ivoire's institutional structures to establish and enforce competition are not yet fully operational. Required legal changes have not been made to comply with WAEMU's May 2002 rules, which give WAEMU's competition commission the exclusive right to authorise enquiries and take definitive decisions in anti-competition matters (under a June 2000 WAEMU Court ruling). Côte d'Ivoire's trade ministry has an office of competition, consumption and combatting high prices (DCCLVC), which handles unfair individual competition and consumer protection. A commission on competition and combating high prices (CCLVC) does investigations and resumed work in 2013, after the political crisis, but with a small budget and staff, which makes it less effective.

As the legal framework is being reviewed, the main criterion (based on best practices in establishing competition commissions) is independence, to ensure credibility and legal authority in the eyes of stakeholders, and requiring:

- little or no government interference in appointing or removing members, and broad freedom to hire staff.
- budgetary latitude and guaranteed funding to minimise political pressure.
- transparent procedures and publication of enquiry results.

Côte d'Ivoire must consider merging the DCCLVC and the CCLVC to streamline responsibilities and benefit from linkages and the expertise of both. A broad inclusive single commission to handle competition and consumer protection would be a more suitable use of existing capacity, in view of the reforms required by WAEMU. The present general secretariat of the CCLVC could keep its role and be given more money and staff. The DCCLVC could be detached from the ministry and merged with the general secretariat. The new commission would thus benefit from the relationships and linkages between the two and the long-accumulated experience and expertise of the DCCLVC. This new arrangement must take into account that the present commission (set up in 2013) does not comply with international best practices in terms of independence and no longer has an explicit role to play since decision-making has been handed over to WAEMU's competition commission (the June 2000 WAEMU Court ruling). The trade ministry should include the new rules in an application decree that takes into account the framework set by the WAEMU common law and that should be approved as soon as possible.

The new body will need an independent budget and the means to do its work. The budget should be directly set by parliament, without trade ministry interference, and the commission should have the freedom to spend and allocate its budgeted funds. It should also be subject to audits by other independent bodies, such as the state auditing board, to ensure it is acting responsibly. The current commission's XOF 200 million (CFA francs) budget is small and, even taking into account that salaries are not included, quite inadequate (see Box 2.8 for examples in other countries). In line with international best practices, the new commission should hire its staff in complete independence (no longer supplied by the trade ministry) and include them directly in its budget.

Box 2.8. **Institutions to encourage competition, adapted to changing needs**

Competition commissions are organised in various ways. Côte d'Ivoire must take note of their key aspects of independence and capacity, especially budgetary.

Several countries (including New Zealand) have merged promoting competition and protecting consumers into one multipurpose body, while others (Belgium) have recently brought separate services under an independent authority, or have increased its powers (Greece). Tanzania's fair competition commission has four departments – consumer protection and counterfeiting, trade matters, restrictive trade practices, and research, mergers and raising awareness.

Budgets vary widely, though they are always bigger than Côte d'Ivoire's. The 33-strong Botswana commission had a EUR 2.4 million euros (EUR) budget in 2013/14. Tanzania's, with 58 members (below its target of 72) and more work to do, had a EUR 3.5 million budget in 2012. Even including salaries (not budgeted), Côte d'Ivoire's commission budget would be far less. The Ivorian body, in line with best practices, should also have freedom to hire staff, who would no longer be provided by the trade ministry but directly included in the commission's budget.

Source: Fels and Ergas (2014).

Easier trade will improve commercial integration

SMEs must fully participate in trade and rise up value chains (Recommendation 21)

Ivorian firms, especially SMEs, must participate more if they want to move up in global value chains and upgrade their professional skills in line with recommendations described

(see Chapter 5). They are not very good at mastering all the trade procedures, so better information about them is needed, along with advice on how to get into foreign markets.

The government should also push development of a "Made in Côte d'Ivoire" quality brand for the country's flagship products, relying on its renown as a quality producer. The authorities can also help small firms build their own reputation by negotiating with big foreign producers (of flagship items such as chocolate and peanuts) to use a label of origin recognised by customers and inclusive enough to involving various products.

Make trade easier (Recommendations 22, 23 and 24)

Speeding up trade procedures will help trade integration. The scanning of containers arriving in the country is the first bottleneck in port formalities. Recent reforms cut the number of containers selected for checking and other inspections have reduced hold-ups in handling. The government should continue improving inspection based on risk analysis and consider using one of its new scanners to share the workload. Faster transactions should be a government priority to improve trade procedures and there needs to be an independent in-depth study to assess all aspects of passing through the port (see Chapter 3 on infrastructure). The authorities should also continue professional training of civil servants. Regular evaluation of the performance of all elements of the port, with a focus on service quality, can made trade easier.

Côte d'Ivoire should continue working towards sub-regional political integration and practical co-operation, including talks to speed up trade formalities (such as health and plant inspections, and quality control) and harmonise standards. Siting frontier posts near each other, linking systems and greater co-operation between agencies (through exchange programmes, for example) could also help Côte d'Ivoire benefit fully from regional integration.

The economic potential of land has been fulfilled

Set up a national land capitalisation programme (Recommendations 25 and 26)

The government will have to carry out land and property reform to ensure best use of urban and rural land, including continued registration of rural land (preferably computerised), improved databases for urban land, and streamlined granting of land titles. This will involve:

- Creating an active steering committee open to all – especially local chiefs, farmers' associations and relevant ministries – and perhaps setting up a subsidiary structure (a high-level committee) and local committees where on-the-spot stakeholders would be better represented.
- Setting up machinery to resolve disputes to make land sales easier.
- In the short term, reviewing the process for individuals seeking land titles so as to include surveying fees in the sale contract instead of earlier on in the process.

Economic development benefits all regions

Devise a nationwide development strategy (Recommendation 27)

Balanced geographical growth requires a nationwide development strategy. The country's economic centre is Abidjan, and while several regions have very promising natural resources (minerals and agriculture), no high added-value activity has developed there, so people in the countryside have not benefited from the economic revival as much as urban-dwellers. For lasting and equitable growth, the government must pay more attention

to the countryside, encouraging regional stakeholders and taking into account each region's assets and comparative advantages to exploit its growth potential and plan targeted infrastructure investment.

This calls for a co-ordinated strategic plan based on detailed and impartial assessment of each region's potential. The government must urgently devise a rural and regional development strategy that clearly prioritises each region's comparative advantages, involves all stakeholders to ensure perfect inter-ministerial co-ordination, and sees that regional development gets more attention in national development strategy. The government must organise appropriate discussions about regional development and ensure its conclusions are taken into account by ministries. These initiatives can also encourage geolocation for easier access to postal and other public services (Box 2.9).

Box 2.9. **Geolocation as a solution to old problems**

People in many developing countries do not have official addresses because of poor infrastructure and unplanned rapid urban growth. This is a big development obstacle because it slows public access to services (such as receiving mail and packages) and hampers public administration. Côte d'Ivoire can use new technology to solve these problems. A non-profit firm called Addressing the Unaddressed has launched projects in Asia to set up a single address for all the inhabitants of slum areas through a GPS (Global Positioning System) which turns geographical co-ordinates into a special code replacing a conventional address. The code can be fixed to the outside of a house and used as an address.

Source: Addressing the Unaddressed.

The government must set up a steering committee to do strategic thinking, as speedy action is needed so the benefits of emergence are distributed fairly among all Ivorians. Several key points to consider:

- Set up a committee to improve interministerial co-ordination for infrastructure planning.
- Ensure quick action, by hiring outside consultants, for example, and leaving the initiative to an agency that can respond rapidly.
- Link nationwide development with multi-level governance and decentralisation. The government could help regional authorities by training staff.

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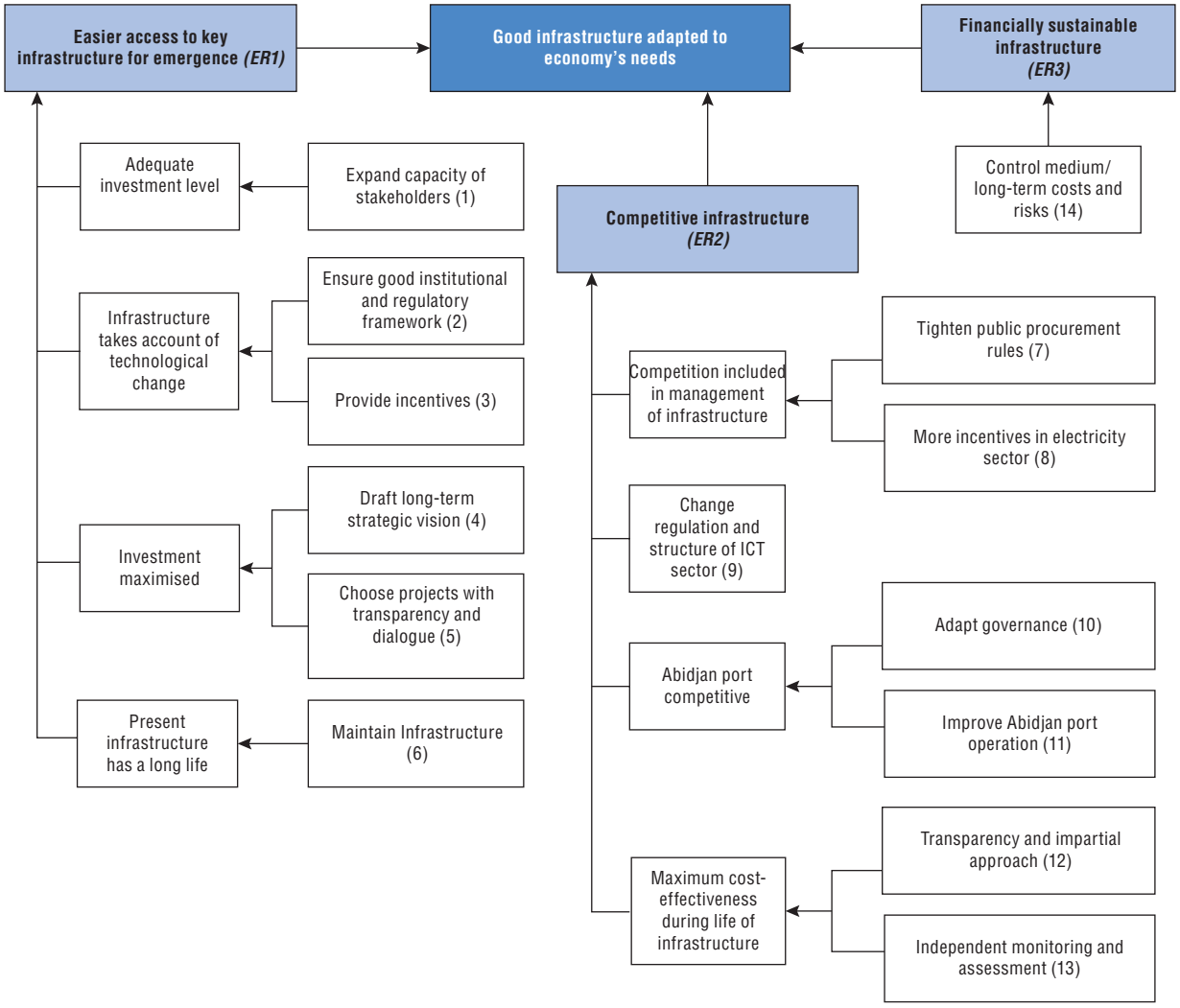
Chapter 3

Expand infrastructure to support emergence

To become an emerging economy, Côte d'Ivoire must strengthen its infrastructure, in terms both of its quantity and quality. Not everyone has access to essential parts of it (electricity, transport and telecommunications), which hampers growth and development. Besides, the costs of some services (such as transport and telecommunications) that rely on infrastructure are higher than in other emerging countries or relative to average household income, which makes the Ivorian economy less competitive. Becoming an emerging economy is only one stage in development, so Côte d'Ivoire should pay attention to sustained, long-term infrastructure investment, in respect of both government spending and the environment.

Recommendations for creating efficient infrastructure to help the nation become an emerging economy are based on three chief elements (see Figure 3.1) – improving access for all to fundamental parts of it, making the infrastructure more competitive and thus a long-term economic asset, and ensuring taxpayers and the public finances can afford it.

Figure 3.1. **Access, competition and sustainability are the pillars of efficient infrastructure**



Note: This figure refers to the recommendations and action plan presented at the end of this report. "ER 1" stands for the main expected result and bracketed numbers to action plan recommendations.

Source: Authors.

Access to essential infrastructure for all must be improved

To improve essential infrastructure access for all, the government should use three tools – the level of investment; maximising its impact by focusing on the main needs of the people and businesses; and prolonging the life of existing infrastructure since dilapidated facilities reduce access.

Infrastructure investment must be adequate

Better access involves increasing the amount of some infrastructure through more fixed capital investment. Emerging countries have an average 25% rate of gross fixed capital formation but in Côte d'Ivoire, it is barely 16%. As public investment is limited by low tax revenue private investors can provide precious funding for infrastructure. The legal and financial structure of public-private partnerships (PPP) is a mechanism that can attract and secure long-term investment here.

The capacity of national stakeholders (especially the PPP) must be expanded for preparing and carrying out infrastructure projects (Recommendation 1)

Faster growth of high quality infrastructure in Côte d'Ivoire in part depends on boosting capacity for planning, preparing, implementing and monitoring major projects. That means that the capacities of the agencies taking part in the country's infrastructure development need strengthening. Concentrating assessment within a single structure helps to harmonise practices, makes training easier, perpetuates skills and improves quality and efficiency. Responsibility for infrastructure development in Côte d'Ivoire is dispersed among several contracting authorities that are not held to apply standard approaches and methods, so this dispersion of roles and practices should be reduced. The national technical studies and development office (BNETD) has helped the country's infrastructure grow over time as the designer and builder of large projects, so its experience and expertise makes it a natural choice to help contracting authorities develop infrastructure.

Côte d'Ivoire has adopted PPP as a major part of its infrastructure development strategy and has begun to lay solid foundations for such funding. PPP projects make up about 60% of those in the national development plan (PND). A national committee to supervise PPP projects, with an executive secretariat and support unit of experts, provides solid institutional support. But the government will need major skills in assessment, preparation, management and monitoring the projects, especially legal and financial expertise, and enough staff and experts to avoid bottlenecks in the PND. Enough people must be hired by the contractors and trained in the PPP unit for the many projects over the next five years if the PND is to be carried out on time.

PPP projects should, as far as possible, benefit Ivorian firms, in order to develop the skills of the local workforce and benefit local construction and the supply of materials. Promotion of the projects should also target the national market, especially when there are local providers with the necessary technical and financial capacity. The Ivorian content of infrastructure projects by foreign investors and businesses can be increased, and technical consideration of tender bids could include the amount of local content proposed. But this should not become a protectionist device as it would hamper national development.

Recommended measures are:

- Reduce the fragmentation of roles and practices in infrastructure development by bringing more closely together the skills needed for design, preparation and management of projects. The structures involved in preparation and execution must have sufficient staff and specialised training programmes will need to be prepared.
- Train staff in the financial and legal aspects of PPPs and management of projects, focusing on managers in PPPs and contracting authorities involved in preparing and implementing projects.
- Train both private sector participants (consultants, accountants and law firms) and public ones (BNETD, Ageroute), emphasising forecasting skills to help the government prepare the projects.
- Supply tools and document models to guide project preparation (feasibility studies, financial analysis, procurement and contracts and so on), and make implementation simpler by ensuring that they are well understood.
- Set up a project development fund to finance feasibility studies (usually a great burden on PPPs), involving sources such as the African Development Bank (AfDB) and the World Bank, which could offer a valuable boost to getting projects under way.
- Encourage local firms (including PPPs) to take part in infrastructure projects by publicising and promoting PPP projects nationally and applying the local content yardstick in assessing tendered bids.

Household access to electricity and a dependable supply for business are keys to a successful road to emerging nation status. Côte d'Ivoire plans to double its power output to 4 000 MW before 2020 by building new hydroelectric and thermal plants, so a reliable supply of natural gas for new thermal plants is needed, coming from continuing onshore and offshore gas exploration. But the country also has major potential in renewable energies such as solar, biomass and micro-hydroelectric power, the development of which could boost energy supply, especially in the countryside, as well as reducing greenhouse gas emissions. Renewable energy will also increase energy security as it does not depend on a sometimes unreliable supply of combustible fuel. Côte d'Ivoire's 12 million tonne biomass potential is the one of the biggest in Africa, along with its solar energy reserves, especially in the north and west of the country. Despite their size, these reserves are mostly unused.

Energy policy must be supported by institutions and regulations to encourage more investment in renewable energy (Recommendation 2)

Development of these resources will depend on sizeable investment, especially by the private sector, as well as suitable regulation. Faster growth of these energy sources will come from energy and economic models different from those that have hitherto dominated the energy sector. Policies must take into changing technology and be flexible enough to incorporate innovation, and the sector's regulations must be adapted to deal with the wider range of production methods and profitability.

Recommended measures are:

- Develop and communicate a transparent energy strategy that sets out the role of renewables and off-grid technology in the mix of future energy supply.
- Set up an agency to manage energy and renewables, charged with speeding up the growth of renewables, co-ordinating the work of the ministries involved – oil and energy, environment, urban sanitation and sustainable development, finance, planning and

development, Ministry of State, Education and Technical Instruction. The body would be charged with drafting regulations for the new energy sources, identifying and promoting projects, seeking funding from abroad and from private investors and giving technical assistance to projects.

- Draft regulations for development of renewable energy, including the issue of customer charges, especially the suitability of feed-in tariffs.
- Encourage creation of a body representing private stakeholders in renewables that could be a place for dialogue with the private sector, whose involvement will be essential for providing renewable energy.

Incentives should be given for the private sector to use off-grid solar technology and biomass plants (Recommendation 3)

Solar energy is rapidly becoming cheaper (panels and storage) and more feasible, with innovative firms using new commercial models. For example suppliers are already selling cheap power to rural Kenyans, Tanzanians and Rwandans on a pay-as-you-go basis using mobile phones. But this decentralised off-grid energy will have to coexist with a central power grid, so a balance will have to be struck between expanding the grid and encouraging off-grid technology in places where it is more suited to geographical and economic conditions.

Biomass energy needs a reliable source of high quality raw materials and a regulatory and tariff structure providing an attractive return for private investors, so close co-operation between the agriculture and energy sectors is essential. Where producers sell their power to the national grid the government, as purchaser, will have to set prices or negotiate contracts with producers and agricultural stakeholders.

Recommended measures are:

- Calculate the potential of renewables and their location in Côte d'Ivoire, map biomass resources and the degree of sun-exposure around the country and publicise this data. The World Bank's Energy Sector Management Assistance Program (ESMAP), which funds the mapping of energy resources, could support the country's efforts.
- Identify possible sites for biomass plants using agricultural waste and lobby the private sector to invest.
- Educate agricultural stakeholders about the value of waste to encourage them to help set up collection and supply networks.
- Adopt international quality and performance standards (such as those set by ECOWAS) for renewable energy products, such as solar kits, for consumers.
- Give tax incentives (customs reductions, lower VAT) on consumer energy items that comply with quality and performance standards.
- Harmonise solar energy standards and incentives with ECOWAS countries to expand the market, make more economies of scale and create a good economic climate to attract private investors.

The effect of infrastructure investment is maximised

Infrastructure that targets priority needs, is the right size, suitable and efficient will be the best investment, but badly designed and planned projects waste public funds. So planning transparency is vital if projects are to have the most impact, avoid losses, and make investment more successful.

Infrastructure planning must be guided by a long-term strategic vision (Recommendation 4)

To have the greatest impact infrastructure investment must target the priorities of individuals and business and be part of a long-term development vision. The quantity of the infrastructures will only have a positive economic effect if they contribute to the country's economic and social development goals. Government investment is often of a quite short-term nature because of the pressure of urgent needs, political events and budgetary cycles. The long life of major infrastructure (electric power stations, bridges and ports) means they must be part of a long-term vision taking into account major national and international economic, environmental, population and technological trends. The country began an outlook study in 2006 called *Côte d'Ivoire 2040* which stopped when it ran out of money. The planning ministry revived it and intended to finish it in 2015, so it could be used to give the 2016-20 national development plan (PND). This could be the basis for moves to build in a more forward-looking approach with infrastructure.

Recommended measures are:

- Analyse major national, regional and international trends and uncertainties (economic, international relations, climate, population, technology and others) relevant to the country's long-term development. This analysis will then help with the outlook for alternative futures.
- Draft a strategic vision and long-term development goals based on consultations, workshops, surveys, trends and futures analyses that have already been carried out. This vision should be made public to mobilise the private sector and civil society and be included in basic medium-term planning documents such as sector strategies, infrastructure plans, priority projects, and the PND.
- Set up a system to monitor major trends and uncertainties in the country's future development, the results of which can be summarised in an annual report which could bring up to date the various outlooks for the future, if necessary.

More transparency and concertation in planning, choosing and assessing projects is needed (Recommendation 5)

Transparency in planning, choosing and assessing projects makes it possible to reduce risks, maximise the positive impact of infrastructure projects and boost the confidence of the people at large, businesses and investors in the coherence of government policies. Projects should be prioritised by transparent criteria to focus investment on urgent needs and projects with the biggest impact. Consultation with those involved or affected by the early stages of preparation will give a better insight into people's needs and uncover possible pitfalls. Except for special cases, such as projects funded multilaterally, public hearings for big infrastructure projects in Côte d'Ivoire are not always held. They should be organised at the preparatory stages of a project so they can help make it more successful. Independent evaluation of a project's economic and financial surveys can detect weaknesses in its design.

Recommended measures are:

- Make the public investment programme (PIP) easily accessible to the public (perhaps on the planning and development ministry website) as well as the multi-criteria process of choosing public infrastructure investment. PIP projects must be compatible with sectoral and national policy, so it would be appropriate that these political priorities be summarised in the PIP, to show the public a clear link between them and the infrastructure investment choices. PIP publicity could be improved if the summary could be put on line.

- Hold public hearings during the preparation of all infrastructure projects. To encourage such participation, the PPP law could be amended to make public hearings a condition for approval of projects.
- The budget or finance ministry can independently assess a project's economic and financial surveys, examining the validity of the economic forecasts and projections that underpin its financial models. They should also consider the possible impact of projects on government finances and the risks they could present.

The life-span of existing infrastructure is extended

Maintaining infrastructure to prolong its life is just as important as building new facilities and is often much less a burden on public finances, especially when done regularly. Well designed and well run PPPs can maintain infrastructure for the duration of a contract. For traditionally funded infrastructure, the cost of upkeep must be budgeted or dedicated funding made available.

The road maintenance fund (FER) must be made permanent and more transparent (Recommendation 6)

The poor quality of much of Côte d'Ivoire's road network is a serious hindrance to development and makes the country less economically competitive, so upgrading roads is priority. The FER, in charge of funding maintenance, obtained a XOF 130 billion loan from a consortium of banks in 2014 to modernise part of the road network. The debt will be repaid out of the specific tax (TSU) on oil products, and the proceeds of vehicle tax-discs and transport taxes and licences (*Jeune Afrique*, 2014). The FER plans to seek more loans to upgrade the entire network but funding remains a problem because though the TSU can help repay the current loan, it will not be enough to pay for long-term road maintenance. This is a recurring cost and must be funded by a reliable long-term revenue source, so money for upgrading and money for maintenance must be separated to ensure the latter.

Recommended measures are:

- Investigate how to boost FER's funding, such as by increasing the TSU and the number of tolls on main roads. A higher TSU will raise fuel prices if other components of the price are unchanged, but the effect on road-users will be less because of the current low world price of oil. The investigation should consider the impact of these increases on road-users, consumer prices and households and suggest ways to compensate the poorest families.
- Separate road upgrading and maintenance and treat upgrading as an investment, to be funded on its own.
- Seek multilateral and bilateral funding for upgrading the network.

Make key infrastructure more competitive

A strategy to develop infrastructure must have regard to both the total amount of work needed to help on the way to becoming an emergent nation and to its performance and cost. Economic infrastructure has a major impact on how productive and competitive a country is. If electricity, transport and telecommunications are costly, that slows expansion, undermines household incomes and reduces the productivity of firms. Efficient infrastructure, by contrast, can make a country much more competitive, and incentives, especially through competition, along with regulation and good governance, are the main tools for this. The best value for money should feature at all stages of infrastructure planning and management.

More competition needed in management of infrastructure

In a liberal economy where the private sector plays a big part in infrastructure, competition remains the best way to get suppliers to offer innovation and efficiency and thus reduce prices to consumers. This is especially important for priority infrastructure such as electricity, transport and communications, which play a crucial part in economic productivity, competition and the well-being of people. In Côte d'Ivoire, enthusiasm for competition does not always dictate infrastructure planning and management choices. The electricity and ICT sectors could benefit from more competition.

For infrastructure that has a natural monopoly, internal competition is often unsuitable, so the government needs to add competition to procurement bidding through compliance with the rules of procurement. Competition in bidding is especially important with PPPs, where contracts are often for up to 30 years (and sometimes more) with long-term consequences. So awarding a PPP contract without proper bidding can incur excessive costs or poor infrastructure, with damaging long-term results for users, taxpayers and the economy as a whole.

Rules of public procurement and their application must be tightened (Recommendation 7)

Procurement in Côte d'Ivoire too often contravenes the rules, and the road to the status of an emerging nation requires that procurement procedures be tightened, including more compliance by the contracting authorities. An audit by the national procurement regulatory authority (ANRMP) showed that many over-the-counter (mutually agreed) contracts were not permissible under the procurement laws, which therefore urgently need to be strengthened to reduce non-competitive bidding. Reforms and ongoing action to do this (setting up procurement units in seven trial ministries, producing guides to the rules to improve bidding applications, simplified competition procedures) should reduce over-the-counter contracts. But the ANRMP audit showed that excuses offered for these, such as urgency, often did not comply with the procurement laws. The planned reforms must be accompanied by heavier penalties for contraventions.

Recommended measures are:

- Review the penalties regime for violations of procurement rules so that it covers all forms of exemption not justified by the procurement code, including over-the-counter contracts. The code and the decrees and rulings amending it do not provide for any administrative punishment for recourse to unjustified over-the-counter deals. Violations that can be penalised are listed in decree 118 MOMB (March 2014) and only apply to a few serious infractions.
- Strengthen administrative penalties to deter public officials, currently punished by exclusion from all procurement activity for two years, which is hardly a deterrent.
- More disciplinary and criminal sanctions for seriously violating the procurement law.
- Include PPPs in the procurement law.
- More transparency for major projects above a certain value that are agreed on directly, by asking a civil society organisation to observe the procedure, making public the reasons for awarding the contract and publicising the contract as soon as it is signed (OECD, 2012).
- Do regular audits of over-the-counter procurement deals to ensure they are legal.

Introduce more competition and incentives in the electricity sector (Recommendation 8)

Private firms have invested in electricity in Côte d'Ivoire but the market structure is very rigid and not competitive enough. "Take-or-pay" production contracts and fixed tariffs discourage competition between them. Downstream elements such as transport, distribution and marketing are a monopoly and the private operator is vertically integrated throughout the whole chain, from production to marketing. The structure of the sector hardly encourages efficiency, much less innovation, and the government bears most of the risks.

The sector's stability is a major national asset and introducing competition must not undermine this, so any opening-up must be done gradually, maintaining the financial balance. But more incentives should try to encourage participants to be more efficient. The state electricity firm CIE has run the sector since 1990 and its most recent contract was renewed without any competitive bidding. But it is hard for regulators to introduce successful incentives in the absence of any means to evaluate participants' performance.

Recommended measures are:

- Make running the transport network and the distribution and sale of electricity competitive by putting their contracts out to tender when they come up for renewal in 2020.
- Make production of electricity competitive by putting contracts out to tender when they come up for renewal.
- Consider making the sector more competitive by breaking it up, introducing wholesale markets and amending production contracts.

Greater competition and access to ICT is needed

Access to reasonably-priced ICT is essential to Côte d'Ivoire's development and making its economy more competitive. The country has quite a robust and well-established mobile-phone sector and 3G subscriptions are growing fast. But Internet access through fixed lines or USB sticks is uncommon and charges are too high for the great majority of Ivorians. Much greater Internet access will be needed to reduce the digital divide and allow Ivorians to benefit from ICT opportunities, and is crucial for growth of the services sector, one of the keys to structural transformation.

The spread of ICT and affordable access will depend on new infrastructure and greater competition in the sector. Private and government investment in high-speed fibre-optic lines can extend ICT to the whole country but it will have to be more competitive to keep prices down for ordinary consumers. Telecommunications (mobile phones, fixed lines, and mobile Internet) are dominated by two vertically-integrated providers, Orange and MTN, whose activities range from international connections by way of undersea cables to selling services, so ICT regulation, especially of Internet access, should be changed to introduce more competition.

Regulation and the structure of the ICT sector must change to reduce prices to consumers (Recommendation 9)

Recommended measures are:

- Encourage entry of another credible mobile-phone operator who could financially and technologically win a big market share. Existing operators could be obliged to negotiate a roaming deal so the new firm could offer nationwide coverage while it created its own

infrastructure. This was done in France to allow a new operator into the market in 2012, to the great benefit of consumers (OECD, 2014).

- Amend specifications for mobile operators to oblige them to offer a minimum geographical coverage.
- Independent experts should look at access offers by existing operators to ensure they do not hamper entry of new operators.
- Change the rules to cut the cost of network interconnection and thus encourage entry of new operators. Non-discriminatory and transparent network access is vital for telecommunications development. The country's interconnection tariff model is based on calculating operator costs. With some operators dominating several parts of the sector and their high vertical integration, alternative tariff rules such as ceiling prices might be considered to help new operators and providers enter the market.
- Encourage new providers of fixed-line Internet access (cable or Wi-Fi), which is currently dominated by two operators, as more competition would reduce prices.
- Draft an operational model and regulations to access high-speed lines currently being installed, especially defining the type of technology to be used for local connections, the role of the private sector, network access conditions and customer tariffs.

Abidjan's port must be more competitive

The performance of Abidjan's port (PAA), the main transit point for most of the country's exports and imports, must be improved because it affects how competitive the economy is. The government must ensure that seaports, as well as upstream and downstream infrastructure, can support economic growth and the increased foreign trade it generates. Work must continue on major projects in the strategic plans for Abidjan and San Pedro ports. Recent reforms, such as a one-stop shop for customs clearance, have reduced costs and delays at PAA but the results are still far below those of rival emerging economies, especially in Asia.

Governance of the state-owned PAA must be adapted to the port's many functions and its national strategic role. It is a landlord with commercial and regulatory functions and as a state-owned enterprise run by a director-general and a team and it is supervised by a board chaired by a presidential appointee and composed almost entirely of representatives of ministries involved in the port (economic infrastructure, transport, budget and trade). Other major world ports that are landlords, such as Rotterdam and Singapore, which are also state-owned, have more balanced governing boards including senior officials with private sector experience and commercial, financial and sector skills, so the government is more shareholder than administrator.

Governance in Abidjan port must change to deliver better performance (Recommendation 10)

The PAA's governance structure should be reviewed. As a state enterprise, it has great autonomy and operational independence and combines regulatory functions (truck parking, monitoring forwarding agent fees) and operational tasks (managing port land, billing for port dues). It acts as a kind of landlord but also provides services, which makes it more a public administration than the privatised structure in most industrialised countries. The PAA should be more transparent about the part it plays, the services it supplies and its contracts with the private sector.

It needs to improve its performance in respect of costs and handling delays, so efficiency and customer service must be a priority in governance and port management. Its autonomy should be increased by balancing its board with independent private sector managers (carefully avoiding conflicts of interest) preferably with international maritime transport experience. Setting performance goals for major variables such as handling times and cost of services is also important. These variables should be regularly monitored by the board and the port performance here should be part of assessing port managers and their pay.

Recommended measures are:

- Change the board's membership by decree to include independent members with useful private sector experience.
- Include in the PAA statutes a legal obligation for board members to concern themselves only with the port's interests. Board members normally have many outside interests but these must not influence their decisions about the port.
- Set performance targets for costs and freight-handling time and appoint an independent monitoring committee reporting back to the board.
- Base assessment of port managers and their pay on how far performance goals are met.

The PAA's operations must be improved (Recommendation 11)

Much-needed reforms to make the port run better should deal with its main bottlenecks, taking account of interdependence between participants. Scanning (of documents and containers), provision of required documents and moving containers to and from scanning stations need to be faster, to reduce direct and indirect (waiting time) costs for importers and the final cost of goods to consumers. Port services also need to be more competitive through involvement of local suppliers relative to multinationals, strengthening local capacity without making the port less competitive overall.

Procedures within the whole port value chain should also be reviewed. Studies of passage through the port have been done without including the many participants (port authorities, customs, ministries, forwarding agents, handlers, transport firms, exporters and importers and other service suppliers), and the countless links and interdependence between them. An overall survey of the value chain is needed to find out why reforms are not bringing progress and to focus new reforms on persistent obstacles and bottlenecks. The study must take account of all port activity (setting prices, incorporating new charges, competition, the dominance of some of those involved) and the president and prime minister's offices must ensure sufficient access to information, strict neutrality and regular monitoring. A team of experts (in procedures, freight forwarding, customs and transport) will need to be recruited to gather data to add to several fairly extensive reports that need to be completed with further data, interviews and study of laws. The aim would be to identify the main bottlenecks and propose suitable reforms, especially in links between participants. Government ministries and the private sector should discuss more in-depth reforms in running the port, to further involve the private sector and encourage the PAA to be more competitive.

Investment is good value for money throughout the life of an infrastructure

Transparent and impartial procedures and practices must be adopted and no particular approach favoured (Recommendation 12)

Infrastructure projects must be impartially chosen and implemented if the best value for money is to be had. Planning procedures and methods must not favour one approach

over another and initial project studies must analyse all available options. So it is possible that upgrading and expanding existing infrastructure might be less expensive (with similar results) than building new facilities. Practices and standards in assessing and preparing projects should not vary much despite differences in implementation.

Recommended measures are:

- Include analysis of alternatives in pre-feasibility studies.
- Harmonise and publicise practices and standards for PPPs and traditional projects. The British Treasury (finance ministry) puts out a guide (the *Green Book*) to help all ministries assess programmes and projects.
- Draft and make public a roadmap for planning and implementing all infrastructure projects, whatever their sector or mode of implementation, spelling out different stages and decision-points involved in their preparation.

Independent monitoring and assessment methods during the life of an infrastructure must be established (Recommendation 13)

Good follow-up and regular monitoring, using quality and performance indicators managed by an independent body throughout the life of an infrastructure, are essential for its good performance and for keeping costs under control. Major projects (both PPP and traditional) should be also assessed subsequently during their lifetimes by an independent body such as the state auditing board to verify such aspects as efficient implementation, fulfilment of contractual obligations by stakeholders, compliance with environmental standards and transparent finances. Evaluation should include comparison between the economic projections that underpinned the go-ahead for the project and choice of suppliers and the actual results, for such variables as revenue and number of users. So project assessment is a learning process that streamlines project preparation and improves the accuracy of projections used in feasibility studies (Rajaram et al., 2014).

Recommended measures are:

- Institute the means to monitor the performance of operators and suppliers of economic infrastructure. Specify during project preparation how and by whom monitoring will be done and earmark enough funding. Sign contracts with suppliers in respect of what performance and quality aspects will be monitored. Those doing the monitoring should not have been involved in initial assessments or approval decisions and ideally should be drawn from a separate entity.
- Submit major projects (PPP and traditional) to be independently examined by the state auditing board, which will have to be empowered to do so and whose staff will need to be increased and trained for this kind of work. Special training for judges and exchanges with other senior public finance monitoring bodies will be needed too. The auditing board also urgently needs new offices so it can do this important job properly.
- Establish a learning loop to use the lessons drawn from audits and strengthen planning and assessment for new projects.

Financially sustainable infrastructure must be ensured for taxpayers and the government

Planning new infrastructure should consider the medium and long-term effect on public finances, as such projects directly or indirectly involve long-term funding, the impact of which needs to be managed in the light of Côte d'Ivoire's major ambitions to expand its

infrastructure, especially through PPP funding. PPP contracts are fairly inflexible (changes have to be negotiated, often with difficulty), which can limit a country's freedom to change its tax policies, especially if PPPs are a sizeable part of the investment budget. PPPs also involve compensation clauses and tax risks that need to be monitored and managed.

Medium and long-term costs and risks involving infrastructure need to be under control (Recommendation 14)

- Estimate operational and maintenance costs at a project's planning stage.
- Manage the impact of a project on public finances by involving the budget ministry in planning and preparation.
- Publish an annual report on all the provisions, guarantees and other financial exposures linked to PPPs, as well as budgeted payments and revenue during the life of the PPPs.
- Include recurrent infrastructure costs (operation, maintenance and PPP payments) in pluriannual budget planning (such as a Medium-Term Budget Framework – MTBF).
- Take into account risks and conditional obligations linked to PPPs in budget documents.
- With PPPs funded by taxpayers, include PPP payments in calculating public debt and use international financial reporting standards (IFRS).

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Chapter 4

Giving business and individuals access to funding

The growth of the Ivorian economy is handicapped by a lack of funding. For firms and individuals to have easier access to financing, more bank loans are needed and alternative funding sources have to be developed. Lower credit risks and a more effective guarantee system will cut the cost of financial intermediation and result in more lending. More funding for loans is needed, with longer repayment times, to develop a financial system that can meet the demands on the road to emerging nation status. The issue of financial inclusion is of prime importance.

Côte d'Ivoire has funding limitations and its financial sector is not adapted to the character of a country transforming itself into an emerging economy. Not enough loans go to the private sector, especially to small and medium-sized enterprises (SMEs), a shortcoming that limits investment and economic growth. This is not specific to Côte d'Ivoire: similar economies, with a large informal sector, uncertain property rights and weak institutions, have the same problem, but the expected economic transformation in Côte d'Ivoire will probably be driven by its SMEs, so funding them is a major issue.

Private sector access to credit must be the focus of the financial sector's growth if emergent status is to be achieved

A strategic vision to develop the financial sector, one shared by all involved, is absolutely essential. Morocco is often cited as a successful example: government determination to increase bank funding, along with reforms to banks and stakeholders in finance increased financial inclusion and business funding. Côte d'Ivoire's financial sector development programme (PDSFI) launched in October 2014 was a positive step and should help remove the main obstacles in the sector. The support of all participants is essential, along with better linkages to programmes, such as the Phoenix Plan (2013), to encourage the funding of SMEs.

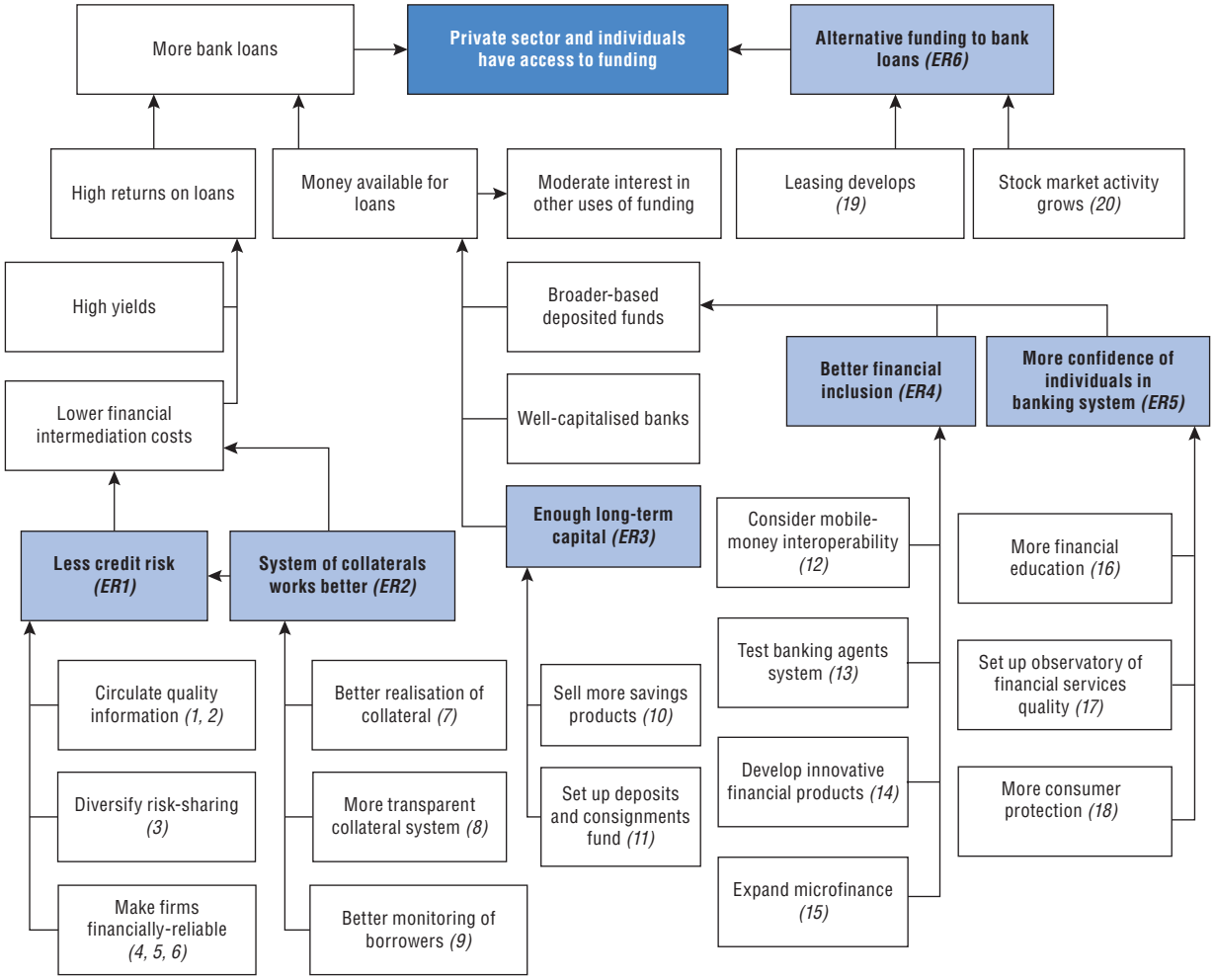
The extent of lending to the private sector depends on the returns on loans and on the amount of money available to lend. Figure 4.1 shows the factors affecting bank loans to the private sector. The lender looks at what he can expect by way of return. The amount available to lend is another factor. The low level of bank deposits and bank capital and the infrequency of long-term loans options hamper this funding, which can also be reduced by more attractive opportunities, such as government bonds in CFA francs that are less risky, have high yields and cost less to manage.

Returns on these CFA bonds reflects the availability of funds in this monetary area. Reducing their yield would make it necessary to make them less available, which is unwise because of the region's major need for public investment. Increasing the supply of money to buy them would need major political changes, such as improving the convertibility of the CFA franc with foreign currencies, backed by greater credibility and sustainability of the region's money and budget policies. But despite this in-built constraint, WAEMU's policies provide stability and good governance which helps the financial sector expand.

To improve bank loans to the private sector, banks need to interact more efficiently with SMEs and reduce their charges for making loans. Decisions to grant loans are affected by their cost to SMEs, which are themselves affected by problems of assessing the chances of default, inadequate information and difficulties providing guarantees. Returns on loans greatly depend on revenue generated by the loans (interest) but also the cost of financial intermediation, determined by the cost of management and supervision and the risk of

customer default. The recommendations below aim at lifting the constraints on funding Ivorian firms by reducing intermediation costs and increasing the amount of money available for loans (especially long-term) through recourse to national savings – in effect, narrowing the gap between loans to SMEs and risk-free returns sought by investors.

Figure 4.1. **Loans to the private sector depend on returns and availability of funds**



Note: This figure refers to the recommendations and action plan presented at the end of this report. "ER 1" stands for the main expected result and bracketed numbers to action plan recommendations.
Source: Authors.

Financial intermediation costs must be reduced

Lending to SMEs is not very attractive for Ivorian banks because of high intermediation costs. Banks lend mainly to governments and to big national and foreign firms but to very few SMEs because of different risk profiles. Asymmetric information between banks and borrowers, little risk diversification and the shaky finances of some firms create a perception that borrowers represent a high risk and that discourages banks from making loans. The inability of institutions to monitor regularly borrowers and problems with raising collateral increase the cost of managing and supervising loans.

Less credit risk would encourage loans to SMEs

Exchange of information must be made easier (Recommendations 1 and 2)

The central bank should support Côte d'Ivoire's new privately run information office on bank loans, in operation since June 2015. The banks are generally not keen on it and are reluctant to share data with an office in which they do not have a formal stake. But similar offices in Brazil, Turkey and Singapore have had quick success after banks pledged to exchange information. The World Bank, which reviews international best practices in lending, says central banks have a transformative role in encouraging the banking sector to take part (IFC, 2012).

To ensure the success of the credit information office, the BCEAO's risks department must no longer respond to lender requests and must make use of credit reports obligatory. Credit and microfinance institutions must send information about their customers to the central bank to be gathered by the information offices (BCEAO Directive 005-05 2015). The regulatory body is a link between collection of bank data and private credit information offices in several countries, including Ecuador and Morocco where, unlike in Côte d'Ivoire, risk departments no longer respond to lender information requests, obliging them to seek it from the credit information office. Egypt and Morocco have given their offices a leading role by obliging lenders to ask for credit reports before giving new loans.

Côte d'Ivoire must ensure that borrowers have confidence in the credit information office. That the permission of borrowers is needed for release of information by the office is often cited as an obstacle to its future, but this provides broader information and thus better service by the office. In Côte d'Ivoire, the rate of permission given is still below 20% (and especially low among former bank customers). It could be increased by publicity and awareness campaigns about data confidentiality, responsible use of loans, risks of over-indebtedness, the usefulness of the credit information office and courses about the rights and obligations involved. Panama's office created a financial education programme (Finanzas Bajo Control) which trained borrowers in financial management (personal advice sessions, a special website, web-based seminars (webinars) and physical seminars, use of mass media, free-of-charge press and social media Facebook and Twitter). Côte d'Ivoire must also see that all steps are taken to ensure security of data.

The credit information office presently only collects negative data about borrowers, so it must quickly move to collect positive material. The World Bank says such offices that supply full information get the best results. Combining positive data (solvency ratios, credit limits, type of loans, collaterals, repayment schedules) with negative (unmet financial obligations, arrears, court judgements) means high-risk borrowers who accumulate debts without defaulting on payments may not be refused loans, or be refused on the basis of a single negative event.

The office must quickly include data from non-traditional sources. Gathering information on firms and individuals to assess the stability of a business is vital in an economy where personal and company funding are often not separated and where a business-owner's past often indicates the firm's credit risk. Rapidly including data from large public utilities and small microfinance institutions (two-year turnover of under XOF 2 billion) will help expand coverage of individuals. Special rates have been negotiated to encourage microfinance institutions in Egypt to provide data, with technical support and a free trial period.

The office's transparency is crucial. Statistical assessment of the likelihood of repayment by a borrower, along with their credit score, boosts the chance of getting a loan and should be a service offered by the office, which must ensure transparency (borrowers having the right to consult their credit report and information) and allow borrowers to appeal against inaccurate data.

The offices need to be computerised. The performance of the BCEAO information offices has improved but more computerisation is needed to clear sizeable data backlogs. Some banks also do not systematically pass on information. Computerisation, better monitoring and a penalties system will solve these problems.

Risk must be better shared among stakeholders (Recommendation 3)

Mutual guarantee associations are risk-sharing solutions that should be explored by Côte d'Ivoire. These associations of entrepreneurs aim to link up with banks to help SMEs without enough collateral to obtain loans. The companies examine the requests of their members and pass on satisfactory cases to the partner bank. Their evaluation and knowledge of their own professional sector make for better risk assessment and thus reduce the bank's administrative costs. The passed-on applications get an extra guarantee through the guarantee fund to which the mutual members contribute (entry fees, regular dues, commissions, and sometimes public contributions). This kind of guarantee, based on member solidarity, encourages formalisation of the economy, financial inclusion, funding of businesses and growth of promising sectors.

These mutual associations have not produced adequate results in Côte d'Ivoire, where the unsuitable legal and regulatory situation penalises them. The WAEMU stipulates that financial entities must have the form of a financial institution or be subject to the same laws. But the non-profit co-operative structure of the mutuals, which get tax breaks, have benefited many countries, in particular Italy. (Box 4.1).

Box 4.1. **Mutual guarantee associations in Italy and developing countries**

The first mutual guarantee companies appeared in Europe in the 1940s, with the most successful in the crafts sector in Italy. Organised into co-ops, all members were equal (especially in voting). A committee of bank officials and co-op members examined loan applications. Agreements between co-ops and banks vary and are often revised. The commonest public intervention is a grant to expand and strengthen the guarantee fund. The government has sometimes backed the mutuals in seeking business development funding from the European Union. Such aid often goes to local beneficiaries through regions and chambers of commerce and in line with the mutual's links to a sector.

The Italian success compares with many failures in developing countries, such as Morocco, Tunisia, Madagascar and some West African countries. Comparative analysis shows that Italy's success is linked to basic principles absent in developing countries – a strong and ethical management team well trained in finance that can separate itself from economic vested interests of mutual members, risk-sharing between banks and upstream guarantee funds (an agreement that spells out the kind of risk-taking and ongoing constructive dialogue between a bank and the mutual) and strong professional associations that have substantial negotiating power with the banks.

Source: Gobbi (2003).

Firms must be financially reliable (Recommendations 4, 5 and 6)

SMEs are far from being financially transparent. Banks can better assess credit risk when they have good quality and accessible financial and accounting information about firms. The practice by some Ivorian firms of giving different figures to different officials has not been entirely eliminated by the setting up a central balance-sheet office and a one-stop shop for filing financial statements (GUDEF). Pooling the cost of accountants can help solve the problem of financial constraints that can hamper financial transparency of SMEs (see Chapter 2). Computerisation and linking systems that handle financial statements (GUDEF, the national statistics institute and the central balance-sheet office) can also detect fraud.

Auditing quality must improve through stronger internal and external monitoring to improve the profession's credibility and ensure better service for SMEs. The work of uncertified accountants lowers standards and SME support structures must make firms aware of this. The accountants' professional association must rapidly set up an internal quality-control system and ensure national ethics and rules comply with international standards set by the International Federation of Accountants in 2014 and that WAEMU quality standards are respected.

The model of officially-approved management centres (CGA) must be made more attractive. The centres were set up to provide management and accounting help to SMEs, bring them into the formal economy and so boost government revenue. But the CGAs do not interest firms much and accounts are not systematically audited because accountants are not very active. A thorough survey of the centres' failings would help firms produce more reliable and audited accounts.

Institutional flaws prevent effective monitoring of borrowers and the system of collaterals needs upgrading

The institutional flaws in Côte d'Ivoire (the guarantees system, monitoring borrowers) increase the cost of overseeing and managing loans. An insufficiently transparent system of guarantees and problems in realising collateral mean banks are slow to make loans. Successful surveying reforms should make customer monitoring easier *(Recommendation 9)*.

Realising collateral must be done better (Recommendation 7)

Lenders' fears of borrower default and non-implementation of collateral increase the banks' perception of risk. Weaknesses in settling commercial litigation deter banks. The substantial progress made since the Abidjan commercial court was set up in 2012 has reassured stakeholders, but efforts need to continue, especially to expand the court (in particular Abidjan Sud and San Pedro), along with greater communication and transparency.

The collateral system must be more transparent and easier for firms (Recommendation 8)

Côte d'Ivoire must have a computerised and single central register of collateral to reduce the risk for banks, since some borrowers give the same assets as collateral to several lenders. A register would allow an asset lien to be recorded, confirm the possession of collateral and say if it is legally disputed. This must be centralised and notice-based (without special documentation, just a standard form), with online access, a special identification number, and cover all types of assets (moveable or fixed) and all individuals and firms. Research shows that such registers improve access to bank loans by an average of eight percentage

points, cause a drop in interest rates of three points and extend repayment by six months (World Bank, 2014). The World Bank says setting up registers for loans and collateral is more effective when done at the same time, so the collateral register should be quickly set up, either through a PPP, by a private body (credit information office or chamber of commerce) or by a supra-national body such as the BCEAO.

Whatever option is chosen for the register of collateral, the identification of businesses on the commerce and property credit register (RCCM) with an identification number is vital. The RCCM can be put online to join all the other RCCMs, to improve monitoring of promoters by listing all firms in Côte d'Ivoire and giving them an identification number, as well as saving time and money in the registration of firms. With more data, it could be extended to cover not just mortgages but all kinds of collateral (land titles, vehicle registration documents and so on). The RCCM data could be linked to and used by a credit register.

A modern register will allow new kinds of collateral that are easier for firms to use. BCEAO prudential rules define collateral more strictly (mortgages, cash deposits) than Ohada (materials, stocks of merchandise), forcing banks accepting non-eligible collateral to set aside an equivalent sum. Merging the BCEAO and Ohada rules will help banks accept currently non-eligible collateral. About 80% of the share capital of firms in emerging economies is in movable assets, often easier for firms to use as collateral (IFC, 2012).

More private savings in banks will increase money for loans and improve funding of the economy

Bank assets are mostly short-term, an obstacle to medium and long-term funding of the economy. Broadening the base of deposits and increasing their length of time will make the banking system operate better. More funds from private savings are essential, along with extending loan maturity. Banks consider savings not to be very profitable because of high transaction costs, especially in isolated parts of the country with little access to banking. But household demand for savings products is high (income smoothing and securing, emergency funding) and the stock of household savings will establish a basis for development of the banking sector. Using more national savings requires more financial inclusion and bank use, increasing the range of savings products tailored to demand (especially for low earners) and to the economy (very informal, large rural economy and public unfamiliarity with the financial system).

Funding the economy requires more long-term capital

Savings products adapted to local conditions should be developed (Recommendation 10)

Côte d'Ivoire must encourage more attractive savings products (home savings plan, share savings plan) so as to expand medium and long-term savings, especially with tax incentives, and draw in more of the population. Ivorians abroad, in increasing numbers, in particular the well qualified, should be made aware of these products, which can be geared towards presidential targets such as housing (60 000 more houses by 2025, two-thirds of them low-cost). Mobilising young people's savings is also a big economic opportunity in view of the country's demographic profile (familiarising future adults with the formal financial environment, winning loyal customers for long-term advantage). In Morocco the Al Barid bank is cornering some of this important segment with a special savings programme (small deposit to open an account, option to block funds for a certain period and prizes for the first 20 000 new customers).

The government must devise a suitable legal and regulatory framework to capture savings through digital financial infrastructure and many such solutions exist, as in Kenya through private operators and phone companies. M-Shwari seems to be a success in Kenya but the earlier-established Jipange KuSave has not done so well as a result of an inadequate regulatory structure (Box 4.2).

Box 4.2. **Kenya at the cutting-edge of innovative financial products**

M-Shwari, a partnership between mobile-phone companies and banks, has had promising results in Kenya, involving a bank account offering savings and short-term loans. The innovative product uses the mobile-phone network to reach a large number of people and uses data from the operators to assess the credit scores of borrowers through links with credit information offices. Customers can get a loan when they open an account (depending on their credit profile) or after a period of saving. M-Shwari is very successful because it allows loans to customers with less access to, and visibility of, savings than with M-Pesa, which encourages greater self-discipline.

Jipange KuSave's product combines micro-credit and savings and has not been widely marketed, for want of bank permission to collect deposits for the product creator (Mobile Venture Kenya) and of agreement with a partner bank with available deposits. Customers get interest-free loans partly deposited in a blocked savings account. After repayment, a bigger loan is possible. Digital infrastructure helps market the product, with repayments and total savings on the M-Pesa digital wallet, and customer monitoring is done by mobile-phone (text-messages to signal repayments due).

Source: CGAP (2015); Coffey International (2012); Hughes et al. (2011).

The plan to create a deposits and consignments office should go ahead (Recommendation 11)

The government should continue studying the feasibility of setting up a deposits and consignments fund (Caisse de Dépôts et Consignation, or CDC), which brings together long-term investors serving the general interest and the country's economic development. Discussions (helped by experts from France's CDC) began in 2015 about the goals of the Ivorian version (such as promoting SMEs and low-cost housing), its funding, management model and how the project is to be supervised. Top-level involvement will be needed to encourage and co-ordinate cross-sector work to be included in a broader reorganisation of the public financial sector.

New ICT-based solutions to encourage bank use and financial inclusion

Financial inclusion is at the heart of BCEAO policy but more work needs to be done by the Ivorian government. The professional banking association says the introduction of 19 free banking services by the BCEAO in 2014 has not led to many more people opening accounts. Central bank assessment of the effect on financial inclusion and the cost to banks of running them is not yet complete, but alternative solutions are needed to stimulate rapidly long-term bank use. Increasing the number of accounts is not enough. People must use them, and the main incentives would seem to be the possibility of using locally-adapted financial products and services and boosting people's confidence in the banking system. A plan quickly to revive the Unacoopec microfinance body is needed and can follow the recommendations of consultants Développement international Desjardins in January 2015 *(Recommendation 15)*.

Apart from greatly reducing transaction costs, a growth of financial products and services based on innovation and ICT can increase flows within the financial system, especially by capturing informal flows. The vast majority of Ivorians and the country's businesses do not use formal funding, but they are not outside funding circuits. Encouraging financial inclusion through innovative financial products and services will capture more informal financial flows and increase the amount of money in the banking system. Policies in Latin America increased financial inclusion, showing the importance of institutional support for developing innovative financial products *(Recommendation 14)*. These policies used the banking sector as a way to distribute transfers from the government (as in Chile with a special electronic payment system), introduced banking agents (notably to run government aid programmes, as in Brazil) and supported the spread of mobile banking and e-banking (Dabla-Norris et al., 2015).

Interoperability between mobile-phone companies for using mobile money should be explored (Recommendation 12)

As mobile banking has taken off in Côte d'Ivoire in recent years, interoperability, enabling customers to make mobile money transfers through other operators, has become possible. It encourages financial inclusion, with easier transactions, more financial possibilities, lower financial intermediation costs and can also capture more remittances from Ivorians abroad. Interconnection of other sectors, such as card-payment networks, suggests interoperability can spur growth through greater volume of transactions and revenue. Early results in Tanzania (one of four countries that have introduced it) show more transactions (Box 4.3). Setting up such a system is long and costly and requires major technical and technological skills, which may explain why it is still uncommon. It also needs mature markets, competition between operators, a sufficient number of them, well-established mobile banking and a large-scale network. Côte d'Ivoire, helped by the BCEAO's May 2015 go-ahead for interoperability, can encourage this development by providing operators with the right conditions and necessary information.

Box 4.3. **Interoperability between mobile-phone operators in Tanzania**

Interoperability in Tanzania was requested by both operators and consumers, but lack of confidence between those involved delayed its introduction. The central bank then stepped in to create the right conditions (consumer protection, risk management and frequent and transparent contacts with the operators). The government's role was limited to providing information. The bank and the operators first researched the market, notably customer interest and willingness to pay more for transactions between operators, along with the payment infrastructure (a clearing-house, real-time gross settlement system, ATMs), existing regulations (telecommunications, laws about money-laundering) and anti-competition practices (it was decided tariffs would be bilaterally negotiated between operators). Discussions backed by World Bank experts were then held (allowing the central bank to remain neutral) to ensure everyone understood the benefits and risks of interoperability in a modernised payments system, and to list the scheme's features (governance, technical interface, consumer protection, compensation arrangements) and operational aspects (rules of participation, resolving disputes, compensation and settlement).

Source: IFC (2015).

The system of banking agents could be tested on a small scale (Recommendation 13)

The system of agents reduces transaction costs and is one way to mobilise national savings, especially in the countryside, and should be tested in a trial project. Technology enables banks and their customers to interact through agents (neighbourhood businesses with enough cash in hand and chosen by particular criteria – pharmacies, service-stations, supermarkets, post-offices) and ensure that bank accounts are never inactive. After presenting identification, a customer can do basic operations (deposit, withdrawal, paying bills) through terminals remotely controlled by the bank (wireless network, Internet connection, satellite technology). This intermediary system unclogs some branches, can target new customers (especially those outside formal sector funding), expands geographical coverage and business volume, and avoids the cost of having to build and maintain branches in remote areas.

The model of banking agents is simpler to install from a regulatory viewpoint. Several models of branchless banking services exist, of varying complexity (Box 4.4). The agent model could be tested in Côte d'Ivoire. It can be limited to transactions (not opening accounts, which needs agents with more training and is easily open to abuse). In the intermediate banking model, banks are responsible for their agents and the banking supervisor oversees them. Systemic risks are about the same as in a traditional banking model and tied to market stability and the financial solidity of the banks. In the non-bank model, the regulations must cover major systemic issues with electronic money (such as a mobile-phone company going bankrupt) and the reliability of operators must be closely watched (how much capital they have, transparency and liquidity). In both cases, regulators must ensure rules about combating money-laundering and financing terrorism are complied with by agents and that transactions are secure.

Box 4.4. **Banking service models around the world**

Branchless banking in Brazil and India is run by banks, which offer their own products through agents who can open accounts and make transactions. In the Philippines and Kenya banking is done by mobile-phone companies using digital wallets. In South Africa the model is hybrid: only licensed financial institutions can offer banking through intermediaries and mobile-phone companies are not allowed to receive deposits without partnership with a bank.

Source: GAFIS (2013).

Confidence of individuals in the financial system must be strengthened

As well as offering locally-adapted innovative financial products and services, Côte d'Ivoire must create conditions for better financial inclusion, the current weakness of which stems from factors linked to what is supplied (bank conditions and charges, a physical barrier) and to what is demanded (income level, financial ignorance, cultural barriers). To ensure customers have enough sustained interest in financial products and services, banks must be more transparent, improve consumer protection and educate the public about finance.

More effort should be made to educate Ivorians about finance (Recommendation 16)

The government must look into the gaps in the public's financial knowledge and offer familiarisation courses. Financial education encourages financial inclusion (OECD, 2012) by allowing people to gain economic independence that helps them better to manage their

assets (personal or business) and develop income-generating activity. It also creates demand for formal products, makes the financial system work better (more understanding of risks and opportunities by agents) and boosts long-term savings. Research into lack of knowledge should include attitudes and behaviour (managing money, financial planning, risk and adequate use of financial services), as well as the extent of knowledge and understanding itself, perhaps using OECD and World Bank questionnaire models (Box 4.5).

Box 4.5. **OECD/World Bank questionnaire to assess public knowledge of finance**

The OECD and the World Bank have, with international experts and experts from national statistics institutes, designed a toolkit to measure public knowledge of financial matters and also financial behaviour and attitudes, according to income group and gender. It can be used alone or included in wider surveys and has been tested in several countries, including Malaysia and South Africa. It can be found online here: *http://www.oecd.org/finance/financial-education/Toolkit-to-measure-fin-lit-2013.pdf*.

Source: OECD (2013a).

After assessing the public's financial knowledge, a national financial education strategy must be introduced, with the financial and operational involvement of several parties concerned, inclusion of financial education in the school curriculum and use of mass media and groups of interested parties, such as producers and influential people such as village chiefs. Several countries can serve as examples (Box 4.6).

Box 4.6. **Financial education strategies, a priority for many developing countries**

Financial education is a priority for many countries, especially in English-speaking Africa, whether through national strategies or local initiatives. It aims to improve understanding of basic concepts such as personal budget management, savings and credit, and is done through workshops, short courses, radio spots, hand-outs, documents, newspapers or even general-interest TV programmes (Kenya) and sometimes features in school curricula (South Africa). Private sector involvement often brings funding and support for efforts by central banks, financial regulation bodies and government ministries.

Indonesia's financial education strategy is run in close co-operation with the banking sector, including the central bank. It has six pillars, including consumer protection and education. The goal is to build a society with enough information and knowledge to understand the function, benefits and risks of banking products and services so citizens can take appropriate decisions that can improve the quality of their lives. Some action is geared to special groups (students, university staff, professionals, households, the informal sector). Many national educational programmes are run by the central bank, working closely with the banking sector and government ministries, and school curricula have been revised to include more financial education.

Source: OECD (2013b), Messy and Monticone (2012).

Greater transparency needed in financial bodies (Recommendations 17 and 18)

Côte d'Ivoire should set up an observatory to monitor the quality of financial services, which is undermined by a lack of banking transparency and competition resulting in poor and costly financial services. A May 2015 BCEAO directive required banks to provide

information about the conditions and costs of their products and services in a clear and comprehensible way. The Ivorian government must do this by setting up an observatory to monitor financial services quality, after Senegal's example (Box 4.7), with sufficient funding, staff and technology. ICT could provide a mobile-phone application so customers could report their banking problems and an online platform could be tested and developed if they works well. This data could perhaps be combined with that of the payment defaults centre.

Box 4.7. **Senegal's financial services quality observatory**

Senegal set up an observatory in 2009 to monitor the quality of financial services, an advisory body with an executive secretary appointed by the economy and finance minister and overseen by a steering committee. A legal and regulatory framework (paid for by banks, insurance firms, decentralised financial systems and postal financial services) introduced obligations to inform customers about products and charges so as to protect them and improve service quality. The observatory ensures the data is reliable and can be understood. Its job is to promote high quality service for customers (overview of the financial operators sector, comparison of bank conditions online according to type of customer and operation), push for better relations between customers and financial services operators, and provide mediation (banks and insurance firms).

Source: Observatoire de la qualité des services financiers au Sénégal.

Conciliation machinery could be tested at the observatory. Free financial mediation is a free alternative to amicably settle disputes or personal litigation between financial bodies and their customers. It is used by the Senegal observatory and is a first step towards a more widespread system. The bank mediators could pass on their data to a committee at the observatory which would ensure the mediators' independence. The observatory could also work closely with the new competition body (see Chapter 2).

More broadly, the Ivorian government must strengthen consumer protection and thus public trust. Many countries have set up regulatory and consumer protection bodies (including Morocco and South Africa). Much action by these countries has been left to bank regulators but several things can be done by Côte d'Ivoire to improve protection for users of financial products and services. Parliamentary approval of the consumer law (June 2015 by the cabinet), which allows the association of users of banks and financial bodies to represent them in court, is part of this.

Alternative funding to bank loans are under-used in Côte d'Ivoire

Expansion of leasing would benefit the economy (Recommendation 19)

Côte d'Ivoire must pass the draft law on leasing. Bank loans are crucial for funding SMEs, according to the OECD, but just as important is expanding the range of financial products for them (OECD, 2015). Several products are little developed in Côte d'Ivoire for lack of tax incentives and inadequate laws and financial expertise. Leasing currently amounts to only some XOF 50 billion but has an estimated annual potential of XOF 500 billion, according to the International Finance Corporation. It is a funding solution for firms shut out of mainstream formal financing for want of collateral or bad credit history, and can thus encourage formalisation of the economy.

Targeted measures are needed to revive the regional stock exchange (Recommendation 20)

The government should encourage firms to use the stock market to raise long-term capital. Many entrepreneurs associate stock exchange listing, and the greater transparency it involves, with loss of decision-making power (obligatory audits, filing regular information). Cultural obstacles that keep entrepreneurs away from the stock market, and thus from increasing the number of listed firms and energising the market, need to be reduced. New financial infrastructure will help. The regulator's rapid progress in setting up the SME department in the regional stock exchange and interconnection with ECOWAS member-country stock exchanges will be beneficial.

New financial products must be proposed to households. Encouraging people's savings habits is a way of capturing more middle-class household savings and matching them to the needs of funding businesses. Stock market investment choices for small savers should be expanded with new financial products (such as share savings plans) tailored to the local market (Box 4.8).

Box 4.8. **The failure of share savings plans in Tunisia: Lessons for Côte d'Ivoire**

Share savings plans are medium-term savings products allowing investors to manage a portfolio of shares. Tunisia tried to energise its stock market in 1999 and increase the number of savers by introducing these products, with a minimum five-year life. Incentives included half the sum invested being tax-deductible with a limit of 5 000 Tunisian dinars (TND). At least 80% of the investment had to be in listed firms and the rest in government bonds. The shares could be sold but any profit had to be used within 30 days.

The middling results are a lesson for Côte d'Ivoire. A sufficiently competent banking sector is essential. Share savings plans need regular monitoring by banks to ensure they comply with regulations (correct use of funds and compliance with time-limits), which means having a sufficiently qualified staff and an effective computerised infrastructure. There must also be no limit on use of the savings. The Tunisian savers could not put their money in collective investments in transferable securities. Tax incentives must also be adequate. The share savings plans were not attractive because the tax breaks were poorly targeted, as most people in liberal professions (the scheme's main target) could not benefit from them due to their legal status. Also, other savings products, such as life insurance, attracted middle-income savers while the TND 5 000 tax-deductible limit did not draw high earners.

Source: SMART Finance and GMA Capital Markets (2002).

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Chapter 5

Investing in the workforce through quality education and appropriate skills

There has been substantial investment in human capital in Côte d'Ivoire, allowing the country to meet its immediate economic needs, but today the quality of that human capital is increasingly an obstacle to economic transformation. The government is trying hard to expand access to education, an initiative that has produced rapid results, but three areas need political attention; upgrading education through better initial and on-the-job teacher training; adapting technical and vocational education to the labour market through greater employer involvement in devising and teaching programmes; and giving certificates to workers for their skills rather than for what courses they have taken.

Côte d'Ivoire has a major and rapidly deepening human capital deficit. The education system has not adapted to the changing needs of the labour market as the urban economy grows and prospects change. Proof is visible in the many jobless people who have higher education qualifications, showing how their studies do not fit the requirements of the private sector. Average productivity, meanwhile, remains low while many take extra training courses (World Bank, 2009). The reach of the education system is also small, and fewer Ivorians have basic reading, writing and maths skills than their counterparts in comparable countries, something which increases regional and socio-economic inequality and tensions. The problem is even greater for small and medium-sized enterprises (SMEs) and the informal sector, which have more trouble finding qualified workers or giving employees in-house training. All this slows economic diversification and growth. The country's young and fast-growing population exerts increasing pressure on this system. With annual population growth of around 2%, 3.5 million Ivorians will be of early primary school age (between five and nine) by 2020, up from 2.3 million in 2000 and 1.5 million in 1985.

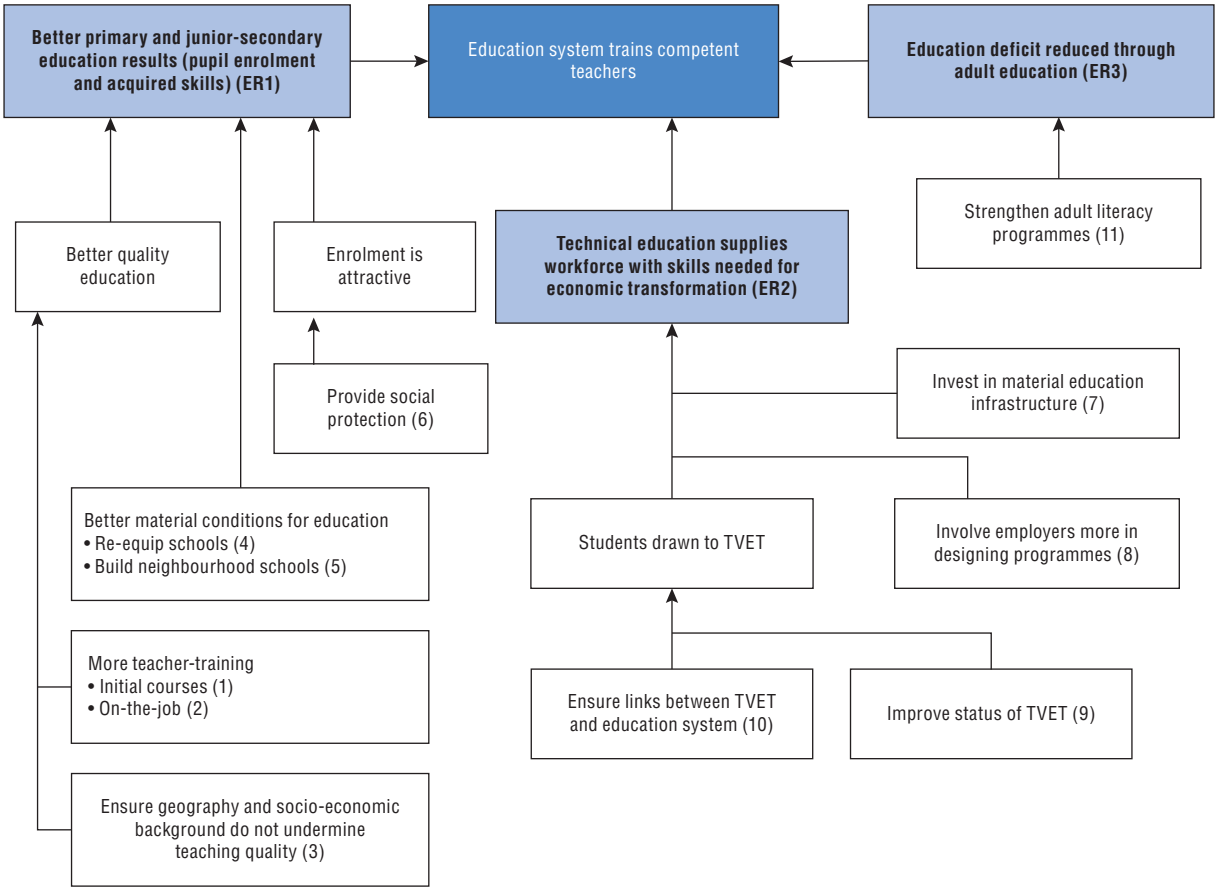
Past investment in education continues to yield results but the effect is steadily shrinking. If steps are taken now to build a working educational system, Ivorian skills can accelerate progress towards emerging nation status instead of delaying it. The country still has a robust education system that has worked since independence and until the recent crisis, meaning that big formal sector firms have found the skilled workers they need at reasonable cost and skill shortages are not a big constraint on investment. But the benefits are still limited, as only a quarter of manufacturing workers have technical training. Faster economic growth and modernisation will need greater skills and better education. New wage increases could make the country less attractive to investors. The fast-growing youthful population and the poor education of adult workers, along with new skills needed to boost diversification and develop the economy, render necessary substantial infrastructure and human capital investment.

Better primary and junior secondary education is a priority in meeting manpower needs today and in the future. Figure 5.1 shows what is needed for education to help progress towards emerging nation status. An increase in the number of students educated by teachers with good theoretical and practical training, whose skills are regularly upgraded, should improve educational quality significantly, quickly and sustainably. Territorial inequality obstructs educational access and results, so all Ivorians must benefit from this policy wherever they live. This programme immediately to improve educational quality can be followed by investment ensuring a coherent quality education infrastructure, such as seeing that minimal classroom and school building standards are complied with nationwide.

Côte d'Ivoire must also strengthen its technical and vocational training. While the education and technical instruction ministry (MENET) tries to produce more skilled teachers, the labour, social affairs and vocational education ministry should try to upgrade technical and vocational education by encouraging students to acquire skills the economy (including the big informal sector) needs and give them the means to do it. These two initiatives

will probably be the most immediately successful in reducing the human capital deficit mentioned here and in Phase II of the MDCR. Financial constraints and present capacity mean less urgent needs – such as modernising school curricula with new teaching methods, upgrading and expanding material infrastructure and developing senior secondary school and university education – can receive more investment over the next few years.

Figure 5.1. **The education system helps emergence by training tomorrow's workforce**



Note: This figure refers to the recommendations and action plan presented at the end of this report. "ER 1" stands for the main expected result and bracketed numbers to action plan recommendations.

Source: Authors.

Educational quality and access must be improved to upgrade basic training

Access to schools and their resources has increased greatly in recent years and should continue to expand with the implementation of the Education for All programme. Recurrent spending in pre-school, primary and secondary education grew about 23% a year between 2011 and 2013 and spending per primary pupil rose from an average XOF 63 000 (CFA francs) to XOF 80 000, an average annual 12.7% rise. This was an overall spending increase of 2.9% of gross domestic product (GDP) in 2011 and 3.5% in 2013. Although it accounts for only 7% of all education spending, investment rose sharply from XOF 5.78 billion in 2011 to XOF 18.55 billion in 2013 because of repairs to classrooms and construction of new ones. As spending per pupil rose, the number of children in school increased sharply too, with gross primary and junior secondary school enrolment up 10% in just four years.

These strong trends should continue in coming years as Education for All is implemented. Pupil numbers will also continue to soar, because of sustained high fertility levels and better health performance indicators. The number of children between five and 14 should increase by about 1.4 million between 2015 and 2020-25, to reach 7.35 million.

MENET has detailed plans (see below) to boost teaching quality to supplement and underpin Education for All and existing action plans, taking into account the country's funding and implementation constraints.

Hiring enough teachers to cope with rapidly growing pupil numbers is urgent, especially where the population increase is fastest. Planned teacher deployment seems to be most effective in areas where the government can assign teachers to various schools. If it cannot, financial incentives might help, but they must be large enough. In the mid-2000s, Cambodia offered a USD 12.50 monthly bonus to rural teachers and USD 15 to those in those areas seen as remote, but the plan failed because the money was inadequate. A more successful plan in Malawi for remote areas paid a higher 25% bonus (Benveniste, Marshall and Araujo, 2008; Steiner-Khamsi and Kunje, 2011).

One of the challenges of Education for All is the share of increased enrolment between state and private schools and the ability of the two systems to bolster each other. About 40% of Ivorian children are in private schools, mainly in the best-off urban areas, where enrolment was already higher than the rest of the country before Education for All. The programme should trigger greater enrolment where state schools are most popular. The limited resources and teaching capacity of state schools will probably be overwhelmed, especially in locations where the system needs more investment.

The aim of universal enrolment to improve education in a fair manner is undermined by use of unqualified teachers, according to various studies. Proper teacher-training is essential, with entry exams and routine performance assessments. Box 5.1 shows the example of Malawi. Planning for long-term needs and ensuring stop-gap solutions do not become permanent are also important.

Box 5.1. **Training teachers: The example of Malawi**

A non-governmental organisation (NGO) in Malawi sought to increase teacher numbers by opening four teacher-training colleges in the countryside, based on latest teaching-training ideas, including theory and material content, and students could put into practice what they learned. The 30-month course was constantly assessed, in particular what people thought of these teacher-graduates compared with those who had certificates from national colleges. The scheme produced more teachers willing to work in rural areas and discovered good practices later adopted by other training colleges.

Source: Unesco (2014).

Initial and on-the-job teacher-training must be improved (Recommendations 1 and 2)

Initial training and solid assessment systems can make up for teacher weaknesses in subjects and teaching methods. Sessions of initial training led by an experienced teacher can greatly improve teacher performance, enabling a gradual increase in the responsibility assigned to student teachers in the classroom and giving them feedback to increase their skills. A training programme linking theory and practice must put student teachers in situations likely to be met in the classroom. The effectiveness of these sessions depends on

the quality of supervision and follow-up the student teacher gets. A meta-analysis noted these requirements for high quality on-the-job teacher-training. (Reid and Kleinhenz, 2015):

1. Update and develop an initial teacher-training course. In a growing number of emerging countries, this has become the most important training for teaching reading and maths. But the course is mainly about knowing the material and very little about teaching methods, which are essential for successful teaching.
2. Reform initial training courses, which must encourage teachers to be original in their teaching, not just following the book, and to observe and practice other teaching methods.
3. Maximise the practical part of initial training so courses are long and concentrated enough, deal early on with the curriculum, link to other training aspects and allow each student teacher to take part.

Initial teacher-training must serve the immediate need for extra teachers, while improving the skills of these teachers over time. Two approaches were tested in Guyana and Malawi (Box 5.2) – giving better access to training courses but shortening them, and mainly using on-the-job training. Box 5.3 shows training teachers in ICT in Ghana.

Box 5.2. **Adapting training to boost teacher numbers**

The Improving Teacher Education programme in Guyana introduced a new four-year (instead of seven-year) education diploma and a new two-year obligatory diploma which can be followed by an optional further two more years of study.

Malawi found a radical solution to teacher shortages. Instead of classic higher education or university training, the government favoured a short (three-month) intensive stint at a training college, followed by 20 months of alternate supervised and distance-learning courses, and then a month-long review with a final exam (Kunje, 2002).

Malawi's Integrated In-Service Teacher Education Programme quickly increased the number of qualified teachers but studies showed major problems of training quality and probable teacher performance. It also ran into many implementation obstacles, including failure to find a good balance between knowing the material and teaching methods, and major failings in helping candidates throughout their course. The distance-learning unit was hampered by poor infrastructure and so contact and feedback were limited, despite some senior teachers and educational advisors providing very good training and follow-up for the student teachers. Manuals produced for the training were widely used and proved useful to other teachers.

Source: Reid and Kleinhenz (2015).

Geography and socio-economic background must not undermine teaching quality and a social protection system is set up (Recommendations 3 and 6)

Universal access to school is fundamental to raising basic teaching levels and success at school. Ivorian government school-meals schemes with development partners (such as the World Food Programme) must be extended to all the country's schools and could become part of the national system, as long as it survives and its growth is backed by the external programme. For the poorest and most vulnerable households, abolishing school fees and providing school meals might not be enough to compensate for loss of a job and of the income a child not in school could bring the family. The risk of dropping out is especially great when the child does not make progress in the curriculum, which is more likely with those living in difficult households. So such households should not have to bear extra expense,

such as school uniforms or books. Development partner programmes already provide such aid to some households. The government must work with its partners to incorporate such programmes into its activities and budget allocations and extend them nationwide. This long-term initiative must be gradual to give it time to adapt implementation capacity and budget leeway. It could eventually become a programme to hand out cash if families send their children to school, focusing on the poorest and most vulnerable households or those who have the fewest work possibilities.

Box 5.3. **Training teachers to introduce ICT in the classroom: Teach Initiative in Ghana**

The project Teach Initiative in Ghana (organised by DreamOval helped by the Ghana national teachers association) aimed to give teachers free basic ICT training to encourage Internet use and also to promote more use of ICT in teaching and training. The programme, working with groups of 50-100 teachers, mainly in poor areas, was conducted throughout 2010.

Groups were formed according to level of computer skills and each got basic ICT training. The course showed teachers how a computer worked and to see how their ICT skills might be used, especially to make their daily tasks easier. Then it taught them about programmes such as Microsoft Word, Excel and PowerPoint. They learned basic document creation with Word and saw its use for preparing lessons. Excel training involved handling notes and classifications. These lessons were especially useful for handling the backlog of regular pupil assessments and relieving the stress of manual duplication of data. Participants also learned how to do PowerPoint presentations. Then they explored the Internet, learned how to use e-mail and instant messaging, and especially how to do online research and set up a digital mailbox account to keep track of message exchanges. Participants were also invited to sign up for a blog on WordPress and learned how to write it. Online collaborative tools were presented, including web applications such as Google Docs. Students were also intrigued about how several people could work on the same document at the same time.

Source: Authors.

Technical skills must be expanded to boost growth and economic diversification

The system of technical and vocational education and training (TVET) must adapt to the needs of employers and attract good students (Recommendations 4, 5, 7, 8, 9 and 10)

Setting up a technical training system is complicated and requires many resources but is essential to growth and economic diversification. Lack of a qualified workforce is currently not mentioned much as a business obstacle but it will probably become bigger if the economy gets more complex and productivity and worker incomes rise. The substantial time lag between investing in educational systems and their visible effect on the economy makes it urgent to improve technical and vocational training. The education system must anticipate the skills needed and first train people for high-potential sectors defined by development strategy, such as agriculture, transport and construction. Investment in training for key growth sectors benefits the entire workforce, including in the informal sector, according to quantitative studies done in other countries (World Bank, 2006).

Major investment has been made in recent years in the material aspects of Côte d'Ivoire's technical training system. Special efforts are needed to increase access to the system and also make TVET more attractive and link the subjects taught to the needs of the labour market. Since the political situation stabilised a few years ago, the government and its development partners have invested in rehabilitating TVET buildings and equipment throughout the country. Much extra funding needs to go to infrastructure and material capacity to give more people access to TVET, including adults left out of the education system. The authorities must also organise funding and management to maintain these facilities, because of the advantages of such spending, and to keep the trust of development partners and their willingness to continue underwriting the growth of this training.

Investment in materials must be companied by a reform of TVET and MENET is drafting a long-term action plan. The TVET system uses quite a high proportion of content and general education inherited from the past instead of making it a priority to develop particular skills needed by employers in both formal and informal sectors (Box 5.4). The MENET draft reforms seem to tackle this problem with ways to increase vocational content in curricula. Teaching over-specific vocational skills can lead to too narrow training, but the Ivorian system is far from this point. The MENET proposals list these sectors as especially important and likely to be most cost-effective:

- Incorporate TVET better in the school system. Strengthening links between schools and technical training so pupils have easier access to it while keeping their option to return to the classic school system should encourage more youngsters to choose vocational training and prepare themselves better for the labour market. It could also boost performance and keep pupils in the education system by encouraging those who want to get jobs immediately to sign up for improved TVET rather than dropping out of the system. Well-defined links would be established at the end of primary and early and senior secondary education. Graduation from each stage would offer the choice of a classic curriculum or getting a higher qualification in TVET. But the plan lacks the funding and teachers for implementation and only applies on a small scale so far.
- Ensure better co-ordination between employers and those who design and teach TVET courses. A co-ordination group would help ensure the proposed TVET reflects the needs of public and private employers. The main employers of qualified technicians will be represented – big private firms, small companies and informal enterprises, as well as government ministries that need special technical skills, such as the mining and energy ministry. The focus will be on sectors offering the biggest growth potential, such as agro-industry, agriculture, tourism, construction and general mechanical maintenance. The employers in the co-ordination group will have to ensure proposed training and skills are adapted to the needs of business. The programme assumes much greater supply of TVET to meet rising demand, and the government hopes to get funding from development partners. But funding is not yet adequate and the TVET system cannot respond quickly enough to changing demand, such as by proposing special agricultural training.
- Anticipate future TVET needs. The government has set up skills observatories bringing together vocational sector representatives, including large and small employers and those who design and teach TVET, to complement the co-ordination groups and ensure TVET teaches skills employers are going to need. The observatories, which began operating in 2014, must also try to determine which skills are going to be most needed, to encourage pupils to do the necessary TVET.

- Increase the use of apprenticeships with firms and give credit for work-experience. A dual system is inevitable in such apprenticeships. The challenge is to adapt the formal system so it gets the most out of informal training and maximises the impact of these investments on the whole economy. Côte d'Ivoire's TVET system already includes apprenticeships but they are few and mainly in firms with the biggest workforces and non-typical resources and needs that enable them to offer full internship training, such as mining and big construction firms. Most Ivorians acquire technical and vocational skills on the job, in smaller, informal enterprises without the resources to set up specialist training programmes or enough influence to get such training recognised. For example, most road transport and specialised construction activity is in the informal sector but employers try to recognise experienced drivers or electricians. So the aim is to strengthen existing training and win solid and transparent recognition of it, while being aware of the cost and profitability constraints of small and informal businesses.
- Make technical training a more attractive career choice. In Côte d'Ivoire TVET is regarded as what you do if you fail at school rather than a positive choice. MENET is inspired by steps taken in Canada, Austria and Germany to boost the status of technical skills and tries to change social attitudes, as will be necessary with the expanded vision of progress towards an emerging economy. Fairly high unemployment among university graduates is already changing them (though unemployment among technical training graduates can be even higher), but MENET plans to publicise the value of skills acquired through TVET, with special days devoted to particular vocational skills, including competitions or special Olympiads. But these events may do more to change elite attitudes than remove the constraints that put the rest of the population off TVET.
- Certify TVET skills rather than the completion of a formal course, and thus recognise the skills acquired in the informal sector. Instead of excluding informal sector training, the government should introduce skills diplomas that will be better recognised (AfDB/OCDE/UNECA, 2010). This will help build an employment record to make it easier to get a job in the formal sector. Benin has introduced a professional skills certificate (a national diploma certifying that the holder has been a qualified worker through a reformed traditional apprenticeship) and a professional qualification certificate (attesting completion of an apprenticeship) recognising skills acquired through an informal apprenticeship. It has also set up consultation machinery involving the national artisans' federation and the relevant government ministry to lead the process (AfDB, 2012).

The wide range of these reforms and their application elsewhere suggest a more gradual and careful long-term approach would probably be more fruitful despite the urgency of the situation. TVET reform requires new institutions, changing qualification systems, an increase and reallocation of funding, and greater access to training, even as economic conditions and needs are substantially changing. Successful reform can thus be more complicated and difficult than at first appears. South Africa was much affected by the problems TVET has worldwide, especially the difficulty of balancing social and economic priorities and working effectively with the education and labour ministries. The country's new challenge is to review the entire process while keeping the main successful parts (Atchoarena and Grootings, 2009).

Box 5.4. **Four priorities to ensure the TVET system meets the economy's need for skills**

TVET systems that bring vital skills to an expanding labour market share various features:

1. Supplying fairly common technical and vocational skills that will be most in demand by sectors driving economic transformation and actively responding to labour market requirements. Many skills needed by these sectors, such as management and accounting, are useful in several. Some sectors will need a workforce with special technical skills (Table 5.1). Mechanical and machine skills are required in assembly industries, much of agri-food, construction and packaging. Most sectors would also benefit from much more advanced skills, such as ICT. But diverting resources to develop highly-specialised skills could waste TVET financial and human resources and undermine the system, especially if these skills are not easily transferable and expected demand does not materialise. So the focus should be on general and job-ready skills training and ensuring strong communication and feedback between TVET and the workforce.

Table 5.1. **Professional skills needed for sectors driving structural transformation**

Skills	Sectors
Mechanical trades, electricians, metalworking	Assembly, agri-food, construction
Hazardous materials handling	Chemicals and pharmaceuticals, agriculture, agri-food, construction
Transport (people and freight)	Logistics, agriculture, agri-food
Customer services, accounting	All sectors (agriculture, agri-food, construction, retailing, transport/logistics, tourism, ICT)
Computer processing and software	All sectors, especially ICT
Food preparation	Tourism, commerce
Hospitality	Tourism

Source: Authors.

2. Adapting TVET to employers' needs by ensuring on-the-job training is a basic part of these programmes. Efficient TVET systems link teaching technical skills and the needs of the labour market, which allows general technical skills to be tuned to the more specific skills needed by sectors. Professional experience (apprenticeship and internship), essential to get a job, is a way to link the two. So metalworking skills needed for construction will be different from machinery maintenance needed in agri-food (Table 5.1) and professional experience will make these skills more precise. On-the-job training should be in both formal and informal businesses, especially for sectors where informal firms account for a large share of activity and jobs (light industry and logistics).
3. Ensure the TVET system is responsive and can meet changing skill needs. Planned or ongoing institutional transformation (the skills observatory, regular contact between firms and TVET providers, greater inclusion of workplace experience in TVET courses) will make TVET concentrate on the skills most in demand. The aim is to ensure the system responds to the changing economic structure and conditions instead of offering inadequately trained people to employers. Sensitivity to the market is crucial for the long-term success and efficiency of the TVET system.
4. Ensure the TVET system has solid foundations. The base of the skills development pyramid comprises elementary skills such as numeracy, literacy, cognitive skills, personal qualities and workplace attitude, all essential in a modern work situation and a rapidly changing society. Also more advanced common skills, such as reasoning and problem-solving, general social and cultural knowledge and using modern tools such as IT platforms. These must be solidly in place for TVET to be effective. Many African countries have in recent years put more emphasis on agricultural skills than on primary and junior secondary school education. But the results have been disappointing, mainly because the training staff themselves lack basic education to use modern techniques. Solid basic knowledge is recognised today as vital for workplace efficiency, even in highly-qualified jobs.

Source: Filmer and Fox (2014); Nguyen (1998).

Special programmes must tackle adult literacy (Recommendation 11)

Côte d'Ivoire's high illiteracy rate must be reduced if economic transformation is to succeed. Investment in education dropped between the early 1990s and the early 2010s, so adult literacy is very low (43% in 2015, including 33% among women, according to Unesco). Functionally illiterate people will probably not be able to use the opportunities of economic transformation, which will increase inequality. The growing importance of mobile technology makes literacy all the more urgent, at the risk of increasing the digital divide. Education handicaps pass from one generation to another, with children of illiterate parents likely to have even greater learning problems.

Effective adult literacy programmes must take into account social conditions and develop a different teaching approach from TVET or child education. The experience of various countries, notably in sub-Saharan Africa (UNESCO, 2003), shows that the key to adult literacy is ensuring students own the learning process, and connecting literacy to modern daily life, moving away from traditional education (UNESCO, 1999). Adult literacy must be linked to ongoing activity and courses must respect local customs, encourage on-the-job training and connect learning materials to people's lives and cultures. Literacy courses are most successful when students work with materials they have created themselves and are linked to their own lives so they can own the subject, which might not happen if materials are ready-made. Beginner adult literacy students are probably from the informal sector, so this approach must be adapted to the sector's informal and self-reliant nature. This worked in Mali and in smaller programmes in South Africa (see Box 5.5) and Namibia (Papen, 2005).

Box 5.5. **Successful adult literacy programmes in communities**

Effective literacy programmes depend on the skills of the main figures in a community. The effectiveness of adult community education is debated but more and more results show that community learning is a good way to increase human capital, especially in poor areas or where there are no formal social services. These methods provide good support for more conventional approaches to adult literacy (led by a schoolteacher in a classroom).

A successful small programme in Durban (South Africa) is a model for this approach. It was aimed at elderly poor people in a working class area and began by surveying their literacy needs and practices. Its organisers in the community were trained by experts for several weeks. An important feature of the method was that students brought to class items they needed help with, such as bills, thus adapting the programme to their needs.

One problem with community learning is keeping adequate contact with standard teaching methods. A gap was noticed between the community approach and the expectations of students and teachers, who were used to a classroom, so a little time was needed to get used to the new approach. A diploma ceremony at the end of the course can make the link with traditional literacy teaching, which the community model can complement. The Durban experience has been reproduced elsewhere in Southern Africa.

Source: Authors; Papen (2005).

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Chapter 6

Tax policies to create a dynamic private sector and efficient government

Côte d'Ivoire's tax system needs radical change if the country's development and economic transformation goals are to be achieved. Partial reforms will not do. Complete tax reform, adapted to present conditions, must create well-balanced taxation that generates revenue and motivates taxpayers. Fundamental features will include a gradual reduction of customs tariffs and development of other taxes such as value-added tax (VAT). Far-reaching cross-sector reforms should also produce a stronger and simpler tax system with fewer exemptions and up-to-date procedures. They should result in an efficient, competent and transparent tax administration to increase the trust of taxpayers and fight fraud.

The tax system must be thoroughly reformed to help the country reach emergent nation status

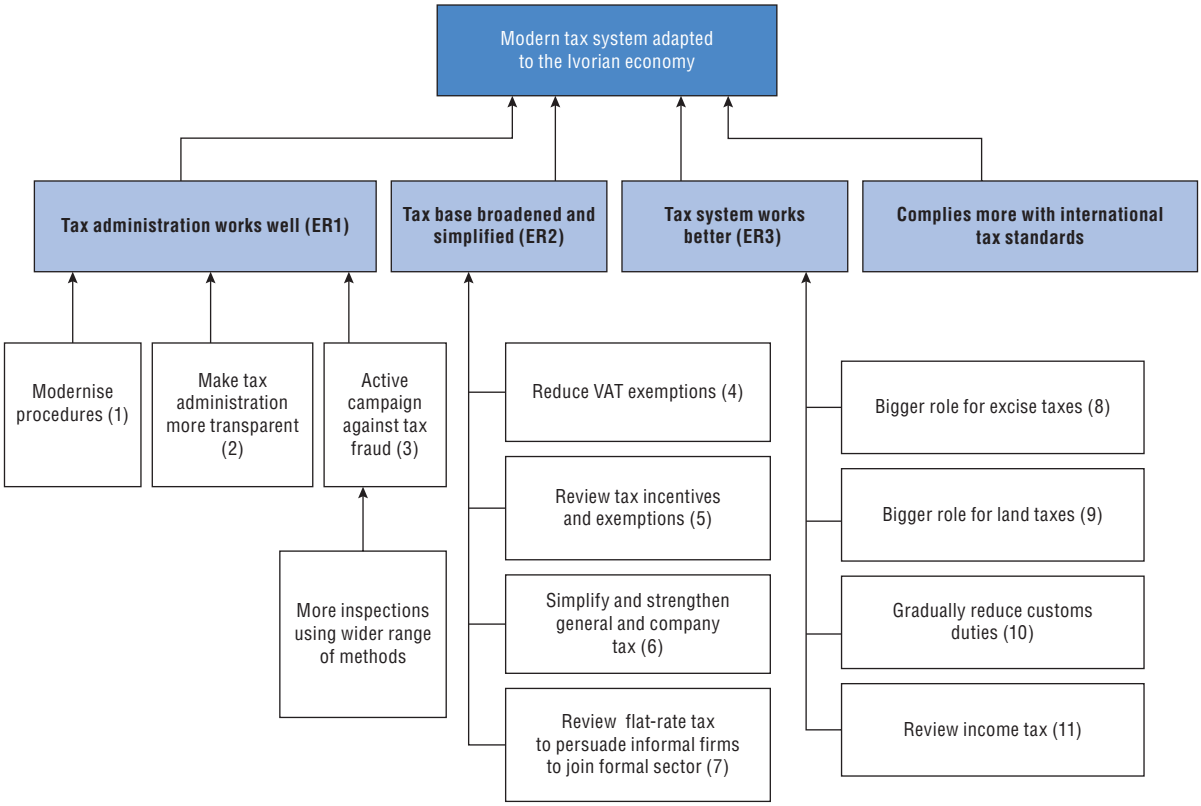
Côte d'Ivoire's tax system needs radical change if the country's development and economic transformation goals are to be achieved, as it does not generate enough revenue to pay for the investment in public goods and services needed for the transformation of the economy. It is not the inexpensive instrument that collects revenue, and it discourages movement of firms from the informal to the tax-paying formal sector. The country's tax system can play a big part in achieving emergent nation status but political changes must be made, and the tax administration's capacity and efficiency must be improved – a lengthy but necessary process.

Government revenue is lower and grows more slowly than in many comparable countries, which holds back economic transformation. In view of the tax structure and economic forecasts, revenue growth will barely exceed GDP growth in coming years unless government policies change. The budget has little room for manoeuvre and thus slows the public spending needed to achieve emerging nation status, especially investment in training the future workforce (recruiting and training teachers, expanding technical education, investing in healthcare and building and maintaining public infrastructure to help business activity). The structure of the tax system and the economy suggests more revenue can be collected. This will cost more but the economic gains will exceed these if tax reforms are gradual and extra revenue is used as effectively as possible. Comparative analysis of other sub-Saharan Africa countries suggests 20% more revenue is possible, with domestic revenue reaching 20% of GDP (at least XOF 130 billion [CAF francs] of extra revenue) in 2017.

The tax structure adds to operating and tax compliance costs for firms, and affects the range of economic incentives for individuals and companies, as well as economic transformation and development. The Ivorian system has many weaknesses. It expanded gradually, which has made it very complex and increased compliance costs and distortions. It lost its transparency and revenue declined, with taxes collected on a small tax base and numerous one-off exemptions and deductions granted. The tax authorities have many problems, including extensive bureaucracy and insufficient computerisation. Reform is needed to instil compliance with rules and standards. Many tax records and databases are not yet computerised or are incomplete. Limited staff capacity and a big workload also slow compiling full directories of taxpayers. Computerising procedures and digitalising directories could greatly improve efficiency and speed up processing.

The tax system influences decisions by informal businesses on whether they enter the formal sector, so the government should use a mix of dissuasion and incentives. Incentives would include lowering taxes and simplifying compliance, especially for small businesses, while dissuasion would mostly be a matter of increasing tax inspection, detection and penalties. High taxes on salaries, profits and consumption can encourage firms, business-people and workers to stay in the informal sector. Formal businesses have to bear both the tax burden and the administrative cost of their tax declarations and payment.

Figure 6.1. **A modern tax system adapted to the economy is essential for economic emergence**



Note: This figure refers to the recommendations and action plan presented at the end of this report. "ER 1" stands for the main expected result and bracketed numbers to action plan recommendations.

Source: Authors.

VAT has a big part to play in formalising the economy. Informal businesses pay it on their inputs but cannot deduct it as the sector is not in the tax system. The VAT system is based on fractioned payments where those liable to pay collect it on goods and services they sell and can deduct it from their inputs. They pay in tax the difference between the VAT they have collected and what they can deduct. But the deduction is on condition that the inputs are used for taxable operations (substantive requirement) and that the taxable person has the proper invoices (formal requirement). The periodic payments and need for invoices encourage the taxable person to ask suppliers for them if he wants to bill the VAT that he can then deduct. Also, he needs to engage in taxable activity because the VAT on his inputs is not deductible unless they are used in taxable operations. The incentive of VAT could extend all along the production chain and eventually lead to formalisation of informal sector operators obliged to do so under pressure from customers or suppliers who refuse to bill without including VAT. Also, VAT can have a formalising role compared with other taxes.

Efforts to encourage formalisation can have a major knock-on effect. If more and more firms become formal, pressure to follow suit will increase, especially through the production chain VAT effect. This means spot-checks can have significant effects. Also, if the number of formal firms increases, informal firms are more likely to be detected and the authorities can devote more resources to the resulting smaller number of informal firms.

A detailed survey of the tax system is needed to clarify the reforms proposed in this chapter, which deals with Côte d'Ivoire's biggest challenges. The proposals recommend adjustments to make the tax system more efficient, fair and resilient as well as major investment to strengthen the tax administration. This is a long and complex process and this chapter urges consideration and discussion within the public administration, the government, the private sector and civil society. An in-depth study could be done, with similar aims to the proposals made here – improving collection and making the tax system more efficient, fair and inclusive. Most countries with similar tax system constraints to Côte d'Ivoire have done detailed upstream studies of their overall tax reform (recently South Africa for example) that can be a model for Côte d'Ivoire.

Thorough reforms must be adapted to local conditions and the Ivorian economy

Côte d'Ivoire cannot be content with partial tax reforms. They need to be thorough and tailored to local conditions. They should be introduced gradually and aim to create a simplified and coherent system appropriate for the country's level of development and capacity, as well as the needs of an emerging economy. The structure of tax revenue is by nature resilient – as a country develops, more VAT and income tax is generated. Without broader reforms, steps to modernise the tax system can be counter-productive. Replacing taxes that tend to create major distortions with taxes seen as more neutral will not always have the intended effect if the tax administration is not strengthened at the same time, or if national economic conditions are not right.

For the Ivorian tax administration to contribute to the process of becoming an emerging economy, five key reforms are needed:

- Make the tax administration more efficient, in particular through computerising procedures and reducing paperwork to reduce compliance costs.
- Try to bring the informal economy into the tax system, especially by broadening the reach of VAT and reforming synthetic taxation to make it more efficient.
- Focus on broadening the tax base and simplifying the system by abolishing the many minor taxes, and expanding the range of property tax and VAT.
- Enhance people's confidence in the tax system and their respect for it by making its administration more transparent, responsible and predictable.
- Take a systematic approach to granting and assessing existing exemptions and tax breaks that balances the real benefits of lowering taxes to attract more investment and the impact on revenue and the efficiency of the system.

The tax administration must work better

Administrative procedures must be improved (Recommendation 1)

The government should draft a strategy to reform and modernise the tax administration. It might be useful to talk with aid donors who could give technical and financial help. This would need in-depth research and surveys to answer these key questions:

- What software to use, based on international comparison?
- How to phase in implementation of reforms? What trial projects in what ministries?
- What legal changes will be needed to adjust the procedures?
- How to set up links with banks to enable online payment?

Computerising the tax administration will be long and complicated. The changes must be carefully designed and prepared, taking into account other countries' experiences and seeking expert advice about basic principles (Box 6.1), and computerisation needs trained staff to use the new tools. Institutional and procedural changes will also have to be made to adapt the tax system to new possibilities and constraints arising from computerisation.

Box 6.1. **Computerising and reforming the tax system: Viet Nam and Mozambique**

Many countries computerise to streamline their tax administration. Viet Nam is completing a project, begun in 2013 with World Bank help, to increase capacity and especially reduce the cost of taxpayer compliance. The project includes a USD 70 million component to install computer equipment, reform regulations and train civil servants.

In Mozambique, the Beira city council began using computers in 1992 to register land and help planning to make land management more efficient. Computer tools were developed to handle property lease applications faster and make land-use planning easier. The system worked well and inexpensively but is not operational because of political economy constraints. However, these examples can still inspire Côte d'Ivoire to introduce and develop computerisation and deal with the political challenges it involves.

Modernisation of the tax administration must go hand in hand with modernisation of other administrations, such as land. The government needs to do computerised surveying to improve registration of land titles and make them more secure. These changes must be closely linked to the tax administration to ensure the description of the property is revised. The surveying information must be used efficiently to maintain an up-to-date register of property values, which need to be regularly re-assessed because they are used for taxation. As the tax-base broadens, rates could be reduced and cheaper properties exempted. Revenue from property tax can be used to improve the quality of urban services.

Transparency of the tax administration and the fight against fraud must be increased (Recommendations 2 and 3)

Increasing transparency must be at the core of tax administration reforms, to enhance public confidence and the image of the tax authorities. The government ministry (especially the two departments in direct contact with taxpayers) should set up a working group to draft a strategy based on transparency and communication. This would include a list of key publications (annual report, a simple guide for taxpayers) and public access (such as a website). The ministry should strengthen auditing and monitoring in all departments – including the customs and tax general directorates (DGD and DGI) – to improve services to taxpayers.

Côte d'Ivoire has made good progress in reducing tax fraud but more effort is needed. Computerisation can help, through cross-checking data, for example. Expanding risk management in choosing cases to investigate and increasing their number would also be useful, focusing on businesses under-stating their turnover to qualify for simplified tax-brackets to escape paying VAT and for ordinary income tax brackets, such as the combined rate ceiling of XOF 50 million.

VAT has a big part to play in formalising the economy, but Côte d'Ivoire should try to combine incentives with dissuasive measures. Dissuasion is mainly effected through better monitoring, detection and penalties imposed by the tax authorities. Box 6.2 describes Brazil's efforts to formalise business.

Box 6.2. **Increasing formalisation of business with customers**

Many developing countries have problems collecting taxes and VAT, especially when they have large informal sectors. An original solution was to get customers to ask for receipts in shops, resulting in formalisation of more transactions. Brazil's Sao Paulo state launched a programme (Nota Fiscal Paulista) in 2007 to do this. The country already allows online tax declarations, with businesses required to report electronically their sales to tax authorities on a regular basis. Individuals can now register online and get an ID number that can be linked to their purchases. They can thus track them online and report purchases not registered by the vendor, acting in effect as "citizen tax inspectors." This has obliged shop-owners to record transactions online and report them to the tax authorities. All customer IDs are included in a prize-winning lottery, which encourages people to carry out formal transactions. The programme has worked very well and millions of customers have signed up, and VAT and tax revenue has risen.

Source: Naritomi (2013).

The tax base should be broadened and simplified

VAT exemptions must be reviewed and reduced (Recommendation 4)

Reforming VAT exemptions is a major issue for the government, as they account for much of the total of XOF 200 billion or more of exemptions in 2014. Exemptions are often granted when taxpayers cannot get reimbursed for their VAT credits. The budget ministry managed by the end of 2015 to clear its backlog of VAT reimbursements and was handling new requests in less than a week. These improvements will allow the government to abolish some VAT exemptions, which make the VAT system confusing and hard to manage.

A thorough reform of exemptions should aim for their gradual abolition. The entire VAT exemption for initial investment in material and equipment as defined by the investment law could be abolished, as long as VAT credit reimbursements continue to be handled efficiently. Then VAT could be applied to staple items currently exempted. Ivorian agricultural businesses can be victims of distortion of competition if they have to pay VAT on their inputs while rival foreign firms can deduct VAT on theirs in their own country. Some social exemptions can also be abolished because they do not always fulfil their purpose and benefit richer Ivorians (see Phase II report).

Tax-breaks and exemptions must be streamlined (Recommendation 5)

The company tax in Côte d'Ivoire is quite competitive, so tax incentives to firms under the investment law are not so necessary. The government should review tax incentives and exemptions to increase tax revenue. The most costly exemptions of all are (temporary) tax holidays on industrial and commercial profits.

First, it would wise to stop giving new advantages to sectors. Then all tax incentives should be included in the national tax law and limit sector laws to regulating organisational or technical matters. After that, some incentives could be abolished, including exemption from VAT and from tax on industrial and commercial profits in the Abidjan district under the investment law (tax holidays for other regions could be less generous). Some tax incentives can be abolished immediately, such as VAT exemption on purchases by investors and tax advantages under the mining law (abolishing customs duty exemptions if machinery can be imported by suspending duty under the rule on temporary imports, and exemption from VAT during production or even the stages of prospection and building a mine). Changes in the exemptions can be detailed after an in-depth study.

Taxation must be simplified and more efficient (Recommendations 6 and 7)

The tax burden falls on a very small number of taxpayers, mainly big firms and formal sector employees. The informal sector is a big part of the economy but provides little government revenue. This tends to increase taxes on the formal sector, which in turn leads to more distortions between the formal and informal economies and more incentives to stay in the informal sector or join it. The tax system could be simplified, which would help the country's development in two ways: by making taxes easier to pay (encouraging taxpayers to stick to the rules and so broaden the tax base) and making the system fairer and more inclusive by depending on more taxpayers (though streamlining does not guarantee this). Box 6.3 describes Mexico's efforts at streamlining.

Box 6.3. **A simpler tax system to encourage the informal sector: Mexico's Régimen de Incorporación Fiscal**

The Mexican government introduced a new tax system for small taxpayers (income of less than 2 million Mexican pesos (MXN) in January 2014. This Regimen de Incorporacion Fiscal (RIF) is part of an overall "Grow Together" strategy to encourage small firms to switch to the formal sector by greatly lowering a range of charges (social security, VAT, excise taxes) during the first 10 years of their operation. Tax is calculated on turnover at a rate comparable to other tax regimes. VAT is also simplified according to the firm's activity and size, and includes several exemptions.

Taxpayers under the RIF have to file declarations and pay instalments every two months, which makes administration easier (declarations are normally monthly). A firm has to join the national taxpayers register to qualify. The RIF also provides support services, such as administrative help and online tools, to make payments easier.

Source: OECD (2015).

Côte d'Ivoire has a flat-tax system for individual firms with turnover below XOF 50 million. This can be useful for very small firms without the capacity to manage taxes such as VAT, company tax or income tax, and if well-administered can persuade informal businesses to move into the formal sector. The flat-rate (or synthetic) tax should be reformed to introduce different brackets in the declared turnover figure so firms near the top end have an incentive to enter the full-assessment system. In-depth studies are needed on streamlining tax, gradual elimination of small turnover taxes, as well as simplifying liability for small businesses, in particular by reducing the number of minor taxes that especially penalise them.

The tax system works better

The role of excise and land taxes is increased (Recommendations 8 and 9)

Excise taxes could be reformed by broadening the tax base through calculating it on retail not wholesale prices. Some duties and charges according to the value could be increased, though this would be a problem as Côte d'Ivoire is bound by WAEMU's directives about excise taxes.

Reform of property taxes is also possible as they have strong potential with the expansion of towns and cities and efforts to modernise surveying. But assessment rules should be transparent and linked to market values so taxpayers can estimate the value of their own property. Current tax rates could be lowered and owners of small properties exempted.

Customs duties must be gradually reduced (Recommendation 10)

Customs duties provide much of government revenue. As trade increases, they increase, too, but can be an obstacle to trade in the long run. Less customs duty protection can have the opposite effect, expanding trade and offsetting loss of revenue from duty protection. Export taxes can make local exporters less competitive in foreign markets if they make the goods more expensive. They can also create distortions in production choices by encouraging producers to turn out goods that are less taxed.

But much economic activity is still hard to tax in Côte d'Ivoire because of the limited capacity of the tax authorities. Customs duties are one way to tax the informal sector and agricultural producers. In the long term, these stakeholders should be charged VAT and income tax, but, for now, taxing trade is the easiest and most efficient way to share the tax burden among all those involved. So the path to a modern tax system, one that depends on higher VAT and individual taxes and less on customs duties, will have to be taken step by step.

The government must review its taxation of trade and a detailed study is needed of the budgetary effects of lowering customs duties, taking into account the benefits for trade and the experiences of other countries that have made similar reforms. Consultations with the private sector about the effect of such changes and advice from experts could also help rebalance the system so revenue does not fall in the short term and private sector growth is more likely in the medium and long terms.

Individual income tax must be simplified (Recommendation 11)

Income tax revenue will probably remain modest in the short term, but it would be wise quickly to set up a simpler and more impartial system in readiness for its expansion and to encourage SMEs to contribute more to economic development. Individual income tax in Côte d'Ivoire is based on a complicated and old-fashioned schedular system, taking into account different classifications of income, (hard to determine its base, many deductions, complex calculations) that discourages small businesses from going formal. Tax complexity makes it difficult to comply with procedures and unclear how much to pay (which can be very high). The government could switch to a dualist tax system, whereby employment income would be progressively taxed while capital income would be taxed at a lower and uniform rate. A simpler and more reliable system might encourage more people to pay taxes, especially if this included a more efficient tax administration. These efforts should be part of broader administrative reform and better tax collection.

The dualist tax system is a simplified schedular system. All forms of employment income should be taxed the same way. Tax on wages and salaries and the national contribution tax should also be lumped together and deducted at source. Individual income tax revenue should be increased by broadening the tax base rather than raising already-high rates. So the number of income brackets should be reduced to simplify things. The 20% allowance should be fixed (a flat-rate, not depending on a percentage of income) to avoid the advantage of it increasing with higher income. Tax bases should be broadened by eliminating or reducing deductions that tend to give an advantage to wealthier households.

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Chapter 7

Public governance and ways to implement it

This chapter describes cross-sector constraints affecting the proposed reforms and pre-conditions for carrying them out and speeding up progress towards the status of an emerging nation. It suggests creating a top-level unit to implement reforms and steer change and lists the major features of support needed for them: communication, co-ordination and follow-up. The condition of emerging nation must be the fruit of an agreement between the most senior politicians and be conveyed to all Ivorians, including the private sector. The government must ensure good co-operation between public bodies, since most of the reforms will need the involvement of many participants. Any economic transformation depends on robust monitoring and assessment of the reforms, so a table of indicators adapted to the country's emergence is presented.

The MDCR presents detailed action plans to overcome the obstacles to achieving emergent nation status based on an in-depth study of Ivorian experience and its constraints, some of them reflecting problems that have long been evident. Sometimes the challenge lies not in identifying the constraints and how to apply solutions but to get the process of change under way. Problems arise from communicating the nature of the changes, co-ordinating the many parties involved required to take action, raising the resources to support the process, and then evaluating the results or adjusting the programme if necessary.

Côte d'Ivoire has made progress since recovery began in 2012, but constraints are preventing speedier application of the emergence programme

Carrying out change can be hard for many organisations, especially large bureaucracies such as government departments or those with many uncoordinated parties involved, which are based on regular and repetitive tasks and sometimes lack authority to make changes.

The MDCR's recommendations call for thorough change by public bodies and many private participants and include modernising the tax administration, improving the status of technical and vocational training and encouraging the private sector to expand into new fields. To become an emerging country requires action on all fronts and strong government involvement going beyond simple funding.

The remarkable economic progress since 2012 is sometimes slowed by public bodies that need to be more efficient. Many governments find it hard to implement major reforms, grappling with poor communication, co-ordination and follow-up. Côte d'Ivoire's public bodies often have major problems keeping up with the rapid changes of the revival period. Their internal mind-sets are not geared to performance and adapting to new things and they operate in bunkers, in isolation from each other, making success unlikely when new tasks are added.

This chapter does not aim to give a detailed and exhaustive list of recommendations, but highlight good practices and suggest useful approaches once adapted to Côte d'Ivoire. Many of the steps needed to remove emergence obstacles may seem obvious or banal but this is deceptive, as many organisations struggle to apply the basics required for successful management of change.

A solution for continuing ambitious reform: A top-level unit to carry out reforms and guide change

Implementation units, solutions to be adapted to local conditions

A special implementation unit could help priority projects move forward, push for more change and ensure action plans are working. The government must try permanently to expand the public administration's capacity. As this can take time special units dedicated to the implementation of change are one way of meeting immediate issues, This arrangement is inspired by such units in the United Kingdom in the 1990s (Prime Minister's Delivery Unit),

and those in Malaysia (Performance Management & Delivery Unit, PEMANDU), Thailand, Indonesia (President's Delivery Unit), and South Africa (Planning Commission). They organise introduction of the reforms and variously motivate and co-ordinate participants, ensure follow-up and assessment and monitor implementation and impact.

There is no universal approach or optimal model for implementation units, which depend on the country's institutional and operational structure, which means there must first be an analysis of local institutions. When such a unit is considered appropriate, it can begin prioritising the reforms, identifying and co-ordinating key participants and doing follow-up and assessment. The shape and functions of the unit depend on its powers and where it is located inside the government.

The success of the units depends on their nature and the political support they get. Strategic communication inside the government about their activities and powers is essential to form coalitions and win support from various government structures. A concise shared strategic vision will also be important in prioritising and focusing on sectors for reform. The unit must be able to foresee, along with others involved and ministries, the challenges ahead so as to devise the best solutions and also be able to innovate, share knowledge and expertise and encourage efficiency in providing public services (OECD, 2015).

Côte d'Ivoire can consider setting up an implementation unit

Côte d'Ivoire could create a top-level unit, with a clear mandate and sufficient resources, to ensure reforms are efficiently carried out and with these aims:

1. Develop and apply a continuous *communication* strategy about the purpose and content of the reforms, starting very energetically and continuing and being adjusted throughout the reforms.
2. *Co-ordinate* implementation of the reforms by ensuring effective co-ordination when several bodies are involved. This will involve development and assignment of detailed tasks under the authority of the prime minister and building productive working links with members of these task-forces.
3. *Monitor* application of the reforms by keeping track of their progress, identifying possible obstacles and assessing their impact. The reforms can be adjusted if necessary based on how they go and how the situation changes. The unit must in particular gather data to make regular assessment reports (perhaps every six months) and identify the main areas in danger of failure.
4. *Assess performances* and supervise use of performance data by the government for any policy changes. The unit must consider if and how government policies achieve their goals and adjust those that do not produce the expected results.

The new unit could be under the authority of the president and operate within the prime minister's office. The link with the presidency would ensure top-level support and the unit would be run on a day-to-day basis by the prime minister. A senior government or private sector official would oversee its operations. The prime minister would be officially responsible for the unit's results.

The unit must be closely linked to the ministries and major government bodies most involved in the reforms in order to maximise its efficiency. One of the reasons for its existence is to ensure co-ordination within the government, support introduction of reforms and monitor their progress, a process which will be helped by such close ties. In many countries, a good way to do this is to second to the unit staff from other bodies. They need to be

motivated, have a strategic grasp of the issues and the activities of the bodies, and have good communication skills. They will help build a coalition of civil servants and bodies focused on carrying out the reforms. They should be chosen on a competitive basis and not just appointed by their usual employers; otherwise unit will have less control over their quality and performance. They should be drawn to the unit by its value for their career and by good salaries.

The unit's core team must be small and varied, with length of secondment depending on the work to be done. The public domains most involved in the unit will include monitoring policy and thus central bodies concerned with political measures and actions (offices of the president and prime minister, and the Ministry of Planning and Development). The unit must also be involved with the Ministry of the Budget and the Ministry of Economy and Finance (and possibly other government finance bodies) to ensure efficient financial management. Staff of several ministries can be focal points for the unit's activity, supplying data and helping its work without being fully part of it. Ministries involved would be those of labour, social affairs and training; economic infrastructure; education and technical training; higher education and scientific research; transport; agriculture; construction, housing, sanitation and urban affairs industry and mines; posts, ICT and communications; and the trade ministry.

The unit's area of activity and regulatory framework must be spelled out to ensure its robust operation and integrity. It could be set up for an initial five-year period linked to the 2020 emergent nation status goal and then its performance compulsorily reviewed, along with the possible future need for it and what more it should do if extended. This would also avoid staff becoming entrenched and allow the team to be restructured if necessary and thus reduce political influence.

Key elements to support reform on the way to emergence: Communication, co-ordination and follow-up

Communication, co-ordination and follow-up are needed to remove obstacles to emergent nation status. *Communication* ensures that all social and economic stakeholders understand the action, the advantages it has for them, and their part in achieving it. *Co-ordination* can find solutions to simple obstacles to emergent country status by organising the parties involved to act, and is closely linked to communication. *Follow-up* (monitoring reforms and adjusting them according to how they perform and to changing conditions) is vital to ensure the limited resources for reform are used efficiently and to encourage all stakeholders to continue taking part.

The report on Phase II of the MDCR pointed to many problems in co-ordination and communication. The idea of an emerging Côte d'Ivoire is strong in the country but few people have a clear idea of what it means. Each ministry or public body sees emerging just in terms of how it affects them and only vaguely beyond that. Communication and co-ordination gaps are everywhere. The financial sector development programme works only a little with current programmes to ensure private sector access to funding, such as the Phoenix Plan. In agriculture, full strategies have been adopted in some value chains tied to particular products. Better communication would encourage sharing knowledge and publicising good practices.

Communicating to all a message and shared vision

Emergent nation status should come from consensus between top politicians and then be communicated in a clear way to all Ivorians. A cross-sector working group of political officials, which could be led by the implementation unit, would ideally steer an inclusive national process to spell out the meaning and implications of emergence and win recognition and acceptance of the inevitable compromises involved in major social and economic change. The politicians would then organise an information drive to convey messages about emergence in suitably-worded language for different sectors of the population, whether urban business-people or rural schoolchildren.

Communication inside and between public bodies is needed to carry out major reforms. This involves messages about the main goals and ambitions, communication with the wider community about its role, and feedback to bodies co-ordinating reforms about problems encountered and how successful the changes are. If well run, communication can be a major tool of the *commitment* of participants in the economic transformation process (Box 7.1).

Box 7.1. **Expand informal communication to support public governance**

Communication takes place through both formal and informal channels and the emergent country strategy must use both. Most attention goes to formal channels (published documents, press releases, circulars), but these may not always be effective because not attractive enough and are often unsuited to two-way exchanges, for example gathering comments or tailoring messages for different audiences. Seminars or publications can also be seen as a waste of resources or time.

Informal communication and co-ordination, mainly in a personal context and outside structures, should be an essential complement to formal channels. It could be useful to ensure informal channels have sufficient impact with a very wide range of concerned parties, which could lead to healthier and more reliable institutions and be helped by networks of several public bodies and regions. This could involve twice-yearly exchanges between agencies or regions, encouraging job mobility within or between public bodies, and include organising social events for officials from a range of public bodies.

Staff rotation should be considered as a possible tool. This would allow civil servants to work in another ministry for a set period (six to 24 months in many cases) while still able to return to their original job and conditions. Human resources management is done by the civil service and administrative reform ministry (MFPRA), so Côte d'Ivoire is quite well placed to introduce such a programme. This will need a framework setting out the legal conditions and duration of secondments, fixing rules for the level of collaboration between ministries and their ability to handle such exchanges, and civil servants' eligibility for the scheme. Standard contracts and agreements should be drawn up and the MFPRA could issue a call of an expression of interest and run a trial programme with a few civil servants, who would have preparatory courses and then be debriefed at the end of their secondment. A follow-up and assessment tool would also be used to ask staff about their experience and its benefits. Such a programme would make it easier in the long term to create interpersonal links between ministries, which could improve exchange of information and create better understanding between public bodies.

Source: Authors

Communication with the public and overall transparency can be fundamental to successful reform. An educated and well-informed public can demand greater responsibility and become watchdogs, pushing for reform and helping overcome economic and political obstacles. Regular communication with the public and civil society leaders about government policy is vital for accountability and transparency. This requires the government to make public its structures, its reforms and the progress being made, and to discuss assessment of policy and performance with citizens. This is a chance for rulers and ruled to improve public policies and services together. Such efforts, also found in industrialised countries, are often seen in open data programmes that increase transparency and public access to information. Developing countries have limited ability to provide data but this kind of approach, coupled with a good communication strategy, could support Côte d'Ivoire's reforms.

An effective communications strategy would use a range of old and new technologies to engage the community in government programmes and provide necessary transparency. Communication methods must be adapted to different messages and audiences. Sometimes radio and public meetings would be the best media, especially for simple messages, while for others, interactive forums would be better. New technology can convey detailed information to a wide public, as long as it is clear, co-ordinated and provides enough detail and accessibility.

Communication with the public could also be improved to ensure a coherent message. Ivorian ministries and public bodies use a range of websites but with very little co-ordination or uniformity and the sites are often out of date. They usually contain basic information (such as the organisation of a ministry) and a lot of press releases, but it is hard to find more precise information about any given ministry. The government must remedy this, setting common rules and organising the data and the distribution of information from ministries and public bodies. Demand for important information should be anticipated and a commitment made to update information regularly. This will push ministries to make progress. The government has posted on its main website data about the national development plan (PND), and the entire plan can be consulted, but navigation of the site is difficult. The section about the 2011-15 performance, for example, can only be found by chance, and then after plenty of searching.

Government agencies must be better co-ordinated and work together more

Removing obstacles to economic transformation mostly assumes that those involved from all parts of society will help, but this is often an obstacle in itself. It may seem simple, but it can be very hard to get major participants together and carry out reforms. Co-ordination will also show if the programme is focusing on achievable reforms and introducing them well, and not aiming for overly ambitious targets and making the reform process more complicated. Co-ordination should be expanded as a priority in these areas:

1. Ensure collaboration between public bodies working on related or complementary issues.
2. Encourage collaboration between public and private stakeholders trying to achieve related goals (Box 7.2). Much of the action needed to reach emergent country status falls mainly on the private sector and receives at best limited backing from the authorities. The government has limited capacity directly to help achieve the goals and must co-ordinate with the private stakeholders, looking after the sharing and dissemination of information.

Box 7.2. **Expanding public-private contacts**

Existing ways to improve public-private sector co-ordination by the CCESP committee could be maximised by drawing on the experiences of other countries. Structural transformation and diversifying the productive sector must be based on "self-discovery" of new opportunities, allowing the private sector to spot goods and services where Ivorian firms could have comparative advantage. The government's job, using consultations and dialogue, is to remove basic constraints preventing these opportunities from being taken up. Efficient facilities are needed to reach this level of co-ordination and consensus. Five main principles should be kept in mind:

- The government must leave enough room and freedom to the private sector for it to become a committed and constructive partner.
- The private sector must be able to organise and to decide how it can be encouraged to take part in dialogue.
- Discussion groups must be set up in some sectors to encourage exchanges and avoid the temptation to press for government support and protection.
- The aims of the platform must be clearly defined. The government wants to improve the supply of public inputs for some products, not give subsidies to sectors.
- A balance must be found to ensure private sector financial commitment and/or the achievement of practical goals, but also to allow government follow-up, in turn encouraging the private sector to continue its involvement.

Source: Authors.

The government must take note of the many co-ordination tools that already exist or are in the pipeline. The CCESP and the steering committee for town and country planning are examples of some of the basic issues of co-ordination and communication between the parties involved in Côte d'Ivoire.

The main principles listed above for dealing with these challenges should be borne in mind when new processes or committees are set up. They can also be examples for reforming existing operational frameworks. The first step should always be to identify the chief parties involved. To set up the steering committee, representatives must be drawn from all parts of the population, going beyond public bodies to include the private sector and civil society. They could have a preparatory meeting to identify the key parties to join the steering committee. An inventory of current projects and programmes (run by the government, donors or the private sector) should be made before any action is taken, so as not to waste limited resources. Improving co-ordination is another challenge that can be met by drafting main principles for everyone. Balanced representation between parties involved (the number of people from different sectors – ministries, the general population etc.) is essential. Other basic conditions to ensure better public-private dialogue are:

1. The participation of civil servants should not be too variable. Each public body should designate two or three people to ensure continuity in participation and knowledge in committees. Participation will be clearly mentioned in their missions and among their performance goals and assessments to encourage them to actively commit themselves. Ensuring visibility and recognition of participants could also be an incentive (for example, mentioning them in ministry brochures or other routine communication material).

2. Setting up efficient co-ordination beyond simply sharing information so as to achieve solid results. This can be done with a clear meeting agenda, setting goals and results to produce at the start of each process. Expected consequences and results should be agreed on, such as drawing up minutes, filing documents produced and agreeing on the various contributions to be made or documents to prepare.
3. Results should be followed up and monitored by a joint committee. If participants promise to produce things or agree on various activities, the agenda for the next meeting must include assessment of the work and discussion of any problems associated with it. Ministries overseeing a steering committee should verify that all this is done, for example by producing a summary in the form of an organisation chart or a checklist.

Monitoring and assessment, essential for successful reforms

Successful economic transformations have robust monitoring and evaluation (M&E) facilities in their reform programmes. Côte d'Ivoire has made remarkable progress in reforms since 2011 but now requires M&E as well as good performance habits. These facilities will become increasingly important as issues and reform projects become more complex. Developing countries must set up this machinery to help assess progress and guide the results of reform without requiring too many resources (such as staff and statistical costs) already in short supply. Côte d'Ivoire should take a gradual approach, setting up basic systems now and expanding them as the country progresses.

The M&E model can initially be based on the implementation unit and ministries, and then gradually develop a strong supervisory role. The unit should follow the overall advance, mainly using a wide range of statistics from comparable countries. The ministries involved (listed in the MDCR) should set up the M&E alongside carrying out the reforms, using clear and balanced guiding principles (such as two to five overall indicators and five to ten more specific ones, using basic procedural methods). The country should begin drafting a longer-term strategy, including expansion of capacity, and statistics essential to setting up a more sophisticated M&E better suited to an emerging market economy. This assumes complete co-ordination with a unit for upgrading monitoring systems. It will be essential to:

- Establish guiding principles for M&E.
- Have discussions with funding sources.
- Do an inventory of all M&E procedures.
- Plan how to get the required data, if possible drawing on available sources (such as Gallup customer satisfaction research, donor-funded surveys) to reduce the statistical burden and focus efforts on priority needs.

Côte d'Ivoire can benefit from feedback about the M&E experiences and steps taken by other developing countries, including Uganda, one of the first African countries to use complete M&E frameworks. But a medium-term evaluation showed that the data work was too much, with ministries and public bodies obliged to gather more than 1 000 performance indicators from many entities and sectors. So the government introduced a national integrated M&E system that reduced the number of indicators and improved co-ordination. Côte d'Ivoire should thus try to do the same, by focusing on indicators that can be obtained easily and regularly and are ideally comparable to those in other countries, relate properly to the reforms by balancing input indicators

(such as spending) and output indicators (results such as customer satisfaction), cover the whole country and can be analysed by region, gender and other criteria so they can eventually be expanded and upgraded.

Risk must be managed so it does not hamper the development programme

Anticipating and managing risk is essential to ensure smooth application of ambitious development programmes such as those described in the MDCRs. All countries are exposed to unexpected risks that can have especially big effects on small open economies like Côte d'Ivoire. Some positive events such as the raw materials boom in the 2000s are welcome but negative shocks can slow private investment, undermine budget policy and focus the attention of the main political decision makers. Anticipating them and taking counter-measures can reduce their effect on the major national programmes described in the MDCRs. Such steps must accompany national risk management strategies and the work of specialised natural disaster management agencies.

Risks can come from different sources, and future events, not yet seen as risks and not resembling previous shocks, can have devastating effects. Risks already experienced by Côte d'Ivoire or known from other countries include:

International

- Relating to demand and prices for Côte d'Ivoire exports
- Shortage and higher cost of funding for infrastructure and public investment.

Regional

- Political instability or spread of terrorist groups that will reduce economic demand and create lawlessness in border areas.
- Effects of climate-change on expansion of agro-industry if rainfall becomes more unpredictable.

Domestic

- Changes in personnel or problems of energising the private sector or international partners that will slow implementation of development programmes.
- Government budget commitments, especially for public-private partnerships (PPP).
- Regional disparities.

Management of these risks must focus on careful monitoring, prudent budget policy and include protection in implementation programmes. A small open economy like Côte d'Ivoire is especially liable to fall victim to unexpected events with significant consequences during the MDCR's implementation. Outcomes and shocks like these can, however, be anticipated and their negative effects reduced:

- M&E (see above) should alert political decision makers to outside events that could affect implementation of the MDCR, which should be regularly reviewed to see if the reform requirements are still valid. This information must then be used to adjust the programme.
- Côte d'Ivoire must keep its budget deficit and national debt under control so the government has enough budgetary leeway if a shock occurs. The country's debt has been modest in recent years although risks associated with liabilities (such as with PPPs) have increased. Prudent budget policy can also mean more funding for the private sector by lowering demand in limited national liquidity and reducing macroeconomic risks as perceived by foreign investors.

- Implementation timetables should be modest to ensure they are properly carried out and can cope with possible delays and unexpected events. Schedules that are too ambitious, more vulnerable and more subject to planning complications can undermine a programme's overall credibility if they are not kept to. Also, if further activities are planned, these too may be held up.

The scorecard system helps the move towards emergence

The scorecard system gives the Ivorian government a way to monitor progress towards emergent nation status closely linked with the action plans. It proposes targets for 2020 and intermediate ones for 2018 to do with creating economic wealth, well-being and structural transformation. It covers the priorities of economic transformation, competitiveness, infrastructure, the financial sector, human capital and skills and tax policy and has a cross-sector theme linked to institutional quality and governance.

All the themes have main indicators of progress towards emergent nation status chosen in agreement with the government. Each theme has a main goal and also secondary ones for detailed monitoring of expected results of reforms listed in action plans.

The scorecard proposes an indicator for each goal with several figures. The indicators include objective measurements (such as macroeconomic data) as well as survey data to take account of perceptions and opinions of Ivorians on a range of subjects and highlight from a different angle various reforms and policies carried out. The several figures calculated are:

- Côte d'Ivoire's present situation (or last available figures).
- Goals for 2018 and 2020 are set according to the kind of data and national development targets. Two calculation methods are used, according to data available:
  - A statistical method that reflects the levels generally achieved by the world's emerging market and middle-income economies (see below), called the "level of emergence."
  - One based on earlier analyses (see MDCR Vols. 1 and 2, available in French only), national policy priorities and Côte d'Ivoire's figures in 2015. This is used for some variables when prospects are improving for the countries doing best and for all the most relevant national data. This is the "2020 target."

The statistical method is applied for indicators that draw on international data. Estimates for 2018 figures and 2020 targets are calculated when data comes from international sources such as the World Bank's World Development Indicators, Gallup polls, the UN Industrial Development Organisation (UNIDO) and the World Input-Output Database (WIOD). The 2020 targets are the forecast levels for countries with per capita GDP just above USD 5 000 (after adjustment for different national purchasing power). The figure is equivalent to Côte d'Ivoire's GDP (expected to double from XOF 16 650 billion in 2014 to 33 310 billion by 2020) after adjustment for population growth, forecast inflation and long-term fluctuating international exchange rates.

Estimates are based on a sample of all upper middle-income countries. Not all of them are necessarily models of emergence to be followed as such, but the income yardstick in most cases allows countries to be chosen that are quite similar to those with emerging economies and provide enough data to validate econometric estimates for the 2010 goals.

Bivariate regressions are calculated for each indicator using this group of comparative countries, the indicator used is the dependent variable and per capita GDP the independent one. The first step is the regression of the indicators on GDP (equation 1), then the intercept

coefficient associated with Côte d'Ivoire is added to the estimated per capita GDP coefficient multiplied by the 2020 target per capita GDP (5 009 in PPP, constant USD) to obtain the target figures (equation 2). For example, 45% of Ivorians should have better sanitation by then, according to the statistical model, up from 21.9% in 2012.

$$\text{indicator}=\alpha+\beta^{*}\text{GDP per capita} \quad \text{(eq. 1)}$$

$$\text{target figure}_{CIV}=\alpha_{CIV}+\beta^{*}5\ 009 \quad \text{(eq. 2)}$$

The scorecard figures aim to inform political decision makers and eventually feed discussion with citizens about public policy performance. They come from a range of sources of varying quality and time horizons, and thus the possibility of sampling errors in estimates. The process of modelling the relationship between these indicators and per capita GDP can induce other statistical errors, some bigger in the case of long-term predictions where the indicators-GDP relationship is altered by changes in the Ivorian economy. External developments, such as fluctuating prices for the country's exports or availability of foreign funding for landmark social development projects, can speed up or delay achieving targets. These statistical uncertainties and unexpected events must be taken into account when reading the scorecard. Its target figures are suggested trends and for the same reason the focus should be on major underlying trends over several years rather than annual changes.

The scorecard presents overall trends rather than a rigid structure to guide government policy and contains many indicators of various aspects of development. Each indicator reflects particular concepts but can only give a glimpse of progress being made, so the scorecard must be read with care, allowing for possible measurement errors and sensitivity to action taken. Its biggest value is therefore the summary of progress measured by different groups of indicators. The richness of these provides an overall view of progress towards the final goal of emergence and better well-being.

Côte d'Ivoire needs eventually to create its own good quality data system as an important monitoring and evaluation tool. The scorecard still relies mainly on international data for want of reliable up-to-date national statistics. Beyond the 2009-13 national statistics development strategy, the country should continue expanding the capacity of its institutions and statisticians, as well as physical infrastructure to improve data collection and analysis. The quality and archiving of statistics must also be improved for a broader range of users, including the World Bank's *Doing Business* report, the Millennium Challenge Corporation and the Open Government Partnership, but also domestically to evaluate progress towards the goals of the PND.

Limited funding means allocation of statistical resources must be carefully prioritised among different areas, some of which seriously lack data and need more statistical investment than others. The PND and the national statistics institute can list them to give the government an idea of these action priorities.

Table 7.1. **The scorecard enables Côte d'Ivoire to monitor its progress toward achieving emergence**

Theme	Goal and expected results	Indicator	Level in 2014	Level in 2018	Emergence point	Source and comments
Wealth creation	**Goal: to ensure balanced and lasting growth**	Nominal GDP (billion current XOF)	16 935	27 852	33 311	International Monetary Fund, World Economic Outlook – target is to double GDP between 2014 and 2020.
		Real GDP growth (annual %)	7.9	6.9	6.9	International Monetary Fund, World Economic Outlook
		Per capita GDP (current prices, XOF '000)	721	1 032	1 236	
		Agriculture, added value (% GDP)	22%	18%	16%	World Bank, World Development Indicators
		Industry, added value (% GDP)	21%	26%	28%	
		Services, added value (% GDP)	57%	56%	56%	
		Public investment (% GDP)	8.0%	8.5%	8.8%	National development plan (PND) Côte d'Ivoire – target is based on PND's "emerging elephant" theory.
		Private investment (% GDP)	10.7%	13.9%	15.2%	
Well-being (Phase I)	**Goal : to increase level of well-being**	**Satisfaction with living conditions (0 not satisfied, 10 very satisfied)**	**2.1 (2013)**	**5.1**	**5.7**	Gallup
	Increased possibilities for consumption	Per capita income (PPP, constant international USD)	3 101	4 540	5 009	World Bank, World Development Indicators
	Less poverty	Population below national poverty-line (% total)	46.3% (2015)	35%	32%	World Bank, World Development Indicators – current level from local data (PND, estimated levels from World Bank database (calculated differently).
	Cleaner surroundings	Access to improved sanitation (% population)	22% (2012)	37%	45%	World Bank, World Development Indicators
	Better public health	Life expectancy at birth (years)	51 (2013)	54	55	
		Doctors (per thousand people)	2 (2010)	7	10	
	Improved housing	In your town, city or region, are you satisfied with supply of adequate housing? (% satisfied)	47% (2013)	49%	50%	Gallup – Perception of housing quality should change slowly because of the time needed to restore housing supply and the time needed for perception of this to change.
	More secure jobs	People in precarious employment	79% (2012)	68%	64%	World Bank, World Development Indicators
	Better access to education at all levels	Primary school enrolment (% gross)	77% (2013)	104%	111%	
		Secondary school enrolment (% gross)	39% (2013)	66%	80%	
	Illiteracy falls	Adult literacy (% of people over 15)	41% (2012)	60%	70%	
	Improvement of road infrastructure	Are you satisfied with roads and motorways? (% satisfied)	28% (2013)	46%	55%	Gallup
	Economic growth respects the environment	CO_2 emissions (kg per 2011 PPP USD of GDP)	0.12 (2011)	0,.21	0.25	World Bank, World Development Indicators - Economic growth will modestly increase CO2 emissions.
	Greater personal safety for individuals	Do you feel safe walking alone at night in the town or region where you live? (% feeling safe)	52%	57%	60%	Gallup
	Less violence	Global Peace Index (1 = great peace, 5 = little peace)	2.13	2.18	2.20	Institute for Economics and Peace

Table 7.1. **The scorecard enables Côte d'Ivoire to monitor its progress toward achieving emergence** *(cont.)*

Theme	Goal and expected results	Indicator	Level in 2014	Level in 2018	Emergence point	Source and comments
Structural transformation and industrialisation (Phase II - Chapter 2 - Structural transformation)	**Goal: to boost structural transformation**	**Economic Complexity Index[2]**	**-0.902 (2013)**	**-0.8**	**-0.706**	"The Atlas of Economic Complexity", Center for International Development, Harvard University.
		Non-primary goods items exported by industries, with comparative advantage (number)	**18**	**37**	**46**	United Nations, Comtrade database (extracted from World Integrated Trade Solution)
	Efficient agriculture drives growth (ER1)	Labour productivity in agriculture (gross per capita added value, constant USD).	939	1 813	2 250	FAO
	High-potential agro-industries drive growth (ER2) – MDCR target	Agro-industrial items exported with comparative advantage (number)	8	9	10	United Nations, Comtrade database (extracted from World Integrated Trade Solution)
	High-potential agro-industries drive growth (ER2) – GDP target[1]	Rate of cocoa processing	30%	43%	50%	Local data: Industry ministry – Target comes from PND.
		Rate of cotton fibre processing	<5%	28%	40%	
		Rate of cashew nut processing	<5%	28%	40%	
	Industry diversified and creating jobs (ER3) Services sector helps modernise economy (ER6)	Labour productivity (per employee) (2011 USD, PPP)	7 893	13 512	16 322	The Conference Board
	Industry has access to good production infrastructure (ER4)	Weighted average cost of electricity for industries		*data pending*		Local data: CI-Energy and Côte d'Ivoire general business confederation (CGECI)
	SMEs are vibrant base of economy (ER7)	New SMEs registered with one-stop shop (number)		*data pending*		Local data: Investment promotion centre (Cepici)
	Innovation creates value (ER8)	Efficient agricultural co-ops (% total)	9%	20%	25%	Local data: Office of professional agricultural organisations (DOPA) in the Ministry of Agriculture
	Goal: to make the economy more competitive	**Global Competitiveness Index (1-7)**	**3.6**	**3.7**	**3.8**	World Economic Forum
	Encouraging investment climate for the private sector (ER9)	Ease of doing business index (ranked out of 189)	145	118	104	World Bank, World Development Indicators
	Quality standards recognised (ER10)	Export firms and co-ops with international quality certificates (% total)	3%	21%	30%	Local data: National standards body (CODINORM) – Target based on MDCR analysis.
	Robust competition ensures economic growth (ER11)	Cases handled by competition commission annually (of total submitted)		data pending		Local data
	Easier trade (ER12)	Time needed to process imports (days)	32	21	15	World Bank, World Development Indicators
		Road transport delays: average number of checkpoints per 100 km	2 (2012)	1	1	Borderless
		Road transport delays: average illegal charges per 100 km (USD)	5.75 (2012)	1.92	0	
Structural transformation and industrialisation (Phase II - Chapter 3 - Infrastructure)	**Goal: to increase infrastructure investment**	**Public investment rate (% GDP)**	**8%**	**9%**	**9%**	Côte d'Ivoire PND
	Easier access to essentiel infrastructure for emergence (ER1)	Access to electricity (% population)	56% (2012)	70%	77%	World Bank, World Development Indicators; local data (CI-Energy)
		Electricity consumption (KWh per capita)	240 (2012)	413	500	World Bank, World Development Indicators
		Logistics Performance Index (1 = poor, 5 = good	2.8	3.3	3.5	
		Tarmacked roads (% total)		*data pending*		
		Surfaced roads in very bad condition (% total)	15%	8%	5%	Local data: Road management agency (Ageroute)
		Internet users (per 100 adults)	3% (2013)	20%	28%	World Bank, World Development Indicators

Table 7.1. **The scorecard enables Côte d'Ivoire to monitor its progress toward achieving emergence** *(cont.)*

Theme	Goal and expected results	Indicator	Level in 2014	Level in 2018	Emergence point	Source and comments
	Competitive infrastructure (ER2)	Road maintenance costs (ratio of total spending, including investment)		*data pending*		Local data: Road management agency (Ageroute)
	Financially sustainable infrastructure (ER3)	Over-the-counter contracts complying with WAEMU rules (number)		*data pending*		Local data: Procurement regulation agency (ANRMP) or office of public procurement.
Structural transformation and industrialisation (Phase II - Chapter 4 - Access to funding)	**Goal: to improve funding for business and individuals**	**Bank loans (% GDP)**	**20%**	**27%**	**30%**	World Bank, World Development Indicators
	Less credit risk and better assessed (ER1)	Population covered by credit-assessment agency (% adults)	3%	14%	20%	World Bank, *Doing Business*
	System of collaterals works better (ER2)	Non-performing loans (% gross loans)	10%	9%	8%	WAEMU banking commission annual report 2014
	National savings increase with maturity lengthened (ER3)	Long-term deposits (% total volume)	8%	11%	12%	BCEAO report on banking conditions – long-term is deposits of more than two years
		People saving with financial institution (% adults, over 15)	9%	13%	15%	World Bank, Global Findex
	Better financial inclusion with new bank-use solutions (ER4)	People with bank account (% adults, over 15)	34%	45%	50%	
		People with mobile account (% adults, over 15)	24%	35%	40%	
	More confidence of individuals in banking system (ER5)					
	Alternative funding to bank loans (ER6)	Funding of firms quoted on stock exchange (% GDP)	29% (2012)	34%	37%	World Bank, World Development Indicators
Structural transformation and industrialisation (Phase II - Chapter 5 - Education and skills)	**Goal: to train competent workforce**	**Secondary school graduates (%)**	**34% (2012)**	**58%**	**70%**	
	Better primary and junior-secondary education results (pupil enrolment and acquired skills) (ER1)	Average length of schooling (years)	5 (2010)	7	9	UNESCO, UIS World Education Indicators
		Primary pupils per teacher	41 (2013)	33	29	World Bank, World Development Indicators
		Spending on primary pupils (% of per capita GDP)	15% (2012)	16%	16%	World Bank, Education Statistics
	Technical education supplies workforce with skills needed for economic transformation (ER2)	Students enrolled in technical and vocational education and training (% students in senior secondary education)	15% (2012)	29%	36%	
Structural transformation and industrialisation (Phase II - Chapter 6 - Tax policy)	**Goal: to raise more government revenue**	**Tax revenue (% GDP)**	**16% (2015)**	**18%**	**19%**	World Bank, World Development Indicators
	Tax system and administration work well (ER1, ER3)	Domestic revenue (% all tax revenue)		*data pending*		Local data: Tax administration
	Tax base broadened and simplified (ER2)	Exemptions (% GDP)		*data pending*		

Table 7.1. **The scorecard enables Côte d'Ivoire to monitor its progress toward achieving emergence** *(cont.)*

Theme	Goal and expected results	Indicator	Level in 2014	Level in 2018	Emergence point	Source and comments
Institutional quality and governance (Phase I)	**Goal: to streamline public administration and regulations**	**Ranking of average overall management of public sector and institutions by EPIN (1 = poor, 6 = good)**	**2.1**	**2.8**	**3.1**	World Bank, World Development Indicators
		Transformation management index (0-10)	**4.41**	**4.63**	**4.73**	Bertelsmann Stiftung's Transformation Index
	Better governance	Do you trust this country's government? (% trusting)	32% (2013)	44%	50%	Gallup
	Less public sector corruption	Corruption Perceptions Index (0 = very corrupt, 100 = transparent)	32	35	36	Transparency International – This measure should change slower than others because of the problem of entering people's perceptions
	More transparency in use of natural resources	Delay in publication of report of Extractive Industries Transparency Initiative (years)	2	1	1	Extractive Industries Transparency Initiative (EITI)

Note: (1) The aim is to increase the surplus of goods and services produced, not just the rate of processing of some items. More surpluses help the economy grow, boost incomes and create jobs. They show how competitive Côte d'Ivoire is compared with other producers and also the country's ability to focus on activities yielding the highest returns. Bigger surpluses are not necessarily generated by more product-processing and in fact can even reduce them if a sector's processing costs are not competitive or do not correspond to demand. So higher processing rates of some products are desirable but are not sufficient and must only be considered in a broader view of how competitive the economy is. (2) The economic complexity index (ECI) was devised by Ricardo Hausmann and Cesar Hidalgo using the UN Comtrade database to calculate the complexity of an economy based on how difficult it is to produce exports, thus giving an idea of a country's position in the world value-chain and its division of labour and marshalling of resources.

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Annex

Action plan

Chapter 2: Continuing structural transformation of the economy

In order to achieve the status of an emergent economy, the country needs to modernise its structures so as to promote greater job creation potential. Industry and services play an important role in the economy but most Ivorians still work in agriculture, a sector which is not growing very fast. The country needs to move towards industrial activities that generate more jobs and more added value, such as more sophisticated goods, and also use the services sector better by bringing it into the formal economy and rendering it more professional.

Structural transformation will depend on how locally and internationally competitive the economy is. Becoming more competitive will require a good investment climate for the private sector and recognised quality standards. Vigorous competition between stakeholders and in all private and public markets is essential. Streamlined trade procedures are vital to help the country join global value chains and reach markets. An emergent Ivorian economy must also make the most of its land and see that all parts of the country benefit.

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
			Diversified and industrialised economy		
Efficient agriculture drives growth *(ER 1)*	Improve strategic planning (1)	Agriculture lacks inputs and skills, keeping productivity low	More money for national agricultural investment programme (PNIA): ● Aim for 10% of national budget (target decided at Maputo Conference). ● Fund PNIA over 10 years.	Cabinet / Ministry of Agriculture Ministry of Budget Anader	
	Supply quality inputs (2)		Develop controlled distribution chains (see experimental rice project). Set up integrated agency to ensure quality agricultural inputs and their distribution. Regularly check quality of inputs at sales-points: ● Set up quality-control unit. ● Count and classify sales-points (by size and importance) and products (by growth potential: cash crops and subsistence crops). ● Draft plan for risk estimates: which products and businesses to be monitored. ● Make visits, take samples of products sold and assess their quality. ● Set up administrative framework to ensure compliance (penalties).	Set up unit in quality-control bodies (DPQN) or Anader	Nigeria: National Agricultural Seeds Council Morocco: Seed and Plant Inspection Service
	Supply quality services (3)		Encourage accessible agricultural services in the provinces: ● Continue the study of Anader's services and ways to reform them. ● Expand the scope of this study to include other key agricultural service suppliers. ● Discuss with various parties the advantages of combining pre-production and post-harvest services. ● Make information more available, using special mobile-phone apps. ● Offer services near big shops; concentrate them in one major place. Support services growth by sector: ● Support interprofessional training. ● Build other sectors on the model of rubber. Develop policies and measures encouraging more use of modern agricultural techniques and mechanisation.	Ministry of Agriculture, Anader	
High-potential agro-industries drive growth *(ER2)*	Expand processing of raw materials, especially in key sectors (4)	Agricultural processing does not fully contribute to diversification	Boost productivity of agricultural items through cross-sector reforms: ● Invest more in integrated distribution chains, including storage (see Ministry of Agriculture project above for controlled distribution chains [recommendation 2, Supply quality inputs]). ● Upgrade packaging, storage and quality control. ● Make seaports more competitive to increase exports. ● Continue efforts to restore the "Made in Côte d'Ivoire" brand (security, repairing infrastructure, potential of the recent recovery) to make the country more attractive for visitors and tourists. Rice ● Attract major rice-processing firms. ● Continue allotting suburban land to encourage growth of SMEs nationwide (see Phoenix Plan). ● Create a brand-label and improve brand-image.	Ministry of Agriculture	Agroparks: see Malaysia model

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
			Palm oil ● Introduce a plan to increase palm oil output. ● Undertake a survey of farmers (or analyse existing data) to identify differences in productivity as well as key factors and constraints among small farmers. ● Expand production and productivity of farmers. ● Develop specialised agro-parks (agricultural clusters focused on rubber products) to speed up diversification with further processing. ● Improve post-harvest logistics and storage. Cashew nuts ● Investigate sector constraints and how to get Ivorian firms more involved (using the Phoenix Plan and "national champions" system). ● Continue working with processing countries by focusing on access to markets and new technology (discussions with Vietnam, Malaysia and India). ● Attract major processing firms. ● Increase Côte d'Ivoire's visibility in key markets. ● Consider setting up agricultural clusters based on cashews. Cocoa ● Target intermediate processing. ● Continue the 2QC programme. ● Build a "Made in Côte d'Ivoire" cocoa brand (see below). Cotton ● Undertake a survey to identify where in the value chain Côte d'Ivoire has a potential advantage and the possibility of reorganising some factories. ● Investigate with firms what obstacles they face in expanding cotton processing (availability of inputs, such as machinery, water, electricity), using the Phoenix Plan strategy. Coffee ● Put together a public-private partnership (PPP) with major distributors (such as Nestlé). ● Develop a "Made in Côte d'Ivoire" label. Cassava ● Increase industrial processing for export. ● Encourage creation of integrated industrial infrastructure near major production areas. Cereals ● Structure this sector like the palm oil, coffee and cocoa sectors.		Cashew nuts cluster: see India model
Industry diversified and creating jobs *(ER 3)*	Make industrial base more diverse (5)	Industry still has few products and firms	See how competitive labour costs are: ● Amend the investment law to add a "job creation" condition. ● Consider experimenting with flexible working practices (make minimum wage more flexible) in specialised industrial zones. Construction products (cement, ceramics, etc.) ● Continue building two new cement plants. ● Improve transport network and support growth of provincial markets (exports to neighbouring states) to make economies of scale. ● Undertake a feasibility study for an aggregates plant for certain products and for grouping together construction, metalworking and chemical activities. ● Make raw-material imports quicker and cheaper (customs duties).	Ministry of Industry Others: CGECI, Ministry of Economy and Finance	Aggregate production: see Burundi project Ethiopia: textile and leather sectors Mauritius: fast-track cargo initiative

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
			Chemicals, pharmaceuticals ● Make it easier for SMEs to order inputs by setting up a network or "joint ordering" exchange. ● Set up fast-track import procedures for known importers (formerly known as "circuit blanc" system). ● Support development of a sub-regional quality label ("Made in Côte d'Ivoire"). ● Attract a big international firm to manufacture medicines ensuring means of ready access of products for sub-regional markets. Packaging ● Expand packaging services. ● Publicise benefits of better quality packaging with SMEs, preferably through the new one-stop shop for SMEs (Anpme). ● Consider funding for firms wanting to upgrade their processes. ● Support setting up packaging facilities near production areas. ● Open a technical centre for packaging or provide special training. Assembly Identify global value chains with opportunities related to Côte d'Ivoire's comparative advantages and to market structures. For the manufacturing sector, target integration into global value chains through assembly activity: ● Identify firms serving regional markets for assembled products (household appliances, farm machinery). ● Use links with innovation strategy to adapt products to local needs. ● Encourage assembly in one of the new industrial zones (administrative support, perhaps review minimum wage for the zones, easier administrative procedures). ● Streamline exports (set up fast-track procedures for a limited time). Use these flagship projects in a communication and marketing strategy to attract more firms.		China: Haier produces washing-machines with functions adapted to different Chinese markets.
	Start strategic dialogue with private sector (6)	Co-operation with private sector does not greatly help strategic planning	Start systematic consultations to identify industrial diversification opportunities (chemicals, pharmaceuticals, assembly) guided by OECD suggestions. ● Circulate the OECD report, *Examen multidimensionnel de la Côte d'Ivoire* to business owners and ask them to evaluate the potential for the ideas in their sector. ● Target between three and five more specific sectors or activities, set up working-groups with business-owners already in similar or related activities to ensure everyone's interests are taken into account. ● Within these groups, identify market potential, required inputs, legal frameworks (business climate, regulation, public property), and possible snags and see how the government could respond (undertaking a more technical survey, if necessary). ● Draft action plans for surmounting obstacles to development of some sectors and activities. ● Present the results to the CCESP and decide how the government could implement the action plans.	CCESP or Economic Management Team	OECD policy discussion of global value chains and its *Productive Transformation Policy Review*
Industry has access to good production infrastructure *(ER 4)*	Improve management and allocation of industrial land (7)	Manufacturing has poor access to scarce industrial land	Harmonise allocation procedures: ● Simplify application procedures (number of documents). ● Set up an e-portal to computerise applications and make the system more transparent (criteria and handling times). ● Monitor operations to shorten delays and ensure legal compliance. Improve fee collection to fund investment: ● Set up a special unit in the DGI to deal better with FODI's needs. ● Undertake a survey of firms situated in industrial zones as soon as possible. ● Draft a plan for a medium-term transfer of fee collection to FODI to increase its independence and ability to react.	Ministry of Industry and Mines AGEDI FODI	

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
	Continue developing new industrial zones (8)		Consider medium-term privatisation of existing zones to make them more efficient (involving several private partners for different zones to boost competition). Assess potential for setting up specialised agro-industrial free zones: ● Continue pre-feasibility studies. ● Evaluate and choose funding models (BOO, BOT etc.) and operation models (various complexes, agro-industrial parks, free zones).	Ministry of Industry and Mines AGEDI FODI	
Mining drives growth *(ER 5)*	Increase extraction of natural resources (9)	The country does not make the most of its natural resources	Speed up onshore and offshore oil, gas and mineral exploration. ● Improve conditions for investors in the sector. ● Ensure a supportive legal framework for exploration and extraction. ● Ensure transparent and efficient management of government revenue from natural resources (timely publication of EITI reports, planning long-term investment). ● Encourage processing of natural resources (see development of SMEs, processing activity).		
	Expand and diversify mining sector (10)	Mining still contributes little to economic growth	Continue the Grand-ouest project: ● Undertake feasibility study and continue planning. ● Design communication strategy (supporting transparency and attracting firms). ● Encourage integrated planning of investment and needs (for example mineral processing for 2017-18, starting up new power plants) and offer investors adapted and transparent planning. ● Provide transparent and reliable project management (planning, timely execution, good government communication, public tendering). ● Rationalise artisanal mining and upgrade SME involvement. ● Support training ● Encourage unpaid student internships with big firms. Continue transparency about income from natural resources: ● Speed up publication of EITI reports. ● Devise transparency strategy for communication with civil society and increase government accountability.	Ministry of Industry and Mines	Chile: world supplier of BHP and CODELCO Mozambique (MOZAL project) Ghana: Enterprise Map Policy dialogue with OECD about creation of local added value
	Encourage local suppliers (11)		● Compile directories of local suppliers and capacity to help multinational firms choose local partners. ● Work with private sector and vocational institutions to develop adapted training.		
Services sector helps modernise economy *(ER 6)*	Highlight key and priority services for development strategy (12)	The role of services for industry is insufficiently developed.	Carry out a survey of the services sector to identify services which are a driving force, key factors in productive firms and their potential to contribute as intermediaries to the modernisation of the economy.	CCESP or economic management team	
			Digital economy ● Set aside places with good ITC access to support communication and interaction (buildings with good internet and phone connection in cities and industrial zones). ● Set up communication centres for business entrepreneurs and university graduates to foster growth of new ideas (mentoring programmes).		ITC areas and incubators: co-working houses in Europe, Orange FAB scheme to help SME start-ups
			Tourism ● Launch marketing campaign to improve Côte d'Ivoire's image (security etc.) and use potential of eco-tourism. ● Build on local tourism to upgrade services (hotels and restaurants) especially in established sites (Assinie, etc.). ● Continue improving and developing tourist sites. ● Undertake feasibility studies to find niche potential to attract foreign tourists (cocoa production, natural parks).		Tourism campaign: see Colombia model

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
			Transport and logistics ● Provide easier access to ITC for planning and modernising (especially road) transport. ● Support innovation-driven development based on geolocation (e-commerce). ● Monitor transport interconnection (sea, road, river, urban). ● Ensure key skills are available (logistics courses, support for those wanting to study further abroad). ● Support partnerships between national haulage companies and international forms for the transfer of skills. ● Continue expanding refrigerated chains (and adequate storage) for perishable goods. Commerce ● Facilitate access to ITC and its use in planning and modernising wholesale and retail services in order to upgrade daily operations and storage (inventories). ● Encourage acceptance of quality standards to diversify range of businesses (hypermarkets, supermarkets, small groceries with a variety of products). ● Consider potential of mobile commerce (m-commerce), support relevant activities (development of m-commerce platforms for buying goods and services) and integrate with postal services and distribution/logistics. ● Start private-public discussions with big chain-stores (supermarkets and food distributors) about best way to work with local suppliers.		China: logistics centres and regional hubs
SMEs are vibrant base of economy *(ER 7)*	Make paperwork for SMEs easier with one-stop shop for information (13)	SMEs have trouble accessing support services	Setting up the national SME development agency (ANPME) involves: ● Assigning management of this project to a strong and visible agency that will compile a directory of agencies and documents to support existing SMEs and harmonise legal framework in long term (merging existing bodies or creating new co-ordination agency). ● Merging some institutions or abolishing others not working well in the medium term. ● Including the subcontracting and partnership exchange in this network. ● Set up website with documents and links to relevant agencies and bodies (business permits, exports, taxation, training, outsourcing). ● Make new agency and its website visible in business community, perhaps through other media (advertising, radio, TV, text-messages). ● Review and update existing documents to respond to the needs of business people, by providing information in step-by-step manuals, guides and checklists. Encourage and help other bodies to communicate this way.	Ministry of SMEs, National SME Development Agency (being set up) Other relevant bodies: BSTP, FDFP, Apex-CI, MCF-PME, CNCGA, FDFP, FARE-PME, CGA, CDT, INIE	Malaysia's Small and Medium Enterprise Corporation Malaysia, Thailand's Office of SMEs Promotion (OSMEP).
	Help private sector find way to pool cost of services (14)		● Create legal framework and pilot scheme for pooling basic accountancy and auditing services, similar to co-op (mutual with members).	Ministry of Commerce ANPME	Pooling examples: Germany, United States
	Devise strategy to support high-potential SMEs (15)		● Implement policies to support SMEs and quality services (through the Phoenix Plan).		

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
Innovation creates value *(ER 8)*	Encourage innovation adapted to emergence (16)	Country lacks strategic planning to develop innovation potential.	Launch national innovation strategy, which requires: ● Proper legal support for innovation (intellectual property law). ● More research into agricultural innovation and agro-technology. ● Greater co-ordination with private sector to ensure effective and relevant policies. ● Exchange of researchers between local and foreign institutions, public and private sectors. ● Using comparative advantages of developing countries (market knowledge and regional needs) to find unexplored areas of innovation. ● Strengthening research and development centres, perhaps setting up top-level new centres to attract large international firms.	CNRA, universities, private sector	Ghana
Côte d'Ivoire is nationally and internationally competitive					
Encouraging investment climate for the private sector *(ER 9)*	Ensure legal security for investors (17)	Legal framework is sometimes obstacle for investors	Monitor national and international competitiveness to try to improve it: ● Continue reforms to create better investment climate (*Doing Business*, World Economic Forum). ● Ensure key goals are met, without focusing solely on Doing Business indicators. Strengthen legal framework ● Support work of courts and envisage appeals to international bodies (International Court of Arbitration) to strengthen legal situation. ● Make investment-related laws simpler and more transparent. ● Continue setting up national good governance authority and envisage including an observatory to receive and analyse complaints from firms.		HITOREZ project in Croatia, which updated hundreds of laws
	Help investors set up operations (18)		● Improve assistance to large firms (for example, getting residence permits and other procedures for expatriate employees). ● Simplify taxation and make it more transparent for large firms (offsetting fewer exemptions with simpler and more transparent overall tax burden).	Cepici Anpme, ministries	
Quality standards recognised *(ER 10)*	Strengthen infrastructure and institutions for quality standards (19)	Poor quality products limit access to markets	● Complete quality strategy under way in some value chains (coffee-cocoa, cashews, bananas) by developing geographical origin and quality labels. ● Harmonise and speed up accreditation for testing laboratories. ● Review institutional framework and study possible system to inspect agri-food and pharmaceuticals and strengthen national standards body (CODINORM) for inspecting electrical goods and packaging. ● Extend standards to other products and services. ● Publicise requirements and advantages of certification (especially for SMEs) through professional associations (FIPME, workshops, brochures, technical support and advice, special units in DPQN for SMEs). ● Set up programme to track agricultural products.	Ministry of Commerce, DPQN	Structural model based on two pillars: see examples of the FDA in the United States, and in Ghana and Nigeria
Robust competition ensures economic growth *(ER 11)*	Strengthen competition regulation bodies (20)	Ivorian economy not very competitive	● Determine best and most efficient structure for competition regulation bodies in line with WAEMU rules. ● Get new competition commission going as soon as possible under WAEMU rules. ● Guarantee new commission's official and budgetary independence, especially in hiring staff. ● Increase its budget.	Ministry of Trade, competition commissions, offices of prime minister and president	New Zealand, Greece, Tanzania
Easier trade *(ER 12)*	Rise up value-chains (21)	SMEs take little part in trade	● Adopt new international marketing policy with "Made in Côte d'Ivoire" label. ● Help search for export markets through one-stop shop (see Recommendation 15 about SME capacity) and publicise quality standards and non-tariff barriers existing in export destinations.	Ministry of Commerce Ministry of Agriculture	

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
	Improve and speed up passage through scanner at Abidjan port (PAA) (22)	Many obstacles slow down trade, especially in Abidjan port	● Continue upgrading risk assessment system. ● Increase capacity of customs (DGD) to process documents for passing through scanner. ● Consider reviving (after agreement) a fast-track arrangement for selected firms to pass quicker through the port with simpler procedures. ● Continue programme to speed up port handling (see infrastructure chapter), especially through survey of all stakeholders by independent body.	Office of Prime Minister/ President	Fast-track model: Mauritius
	Make customs more efficient (23)		● Continue rigorous on-the-job training of new customs staff. ● Increase regulation and surveillance of public services and assess their quality.	Ministry of Budget (DGD)	
	Continue regional integration (24)	Sub-regional co-operation insufficient	● Continue faster setting up of adjacent frontier posts and interconnection of services. ● Use economic diplomacy to speed up support programmes (APE, PAPED, TEC) and trade infrastructure. ● Increase free circulation of people and firms (setting up operations) to support regional integration.	Ministry of Budget (DGD), Ministry of African Integration	
Economic potential of land fulfilled *(ER 13)*	Set up national land capitalisation programme (25)	Land titles and use of rural land are very unreliable.	Make land a national priority with national urban and rural surveying programme: ● Help local stakeholders, especially village committees in the management of rural property (CVGFR), and see they are involved. ● Continue project to survey rural land: – Ensure good planning and management with steering committee open to all (relevant ministries, farmer associations, regional agricultural offices [DRA, DDA], local chiefs / CVGFR). – Consider setting up top-level committee and local ones with bigger voice for local stakeholders. – Create machinery to settle land disputes to make transactions easier. – Continue project by choosing experimental and priority regions. ● Set up interactive public land database, especially for urban land. ● Reform procedures for individuals seeking land titles to include surveying fees in sales contract (instead of paying this fee before preparation of the contract).		Ethiopia, Mozambique, Tanzania, Viet Nam (see reports 1 and 2 of *Multidimentional Review of Côte d'Ivoire*)
	Encourage long-term investment in agriculture with new land laws (26)		● Develop flexible, quick and secure legal management.		
Economic development benefits all regions *(ER 14)*	Draft nationwide development strategy (27)	National development very focused on Abidjan.	● Continue and speed up economic growth centres project. ● Launch steering committee and involve external consultants (combined with local capacity, CAPEC) for the strategic management of land development to ensure objectivity about the potential of different regions. ● Decide basic goals and ways of assessing regional potential (identifying regional and village-level economic possibilities, role of services, examining multi-level decentralisation and governance). ● Support regional authorities in expanding capacity (training individuals). ● Co-ordinate operations between ministries (transport, economic infrastructure, MPITC, MEMPD, CI Energy, Ministry of Oil and Energy) by finding suitable level of co-ordination between civil servants ● Continue assessing potential for geolocation to organise addresses (especially in Abidjan) to provide greater access to services, based on existing surveys (SDUGA).	MEMPD, Ministry of Agriculture, Ministry of Industry and Ministry of Mines, and Trade.	Example: geolocation with *Addressing the Unaddressed* in India

Chapter 3: Expand infrastructure to support emergence

Not all Ivorians have access yet to key infrastructure (electricity, transport, telecommunications), which hampers economic growth and development. The government has ambitious plans to invest in infrastructure, much of it with the private sector through public-private partnerships (PPP). The quality and efficiency of this investment must be given greater priority so infrastructure can sustainably support long-term development. Good governance that encourages best practices, such as transparency in project-preparation, solid public finances and competitive tendering, is vital for creating and using good and efficient infrastructure.

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
Easier access to essential infrastructure for emergence *(ER 1)*	Expand capacity of public and private stakeholders (including PPP) to prepare and carry out infrastructure projects (1)	Infrastructure and PPP are the centre of Ivorian economic development strategy and need good-quality assessment	• Reduce dispersion of roles and practices in infrastructure development by bringing together skills needed for design, preparation and management of projects, and strengthen means of preparation and application. • Train staff in financial and legal management aspects of PPPs. • Increase capacity of private parties (consultants, accountants and legal advisors) and public ones (BNETD, Ageroute) through training, especially in forecasting. • Supply tools and document models to guide project preparation, speed up implementation and ensure they are under well understood. • Set up project development fund to finance feasibility studies. • Encourage local firms (including PPPs) to take part in infrastructure projects.	CNP-PPP BNETD	
	Draft energy policy to encourage more investment in renewable energies, backed by institutional and regulatory framework (2)	Côte d'Ivoire has large renewable energy sources that could increase access to electricity and create energy security	• Develop and communicate transparent energy strategy that defines role of renewables within the future energy mix and the role of off-grid technology in energy supply. • Set up agency to manage energy and renewables and speed up national growth of renewables. • Set rules for development of renewables. • Encourage creation of association of private stakeholders in renewables.	MPE CI-Energies ANARE MESUDD	
	Create incentives for private firms to use off-grid solar technology and biomass plants (3)		• Investigate potential of renewables in Côte d'Ivoire and geographical location. • Identify possible sites for biomass plants using agricultural waste and lobby private sector to invest. • Educate agricultural stakeholders about value of waste so they can help set up collection and supply networks of raw materials. • Adopt international quality and performance standards (as set by ECOWAS) for renewable energy products for consumers. • Give tax incentives (customs reductions, lower VAT) on consumer energy items that comply with quality and performance standards. • Harmonise solar energy standards and incentives with ECOWAS countries to expand market, make more economies of scale and create good economic climate to attract private investors.	MPE ANARE MESUDD Ministry of Agriculture	Tanzania
	Give infrastructure planning a long-term strategic vision (4)	Poorly conceived and planned infrastructure wastes limited public money	• Analyse major national, regional and international trends and uncertainties relevant to Côte d'Ivoire's long-term development. • Draft strategic vision and long-term development goals. • Make public the strategic vision and analyses that underpin it. • Apply this vision and the development goals to sector strategies, infrastructure planning, prioritising of projects and the PND. • Make annual updated report on major trends and uncertainties which will enable scenarios to be updated if necessary. • Set up system to monitor major trends and uncertainties.	President's office, MEMPD, Ministry of Budget, Ministry of Finance, sector ministries	Singapore

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
	Increase transparency and dialogue in planning, choosing and assessing projects (5)	Transparency and dialogue make for better decisions in infrastructure development	• Make public investment programme (PIP) easily accessible to the public, as well as how infrastructure investments are prioritised. • Produce guide for holding public hearings. • Make approval of projects conditional on public hearing at preparation stage. • Amend law on PPPs to require public hearing for all infrastructure projects. • Send economic studies of projects to Budget or Finance Ministry for independent assessment.	CNP-PPP MEMPD Ministry of Budget Ministry of Finance	
	Make financing of road maintenance fund (FER) permanent and more transparent (6)	Road network in poor shape for want of regular maintenance	• Consider boosting FER's funding, by increasing TSU tax and number of tolls on main roads. • Separate financing of road upgrading from regular maintenance costs. • Seek multilateral and bilateral funding for upgrading road network.	Ministry of Economic Infrastructure FER Ministry of Budget or Ministry of Finance	
Competitive infrastructure *(ER 2)*	Tighten public procurement rules (7)	Not enough competition in infrastructure management	• Extend penalties to cover all unjustified violations of procurement rules, including over-the-counter agreements. • More administrative penalties to deter public officials. • More use of disciplinary and criminal sanctions for seriously violating procurement law. • Include PPPs in procurement law. • More transparency for major projects above a certain value that are agreed on directly. • Carry out regular audits of over-the-counter deals to ensure they are legal.	Ministry of Budget ANRMP Office of Public Procurement (DMP)	
	Introduce more competition and incentives in electricity sector (8)		• Make running transport network and distribution and sale of electricity competitive by putting their contracts out to tender when they come up for renewal in 2020. • Make production of electricity competitive by putting contracts out to tender when they come up for renewal. • Consider making sector more competitive by breaking it up, introducing wholesale markets and amending production contracts.	Ministry of Oil and Energy ANARE	
	Change regulation and structure of ITC sector to reduce prices (9)	ITC sector not competitive enough and Internet access not affordable for many households	• Encourage entry of a fourth credible mobile-phone operator, which could have financial and technological capacity to win big share of market. • Amend specifications for mobile operators to oblige them to offer minimum geographical coverage. • Independent experts should look at access offers by existing operators to ensure they do not hamper entry of new operators. • Change rules to cut cost of network interconnection and encourage entry of new operators. • Encourage new providers of fixed-line internet access. • Draft operational model and regulations to access high-speed lines currently under construction.	MPITC ARTCI ANSUT	France
	Governance in Abidjan port must deliver better performance (10)	Abidjan port not competitive enough	• Change governing board's membership by decree to include independent members with useful private sector experience. • Include in PAA statutes legal obligation for board members to concern themselves only with port's interests. • Set performance targets for costs and freight-handling time and appoint independent monitoring committee reporting back to board. • Base assessment of port managers and their pay on how far performance goals are met.	President's office, Ministry of Transport Ministry of Economic Infrastructure, Abidjan port	Singapore, Netherlands (Rotterdam)
	Review PAA's procedures (11)		• A strong and independent body should undertake a survey of the port backed by offices of prime minister and president.	Offices of the president and prime minister, Ministry of Transport	

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
	Introduce transparent and impartial procedures and practices (12)	Investment should be good value for money throughout life of infrastructure	• Include analysis of alternatives in pre-feasibility studies. • Harmonise practices and standards for PPPs and traditional projects. • Draft and make public a roadmap for planning and carrying out all infrastructure projects, whatever their sector or mode of implementation.	CNP-PPP MEMPD BNETD Ministry of Finance	United Kingdom
	Establish independent monitoring and assessment methods during life of infrastructure (13)		• Provide means to monitor and assess performance of operators and suppliers of economic infrastructure. • Send major projects (PPP and traditional) for independent examination by state auditing board. • Authorise Court of Auditors to carry out audits on infrastructure projects by increasing staff to take on this extra work. • Establish learning loop to use lessons drawn from audits and strengthen planning and assessment for new projects.	President's office, CNP-PPP, sectoral ministries, Court of Auditors, Ministry of Finance	United Kingdom
Financially sustainable infrastructure *(ER 3)*	Control medium and long-term infrastructure costs and risks (14)	Infrastructure project costs must be anticipated	• Estimate operational and maintenance costs at planning stage of projects. • Manage impact of projects on public finances by involving Ministry of Budget in planning and preparation. • Publish annual report on all compensation, guarantees and other financial exposure linked to PPPs, as well as budgeted payments and revenue during life of PPPs. • Include recurrent infrastructure costs (operation, maintenance and PPP payments) in pluriannual budget planning (such as medium-term budget framework -- MTBF). • Take account of risks and compensation clauses linked to PPPs in budget documents. • With PPPs funded by taxpayers, include PPP payments in calculating public debt and use international financial reporting standards (IFRS).	Ministry of Budget, Ministry of Finance CNP-PPP	United Kingdom

Chapter 4: Giving business and individuals access to funding

Growth of the Ivorian economy is hampered by lack of funding. The banking sector dominates the financial system but does not offer sufficient loans to businesses. Financial intermediation costs are high because of major credit risk that banks try to offset by requiring substantial collateral. Banks also do not have enough long-term capital to fund the expansion of firms. Alternative funding sources (such as leasing or the stock market) are still very undeveloped.

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
Less credit risk and better assessed *(ER 1)*	Increase coverage of population through credit information office (1)	Asymmetrical information about solvency of borrowers increases perception of risk by financial institutions	• Encourage bank customers to share their details with the Creditinfo Volo office through awareness and publicity campaigns about data confidentiality and usefulness of credit information office, and courses about rights and obligations involved. • Encourage banks to inform former customers. • Encourage banks to sign up to the credit office. • Use credit office to supervise risk only and no longer respond to requests of lenders. • Make new loans conditional on report of borrower's credit status from credit office. • Encourage large public utilities, mobile-phone companies and small decentralised financial systems to sign up to credit office. • Add positive information to the database promptly. • Ensure security of data (cyber-security). • Propose credit-score service broader than solvency report.	BCEAO, Creditinfo Volo, APBEF, large public utilities, MEF	Singapore, Brazil, Turkey, Egypt, Morocco

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
	Make credit centres work better with information about firms (2)		• Computerise passing on of bank data to centre for payment problems to speed up case-handling and publishing data. • Check banks have passed on data to credit information centres when drafting twice-yearly reports by the BCEAO banking commission. • Set up penalties system for banks that do not pass on information.	BCEAO, banking commission, APBEF, MEF	
	Encourage growth of mutuals (3)	Risk-sharing not diversified enough.	Step 1: Set up special legal and regulatory framework (to authorise mutual guarantee associations to act as non-profit co-operatives, without much initial funding) and provide tax incentives. Step 2: Work with a sector to create experimental mutual funded by private sector. • Choose body (Chamber of Commerce or professional association) to promote mutual. • Set strict internal governance rules (registering firms, validating cases, accounting and management procedures, internal monitoring). • Stage awareness and publicity campaigns about productive saving. • Train officials (risk analysis, relations with banking sector, good governance) in partnership with APBEF. • Investigate possibility and minimum duration of government participation.	MEF, Ministry of Agriculture, Ministry of Trade, umbrella-organisations, APBEF, Chamber of Commerce and Industry, consular chambers, APBEF	Italy
	Limit number of financial statements of firms (4)	Balance-sheets of firms often not reliable, delaying bank decisions about loans.	Step 1: Computerise and link systems that handle financial statements (GUDEF at DGI, INS, BCEAO balance-sheet office). Step 2: Let one of these bodies manage this single inventory system. Step 3: Create online platform containing all these financial statements, open to small number of users (such as banks).	DGI, MEF, INS, BCEAO	
	Improve auditing of SMEs (5)		• Make SMEs aware of illegality of some accountants. • Rapidly set up internal monitoring system and ensure compliance with ethics and rules. • Develop external monitoring for WAEMU-level quality-control.	Accountants' association, National Accounting Council	
	Modernise certified management centres (6)		• Do survey of achievements of CGAs. • Based on the results, introduce incentives (tax-breaks, etc.) to attract accountants to them.	DGI, Accountants' association, FIPME, MPME	
System of collaterals works better *(ER 2)*	Expand activities of commercial court (7)	Realising collateral still sometimes a problem.	• Open courts in San Pedro and Abidjan Sud. • Gradually increase staff of Abidjan court. • Continue efforts to make courts more communicative and transparent.	Ministry of Justice	
	Create national register of guarantees / collateral (8)	Collateral system not transparent enough.	Step 1: Include all local RCCMs in a national computerised registry of all firms (also helping to confirm their existence). Step 2: Investigate best way to set up and manage a register of collateral: • within public-private partnership with credit information office. • as part of international body such as BCEAO. Step 3: Expand eligible collateral by merging BCEAO and Ohada rules.	BCEAO, Abidjan court, MEF	Ghana
	Complete surveying operations (9)	Hard to monitor borrowers	• Give DGI sufficient staff and funding to complete surveying of all urban land. • Introduce nationwide land capitalisation and surveying programme (see chapter 2).	Ministry of Budget	

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
National savings increase with maturity lengthened *(ER 3)*	Develop locally adapted savings products (10)	Banking sector dominated by short-term funding	• Investigate how tax incentives could encourage market for medium or long-term savings products. • Work with ministries of economy and integration and with sectoral ministries to persuade Ivorians in certain countries to sign up for savings schemes for affordable housing. • Work with APBEF to get students to buy savings products. • Create legal and regulatory framework to sell innovative savings products by using mobile phones.	MEF, Ministry of Budget, Ministry of Integration, sectoral ministries	Morocco, Kenya
	Continue plan to set up deposits and consignments fund (11)		• Set up, with top-level support, a deposits and consignments fund (CDC). • Create interministerial committee to monitor project. • Make benchmarking visits, especially to Morocco and France, to investigate the idea, especially relating to funding. • Study possibility of introducing tax-free savings product.	MEF	France, Tunisia, Morocco, Mauritania
Better financial inclusion with new bank-use solutions *(ER 4)*	Encourage inter-operability between mobile-phone companies for using mobile money (12)	Financial services and products not sufficiently tailored to local conditions	• Undertake nationwide survey to discover current and future demand for interoperability. • Investigate capacity of payment systems and platforms and nature of a clearing-house. • Study gap between current regulations and those needed (laws and institutions) for interoperability. • Examine competition aspects that could hinder interoperability (especially prices). • Organise discussions between all parties involved.	MEF, BCEAO, ART-CI, mobile-phone companies, APBEF, consumers' association	Tanzania
	Experiment with system of banking agents (13)		• Set up a regulatory framework setting out criteria for appointing bank agents in country areas and making transactions secure. • Simplify type and amount of paperwork needed to open such an account. • Carry out a survey a few months after introduction to see how much system is used.	MEF, Ministry of posts and ITC, BCEAO banking commission, APBEF, village chiefs	Brazil, India, Philippines, Kenya, South Africa
	Give institutional support for innovative financial products (14)		• Make innovative products a priority within PDSFI. • Discuss with BCEAO setting up unit dealing with innovation and new products.	BCEAO, banking commission, Ministry of Economy	Kenya, Philippines
	Support lasting growth of microfinance (15)	Financial position of biggest microfinance institution (Unacoopec) is poor.	• Draft plan to revive Unacoopec .	MEF	
More confidence of individuals in banking system *(ER 5)*	Draft national strategy for financial education in partnership with private sector (16)	Ivorians know little about finance	Step 1: Assess the public's knowledge of finance and their needs. Step 2: Formalise discussions between stakeholders, especially in banking and finance, about funding financial education programmes. Step 3: Increase public knowledge of finance, especially targeting: • Students/pupils: include money matters in school curriculum from primary level. • General population / civil society: use mainstream media. • Professional people: offer short financial courses for small producers (such as agricultural co-operatives) or village chiefs.	Ministry of Education, MEF, BCEAO, APBEF, media	South Africa, Kenya, Indonesia
	Create observatory to monitor financial services quality (17)	Banks not transparent enough	• Ministry of Economy to authorise setting up observatory. • Create website giving cost of bank services. • Help the public communicate: – Test mobile-phone app allowing people to pass on banking problems to observatory. – Create online platform for passing on information from consumers. • Create mediation service at observatory. • Develop mediation services by banks, with committee meeting at observatory.		Senegal

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
	Strengthen consumer protection (18)		• Pass consumer law in parliament. • Ensure implementation.	Ministry of Trade parliament, federal consumers' union	Morocco, South Africa
Alternative funding to bank loans *(ER 6)*	Encourage growth of leasing (19)	Many SME funding solutions under-used	• Pass law on leasing. • Ensure implementation.	MEF, Ministry of Budget	
			Encourage firms to raise funds on stock market: • Organise public awareness and public training courses with regional stock exchange (BRVM).		
	Encourage use of regional stock market (20)		• Make access to BRVM easier. • Familiarise senior students with stock exchange (courses in stock market law, financial instruments, current regulations) • Reduce size of shares to make them more affordable and increase market liquidity through broader public shareholding. • Devise new financial products. • Increase regional financial co-operation. • Create new department handling SMEs. • Continue discussions about linking the BRVM to other African stock markets.	CREMPF, BRVM, MEF	Tunisia

Chapter 5: Investing in the workforce through quality education and appropriate skills

Too many Ivorians still leave school without basic skills needed to take part in social and economic life and respond to the economy's needs. Despite good progress in recent years, pre-school and junior-secondary enrolment is still too low and for those who do enrol, education is often mediocre, with results well below international standards. Teaching conditions are poor and under-qualified teachers in effect prevent acquisition of basic skills, which feeds already very high illiteracy.

To ensure quality education, considerable efforts are needed to speed up training and upgrading of teachers, and ensure good material conditions, especially in rural areas and in technical training. To make sure graduates have skills required by employers, the Ivorian education system must take account of employers' needs, including in the informal sector. This requires a major effort to improve the status and image of technical education and to shift assessment towards practical skills acquired.

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
Better primary and junior-secondary education results (pupil enrolment and acquired skills) *(ER 1)*	Improve initial teacher-training (1)	To ensure all teachers have required skills to help all Ivorian schoolchildren consolidate and build on their acquired knowledge.	Follow the MENET plan: • Expand access to basic teacher-training, beyond ENS and CAFOP, to other higher education institutions. • Expand teacher-training facilities. • Allow young teachers to work for a year as an assistant, supervised by established teachers, instead of going straight into teaching (for example, by arranging for bigger classes with teacher and assistant). • See that teachers going into private schools meet same certification standards as those entering public system.	MENET CAFOP Private schools University graduates	Malawi, Guyana, Ghana

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
	Strengthen on-the-job training and skills development (2)		• Formalise better organised and structured on-the-job teacher-training. Design local programmes to increase skills that would include several schools in same district, with teacher or head teacher co-ordinating them. • Establish specific targets to develop teacher skills in each school. • Ensure that inspectors support local teacher-skills development groups by acting as links with national resources, and by monitoring improvements in teaching capacity.	CAFOP / Directorate of schools and colleges Advisory team in each school COGES	
	Ensure geography and socio-economic background of the class do not undermine teaching quality (3)		• Draft and implement programme to encourage teachers to work in less popular places or with less popular classes by offering higher pay and faster promotion prospects. – Difficult places would be defined by geography (e.g. travel time to towns over a certain size). – Hardship would be based on socio-economic indicators among students (e.g. literacy of parents, whether household gets social aid). • Ensure experienced teachers or those with local connections (such as same ethnic group) get more pay to work in difficult places and new or inexperienced teachers are encouraged to take posts where they will get most help.	MENET Ministry of Budget Ministry of Civil Service ENS, CAFOP	Malawi Cambodia
	Re-equip schools, focusing on sanitary facilities, classrooms and electrical power-points (4)	Invest in material teaching and learning environment to ensure fairer access.	• Draft plan to ensure schools have basic facilities, especially sanitation and learning tools, and investment spaced out and prioritised (classrooms, desks, blackboards) and then more costly equipment (electrical power-points). • Seek additional support from donors to fund this investment. • Calculate and include in national budget enough funding to maintain these facilities.	MENET Donor groups Ministry of Finance CPGES	
	Continue building neighbourhood secondary schools (5)		• Continue programme to build neighbourhood secondary schools to increase fair access to education. • To choose where to build these schools, designate catchment areas using socio-economic and demographic data collected in census and household surveys. • Use catchment area concept to help allocate local teachers to local schools. • Ensure maintenance and other recurrent costs of new schools can be paid for from budget.	MENET	
	Make school attendance more attractive by providing school lunches and maximising range of school subsidies and other social protection (6)	See that all families have sufficient means to keep their children in school until the end of junior-secondary school.	• Expand school lunch programme to all public schools, building on existing schemes. • Gradually incorporate in national budget and planning enrolment programmes which encourage attendance and which have been positively and independently assessed. This should ensure implementation is transferred to government (e.g. WHO school meals programmes, school-material kits, direct cash grants to poorest households). • Building on existing programmes, design and follow roadmap towards social protection system including conditional cash grants for households sending children to school.	Ministry of Health, Social Affairs and Solidarity MENET Development partners (WFP) Ministry of Health, Social Affairs and Solidarity	
Technical education supplies workforce with skills needed for economic transformation *(ER 2)*	Invest in physical school infrastructure (7)	Ensure technical education develops the skills needed in labour market	Continue existing programmes • Speed up donor-funded technical school construction and re-equipment. • Calculate and include in national budget sufficient funding to maintain these facilities. • Ensure they are upgraded.	MEASFP MEF donors and donor co-ordination groups	

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
	Involve employers more in designing technical and vocational training programmes (8)		• Implement and build on existing METFP plans • Sponsor company internships (including informal sector). • Organise regular sessions of observatories including employer groups and training institutions to ensure they consult about development of courses. • Target sectors with most-reported skill shortages (agro-industry, tourism, construction, maintenance). • Refocus skills certification on actual abilities rather than just completing a course. • Arrange to recognise and certify skills acquired on the job (including informal sector).	MEASFP, MENET private sector, employer groups (CNA-CI, CCI-CI, CNMCI, fipme) technical ministries (Industry and Mines, Energy) Ministry of Crafts Chamber of Trades support from donors: AfDB, Arab countries, World Bank, national budget	Senegal
	Take further steps to change society's image of technical training quality (9)	Improve perceptions of technical and vocational training and increase interest in enrolling	• Organise social events (competitions, show days, special Olympiads) to demonstrate quality and relevance of skills obtained in technical education. • Gather and distribute data on employment outcomes of those who underwent training, as well as other types of education. This data could be sought in regular household surveys.	METEP	Canada, Austria, Germany
	Ensure entry into technical education is two-way process, rather than being perceived as a dead-end after failure (10)		Implement plans already developed • Replace one-way system by three flexible access points to technical education (end of primary school at CAPEC, end of 3rd grade and end of secondary). • See that equipment in private schools is upgraded. • Ensure routes back to conventional schooling from technical training through flexibility (linked classes, speedier courses and equivalences).	MENET INS MEASFP / AGEPE ANPE	
Education deficit reduced through adult education *(ER 3)*	Strengthen adult literacy programmes adapted to different genders (11)	Ensure adults who missed out on basic education can acquire it and upgrade their technical and vocational skills	• Design and implement Ivorian adult education and literacy programme, adapted for gender differences and as part of local literacy training and education. • Offer more traditional literacy programmes to those who have recently left education system, with emphasis on community approach.	MENET, aid donors	South Africa, Malawi

Chapter 6: Tax policies to create a dynamic private sector and efficient government

Côte d'Ivoire's tax revenue is not sufficient to pay for its growing need for public investment in infrastructure, education and healthcare and the tax system is hampered by inefficiency. The government needs to modernise the system and broaden the tax base by gradually reducing dependence on customs revenue, increasing contribution of indirect taxes, eliminating many legal tax exemptions and streamlining the tax administration. Simplifying tax payment is vital to enlarging the tax base. Major long-term investment would make the administration more efficient, for example through greater computerisation and modern staff management. The extent and complexity of the system and its administration requires that reforms be based on thorough analysis.

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
Tax administration works well *(ER 1)*	Modernise procedures (1)	DGI's limitations (staff and technical) make it less efficient	Strengthen and modernise tax administration: ● Investigate how to automate routine tasks and computerise. ● Design gradual computerisation strategy for DGI based on Sydonia customs system. ● Discuss with funding sources technical and financial support to continue computerisation. Increase potential of land tax by compiling land database linked to surveying, industrial land data and other sources.	Ministry of Budget	Viet Nam, Mozambique
	More transparency and taxpayer confidence (2)	Poor administration transparency and lack of taxpayer confidence	● Boost transparency and communication strategy. ● Develop online calculator for SMEs. ● Expand auditing and inspection for all departments.		
	Active campaign against tax fraud (3)		● Continue efforts to choose tax investigation cases based on risk management. ● Increase inspections using wider range of methods.	Ministry of Budget	
Tax base broadened and simplified *(ER 2)*	Reduce VAT exemptions (4)	Tax base is narrow	● Abolish VAT exemption for investment phase of new businesses. ● Charge VAT on some currently exempt items. ● Abolish "social" exemptions (such as for water and electricity) that do not fulfil their purpose. ● Consider impact of redistribution when considering exemptions (for example, what social group benefits most from exemption relative to its total consumption).	Government	
	Review tax incentives and exemptions (5)	Various tax exemptions are very costly and create distortions for firms.	Avoid granting sectors new advantages. ● Incorporate all tax incentives into national tax law. ● Study advantages to see which could be abolished. ● Review procedures for giving incentives and leave decision entirely to Ministry of Economy and Finance. Mining law: ● Consider abolishing customs exemptions. ● Abolish industrial and commercial profits tax-break. ● No further tax-breaks for mining sub-contractors. ● Shorten stability clause to reasonable period and impartially set mining tax base according to ore quality and world prices.	Government	
	Simplify and strengthen tax system (6)	Few private sector stakeholders comply with tax rules and are not in system	Thoroughly investigate simplifying taxes: ● Gradually abolish minor turnover taxes, such as licence tax. ● Simplify liabilities for small businesses, reducing minor taxes that penalise them. Begin discussions in medium-term with private sector (SMEs and informal firms) to reach balance between tax liability and advantages of joining formal sector.	Ministry of Budget	
	Review flat-rate tax to strengthen the informal sector and stimulate growth. (7)		● Reform flat-rate tax, to shift from fixed sum to turnover percentage for each income bracket on sliding scale to motivate firms to join formal sector, but also to pass to full-assessment system above certain turnover figure. ● Tighter monitoring of firms under flat-rate regime.	Ministry of Budget	
Tax system works better *(ER 3)*	Bigger role for excise taxes (8)		● Extend excise taxes to some luxury products.	Ministry of Budget	
	Bigger role for land taxes (9)		● Use surveying data effectively.	Ministry of Budget	
	Gradually reduce customs duties (10)	Tax structure depends heavily on customs duties	● Gradually reduce customs duties in line with government commitment under WAEMU tax transition.	Ministry of Budget	

Expected result	What? (Recommendations)	Why?	How? (Actions)	Who?	Country models
	Review income tax (11)		Investigate how to simplify scheduler system in several stages: ● Switch to dualist system, where employment income would be progressively taxed while capital income would be taxed at lower and uniform rate. ● Keep income tax but reform it, especially by: – Reducing tax rates and broadening tax-base. – Reduce number of employment income tax brackets and set lower rates. – Reduce deductions tending to favour wealthier households (especially 20% employment income allowance and deduction of general income tax (IGR) from its own base).	Ministry of Budget	

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