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

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.

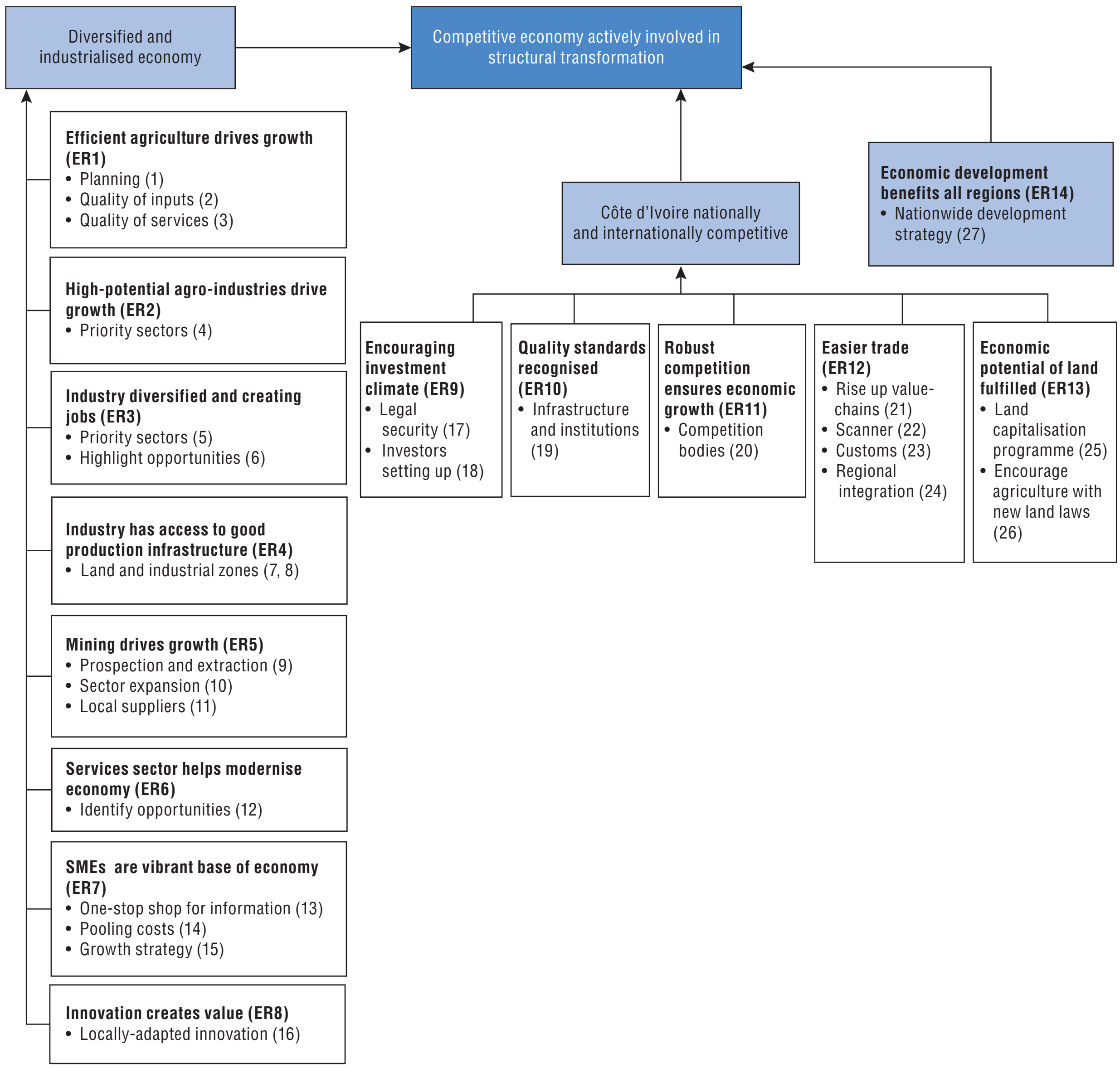
The road to structural transformation must take into account products with existing comparative advantage, along with international demand and modernisation of key economic activities. The OECD analysis is based on a twofold approach pointing to the chief engines of growth. The Phase II report (2016) 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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