



A COUNTRY PRIVATE SECTOR DIAGNOSTIC

CREATING MARKETS IN CÔTE D'IVOIRE

Mobilizing the private sector in support of
economic transformation in Côte d'Ivoire

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This report responds to a request of the government of Côte d'Ivoire and will feed into ongoing discussions to define the 2030 development strategy for Côte d'Ivoire.



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ABBREVIATIONS AND ACRONYMS

AfCFTA	African Continental Free Trade Area
AGEDI	Industrial Infrastructure Management and Development Agency (<i>Agence de gestion et de développement des infrastructures industrielles</i>)
ARTCI	Telecommunications Regulatory Authority of Côte d'Ivoire (<i>Autorité de Régulation des Télécommunications de Côte d'Ivoire</i>)
ATM	Automated Teller Machine
BCEAO	Central Bank of West African States (<i>Banque Centrale des Etats d'Afrique de l'Ouest</i>)
BRVM	Regional Stock Exchange (<i>Bourse Régionale des Valeurs Mobilières</i>)
BTS	Vocational Training Certificate (<i>Brevet de Technicien Supérieur</i>)
CIMA	Inter-African Conference on Insurance Markets (<i>Conférence Interafricaine des Marchés d'Assurances</i>)
CIPRES	Inter-African Social Security Conference (<i>Conférence Interafricaine de la Prévoyance Sociale</i>)
CLSG	Côte d'Ivoire, Liberia, Sierra Leone and Guinea Electricity Networks Interconnection Project
CPIA	Country Policy and Institutional Assessment
CPSD	Country Private Sector Diagnostic
CREPMF	Regional Council on Investments and Financial Markets (<i>Conseil Régional de l'Épargne Publique et des Marchés Financiers</i>)
DPO	Development Policy Operation
ECOWAS	Economic Community of West African States
EMI	Electronic Money Institution
FCFA	Franc of the Financial Community of Africa (<i>Franc de la Communauté Financière d'Afrique</i>)
GDP	Gross Domestic Product
GER	Gross Enrollment Rate
GSMA	Global System for Mobile Communications Association
GWh	Gigawatt-hour(s)
ICT	Information and Communications Technology
IDA	International Development Association (World Bank Group)
IFC	International Finance Corporation (World Bank Group)
IMF	International Monetary Fund
Km	Kilometer

KYC	Know Your Customer
MICE	Meetings, Incentives, Conferences and Exhibitions
MNO	Mobile Network Operator
MW	<i>Megawatt</i>
NDP	<i>National Development Plan (2016-20)</i>
NPL	Non-Performing Loan
NRI	Network Readiness Index
OPV	Open Pollinated Varieties
PAA	Abidjan Autonomous Port (Port Autonome d'Abidjan)
PAMOSET	Transport Sector Modernization and Corridor Trade Facilitation Project <i>(Projet d'Appui à la Modernisation du Secteur des Transports)</i>
PASEC	Program for the Analysis of Education Systems <i>(Programme d'analyse des systèmes éducatifs de la CONFEMEN)</i>
PPP	Public-Private Partnership
PV	Photovoltaic
RCA	Revealed Comparative Advantage
RCN	Raw Cashew Nuts
RSS	Ribbed Smoked Sheet Rubber
SEZ	Special Economic Zone
SME	Small and Medium Enterprises
SOE	State-Owned Enterprise
SSA	Sub-Saharan Africa
STEM	Science, Technology, Engineering and Mathematics
TEU	Twenty-Foot Equivalent Unit
TFP	Total Factor Productivity
TSR	Technically Specified Rubber
TVET	Technical and Vocational Education and Training
USAID	United States Agency for International Development
USD	US Dollar
WAEMU	West African Economic and Monetary Union
WBG	World Bank Group
WEF	World Economic Forum

EXECUTIVE SUMMARY

Following a prolonged period of civil strife, Côte d'Ivoire has since the end of the crisis in 2011 experienced a period of exceptional economic growth. From 2012–18, real GDP growth averaged about 8 percent—higher than almost all comparators. Crucially, almost half the growth performance was because of higher productivity—for the first time since the 1980s when Côte d'Ivoire ranked among the best-performing countries in Africa with a budding manufacturing industry and strong human development indicators, including in the area of education.

Yet the global crisis sparked by the novel coronavirus (COVID-19) pandemic, in early March 2020, added a new challenge to the country's economic and social development – just when the country's growth performance was delivering on the promise of poverty reduction and job creation. Beyond the immediate health effects, which point to lower-than-expected impacts, the economic and social fallout from this epidemic will be of significant scale, with repercussions on the domestic economy, the state's budget, and the private sector.¹ While it is too early to assess the impact of this epidemic and this is not the objective of this report, it will be of paramount importance for Côte d'Ivoire, once the health crisis is over, to find innovative ways to revive and sustain economic growth, (re-)create more jobs and provide a new horizon to its population.

One of those pathways forward involves boosting the role of the private sector in the economy and developing investment opportunities that will generate the growth and jobs needed for Côte d'Ivoire to reach its potential. This Country Private Sector Diagnostic (CPSD) helps identify structural reforms for the post-crisis recovery and address how Côte d'Ivoire can achieve its vision for prosperity and development, leveraging the new forces unleashed by the COVID-19 outbreak and the changing economic landscape in which domestic value creation and digital transformation will play a pivotal role.

COUNTRY CONTEXT

Five positive features have characterized the strong Ivorian growth performance since 2012:

- (i) **Acceleration in public investment, which has helped reduce infrastructure gaps.** The coming to fruition of successful public-private partnerships (PPPs), made possible by an enabling regulatory framework, led to significant improvements in the country's energy and transport infrastructure.
- (ii) **Strong growth in agricultural production and incipient diversification of agricultural exports** (fruits and cashew nuts, rubber), as a result of bold measures taken by the authorities to improve price-setting mechanisms and support smallholder farmers' livelihoods. Agriculture, which accounts for 23 percent of Côte d'Ivoire's GDP and almost 45 percent of employment (73 percent in rural areas), contributes nearly two-thirds of the country's exports. Since 2013, Ivorian smallholder farmers have benefitted from a fixed “living income differential”, ensuring them a minimum income equivalent to 60 percent of the price for commodities sold on international markets.²

- (iii) **Increase in foreign direct investment (FDI)**, helped by gradual improvements in the business climate, as evidenced in the World Bank's "Doing Business" rankings.
- (iv) **Improvement in access to digital services.** The information and communications technology (ICT) ecosystem has improved considerably, as evidenced by the country's rise in the relevant World Economic Forum (WEF) ranking.
- (v) **Improvement in access to electricity at relatively low prices** – among the lowest in West Africa. Benefitting from substantial lower-cost gas and hydropower generation capacities, Côte d'Ivoire had achieved near-complete electrification of urban areas and achieved a remarkable general electrification rate of 92 percent in 2016, with declining costs of connection. It is also expected that villages with over 500 inhabitants will be connected to electricity by end-2020; the coverage rate, at 33 percent in 2011, increased to 69 percent in 2019, with total electricity subscribers increasing from 1 million to 2.4 million between 2011 and 2019.

Poverty in Côte d'Ivoire has been steadily declining since 2012. The poverty rate, which had been increasing for more than three decades (from 10 percent of the population in 1985 to 48.9 percent in 2008, according to household surveys), reached 55.4 percent of the population in 2011, after a decade of civil and political unrest. Since then, poverty has sharply dropped against a backdrop of robust economic growth and positive reform momentum, amounting to 44.4 percent of the population in 2015 and 39.5 percent in 2018.³

However, the wealth generated in recent years has been largely concentrated in Abidjan, highlighting spatial inequalities. Spatial inequality, especially the higher poverty rates in the north and the center of the country, remains a concern. Some human development outcomes are also not fully commensurate with the strong economic growth: in health and education, Côte d'Ivoire lags behind the averages for its region and country income group.⁴ In response, the new "Governmental Social Program" (PSGouv) launched in 2019 is seeking to promote more equitable growth through various measures targeted at vulnerable population segments – with a focus on health, education, access to drinking water and electricity, housing, and basic infrastructure.

Côte d'Ivoire's export basket remains dominated by raw commodities. In 2018, the top five export items—cocoa, rubber, cashew nuts, gold and crude petroleum—represented 75 percent of the country's export earnings.⁵ The share of commodities (81 percent on average over 2015-18) in Côte d'Ivoire's exports is among the highest among the country's structural peers, and is far higher than among aspirational peers such as Morocco and Vietnam. Moreover, unlike in Vietnam, the share of manufactured products in Côte d'Ivoire's export basket has remained relatively constant around 15–20 percent over the last two decades. The high concentration of commodities in the export basket makes it vulnerable to climate change and commodity price cycles.

Côte d'Ivoire's high growth has been accompanied by macroeconomic stability, and the Ivorian economy has demonstrated its resilience to external and internal shocks. According to the new national accounts published in 2020, the country's fiscal deficit was at 2.3 percent of GDP, below the West Africa Economic and Monetary Union (WAEMU) criterion of 3.0 percent of GDP, and public debt reached 37.8 percent of GDP in 2019, with external debt representing 60.0 percent of total debt. Debt interest payments - as a share of total revenue - are relatively high at 10 percent. Nevertheless, the Debt Sustainability Analysis conducted jointly by the World Bank and the International Monetary Fund (IMF) assessed Côte d'Ivoire's risk of debt distress to be moderate.

STATE OF THE PRIVATE SECTOR

The Ivorian private sector is characterized by a large informal sector and a relatively high number of large firms. The informal sector represents 80 to 90 percent of total employment, which is comparable to other West African countries. However, Côte d'Ivoire is one of the countries in West Africa with relatively large manufacturing firms.

Importantly, private investment and FDI remain below Sub-Saharan Africa and lower middle-income country peers, even though there are significant opportunities to leverage private investment further and accelerate convergence, particularly in agribusiness. FDI as a share of GDP averaged 1.4 percent (2015-18), whereas it was much higher in aspirational peers such as Vietnam (6.2 percent of GDP) and Morocco (2.8 percent of GDP). FDI was concentrated mainly in the telecommunications, agro-processing, and extractive (hydrocarbon) sectors.

With limited fiscal space and a pressing challenge to eradicate extreme poverty and achieve development objectives across the country, there is a need to better harness opportunities for the private sector in areas in which Côte d'Ivoire has a comparative advantage. The overarching challenge for Côte d'Ivoire is to create quality jobs for its growing youth bulge and to reduce spatial inequalities. While official unemployment is less than 7 percent of the total working-age population, it is twice as high among young graduates, particularly in urban areas; furthermore, underemployment remains widespread.⁶

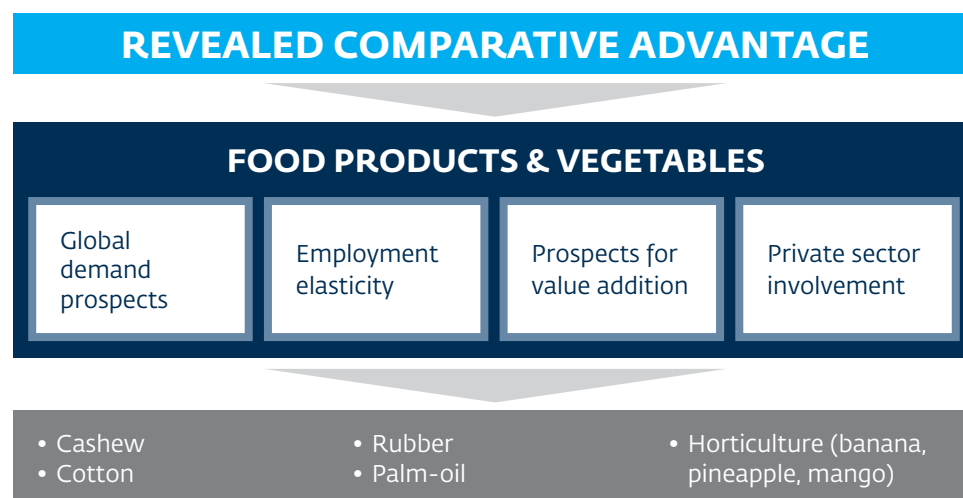
This CPSD therefore investigates where opportunities exist for the private sector to contribute more substantially to Côte d'Ivoire's development objectives. In this regard, the CPSD aims to identify: (a) the opportunities for increased private sector investment within the next five years in the sectors that can have significant development impact, (b) the cross-cutting and sector-specific obstacles and risks to achieving that growth, and (c) the actions needed to remove those constraints and realize those opportunities.

OPPORTUNITIES FOR PRIVATE SECTOR GROWTH

To identify sectors for diversification and value addition with high growth potential, the CPSD uses five criteria: (a) revealed comparative advantage (RCA); (b) evolution of global demand; (c) employment elasticity of the sector; (d) prospects for greater domestic value-addition, such as through diversification into related manufacturing sectors; and (e) private sector track-record and interest.

Using these criteria (Figure ES.1), the CPSD team identified agriculture, agro-processing and manufacturing as sectors with high growth potential. With increased deforestation and vulnerabilities from climate change, it is imperative for Côte d'Ivoire to both diversify its agriculture production beyond cocoa and move into higher value-added agro-processing and related manufacturing. Local processing of raw materials is a powerful factor in reducing the costs of transit to major European and American markets, by creating shorter, more sustainable value chains that meet growing demand for traceability of products from farmers to end-consumers. In addition, the tourism and health sectors have significant growth and job creation potential but face specific challenges that are discussed in the appendix.

FIGURE ES.1 METHODOLOGY FOR IDENTIFYING SECTORS WITH STRONG OPPORTUNITIES



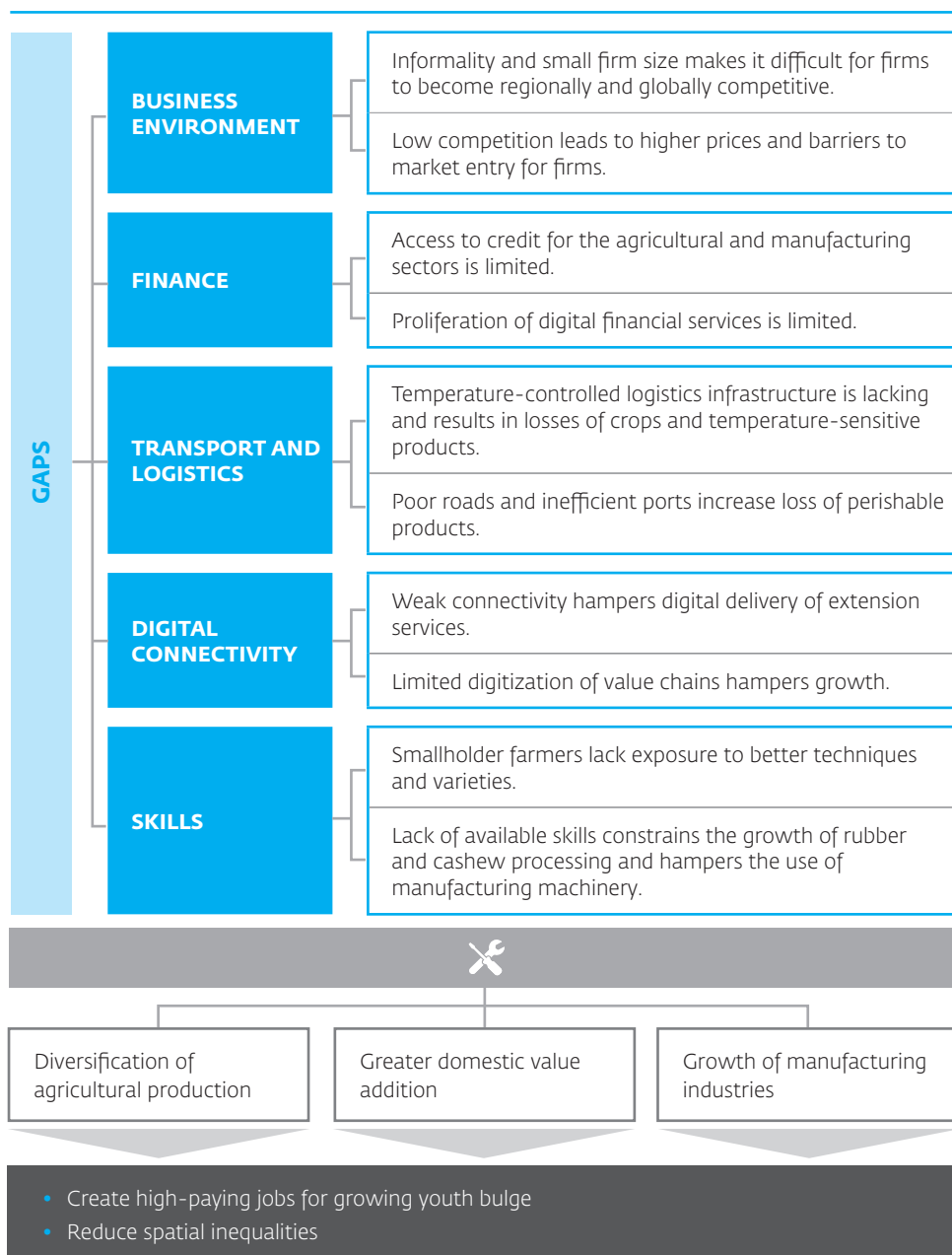
Priority sectors for diversification and domestic value addition could be cashew, cotton, horticulture, rubber, and palm oil. Côte d'Ivoire's natural resource endowment – abundant rainfall, availability of freshwater, and highly arable land – and infrastructure can support a wide variety of crops. Côte d'Ivoire's global export share for the priority crops, such as cashew nuts and horticulture, has been on an upward trajectory in recent years, which suggests that the country has a comparative advantage. The prospects for demand for these products are favorable as growing incomes in developing countries, including in the subregion, lead to changes in consumption patterns. These products have significant potential to be the basis for diversification into associated derivative products. Goring and processing cashew and rubber are employment-intensive – including for women active in the transformation of cashew nuts and cotton – and would contribute to reducing spatial inequality between the North and the South, as well as gender imbalances.

Furthermore, the reduction of tariff and nontariff barriers introduced as part of the new African Continental Free Trade Agreement (AfCFTA) offers further growth opportunities for the rubber, cosmetics, and plastics manufacturing industries. The Ivorian manufacturing sector, dominated by low-tech industries, has not fully benefitted from the opening of regional and global markets. Once implemented, the AfCFTA would not only boost intra-African trade by an estimated USD 70 billion by 2040,⁷ but it would also provide Côte d'Ivoire with greater access to the large consumer markets in South Africa, Ethiopia, Kenya, and Angola. To reap the full benefit of trade liberalization, Côte d'Ivoire will need to address five cross-cutting challenges identified in this CPSD.

CROSS-CUTTING CONSTRAINTS

Comparisons of the business environment with aspirational peer countries, such as Vietnam and Morocco, helped identify five cross-cutting constraints, or “gaps”: (a) business environment, (b) access to finance, (c) transport and logistics, (d) digital connectivity, and (e) skills. Figure ES.2 shows in what way the identified gaps affect performance of the selected priority sectors.

FIGURE ES.2 CROSS-CUTTING CONSTRAINTS TO PRIVATE SECTOR DEVELOPMENT IN CÔTE D’IVOIRE



Over a five-year time horizon, it will be essential for Côte d’Ivoire to address these bottlenecks as a priority if the country is to fully harness its private sector and steer it towards achieving better development outcomes.

The Business Environment Gap

Côte d'Ivoire's economy is characterized by **high levels of informality and a limited degree of competition in several sectors**. Formalizing businesses is a challenge because of cumbersome procedures for business licenses and tax compliance, as well as the other four gaps described below. Larger firms have greater opportunities to overcome shortcomings in access to finance, logistics and transport, digital services, and skilled labor. Specifically, the *impôt synthétique*, designed to enhance tax compliance of smaller and informal businesses, may generate unintended incentives for such businesses to stay small and informal.⁸

As for competition policy, while implementation of the competition law has improved, there is still evidence that market-based competition in several sectors is restricted, notably in real estate and in the importation of refined products. This contributes to an increase in prices relative to a competitive equilibrium and creates market entry barriers for new firms.

While corporate governance of state-owned or state-controlled enterprises (SOEs) has improved significantly over the past few years, their sheer prevalence in a few sectors of the Ivorian economy inhibits market-based competition. The Ivorian government still holds substantial interests in many firms, including the refinery, SIR (49 percent); the public transport firm (60 percent); the national television authority, RTI (98 percent); the national lottery (80 percent); the national airline, Air Côte d'Ivoire (58 percent); and the land management agency, AGEF (35 percent). However, on paper there is no preferential treatment offered to SOEs, which are expected to compete with private companies under the same terms and conditions.

Other aspects of Côte d'Ivoire's business environment challenges include business regulations and the perception of corruption – with notable progress also achieved in both areas in the recent past. According to the latest Enterprise Survey (2016), 86 percent of firms, notably in the transport, commerce, and tourism sectors, complain about excessive inspections by certain government agencies, whose effectiveness and justification are sometimes considered doubtful. Levels of perceived corruption, combined with little-developed institutional and regulatory frameworks, are deterrents to private investors while providing fertile ground for informal activities. Finally, the run-up to the 2020 presidential elections and heightened apprehensions associated with the future political and economic direction of the country generate some measure of uncertainty that risk dampening investor confidence.

The Finance Gap

While Côte d'Ivoire has one of the most developed financial sectors in the Economic Community of West African States (ECOWAS) region, credit growth remains heavily concentrated, and many micro, small and medium-sized enterprises (MSMEs) are experiencing difficulties in accessing credit. According to the SME Finance Forum, the MSME finance gap in Côte d'Ivoire was estimated to be USD 2.4 billion in 2017. Available credit often has interest rates that are higher than the average rate of return on the investments and require large collateral, which is prohibitive for most farmers and MSMEs. An important reason behind the low extension of credit is the fact that commercial banks can easily be profitable through investment in government bonds that have high profitability.

Access to credit is particularly limited for the agricultural sector. Private banks are reluctant to provide loans to rural small-scale farmers because they are deemed too risky on account of low levels of capitalization, unstable revenue flows, lack of formal credit history, difficulty in evaluating small farmers' repayment capacity, lack of collateral such as titled land, the influence of exogenous factors such as weather conditions, and limited legal avenues for enforcing contracts (World Bank 2018c).

Key constraints to greater development of the financial sector include (a) low deposit mobilization, (b) poor financial inclusion, (c) weak credit information infrastructure, (d) underdeveloped local capital markets, and (v) limited availability of digital financial services.⁹

The Transport and Logistics Gap

Endowed with a relatively developed transport sector, Côte d'Ivoire aims to emerge as a key transport and trade hub for West Africa. Over the last five years, the government and the private sector have invested over USD 2 billion to upgrade and rehabilitate transport infrastructure, following more than a decade of underinvestment caused by the prolonged political crisis. Côte d'Ivoire was also one of the first countries in West Africa to effectively use PPPs in the transport sector with concessions in railway, airport and bridge infrastructure. Côte d'Ivoire's transport infrastructure is particularly important for neighboring landlocked countries, such as Mali and Burkina Faso, which channel their imports and exports through Côte d'Ivoire – and the nearly 1,000 km Abidjan-Lagos coastal corridor linking some of the most economically vibrant cities in Africa (Lagos, Accra, and Abidjan).

Key constraints to greater private sector participation in the transport sector include (a) operational inefficiencies at the Abidjan Autonomous Port (PAA); (b) poor road network maintenance; (c) a sub-optimal equilibrium in the market for road transport, which has led to high transportation costs; and (d) roadblocks. In addition, while Côte d'Ivoire has successfully carried out transport projects under PPP and concession arrangements, the regulatory framework for PPPs may need to be further refined.

The Digital Connectivity Gap

Digital connectivity in Côte d'Ivoire is spatially unequal and relatively costly. While indicators suggest improving conditions for the ICT sector, which has consistently expanded during the last few years and contributed 8 percent of GDP in 2017 (versus 3.3 percent of GDP in Senegal), the growth of digital connectivity in Côte d'Ivoire has mostly benefitted the affluent urban and educated population. Access to digital connectivity is hindered by the limited coverage of national ID systems. In Côte d'Ivoire, only 59 percent of the population (over the age of five) benefitted from a formal identification in 2018, yet birth certificates are an annual prerequisite for school enrollment.

Key constraints for greater private sector activity in the digital economy sector are the high costs of digital services because of low competition; poor and spatially unequal digital connectivity infrastructure; and low levels of digital literacy.

The Skills Gap

Notwithstanding improvements, the education system is insufficiently equipped to prepare for work either those currently in school or out-of-school youth. Beyond basic competencies, youth often lack the specific skills (soft and hard) needed to be more productive in the workplace, including as self-employed. University and technical and vocational education and training (TVET) are the weakest links of the Ivorian education system. While access remains an issue, with the number of high school graduates expected to triple by 2030, the quality and relevance of advanced programs are even bigger challenges. College graduates have considerable difficulty finding jobs, with employers questioning the quality of many tertiary programs, especially the two-year *Brevet de Technicien Supérieur* (BTS) vocational program.

Key constraints for greater private sector involvement in the education sector are (a) the need to define a strategic vision on how to engage with the private sector in the provision of education and training services; (b) poor “ease of entry” for private education institutions; (c) subsidy programs that do not foster accountability, leading to suboptimal learning outcomes; (d) a lack of qualified teachers; and (e) poor access to finance.

RECOMMENDATIONS

Table ES.1 summarizes the constraints and recommended priority interventions to increase the role of the private sector in the Ivorian economy.

TABLE ES.1 RECOMMENDATIONS FOR INTERVENTIONS

OPPORTUNITIES	CONSTRAINTS	PRIORITY INTERVENTIONS	TIME HORIZON
BUSINESS ENVIRONMENT			
Simplifying processes to improve formalization	Complicated and cumbersome procedures hinder key sectors.	<ul style="list-style-type: none"> Streamline approval processes in order to encourage greater formalization. 	<ul style="list-style-type: none"> Short term
Reforming the tax code to encourage formalization	<i>Impôt synthétique</i> creates incentives for companies to remain small, because the tax payments become significantly higher once companies have been formalized.	<ul style="list-style-type: none"> Review the tax code to gradually reduce and then eliminate distortionary incentives. 	<ul style="list-style-type: none"> Medium term
Improving competition policy	WAEMU and the national competition commission lack resources and capacity to enforce antimonopoly rules.	<ul style="list-style-type: none"> Enhance the resources of WAEMU and the national competition commission, including the induction of technical staff. Review the role of SOEs in sectors in which a strong role of the public sector may not be required. Review the legislative framework to increase the role of national competition authorities (WAEMU). 	<ul style="list-style-type: none"> Short term Short term Medium term

Fighting fraud and corruption	Corruption perceptions and fraud remain a concern for businesses.	<ul style="list-style-type: none"> Strengthen the resources and capacities of the National Anti-Corruption Agency and of judicial institutions for the identification and prosecution of corruption cases. 	<ul style="list-style-type: none"> Medium term
Rolling out the development of industrial zones and new Special Economic Zones	Newly-developed SEZs are not sufficiently developed, while existing industrial zones suffer from congestion.	<ul style="list-style-type: none"> Integrate industrial zones and new SEZs into a coherent and dynamic vision of spatial development, supported by key infrastructure (transport, energy, and communications). Mobilize funding and resources to the allocation of industrial land and ensure sustainability of projects – in partnership with large “anchor” investors. 	<ul style="list-style-type: none"> Short term Short term
ACCESS TO FINANCE			
Increasing the financialization of savings	Low deposit mobilization: Low public trust in financial institutions and the lack of an agency banking framework hamper banks' use of agents.	<ul style="list-style-type: none"> Regulatory framework for agency banking (by the Central Bank of West African States, BCEAO) can eliminate banks' and microfinance institutions' hesitation to use agents. Replace the patchwork of “Know Your Customer” (KYC) processes with a clear risk-based KYC tier (BCEAO). Provide financial literacy education to farmers to educate them about loan access and costs. 	<ul style="list-style-type: none"> Medium term Short term Long term
Increasing penetration of digital financial services	Digitization of government payments is at a nascent stage.	<ul style="list-style-type: none"> Ensure equal application of the tax on digital transactions and mobile money payments among banks and electronic money institutions (EMIs). Accelerate the digitization of government payments. 	<ul style="list-style-type: none"> Short term Medium term
Improving agriculture financing	<p>High credit concentration: Private banks are reluctant to provide loans to small-scale farmers, whom they deem too risky.</p> <p>Cash dominates in agriculture value chains.</p> <p>Links of financial institutions with farmers are limited.</p>	<ul style="list-style-type: none"> Digitization of agriculture value chains can help build credit history: the World Bank Group (WBG) can work with small holder farmers, cooperatives and processors to digitize value chains. 	<ul style="list-style-type: none"> Medium term

Deepening capital markets for long-term finance	The sovereign debt market is fragmented.	<ul style="list-style-type: none"> Improve the benchmark yield curve and the eligibility rules for guarantees and transfer mechanisms, diversify sources of income of the regional stock exchange (BRVM) by increasing the number of listed companies and widen the product range. 	<ul style="list-style-type: none"> Medium term
	Excessive allocation of portfolios to sovereign debt and speculative real estate investments by pension funds.	<ul style="list-style-type: none"> Revise asset allocation rules for pension funds and insurance companies in order to reduce excessive exposure to sovereign debt and real estate. 	<ul style="list-style-type: none"> Short term
	The number of foreign exchange hedging instruments is lacking.	<ul style="list-style-type: none"> Build the expertise and capacity of regional financial sector regulators on financial instruments and portfolio/ risk management techniques. Adopt a clear framework for authorization of offshore accounts and engage in policy dialogue with the BCEAO on access to foreign exchange hedging instruments in order to improve the investment climate. 	<ul style="list-style-type: none"> Medium term Short term
TRANSPORT AND LOGISTICS			
Enhancing operational efficiency at ports	Long duration in customs cargo release creates uncertainty in transit times.	<ul style="list-style-type: none"> Totally automate customs cargo releases for rail and road transit goods. Apply randomized (as opposed to current 100 percent) checking of customs cargo. 	<ul style="list-style-type: none"> Short term Short term
Fostering formalization of the trucking industry	Industry dominated by small and informal operators.	<ul style="list-style-type: none"> Formalize the trucking industry through more stringent entry norms. Establish a single regulator for all transport activity (including registration of drivers, vehicles and companies). 	<ul style="list-style-type: none"> Medium term Medium term
Renewing fleets	Old truck fleet (85 percent of trucks over 10 years old) reflects low profitability of truckers, who resort to short-term profit-maximizing behavior.	<ul style="list-style-type: none"> Initiate a truck scrappage scheme along with a financing facility for new trucks (potentially with refinancing and risk sharing facilities offered by the IFC). 	<ul style="list-style-type: none"> Medium term
Promoting market-based competition	Cost of container delivery to Abidjan is one of the highest in the world.	<ul style="list-style-type: none"> Implement a decree liberalizing delivery of containers by accrediting operators that meet the established criteria. 	<ul style="list-style-type: none"> Short term
Reducing number of intermediaries in the transport sector	Intermediaries (syndicates and coxeurs) increase costs. Shortage of backhaul freight is caused by the imbalance between exports and imports.	<ul style="list-style-type: none"> Adopt a freight exchange system (voluntary) for information sharing and matching demand and supply of freight. 	<ul style="list-style-type: none"> Medium term

DIGITAL CONNECTIVITY			
Addressing gaps in digital connectivity	Inequalities exist in access to digital infrastructure, especially in the poorer North.	<ul style="list-style-type: none"> • Upgrade the national broadband backbone. 	<ul style="list-style-type: none"> • Medium term
Promoting market-based competition	Competitive intensity in the telecommunications market is low.	<ul style="list-style-type: none"> • Enable entry into the mobile market by setting aside spectrum for a potential new entrant, allowing a secondary market for spectrum, or encouraging the entry of mobile virtual network operators. 	<ul style="list-style-type: none"> • Medium term
Reducing the cost of digital connectivity	Only one independent tower operator and a lack of infrastructure sharing among mobile network operators (MNOs) are available.	<ul style="list-style-type: none"> • Improve competition in the tower sector by mandating that MNOs divest tower assets. 	<ul style="list-style-type: none"> • Short term
SKILLS			
Improving learning outcomes	The subsidy program does not foster competition, because subsidies are independent of program performance.	<ul style="list-style-type: none"> • Experimenting with vouchers would help incentivize quality in the private sector and save costs. 	<ul style="list-style-type: none"> • Medium term
Reducing barriers to entry for the private sector	Inconsistent application of standards to private providers is a disincentive for new entrants.	<ul style="list-style-type: none"> • Ensure prompt payments to schools. • Procedures for establishing a new educational institution should be streamlined. 	<ul style="list-style-type: none"> • Short term • Short term
Developing TVET	Limited access to vocational training is available.	<ul style="list-style-type: none"> • Extend the subsidy system to TVET programs. 	<ul style="list-style-type: none"> • Medium term
Improving teacher quality	The government has a monopoly on teacher training.	<ul style="list-style-type: none"> • Expand professional development for teachers and trainers in the private sector. 	<ul style="list-style-type: none"> • Medium term

Note: BCEAO = Banque Centrale des États d'Afrique de l'Ouest; KYC = know your customer; SEZ = special enterprise zone; SOE = state-owned enterprise; TVET = technical and vocational education and training; WAEMU = West Africa Economic and Monetary Union; WBG = World Bank Group.

1 INTRODUCTION

Recovering from a prolonged period of civil strife since 2011, Côte d'Ivoire has been experiencing a period of strong growth, as infrastructure investments by the government and favorable export performance laid the ground for buoyant economic activity. While from independence to the 1990s, Côte d'Ivoire was one of the most developed countries in Sub-Saharan Africa, a crisis since 1999 culminated in a period of civil war in late 2010 and early 2011, which led to growing poverty and largely undid the earlier progress in human development indicators (World Bank 2015b). Effective efforts by the government to rebuild critical infrastructure and strengthen the business environment have been instrumental in bringing about a turn-around in the country's growth performance.

Yet the global crisis sparked by the novel coronavirus (COVID-19) pandemic, in early March 2020, added a new challenge to the country's economic and social development – just when the country's growth performance was delivering on the promise of poverty reduction and job creation. Beyond the immediate sanitary effects, which point to lower-than-expected impacts, the economic and social fallout from this epidemic will be of significant scale, with significant repercussions on the state's budget and the private sector. Key transmission channels from the COVID-19 outbreak to the Ivorian economy include:

- i. Drop in domestic consumption and external demand (particularly in the Eurozone) for Côte d'Ivoire's agricultural commodity exports (cocoa, cashews, and so on);
- ii. Disruptions in supply chains and in the labor market as a result of travel and trade restrictions as well as temporary border closings;
- iii. Capital flight and drop in FDI due to economic uncertainty.

On the other hand, the fall in international oil prices is likely to contribute to terms of trade improvements for the Ivorian economy, a net oil importer, and result in positive spillovers for the country's fiscal and external accounts. According to World Bank forecasts, GDP growth should decelerate to around 1.8 percent in 2020 (compared with 7.0 percent before the crisis). While it is too early to assess the impact of this epidemic (and this is not the object of this report), it will be of paramount importance for Côte d'Ivoire, once the health crisis is over, to find innovative ways to revive and sustain economic growth, (re-)create more jobs, and provide a new horizon to its population.

One of those pathways forward involves boosting the role of the private sector in the economy and developing investment opportunities that will generate the growth and jobs needed for Côte d'Ivoire to reach its potential. This CPSD helps identify structural reforms for post-crisis recovery and address how Côte d'Ivoire can achieve its vision for prosperity and development, by leveraging the new forces unleashed by the COVID-19 outbreak and the changing economic landscape in which domestic value creation and digital transformation will play a pivotal role.

This report will argue that opportunities for the private sector in the agriculture, agribusiness and manufacturing sectors, as well as in the services sector (including education), are significant.¹⁰ In fact, for food products,¹¹ the analysis shows that Côte d'Ivoire is almost as competitive as Bangladesh is in ready-made garments¹²—Côte d'Ivoire's RCA in food products is 18.1, while Bangladesh's RCA in textiles and clothing is 21.9.¹³ Yet, these opportunities have not been realized because of the difficult business environment and other sector-specific constraints.

The first section of the report discusses Côte d'Ivoire's recent strong growth performance, highlighting the features that distinguish it from previous episodes. The second section identifies key strategic sectors for Côte d'Ivoire based on several criteria that help to evaluate the country's competitiveness in the sector—including RCA, the potential of the sector to create jobs and serve as a basis for diversification into higher value-added products. With a view to assessing which constraints are particularly binding to realizing these opportunities, the report compares the business environment in Côte d'Ivoire with that in aspirational peers that have a strong market position in these sectors. The report then discusses each of the gaps and key recommendations in detail, and reviews specific opportunities in agribusiness and related sectors.

Improving economic governance is critical to ensure equitable growth in emerging countries. In Côte d'Ivoire, since 2012, the authorities have initiated important governance reforms, established a High Authority for Good Governance, and implemented a series of anticorruption measures (such as an asset declaration regime for senior officials and a National Action Plan 2018-20 as part of the Open Government Partnership). Yet there is still room for improvement in at least two directions:

- Competition in key sectors, such as transport and telecommunications, is limited, and the lack of market-based competition inflates prices for these crucial enabling sectors. Measures to liberalize and better regulate these sectors will be essential to reduce transaction costs going forward.
- Perceptions of corruption and lack of business integrity remain major concerns for businesses operating in Côte d'Ivoire, despite some improvement in the country's standing on Transparency International's Corruption Perception Index (from rank 130 in 2012 to rank 105 in 2018).

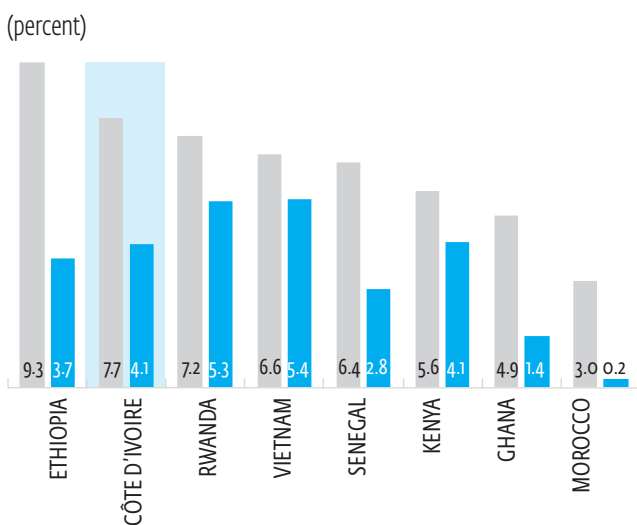
Improving economic governance will be a crucial area of progress going forward and will be referred to in the discussion of the various constraints.

2 COUNTRY CONTEXT

In February 2020, the Ivorian Ministry of Planning and Development updated the System of National Accounts for 2015, 2016, 2017, and 2018 (estimate). These new estimates seek to better reflect the real weight of the Ivorian economy, including the informal economy. This shows a significant increase in economic activities compared to previous estimates: GDP increased to FCFA 29,955 billion in 2017 and to FCFA 32,063 billion in 2018 (estimate), against respectively FCFA 22,151 billion and FCFA 23,900 billion previously. As a result, some economic and financial ratios are improving: (a) the country's fiscal balance and public debt/GDP ratio, (b) the country's external current account and trade balance, (c) economic ratios, such as GDP per capita and (higher) share of the services sector in the economy. Other indicators, such as FDI intensity (FDI / GDP) and the revenue/GDP ratio, are deteriorating.

Since the end of the crisis in 2011, the Ivorian economy grew at an average rate of around 8 percent per annum, among the fastest-growing economies in the world. GDP growth has accelerated in the context of a stable political and macroeconomic framework (Figures 2.1 and 2.2) and an improving business environment. As a result, Côte d'Ivoire's per-capita income (USD, power purchasing parity) increased from 73 percent of the average for Sub-Saharan Africa in 2011 to 139 percent in 2019. In 2018 and 2019, GDP growth had slightly decelerated to 6.8 percent and 6.9 percent respectively, but was expected before the COVID-19 crisis to remain above 7 percent for 2020-21.

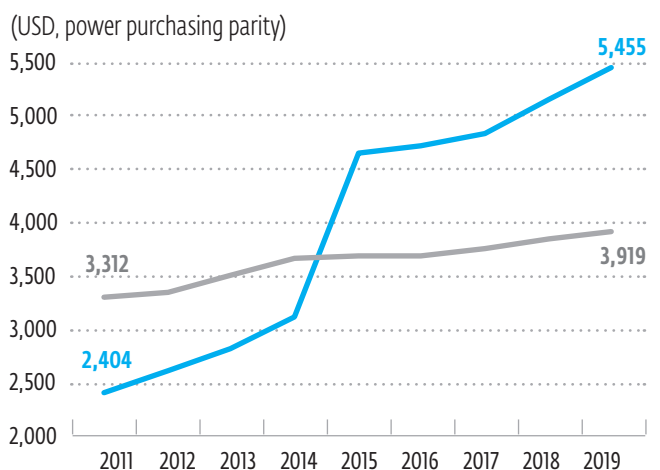
FIGURE 2.1 AVERAGE REAL GDP GROWTH, 2014–19, AND GDP GROWTH FORECASTS, 2020–22



2014-2018 AVERAGE 2020-2022 FORECASTS (POST-COVID-19)

Sources: World Development Indicators database; International Monetary Fund, World Economic Outlook database.

FIGURE 2.2 GDP PER CAPITA, 2011-19



CÔTE D'IVOIRE

SUB-SAHARAN AFRICA

Source: International Monetary Fund, World Economic Outlook database.

BOX 2.1 CHOICE OF COMPARATORS

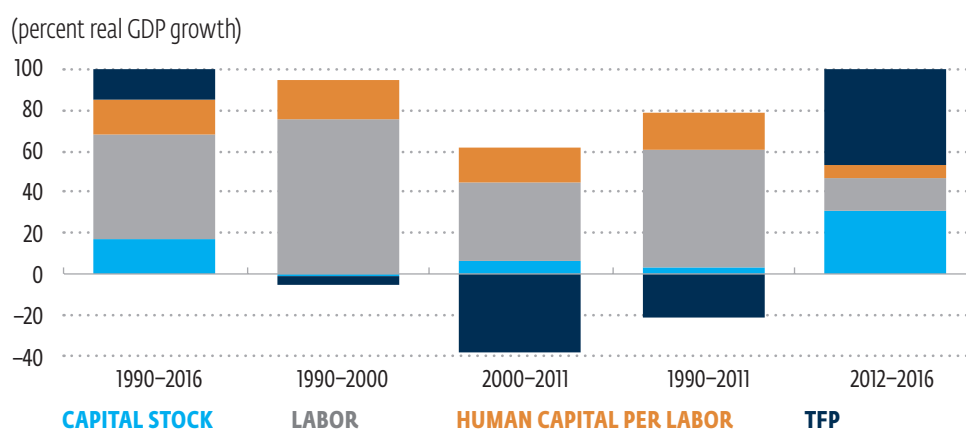
The structural comparators chosen are : (a) Ghana, which shares with Côte d'Ivoire a high degree of dependency on one export product—cocoa; (b) Senegal, like Côte d'Ivoire, is a francophone, lower middle income country in the WAEMU currency union and shares with Côte d'Ivoire a high dependence on agriculture commodity exports; (c) Kenya, Ethiopia and Rwanda, which are fast-growing and predominantly dependent on agriculture exports.

Vietnam and Morocco are aspirational comparators. Vietnam is a development success story and is an aspirational peer for its success in agriculture and agro-processing exports as well as for human capital development. Morocco, a francophone middle-income country like Côte d'Ivoire, has diversified into higher-value-added manufacturing, including in agro-processing and related industries.

Both services and industry have driven growth, through expansion in agriculture, trade, transport, construction, banking, and telecommunications. Agricultural production has significantly increased. The expansion of financial services and telecommunications as well as the growth of transport and of retail trade, have propelled the growth of the services sector. The construction sector benefitted from public and private investment in infrastructure projects (such as the new bridge and rehabilitation of industrial zones in Abidjan and infrastructure work in secondary cities). Moreover, the energy sector saw significant large investments, including under pioneering PPP arrangements, to support increased production. Such projects include the Soubre hydroelectric dam and the upgrading of two thermal power plants (Azito and Ciprel).

Côte d'Ivoire's recent growth performance has differed from previous episodes by the sharp increase in productivity. Almost half the growth performance was on account of higher productivity (Figure 2.3). This productivity growth is mainly the result of continued agricultural productivity gains, as the sector, which constitutes the backbone of the Ivorian economy, saw good performance in recent years, partly as a result of the provision of high-yielding varieties and introduction of innovative equipment as well as more effective systems to distribute fertilizers. In contrast, productivity growth was negative from 1990 to 2011, reflecting the political crisis and lack of reforms.

FIGURE 2.3 GROWTH DRIVERS

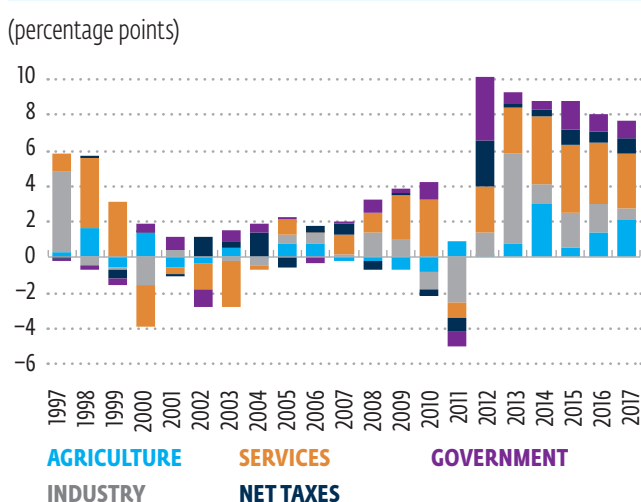


Source: National Statistical Office and World Bank staff calculations.

Note: GDP = gross domestic product; TFP = total factor productivity.

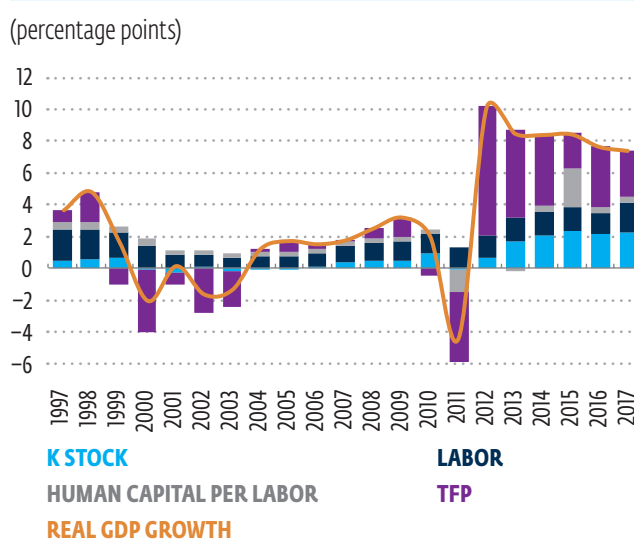
The public investment program has helped reduce the infrastructure gaps in the country and stimulate the country's aggregate demand. Capital formation has been growing at double-digit rates since 2015 and had been forecast to grow at around 14 percent in 2019–21 (Figures 2.4 and 2.5). An important part of improvement in infrastructure was the success in developing a PPP program in the road, railway, and energy sectors.

FIGURE 2.4 CONTRIBUTION TO REAL GDP GROWTH, 1997-2017, DEMAND SIDE



Sources: National Statistical Office and World Bank staff calculations.

FIGURE 2.5 CONTRIBUTION TO REAL GDP GROWTH, 1997-2017, SUPPLY SIDE



Sources: National Statistical Office and World Bank staff calculations.

Note: GDP = gross domestic product; K stock = nonvoting stock; TFP = total factor productivity.

Strong growth in agriculture production and exports reflects favorable weather, high prices, and an improved business environment. Agriculture production grew by 50 percent from 15.8 million tons in 2011 to 23.7 million tons in 2017 – almost 30 percentage points faster than in Sub-Saharan Africa and 20 percentage points faster than in West Africa. Furthermore, new agricultural policies on price-setting mechanisms for cash crops (particularly cocoa, coffee, cotton, and cashew nuts)¹⁴ have increased the share of global value going back to the individual farmers – thus transferring large flows of monetary income in the production zones. Agriculture accounts for about 18 percent of GDP and more than 65 percent of exports and serves as the primary source of employment and income for two-thirds of the nation's households (World Bank 2018c). It is closely linked with other sectors of the economy, particularly manufacturing. Cocoa and coffee processing, textiles, cottonseed oil, oil-based soaps and cosmetics are all critical components of the industrial sector.

Export crops have gradually diversified. Ten years ago, the agriculture sector in Côte d'Ivoire was almost exclusively focused on cocoa, coffee and bananas, the three export-oriented crops introduced in the colonial era. Over the last decade, however, there has been some limited diversification of export crops with growth in the output of raw cashew nuts, groundnuts, rubber, cotton, and mangoes, all of which have grown much faster than agricultural output. As a result, Côte d'Ivoire's agricultural production is now more diversified than that of other countries in the region (Figures

2.6 and 2.7 and Table 2.1). As a case in point, there has been a sharp increase in the output of rubber from 235,000 tons (2010) to 580,000 tons (2017).¹⁵ Moreover, with a production of raw cashew nuts (RCN) of 711,000 tons in 2017 (23 percent of global production), Côte d'Ivoire has now emerged as the world's largest producer since 2015 (World Bank 2018a). The production growth in Côte d'Ivoire has compensated for the declining production in Brazil and Vietnam and stagnating production in India.

Cashews are the third most important export commodity (in volume terms) after cocoa and refined petroleum products, well ahead of rubber, cotton, and coffee. Gross farmer receipts in 2018 for cashew were estimated at USD 1,167 million, far surpassing cotton (USD 312 million), the traditional cash crop in northern areas. Moreover, cashew production is more lucrative for farmers – the net farmer receipts for cashew producers are higher because of lower input usage.

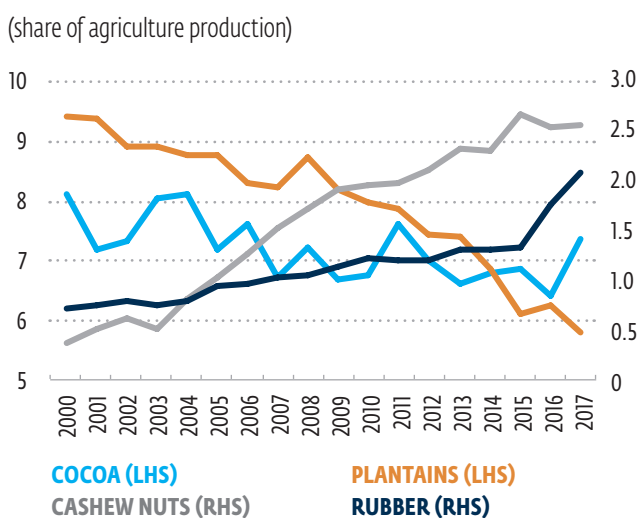
TABLE 2.1 PRODUCTION OF EXPORT CROPS, 2011-17

CROP TYPE	2011 (TONS)	PERCENT OF TOTAL	2017 (TONS)	PERCENT OF TOTAL	PERCENT CHANGE (2011-17)
Yams	5,531,865	29.0	7,148,000	25.9	29
Cassava	2,359,015	12.4	5,367,000	19.5	128
Oil palm fruit	1,636,000	8.6	2,227,000	8.1	36
Rice	873,016	4.6	2,120,000	7.7	143
Cocoa	1,511,255	7.9	2,034,000	7.4	35
Maize	621,790	3.3	1,025,000	3.7	65
Cashew nuts	393,000	2.1	711,000	2.6	81
Rubber	238,717	1.3	580,000	2.1	143
Seed cotton	260,306	1.4	328,000	1.2	26
Groundnuts	91,844	0.5	202,000	0.7	120
Okra	129,594	0.7	158,000	0.6	22
Chili and peppers	115,943	0.6	156,743	0.6	35
Coffee	32,291	0.2	103,514	0.4	221
Mangoes	46,960	0.2	100,000	0.4	113
Eggplants	85,729	0.4	99,000	0.4	15
Oranges	36,809	0.2	40,421	0.1	10
Beans, dry	33,612	0.2	40,322	0.1	20
Tomatoes	32,364	0.2	40,000	0.1	24
Avocados	31,713	0.2	37,307	0.1	18

Source: FAOSTAT Database, Food and Agriculture Organization of the United Nations.

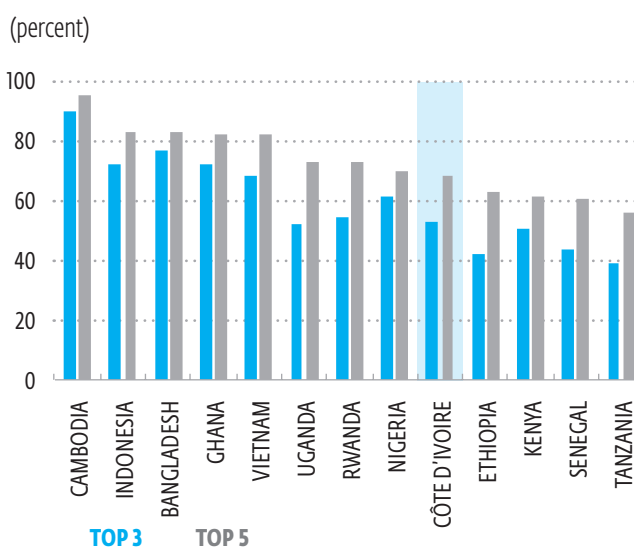
Note: Percent of total refers to percentage of Côte d'Ivoire's total exports.

FIGURE 2.6 EXPORT CROPS, 2000-17



Source: FAOSTAT.

FIGURE 2.7 CONCENTRATION OF AGRICULTURE PRODUCTION, 2017



Source: FAOSTAT.

Access to electricity has improved, notwithstanding the fact that tariffs have been competitive by regional standards. The electrification rate has increased from 83 percent to 89.5 percent between 2010 and 2018, and urban areas are almost fully electrified (versus 76 percent for Sub-Saharan Africa). The electricity coverage rate, defined by the number of electrified localities compared with the total number of census localities in the country, stands today at around 69 percent in 2019, compared with 33 percent in 2011, and is expected to reach 80 percent by 2020. Energy prices are among the lowest in West Africa, partly because thermal energy is powered by domestic natural gas and hydropower. As part of notable sectoral reforms, the “Electricity for All” Program (“Programme Electricité pour Tous”), launched in October 2014, has greatly improved access to electricity by easing connection formalities and electricity tariff payments (which can now extend over a period of 3 to 10 years).¹⁶ As a result, Côte d’Ivoire’s ranking in the “Getting electricity” sub-index of the Ease of Doing Business ranking improved from 161 (2015) to 141 (2019), driven by both the reduction in the cost of obtaining an electricity connection (from 2,800 percent to 2,150 percent of per capita income) as well as a reduction in both the duration and the frequency of power outages.¹⁷ Côte d’Ivoire has a strong track record of private investment in thermal generation since its first independent power producer plant (Azito) opened in 1998 (Box 2.2). At the same time, the debt crisis caused by the buildup of arrears – approximately USD 550 million by November 2017 - was resolved with a comprehensive arrears settlement process.¹⁸ Efficient combined-cycle power plants Azito IV (240 MW) and Ciprel V (390 MW), and hydropower plant Gribo Popoli (112 MW) are expected to be completed in the early 2020s and will replace existing inefficient turbines (Vridi, Aggreko). As a result, electricity production has increased by 60.2 percent, with total installed capacity increasing from 1,390 MW in 2011 to 2,229 MW in 2019 – and the cost of generating power is expected to further decline, while financial sustainability of the power utility will improve considerably (World Bank 2018b).

Improvement in energy and transport infrastructure benefitted from a number of successful PPPs facilitated by a conducive regulatory framework. Yet, to ensure future progress it will be essential for the government to comprehensively review the legal framework with a view to ascertaining the consistency of the procurement code, sector laws, and PPP decrees.

BOX 2.2 CEMENT AND ELECTRICITY: TWO FAST-GROWING SECTORS IN CÔTE D'IVOIRE

Two sectors seem to have benefitted strongly from Côte d'Ivoire's economic boom: cement, driven by the meteoric rise in infrastructure investments, and electricity production, encouraged by the commissioning of new thermal power stations and alternative energy projects (hydro, solar, and biomass). Those two sectors are attracting growing interest from the private sector, as Côte d'Ivoire seeks to position itself as a regional leader in West Africa.

Cement: A new export-oriented sector

Côte d'Ivoire's cement production has consistently been on the rise since 2012 (500,000 additional tons produced every year since 2012), in response to infrastructure development programs (estimated at FCFA 3,750 billion by 2020) and social housing (150,000 homes by 2020). Production capacity increased from 1.97 million tons in 2012 to 9.4 million tons in 2019, with domestic demand estimated at 5.24 million tons – making Côte d'Ivoire the region's largest cement producer after Nigeria. The country has a dozen cement factories (some of them recently established in the new industrial zones of Yopougon and PK24), with five private groups including Turkish group Limak, Swiss group LafargeHolcim and Moroccan group Cimaf. In 2018–19, three additional factories were established (PCCI, CIM Ivoire, and Dangote).

However, companies active in the sector face various obstacles in their daily operations: (a) the need to source raw materials, clinker cement, from Algeria (now Côte d'Ivoire's largest import worth EUR 143 million in 2019); (b) congestion at the Abidjan Autonomous Port combined with supply chain bottlenecks throughout the country, leading to periodic cement shortages; and (c) absence of a regulatory mechanism capable of ensuring price stability and adherence to quality standards.

Electricity: A new regional ambition

Between 2011 and 2017, Côte d'Ivoire poured over EUR 10 billion into the energy sector with a view to increasing total electricity production from 2,000 to 4,000 Megawatts (MW) by 2020, while modernizing network infrastructure and diversifying the energy mix away from conventional thermal power (coal, gas or oil), toward hydro and renewables. The target set by Ivorian authorities by 2030 is 40 percent renewables in the energy mix, including at least 6 percent solar photovoltaic (PV) (essentially private sector-driven projects). Some 400 MW are already programmed in the North (Korhogo, 25 MW; Poro, 66 MW) with French and Moroccan partners. Other alternative energy projects are also under discussion, such as biomass energy projects from oil palm trees (46 MW), cocoa (20 MW), or cotton (Boundiali, 25 MW).

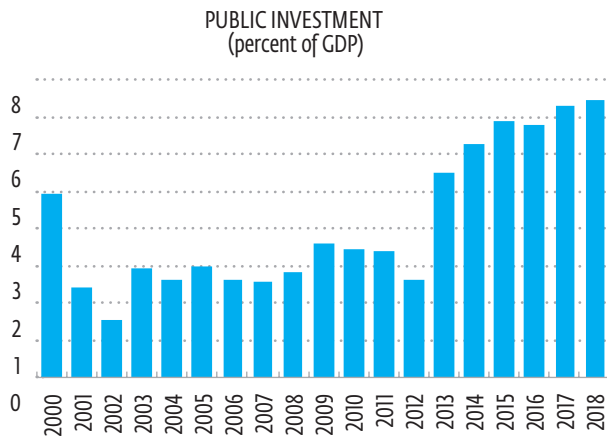
Faced with a rapidly increasing domestic demand, the Ivorian authorities also intend to consolidate a leadership role for regional energy provision by increasing electricity exports to five neighboring countries (Ghana, Burkina Faso, Mali, Togo, and Benin). These exports have doubled since 2015, growing from 855 gigawatt-hours (GWh) to over 1,650 GWh, due to the commissioning of the Soubré dam (250 MW), and Azito and Ciprel combined-cycle power plants (430 MW and 556 MW, respectively). In the context of the West African regional electricity market, a new energy transmission network between Côte d'Ivoire, Liberia, Sierra Leone and Guinea (CLSG) was launched in 2018 for USD 450 million – leading to the operation of a very high voltage 1,300 km line that will position Côte d'Ivoire as a hub for the electrification of the subregion.

Sources: Oxford Business Group (2019), "In Côte d'Ivoire, an increase in cement production capacity promising for exports". Jeune Afrique (2019), "Energy: Abidjan connects its neighbors".

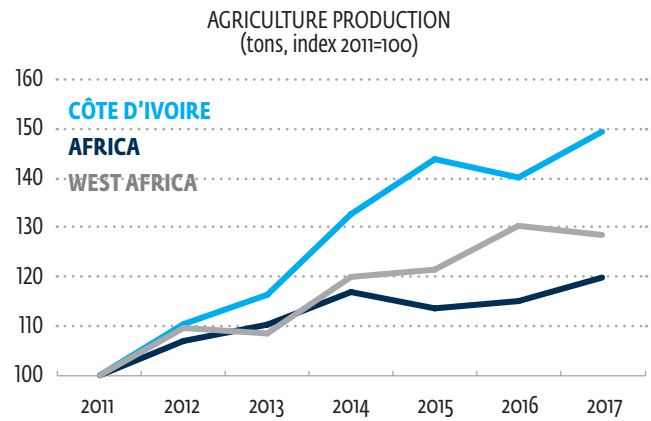
Finally, Côte d'Ivoire's ICT institutions and the enabling environment have drastically improved during the last five years. Each year, the WEF performs a global ranking of the ICT sector in each country by measuring the Network Readiness Index (NRI). One sub-index of the NRI is the "ICT environment" sub-index, which reflects both the "Political and regulatory environment" and the "Business and innovation environment". In 2012, Côte d'Ivoire ranked as one of the worst countries in the world regarding its ICT environment, listed at the 130th place (out of 142 countries). In less than five years, by 2016, Côte d'Ivoire rose to the 72nd place (out of 139 countries) in the "ICT Environment" sub-index. (On the overall NRI, Côte d'Ivoire rose from 122nd to 106th during 2012–16). No other country monitored by the WEF has enjoyed such a dramatic rank increase during the 2012–16 period for the "ICT environment" sub-index.

FIGURE 2.8 KEY POSITIVE FEATURES OF CÔTE D'IVOIRE'S GROWTH

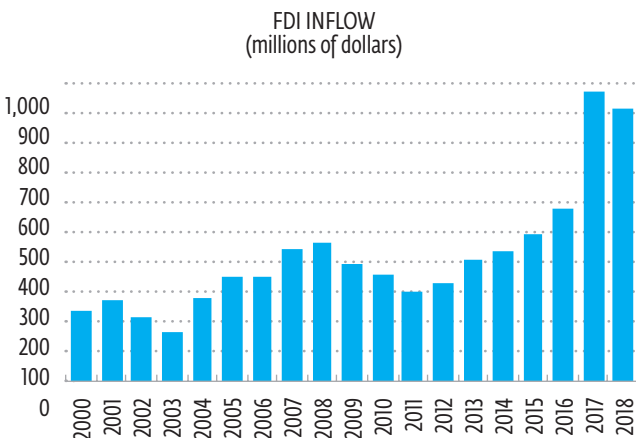
Public investment in infrastructure almost tripled since 2012...



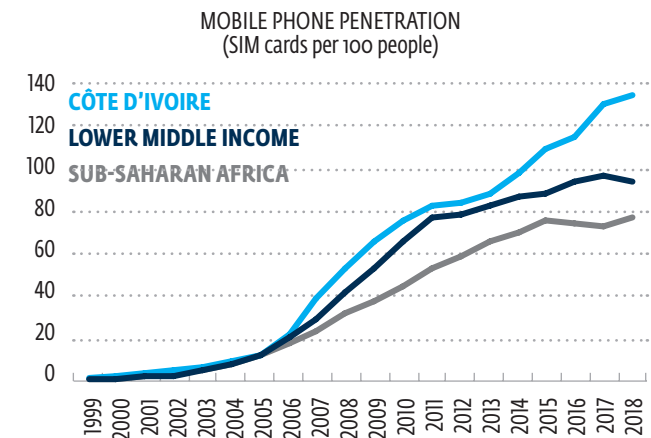
...and agriculture production, which accounts for 1/3 of GDP and 75 percent of exports, has grown faster than in the region and subregion.



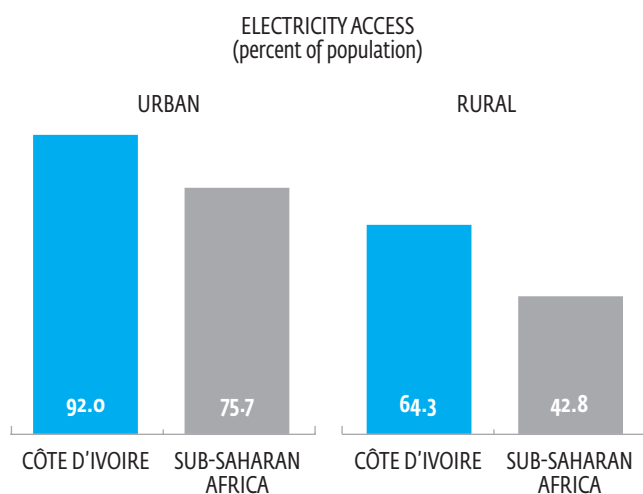
FDI is on the rise, concentrated mainly in the telecommunications, agro-processing, and construction sectors...



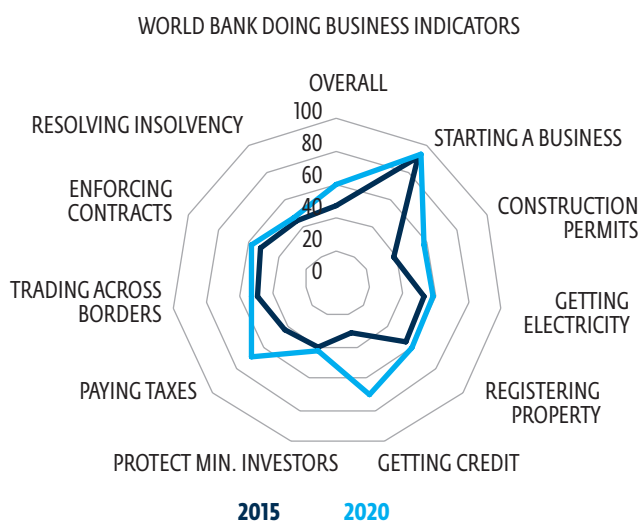
...complemented by improvements in the ICT sector and its enabling environments.



Access to electricity has improved, and urban areas are almost fully electrified.



The business environment has improved on the back of reforms.



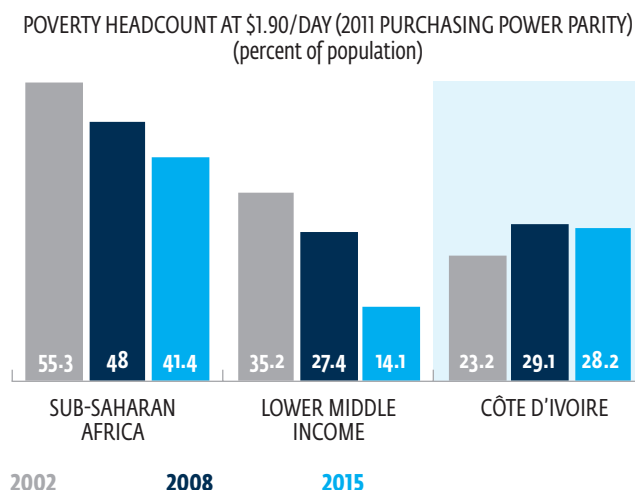
Sources: WDI, FAO, World Bank Doing Business and IFC staff calculations.

Note: FDI = foreign direct investment; GDP = gross domestic product; ICT = information and communication technology.

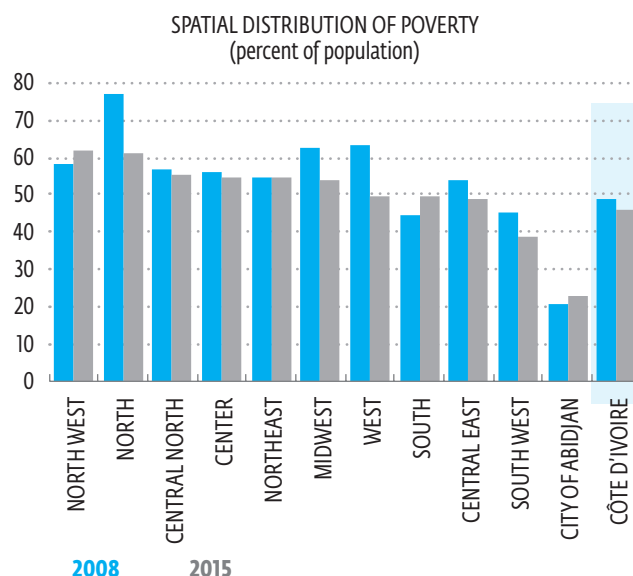
Notwithstanding these favorable developments and the government's commitment to strengthen social policies, some human development indicators are still lagging. Private sector investment, including FDI, remains below the level in aspirational peers. Processing of agriculture products with higher value added is still limited. Fiscal vulnerabilities are under control, yet budget management deserves continued vigilance to preserve public debt sustainability (Figure 2.9).

FIGURE 2.9 DESPITE STRONG GROWTH, SOME HUMAN DEVELOPMENT OUTCOMES ARE MIXED

Poverty rate has declined, but extreme poverty persists...



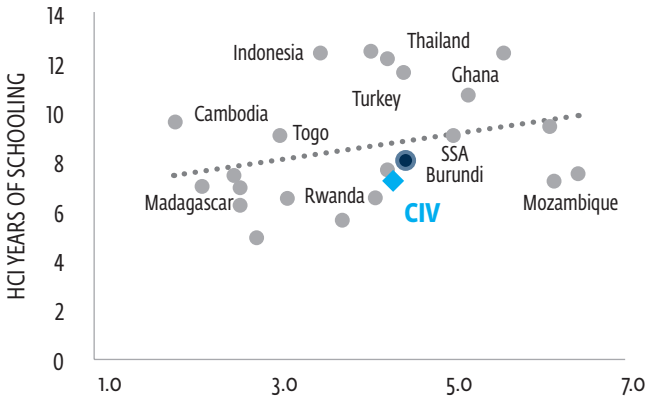
...and significant spatial inequalities exist between North and South.



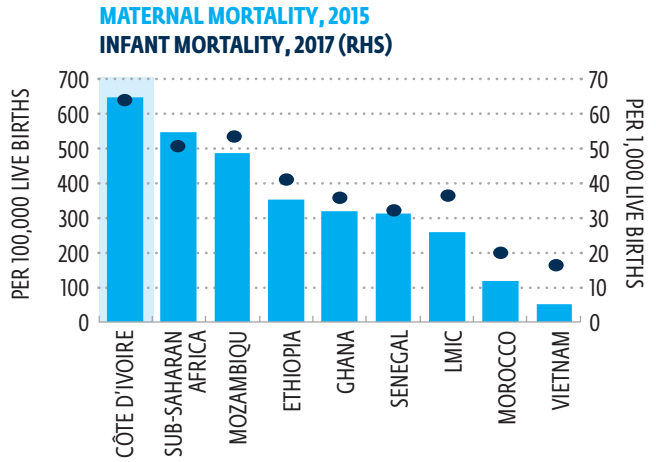
Certain human development indicators continue to lag behind the Sub-Saharan average...

...while the infant and maternal mortality rates are far higher than among regional and aspirational peers.

EDUCATION EXPENDITURE RELATIVE TO EXPECTED YEARS OF SCHOOLING

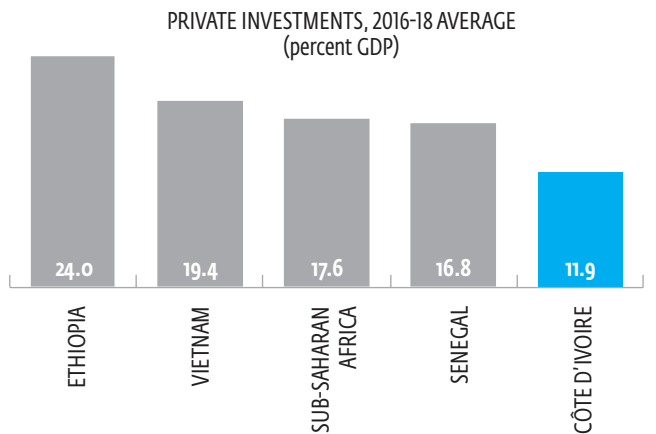
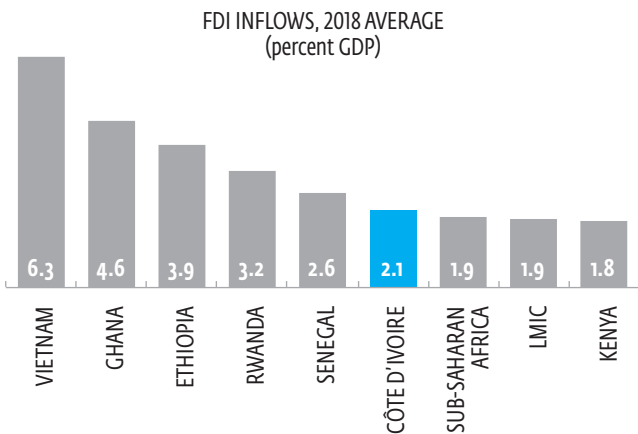


HEALTH OUTCOMES



Despite an increase in FDI, it remains much lower than aspirational peers.

Similarly, private investment is also much lower than peers



Sources: World Development Indicators, INS, Human Capital Index and IFC staff calculations.

Note: FDI = foreign direct investment; GDP = gross domestic product; HCI = Human Capital Index; LMIC = lower-middle-income countries.

Poverty in Côte d'Ivoire has been steadily declining since 2012. The poverty rate, which had been increasing for more than three decades (from 10 percent of the population in 1985 to 48.9 percent in 2008 according to household surveys), reached 55.4 percent of the population in 2011, after a decade of civil and political unrest. Since then, poverty has sharply dropped against a backdrop of robust economic growth and positive reform momentum, amounting to 44.4 percent of the population in 2015, and 39.5 percent in 2018.¹⁹ However, the wealth generated in recent years has been largely concentrated in Abidjan, highlighting spatial inequalities. Spatial inequality, especially the higher poverty rates in the north and the center of the country, remains a concern.

Côte d'Ivoire's strong growth record has not equally benefitted all regions or segments of the population. In health and education, Côte d'Ivoire lags behind the averages for its region and country income group. The political crises of the recent past have taken their toll on the country's human capital, leading to a general stagnation across almost

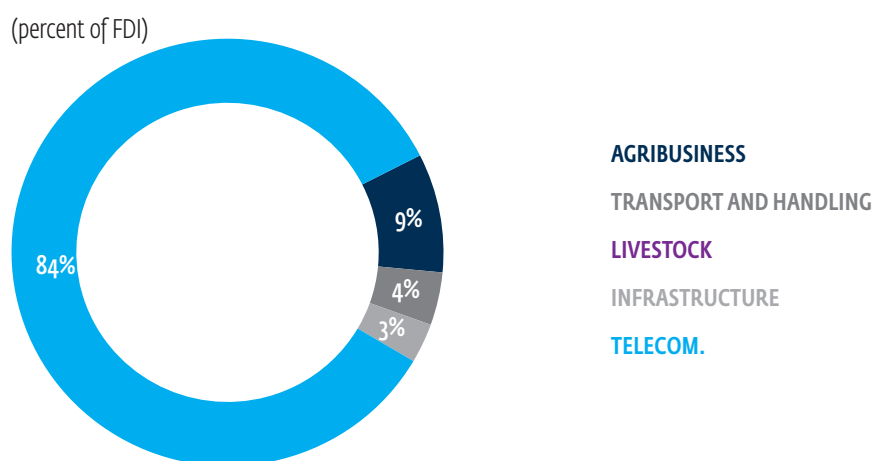
all human capital indicators (World Bank 2018d). Côte d'Ivoire's life expectancy at birth was only 57 years in 2017 – far lower than the Sub-Saharan Africa average of 61 years and the lower-middle-income countries' average of 68 years.²⁰

Recent growth has not created enough formal jobs in the productive sectors. It is estimated that close to 80 percent of the working-age population operates in the informal or semi-informal sector: 47.5 percent in agriculture and 29.7 percent in nonagricultural self-employment (Christiaensen and Premand, 2017). Almost all the poor and individuals living in rural areas are self-employed. On average, self-employment tends to have relatively low-productivity and earnings. Unemployment rates are relatively higher among the younger cohorts, reaching 7.1 percent of the labor force for the 25-34 age group and 13.6 percent for the same age group in urban areas, compared to 4 percent for 35-64-year-olds (Christiaensen and Premand, 2017).

Moreover, evidence collected from the Enterprise Survey (2016)²¹ points to very low labor productivity among Ivorian firms. In fact, Côte d'Ivoire has one of the lowest labor productivity levels in the region, and this may partly reflect the skills gap due to shortcomings of the education system. The median firm produces output per worker of about USD 2,331, lower than in any of the comparator countries. Although it is only slightly lower than in Niger (USD 2,328), Mali (USD 3,843), and Guinea (USD 4,048), it is about one-third of the level observed in Senegal and less than one-quarter of the level observed in Togo or Benin. Moreover, a median firm in China produces nearly 10 times as much output for each worker (USD 22,471).

Private investment and FDI remain below Sub-Saharan Africa and lower-middle-income country peers. There are significant opportunities to leverage private investment further and accelerate convergence, particularly in agribusiness given that Côte d'Ivoire has a tradition of foreign cooperation and openness with the presence of globally-oriented entrepreneurs who can take advantage of returning foreign investment to increase technology spillovers and create backward linkages with local producers. The revised national accounts indicate FDI as a share of GDP averaged 1.4 percent (2015-18), whereas it was much higher in aspirational peers such as Vietnam (6.2 percent of GDP) and Morocco (2.8 percent of GDP). FDI was concentrated mainly in the telecommunications, agro-processing, and extractive (hydrocarbon) sectors (Figure 2.10).

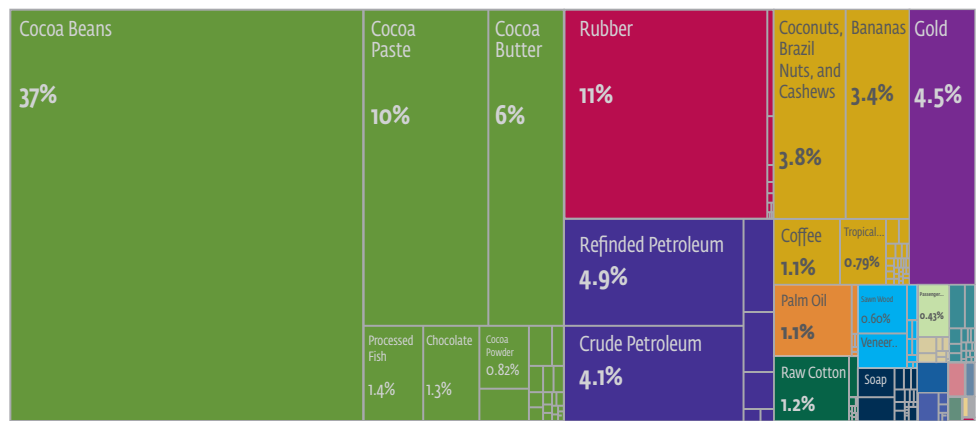
FIGURE 2.10 FDI BY SECTOR, 2014-16



Source: Centre de Promotion des Investissements en Côte d'Ivoire/ Directorate of Information, Planning and Education.
Note: FDI = foreign direct investment; telecom = telecommunications.

Export diversification is still relatively limited compared to other middle-income countries (Figure 2.11). Moreover, Côte d'Ivoire's exports are dominated by raw commodities. The top five export items – cocoa, rubber, horticulture, gold, and crude petroleum – constitute 75 percent of exports. Nascent diversification has been achieved in recent years, such as the growing share of cashew nuts in the export basket, up by 14 percent in 2018 compared to 2017 with 789,000 tons shipped (92 percent of domestic production). The share of commodities (81 percent in 2017) in Côte d'Ivoire exports is among the highest among its structural peers, and is far higher than in aspirational peers such as Morocco and Vietnam. Moreover, unlike in Vietnam, the share of manufactured products in Côte d'Ivoire's export basket has remained relatively constant around 15-20 percent over the last two decades. The high concentration of commodities in the export basket makes it vulnerable to climate change and commodity price cycles.

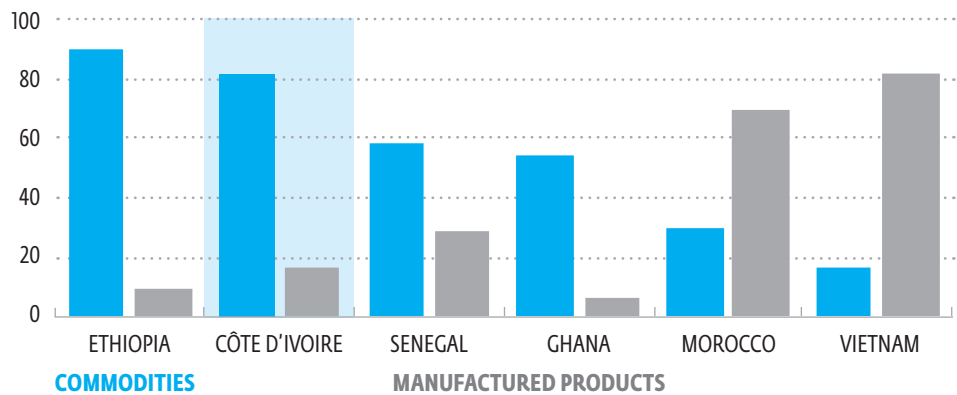
FIGURE 2.11 CONCENTRATION OF EXPORTS, 2017



Source: MIT Observatory of Economic Complexity.

FIGURE 2.12 COMPOSITION OF EXPORTS, 2017

(percent share of exports)



Source: World Trade Organization.

Domestic value addition in agricultural products remains low, while economic complexity analysis suggests that Côte d'Ivoire has a comparative advantage in food processing as well as related products (see Figure 2.12 and analysis below). Côte d'Ivoire processes only a fraction of its crops locally and sells the majority to international markets. With 30 percent of domestic production processed, the highest share is in the cocoa sector. Yet, primary processing of cocoa is very capital intensive and for other crops, like raw cashews, for which processing is much more labor intensive, only about 8 percent of the domestic production was processed locally in 2018 – a much increased share, yet below production growth. Recently, the government took measures to encourage the local transformation of cashew nuts into cashew kernels, by introducing a tax on the export of raw nuts and requiring of exporters to reserve 15 percent of export volumes for local processors - with, as a corollary, an increase in the smuggling of cashew nuts.²²

The low share of processing exposes the local economy to global commodity price fluctuations. Many of the existing processing facilities are outdated and not competitive, and the sector needs investment and financing to bring in new technology and improve infrastructure. The Ivorian government, through the Regulatory Authority for the Warehouse Receipt System, launched in 2018 a program to build 108 new warehouses for processing and storage of raw cashew nuts in the seven production areas, alongside foreign (mostly Asian) partners.²³ Côte d'Ivoire also lacks the skilled labor necessary to operate the latest machinery required to be competitive in the manufacturing sector. There are also very few downstream secondary sectors that use local crops or their derivatives as inputs, even though manufacturing contributes a larger fraction of the full value chain.

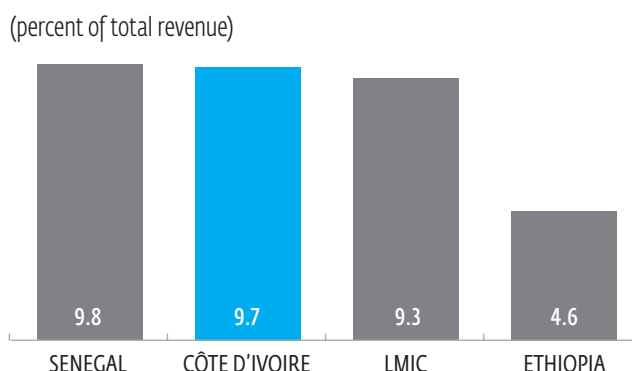
Côte d'Ivoire's high growth has been accompanied by macroeconomic stability, and the Ivorian economy has demonstrated its resilience to external and internal shocks. Fiscal vulnerabilities are under control and are the subject of continued vigilance in part due to low tax collection and high investment spending. Despite extensive reforms since 2012, tax revenue has increased little relative to GDP (15 percent in 2019), as certain growth engines, such as agriculture and services, are not fully taken into account in the tax base. The new national accounts published in 2020 indicate that, with a budget deficit of 2.3 percent of GDP in 2019 (below the WAEMU standard of 3 percent of GDP), the weight of public debt as a percentage of GDP would reach 37.8 percent, with external debt accounting for 60 percent of total debt (Table 2.2). Debt interest payment (as a share of total revenue) remains relatively high at 10 percent (Figure 2.13), yet Côte d'Ivoire's risk of debt distress is assessed as moderate by the IMF and the World Bank.

TABLE 2.2 KEY FISCAL INDICATORS

	YEAR 2019	WAEMU CONVERGENCE CRITERIA
Tax revenue/ GDP	15 percent	More than 20 percent
Fiscal deficit/ GDP	2.3 percent	Less than 3 percent

Source: IMF, Rapid Credit Facility for Côte d'Ivoire, April 2020.
 Note: GDP = gross domestic product; WAEMU = West Africa Economic and Monetary Union.

FIGURE 2.13 INTEREST PAYMENTS, 2017



Source: World Development Indicators.
 Note: LMIC = lower-middle-income countries.

Surveys of companies and the business environment show that corruption remains a concern. Yet Côte d'Ivoire also ranked among the fastest improving countries on Transparency International's Corruption Perception Index, rising from 154 in 2011 to 105 in 2018.

Against the background of limited fiscal space and the need to accelerate poverty reduction, the growth strategy needs to be adjusted to better harness opportunities for the private sector in sectors in which Côte d'Ivoire has a comparative advantage and which could generate significant employment. This CPSD will argue that such opportunities exist in agriculture, agribusiness and related industries as well as in tourism and service industries, including the informal sector.

Before discussing in more detail priority opportunities and constraints, the next section reviews the state of the private sector.

3 STATE OF THE PRIVATE SECTOR

While the majority of firms are small or micro-sized firms, value addition of firms in the agribusiness, agro-industry, manufacturing, and services sectors is dominated by large firms. The private sector consists mostly of agriculture, some manufacturing, and services.²⁴

With low employment within the formal productive sectors, large parts of the labor force operate in informal or semi-informal activities in trade/retail and distribution. The Ivorian Chamber of Commerce estimates that the informal sector accounts for 70 to 75 percent of the economy. The informal sector represents 80 to 90 percent of total employment, which is comparable to other West African countries. Côte d'Ivoire's labor challenges are associated with the quality and productivity of its workers. One of the major issues arises from the high levels of employment in lower-productivity activities in agriculture and non-agriculture self-employment, with 47.5 percent and 29.7 percent of the labor force, respectively (Christiaensen and Premand, 2017) – as self-employment tends to revolve around low-productivity activities with fewer growth opportunities. Unemployment is relatively low, but much higher among urban youth (13.9 percent versus 6.7 percent).

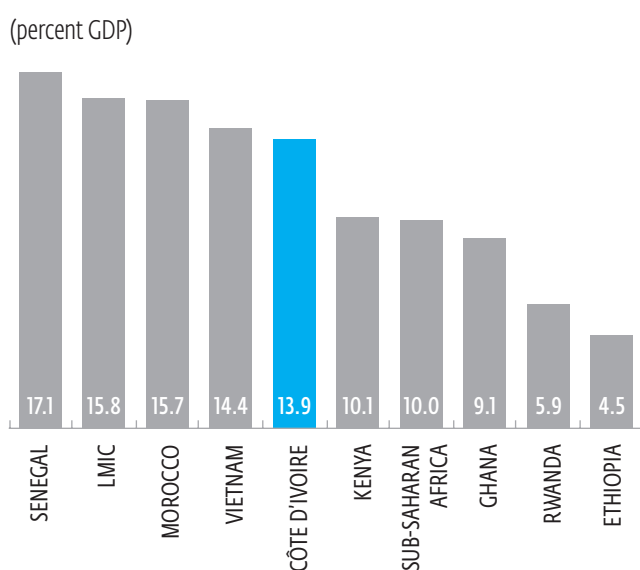
Firms are operating amidst a growing and dynamic context characterized by progress with regard to the overall implementation of reforms. The World Bank Group Country Policy and Institutional Assessment (CPIA) score, which measures policies and institutions, has steadily increased from 2.7 in 2010 to 3.5 in 2018, the largest increase measured by the Bank over the past 10 years. This reflected key improvements in the area of issuance of construction permits, starting a new business, and improvement of alternative dispute resolution mechanisms. The WBG Doing Business reports recognize Côte d'Ivoire as a strong performer with a distance to frontier best score of 58, reflecting the improvement the country has carried out in recent years. Yet widespread constraints on firms persist and are slowing down the ability of the Ivorian economy to accelerate a structural transformation and convergence process.

Renewed growth and activity: Firm registration is on the rise. According to the latest census from the Tax Inspectorate, over 2013-18, the total number of registered firms has grown from 13,387 to 57,574. This growth is led by new firms in services (47 percent), trade (28 percent), construction (13 percent), and transport and communications (10 percent).²⁵ The World Bank's Job Diagnostic Report suggests that employment trends in Côte d'Ivoire favor lower-skill activities. With almost 80 percent of the private firms located in Abidjan, there are significant spatial disparities in the operations of the formal private sector resulting in employment divergences (Christiaensen and Premand 2017, 4–5).

Ivorian small and medium-sized enterprises (SMEs) account for 98 percent of formal registered enterprises and employ about 23 percent of the country's working population.²⁶ The private sector continues to be dominated by agriculture and its byproducts such as food and drink processing. The share of agrifood in industry was 62 percent (6.1 percent of GDP in 2018). Most formal employment is concentrated in large older firms established in and around Abidjan²⁷ and less than 10 percent of formal jobs are located outside Abidjan. Firms with 100 employees or more provide 70 percent of formal jobs. The large firms operate mostly in the manufacturing sector. Formal employment is concentrated in three main sectors: agriculture, retail trade, and other services, with food processing being the single most important contributor to value added and second in terms of employment. The share of the informal sector is estimated at 72 percent of the total number of SMEs.

While Côte d'Ivoire is one of the countries in West Africa with a relatively large number of big firms, the manufacturing sector is dominated by small, informal enterprises with relatively low productivity (Figures 3.1 to 3.3 and Table 3.1). There are also about 500 formal-sector firms, which account for one-third of the manufacturing sector's value added but for only one out of seven jobs (78,000 out of a total of 541,000 in 2010). The formal industrial sector includes very few firms that are labor intensive and consists mostly of subsidiaries of multinationals (primarily European-owned), involved largely in the commodity sector (cocoa, oil and gas, cashews, and rubber). Agribusiness accounts for approximately 30 percent of the manufacturing sector (predominantly cocoa products, oilseeds, and dairy products). Oil extraction accounts for approximately 15 percent but employs a negligible share of workers. On average, manufacturing companies are larger and employ more workers than those in the services sector.

FIGURE 3.1 MANUFACTURING VALUE ADDED, 2009–18
AVERAGE



Source: World Development Indicators.

Note: GDP = gross domestic product; LMIC = lower-middle-income-countries.

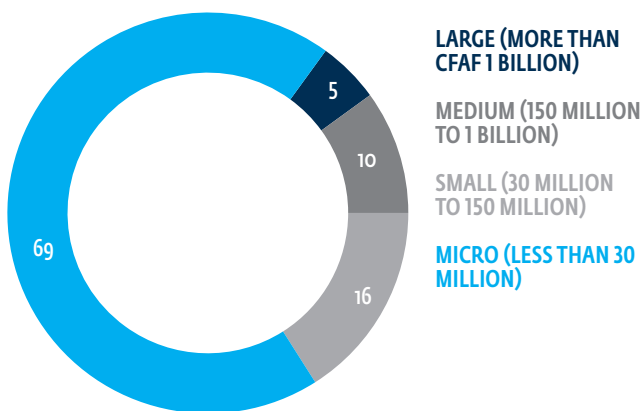
TABLE 3.1 COMPOSITION OF SECONDARY SECTOR, 2018

	VALUE (CFAF BILLIONS)	PERCENT GDP
Secondary	7,117	22.2
Agri-food industries	1,821	5.7
Oil Products	68	0.2
Extractive Industries	836	2.6
Energy and Water	612	1.9
Construction	2,369	7.4
Other manufacturing industries	1,410	4.4

Source: Ministry of Finance and Economy.

FIGURE 3.2 DISTRIBUTION OF FORMAL ENTERPRISES, 2016

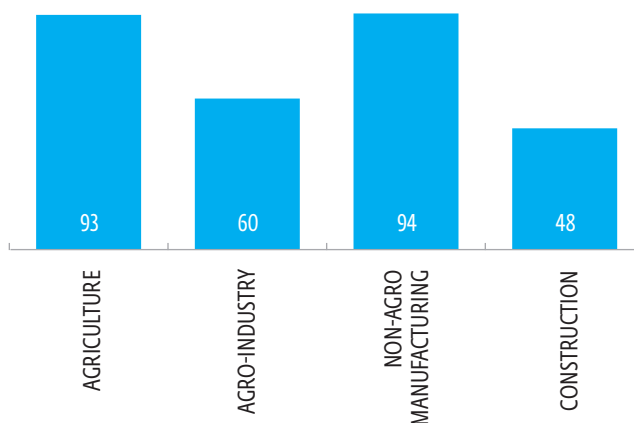
(percent)



Sources: INS and IFC staff calculations.

FIGURE 3.3 SHARE OF TURNOVER OF TOP 20 FORMAL ENTERPRISES, 2016

(percent)

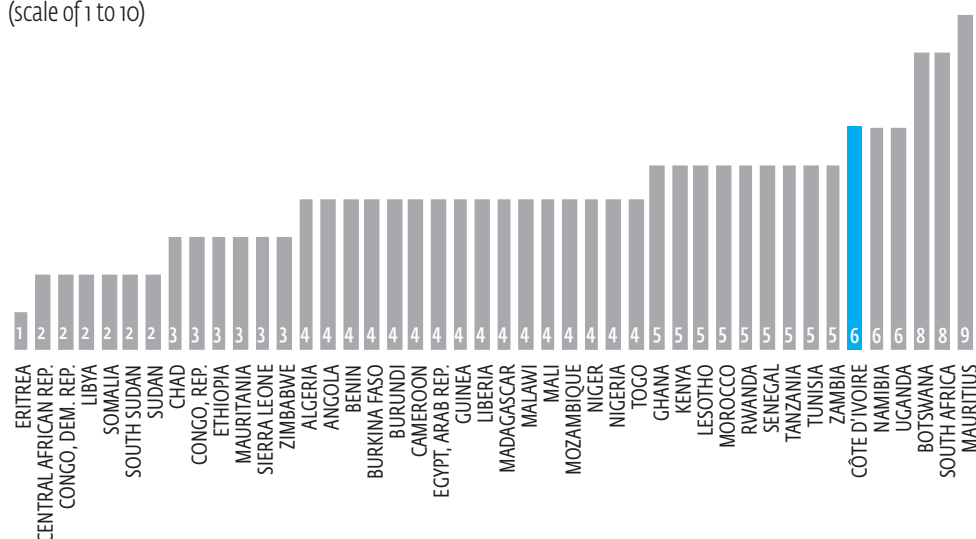


Source: INS and IFC staff calculations

While competition policy appears to be better enforced since the adoption of the 2013 anti-trust law,²⁸ there is evidence of monopolies and rent-seeking in several sectors, notably in the transport and telecommunications sectors and in the import of refined products, but there is also anecdotal evidence of monopolies and collusion in real estate. However, based on available indicators, market-based competition and enforcement of antimonopoly policy have improved significantly in recent years (Figures 3.4 and 3.5)

FIGURE 3.4 MARKET-BASED COMPETITION

(scale of 1 to 10)

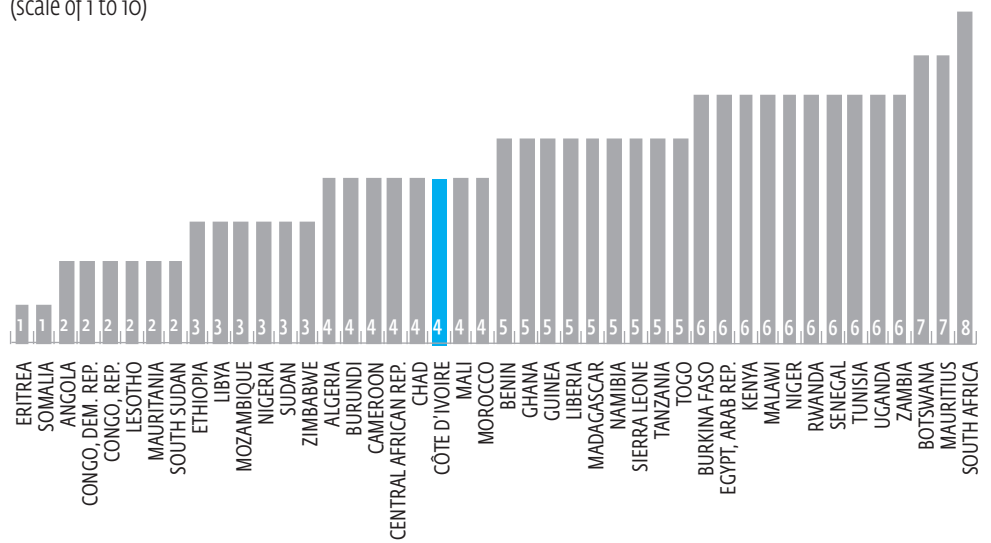


Source: Bertelsmann Stiftung Transformation Index, 2018.

Note: Measured on a scale of 1 to 10, where 10 denotes the best conditions for market-based competition.

FIGURE 3.5 ANTI-MONOPOLY POLICY

(scale of 1 to 10)



Source: Bertelsmann Stiftung Transformation Index, 2018.

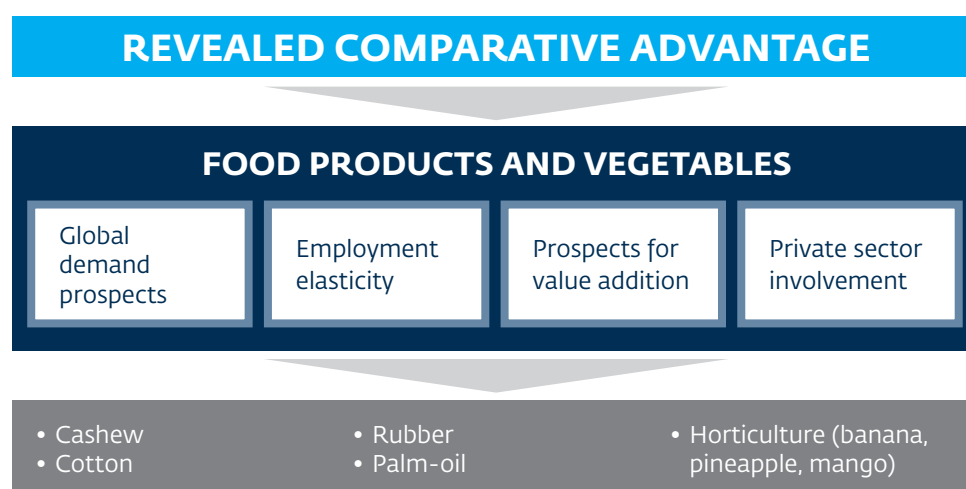
Note: Measured on a scale of 1 to 10, where 10 denotes the existence of comprehensive competition laws that are strictly enforced.

4 OPPORTUNITIES AND CONSTRAINTS

4.1 METHODOLOGICAL CONSIDERATIONS

The main purpose of a CPSD is to both identify key opportunities for the private sector and the critical constraints that will have to be addressed, and develop recommendations that could alleviate these constraints. This CPSD uses a five-step framework to identify opportunities (Figure 4.1): (a) revealed comparative advantage / Côte d'Ivoire's export share; (b) global demand prospects; (c) employment elasticity; (d) prospects for value-addition; and (e) perspectives for private sector involvement.

FIGURE 4.1 FRAMEWORK FOR IDENTIFICATION OF OPPORTUNITIES



- Revealed comparative advantage (RCA) analysis suggests that Côte d'Ivoire is competitive in food products²⁹ and vegetables. RCA is based on an underlying theory that posits that patterns of trade among countries are governed by their relative differences in productivity. While productivity differences are difficult to observe, the RCA metric can be used to "reveal" such differences. An RCA is the proportion of a country's exports in a category of product divided by the proportion of world exports in the same category of product. A comparative advantage is "revealed" if $RCA > 1$. Computations suggest that Côte d'Ivoire has a comparative advantage – that is, $RCA > 1$ – in three products: food products, vegetables, and rubber/plastic. Côte d'Ivoire RCA for food products is 18 and for vegetables is 4.4, which suggests that Côte d'Ivoire's resource endowments make it highly competitive in these sectors.³⁰ For sub-sectors, such as cashews or rubber, where RCA is unavailable, we use Côte d'Ivoire's export market share as a proxy for competitiveness.
- Côte d'Ivoire's global export share for the priority crops, in particular cashew and horticulture, has been on an upward trajectory in recent years. This trend is expected to continue as growing population and rising income in developing countries lead to stronger demand for agricultural products.

- **The trend in historical global demand growth is extrapolated to arrive at future demand for each product.** Long-term demand is estimated to grow in line with the trend of the last five years, between 2013 and 2018. Each product's demand indicator is detailed below:
 - Cocoa: World growth in grinding of cocoa beans
 - Cashews: World exports of cashews in-shell
 - Cotton: World use of cotton mill
 - Rubber: Growth of world natural rubber
 - Palm oil: Growth of world palm oil consumption
 - Horticulture: Growth of world export value growth
 - Tourism: Growth in arrivals

Results are summarized in Table 4.1 and show considerable potential for the selected agricultural sectors and tourism. On tourism, while indicators indicate promising potential, there appears to be limited interest from investors, in particular large international investors.

TABLE 4.1 SUMMARY OF RESULTS

SECTOR	RCA: 2013-18 CHANGE IN CÔTE D'IVOIRE'S GLOBAL EXPORT VALUE SHARE (PERCENT)	2013-18 GLOBAL DEMAND GROWTH (PERCENT)	IMPACT ON JOBS	PROSPECTS FOR PRIVATE SECTOR INVOLVEMENT
Cocoa	33	11 ^a	Low	Medium
Cashew	70	74 ^b	High	High
Cotton	33	16 ^c	High	High
Rubber	94	22 ^d	High	High
Palm oil	54	25 ^e	High	High
Horticulture	112	23 ^f	High	High
Tourism	390	27 ^g	High ^h	Medium

Source: International Trade Centre Trade Map, unless otherwise noted

a. World grindings of cocoa beans, International Cocoa Organization.

b. 2012–18 global in-shell cashew export quantity growth. Data not available for 2013.

c. World mill use of cotton, U.S. Department of Agriculture (USDA).

d. World natural rubber consumption. IRSG and Malaysian Rubber Board.

e. World consumption growth, USDA.

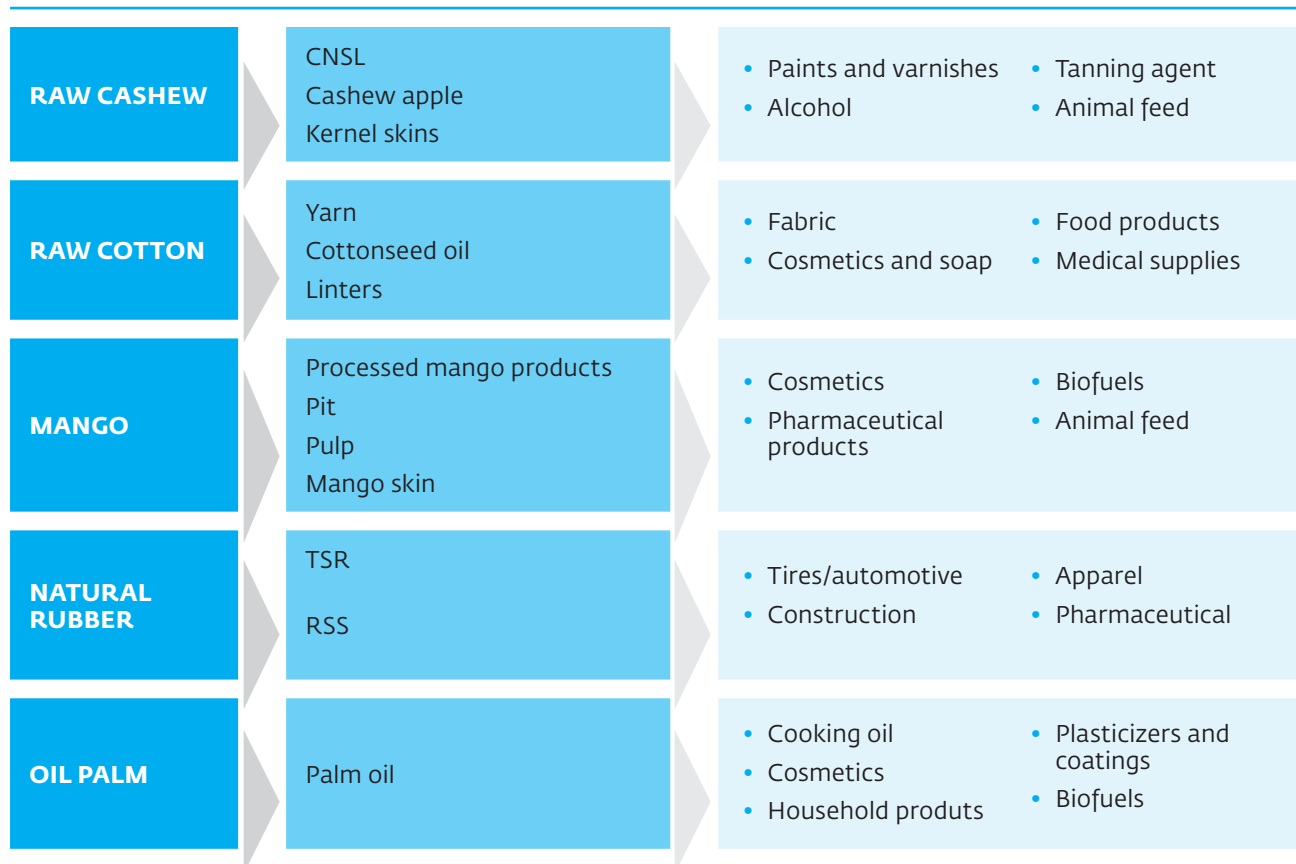
f. World export value growth, ITC Trade Map.

g. International tourism, 2012–17, number of arrivals growth. World Bank databank.

h. Based on 11 arrivals create on average one job. World Travel and Tourism Council, 2018.

Opportunities to diversify from the selected agricultural to other related products are summarized in Figure 4.2.³¹

FIGURE 4.2 OPPORTUNITIES TO DIVERSIFY FROM AGRICULTURAL COMMODITIES INTO MANUFACTURING



Source: World Bank and USAID 2018.

Note: CNSL = cashew nut shell liquid; RSS = ribbed smoked sheets; TSR = technically specified rubber.

4.2 AGRICULTURE, AGRIBUSINESS, AND MANUFACTURING INDUSTRIES

4.2.1 Agriculture and Agribusiness

Agriculture is a crucial source of growth. The agricultural sector accounts for about 23 percent of Côte d’Ivoire’s total GDP and over two-thirds of all exports. In addition, a considerable share of the manufacturing and transport sectors depends on agriculture. Agribusiness represents about 7 percent of total GDP and 50 percent of the manufacturing sector. The agriculture sector employs around 45 percent of the overall labor force, including 73 percent of the employed residents of rural areas (World Bank 2017a).

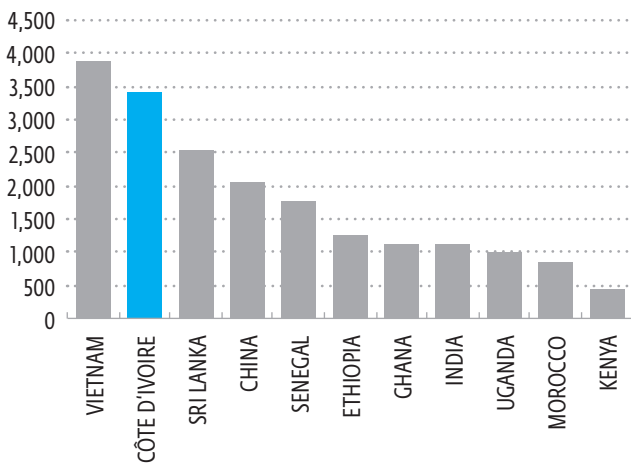
Agriculture is key to Côte d’Ivoire’s development strategy given its potential through diversification and value-addition. Countries that complement a successful structural transformation (declining share of agriculture in the economy as they develop) with a successful agricultural transformation (declining share of staples in agricultural

value added) experience the fastest decline in poverty (Christiaensen and Premand 2017). Agriculture can be a source of high-quality employment to the growing youth bulge through diversification and greater value addition. Households involved in cocoa production had a higher consumption than farmers growing non-export crops, even after controlling for other factors such as household characteristics and location (World Bank 2015b). Households producing oil palm, rubber, and cotton had even higher per capita consumption. However, diversification in cash crops beyond cocoa and diversification in high-value agricultural products (meat, dairy, fruits, and vegetables) remains limited.

Côte d’Ivoire’s natural resource endowment and infrastructure can support a wide variety of crops. Freshwater availability is abundant, as rainfall ranges from 3,000 millimeters in the South West to 1,000 millimeters in the North (Figure 4.3). Some 75 percent of the Côte d’Ivoire territory is arable (24 million out of 32 million hectares) with about 7.5 million hectares currently cultivated (30 percent of total)³². Land is still relatively abundant at the national level, although it is becoming scarce in some regions, in particular in the southern part of the country, where population density is high. While rural electricity access has continued to increase over the past two years with the implementation of the Government Social Program, Côte d’Ivoire has achieved quasi-universal electricity access in urban areas – which is critical for processing of agriculture production (Figure 4.4). Given its low-cost domestic gas-based power plants and hydropower capacity, Côte d’Ivoire is among the lowest-cost producers of electricity in West Africa (Trimble and others, 2016). The ongoing capacity expansion projects at Azito and Ciprel (650 MW) will replace inefficient old generation units, further reducing energy costs. Given the expected improvements in energy efficiency, the need for a large addition of thermal power general capacity is limited until 2022-23.

FIGURE 4.3 FRESHWATER AVAILABILITY, 2017

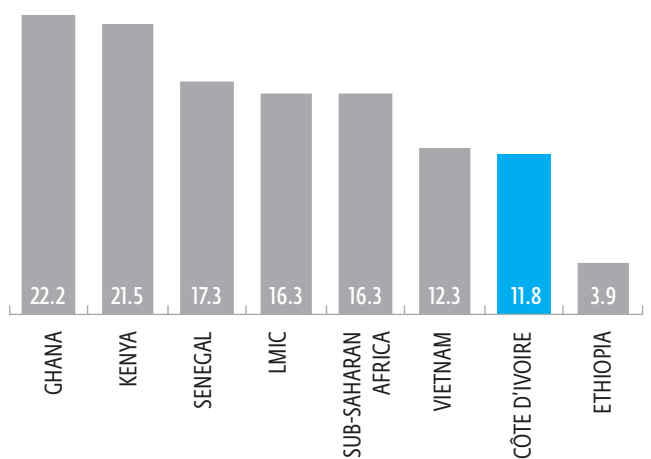
(cubic meters per capita)



Source: World Development Indicators.

FIGURE 4.4 ENERGY PRICE, 2018

(US dollars per kWh)



Source: World Bank Doing Business data.
Note: LMIC = lower-middle-income countries.

The dominance of cocoa in the country's export basket increases vulnerability to climate change, underscoring the need for diversification of agricultural output. Cocoa is one of the major causes of Côte d'Ivoire's deforestation – 60 percent of the forests disappeared between 1990 and 2015. Cocoa growing could be vulnerable to climate change as rising temperatures would reduce soil fertility in the Southeast's traditionally agricultural regions (Sud-Comoé, Agneby, Moyen-Comoé, Sud-Bandama, Fromager, and Lagunes). Mitigating the effects of deforestation should require: (a) research and development of new, environmentally-friendly production techniques amenable to climate change adaptation and mitigation; (b) promotion of export niches; and (c) development of activities that generate domestic value addition.

While cocoa has traditionally dominated agricultural production, efforts by the government to promote processing through subsidies have been costly and have not yet delivered sustainable job creation. Nonetheless, the volume of cocoa processed increased from 474 000 tons (2015/16 crop year) to 577 000 tons (2016/2017 crop year) and hence the country has made progress towards its target of increasing the processing rate of cocoa from 30 percent in 2016 to at least 50 percent in 2020.

Moreover, using locally produced cocoa powder and butter, Côte d'Ivoire has now started to produce chocolate, and subsidizing primary processing may be justifiable as a pathway to entering global value chains (Box 4.1).

BOX 4.1 CHOCOLATE PRODUCTION

Competitive production of high-end chocolate has traditionally been an elusive goal for Côte d'Ivoire and Ghana, partly because of the capital intensity of the process, the need for specialized expertise, and also the lack of a milk value chain and unavailability of sugar. However, more recently, the feasibility of production of chocolate has been demonstrated in both Côte d'Ivoire and Ghana, largely because some producers have been able to develop the necessary expertise and have been able to develop a milk and

sugar supply chain. One emerging producer in Côte d'Ivoire who is profitable produces 10,000 bars of chocolate for the domestic market per month and reports a demand of 20,000 bars. He also notes that the high cost of imported milk powder is one of the major constraints and could be reduced if Sahelian countries produced quality milk. Lack of access to finance is an additional constraint that, if alleviated, could allow him to significantly expand.

With increased deforestation and vulnerability from climate change (World Bank 2018h), it is imperative for Côte d'Ivoire to both diversify its agriculture production and move into higher value-added agro-processing and related manufacturing.

In contrast to cocoa, processing of cashews, cotton, rubber, palm oil, and horticulture are all labor-intensive activities, thus growth in these agricultural sectors will contribute to significant growth in rural jobs and exports (ILO 2018). Processing of 150,000 tons of cashew nuts is estimated to create 50,000 jobs. In contrast, processing of 150,000 tons of cocoa is estimated to create only about 400 jobs (ILO 2018).

In addition, these products have significant potential to be the basis for diversification into associated derivative products (Figure 4.2). Box 4.2 discusses the sectors that use processed agricultural goods as inputs in which Côte d'Ivoire appears to have a comparative advantage, given factor endowment and the favorable development of first-movers in these sectors.³³

BOX 4.2 COMPETITIVENESS IN MANUFACTURED PRODUCTS

Côte d'Ivoire's National Development Plan (NDP 2016-2020) focuses on industry as an essential pillar of the structural transformation of the economy. The following sectors have been identified as potential drivers of manufacturing growth both in the NDP and in a recent USAID/World Bank study (2018), based on competitiveness, export potential, global market demand prospects, and relative product complexity.

Cosmetics: Côte d'Ivoire supplies a major part of the raw material, such as cocoa butter, used in the manufacturing of cosmetics. Given the availability of cocoa butter, Côte d'Ivoire has a strong comparative advantage in skincare and haircare products that cater to the unique needs of the regional market. Ivorian cosmetics are largely exported to the region (85 percent of exports to ECOWAS), with a market reputation for good quality yet affordable products. Rise in demand for mid- to high-range products from a growing regional middle class presents growth opportunities for the industry, but research and development as well as strong marketing and branding are necessary for Ivorian cosmetics to compete against established global brands. The industry can also seek to expand its market share amongst the African diaspora in the US and Europe.

Rubber: Côte d'Ivoire is the leading natural rubber producer in Africa, with yields that are competitive with top rubber producers in Asia. Four companies manufacture a range of rubber products, such as gloves, gaskets, and wheels, sold primarily in the regional markets. To grow the rubber goods manufacturing industry, technology upgrading will be essential to enable the local industry to enhance

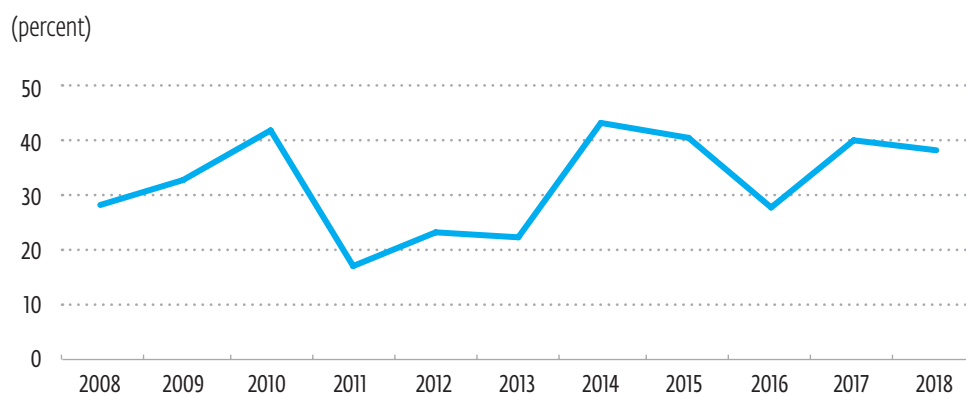
productivity. Scarcity of skilled labor is a major constraint to rubber processing.

Pharmaceuticals: Côte d'Ivoire's nascent pharmaceutical manufacturing sector experienced a recent surge in FDI and is well-positioned for growth, as many firms meet Good Manufacturing Practices (GMP) standards. The local and regional markets are growing at a significant pace of 7 percent per annum, and this trend is expected to continue. The sector exports around 30 percent of its products. Côte d'Ivoire has a relatively low rate of generic drug usage, and this presents an opportunity for sector growth, when coupled with increased awareness and promotion of generic drugs. In addition, the sector could focus on developing direct export and distribution channels to the regional market, bypassing the transit through French aggregators as is the current practice.

Textiles: Côte d'Ivoire is one of only two African countries that produce printed wax fabric, a type of fabric widely worn by Africans and closely associated with African identity and heritage. Ivorian wax fabric is sold in the domestic market and also exported to the regional market. Despite China's increasing market penetration, African-made wax fabric has not lost its market share, as it is considered of higher quality than that imported from China. Increase in purchasing power as well as a rising middle class could lead to an increase in demand for quality African wax fabric. The industry can increase competitiveness through strengthening brand recognition, improving quality, and increasing the number of designs to prevent counterfeit products from China.

Priority sectors for diversification and greater domestic value addition could be cashews, cotton, horticulture, rubber, and palm oil. This section discusses Côte d'Ivoire's competitive position in each of these sectors and reviews opportunities for processing.

FIGURE 4.5 RAW CASHEW NUT GLOBAL EXPORT MARKET SHARE, 2008-19



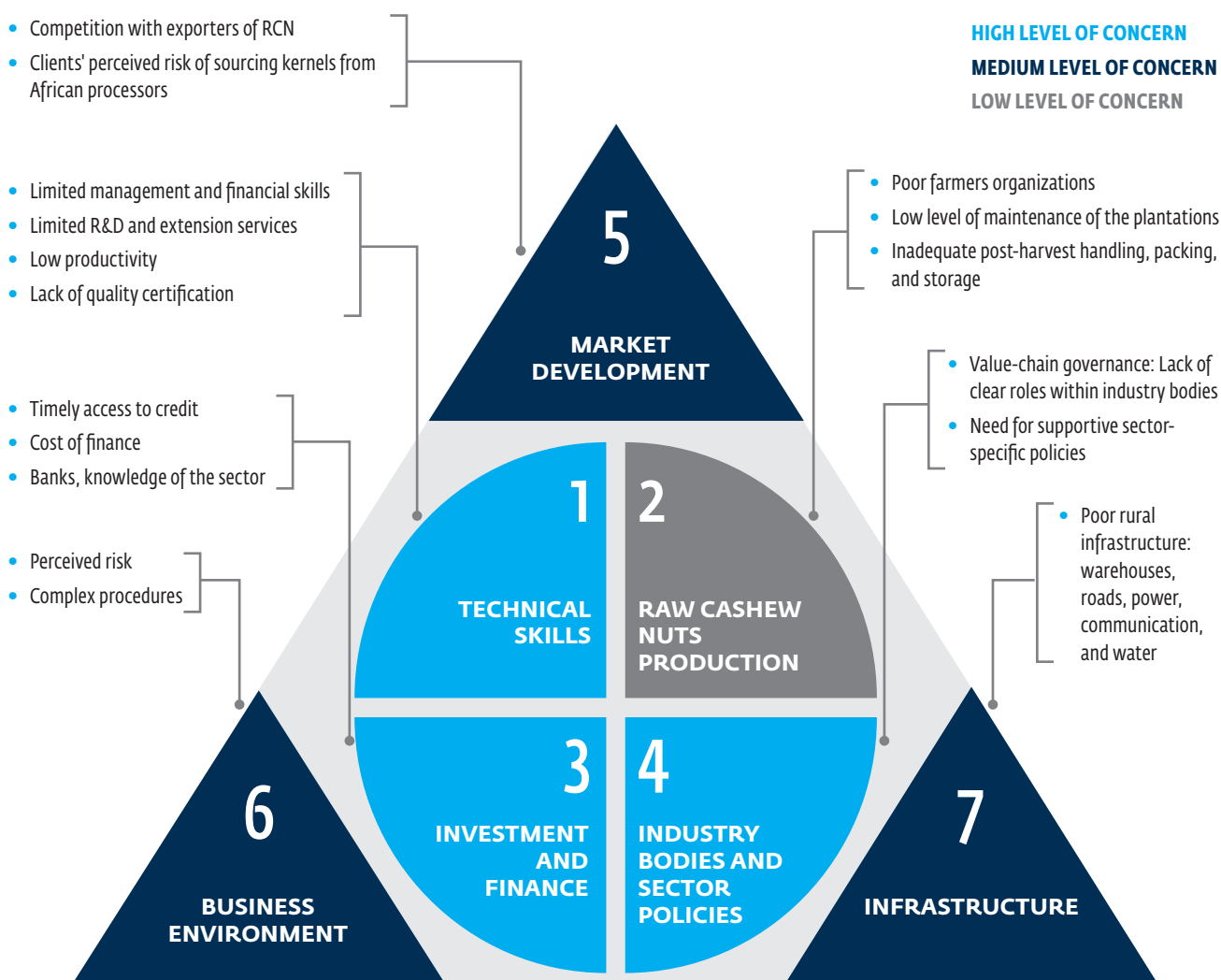
Source: ITC Trade Map.

Cashews: Côte d'Ivoire's cashew subsector has strong growth potential, as Côte d'Ivoire is the leading global exporter of raw cashew nuts (RCN) (Figure 4.5). Global demand for cashew nuts has been growing at about seven percent annually, and the trend is expected to continue, albeit more slowly. Prices are expected to remain high as production has not kept pace with robust demand. Furthermore, dwindling production in Vietnam and Brazil would allow Côte d'Ivoire to further increase its global market share. Because harvesting and processing cashews is very labor intensive, growth in the cashew subsector will boost job creation and economic growth. Additionally, primary processing of cashews is limited: Côte d'Ivoire exports an estimated 95 percent of its RCN in-shell to Asia, and the rest is processed locally. RCN is exported at a low price, whereas processed cashews are sold at a higher rate, and an increase in processing facilities will enable Côte d'Ivoire to capture the value-added of processed cashews. Local processing also significantly reduces transportation costs for end consumers in the US and Europe, and creates shorter, more traceable value chains to meet the growing demand for traceability from farm to fork.

Moreover, cashew processing byproducts, such as cashew nut shell liquid (CNSL), cashew apple, and kernel skins provide additional profit to processors: CNSL, which is globally traded, can be used for a wide variety of products, such as surface coatings, paints and varnishes, as well as in the production of polymers. There is also potential to produce alcohol from cashew apples, which can be used in various Ivorian industries, such as the alcoholic drink industry and pharmacy suppliers, or used to produce ethanol fuel. Kernel skins can be processed into tanning agents for the leather industry.

The main constraints to the competitiveness of cashew value chain in Côte d'Ivoire are availability of technical skills and finance (Figure 4.6). Similarly, processing plants are limited in scale and have low capacity as a result of low access to finance to upgrade or build modern facilities. Low access to finance also reflects the absence of local currency financing, as discussed in the section on access to finance.

FIGURE 4.6 MAIN CONSTRAINTS TO THE COMPETITIVENESS OF CASHEW VALUE CHAIN IN CÔTE D'IVOIRE

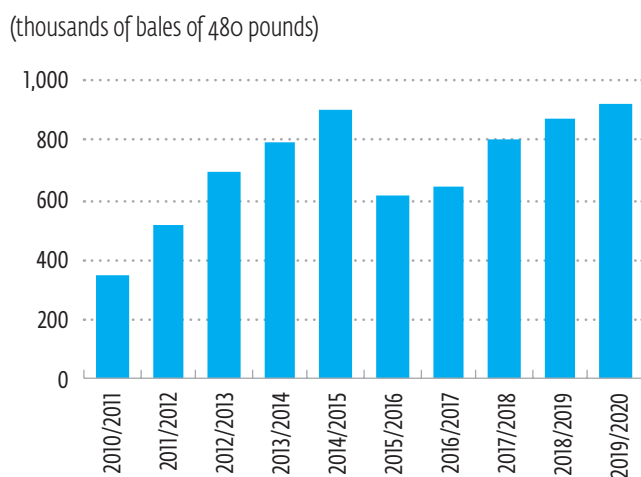


Note: R&D= research and development; RCN = raw cashew nuts.

Cotton: Raw cotton is one of Côte d'Ivoire's major exports, with an upward trajectory since 2015, and is forecast at a record 925,000 bales for 2019/20 (Figures 4.7 and 4.8).³⁴ The quality of cotton crops has continued to improve, and yields have improved significantly since 2015. Most Ivorian cotton is hand-picked, making it a labor-intensive industry. Hand-picked cotton produces longer strands (for more luxurious cotton) and is more sustainable as it is cleaner, requires less processing time, is less energy intensive, and does not require chemical defoliants prior to harvesting like industrial cotton. Ivorian cotton fields also do not require irrigation and rely solely on rainwater. Côte d'Ivoire can continue to grow the industry by marketing and capitalizing on the sustainable aspects of hand-picked cotton over machine-harvested cotton, leveraging the growing demand for sustainable products.

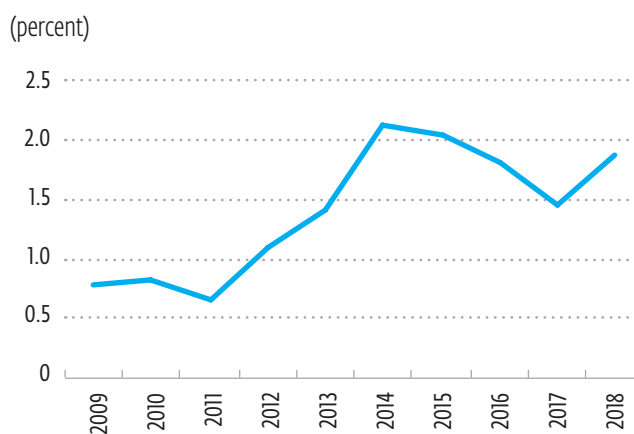
While Côte d'Ivoire could be competitive in textiles as a result of favorable natural resource endowments, it has struggled to compete in the global textile industry and cotton processing facilities need significant updates. Investing in the textile industry to upgrade existing facilities or to open new ones would boost job creation in Côte d'Ivoire's value-added sector, leveraging the ample domestic cotton supply. Cotton processing also creates byproducts, such as cottonseed oil, which is used in cosmetics, soap, and food products, as well as linters, which are used for medical supplies. Furthermore, Côte d'Ivoire is the only African country besides Ghana to produce wax print fabric, with Ivorian wax fabric enjoying a reputation for quality. Investments in this industry to improve cost competitiveness, including measures to bring down the cost of logistics, could bring more producers of wax fabric into Côte d'Ivoire.

FIGURE 4.7 COTTON PRODUCTION, 2010–20



Source: U.S. Department of Agriculture.
Note: 2019/2020 is forecast data.

FIGURE 4.8 RAW COTTON GLOBAL EXPORT SHARE, 2009–18



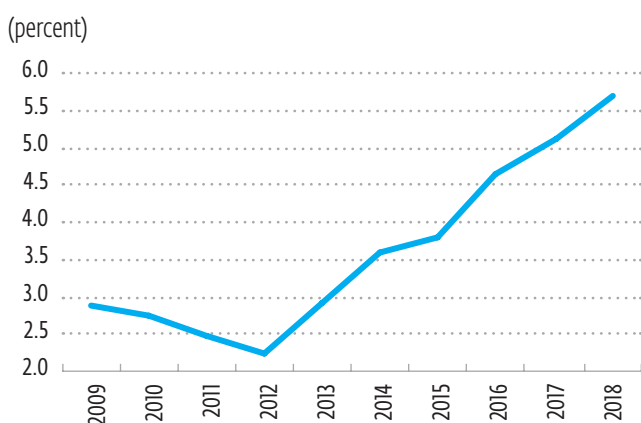
Source: ITC Trade Map.

The expansion of cotton and cashew production is also promising from a job's perspective. Both crops are grown widely in the North, where poverty rates are highest; so, the expansion of their production also holds promise for inclusive employment. An increasing share of cashew nuts processed locally (especially in the central region around Bouake) could generate off-farm employment opportunities in secondary towns.

Rubber: Côte d'Ivoire is the world's seventh-largest producer of natural rubber, with yields that are competitive with the world's leading producers (Figures 4.9 and 4.10). Rubber output has significantly increased since 2012 and is projected to reach 750,000 tons in 2020, but processing capacity stands at 460,000 tons. Since rubber output has surpassed processing capacity, most exporters are forced to export raw unprocessed rubber, resulting in uncaptured gains from the value-added of processing. Furthermore, Côte d'Ivoire's rubber processing facilities typically produce technically specified rubber (TSR) for export. Côte d'Ivoire can benefit from diversifying its production to include ribbed smoked sheets (RSS), which is higher in quality, is more labor intensive to produce, and is sold at a 10 percent premium over TSR. Rubber is primarily used to manufacture tires, and is also used in the automotive, construction,

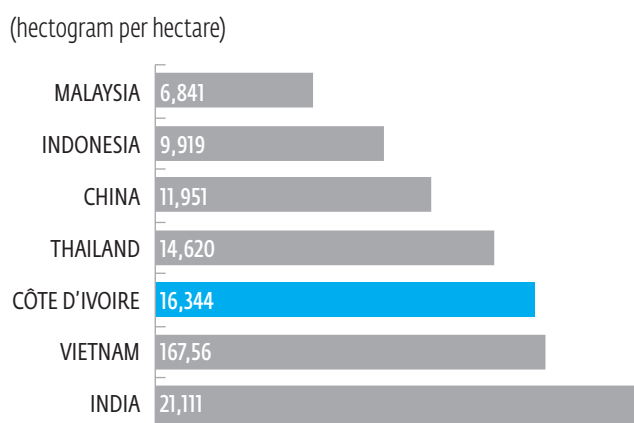
apparel, and pharmaceutical industries. In Côte d'Ivoire, four companies manufacture a range of rubber products such as gaskets and gloves for the local market. There is potential in expanding the rubber products industry, which can benefit from the direct supply of local rubber. Constraints of the rubber industry include dependency on imported raw materials such as polymers and intermediates, which are subject to price fluctuations. The high cost of machinery, lack of access to finance, and shortages of skilled labor are also challenges faced by the industry.

FIGURE 4.9 NATURAL RUBBER GLOBAL EXPORT SHARE, 2009-18



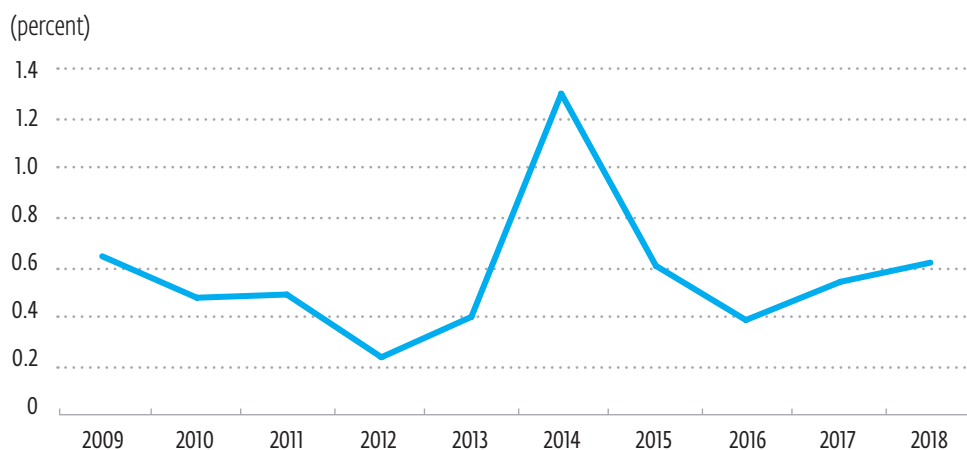
Source: ITC Trade Map.

FIGURE 4.10 RUBBER YIELDS OF TOP PRODUCERS, 2017



Source: FAOSTAT.

FIGURE 4.11 CRUDE PALM OIL GLOBAL EXPORT SHARE, 2009-18

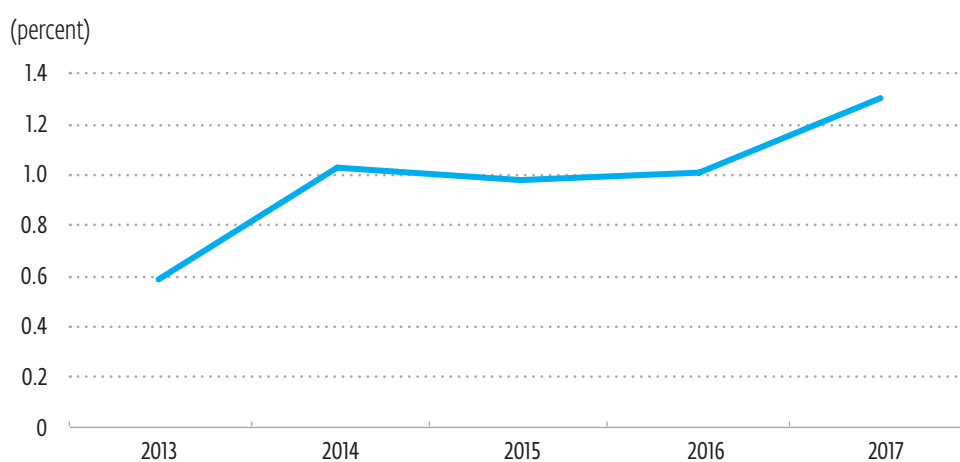


Source: ITC Trademap.

Palm oil: Palm oil, from the oil palm tree that is native to West Africa, is the most versatile and widely used agricultural commodity (Figure 4.11). Côte d'Ivoire's palm oil is consumed both locally (45 percent of production) and in the subregion (55 percent of production). West African neighboring countries face oilseed shortages, creating a market opportunity for Ivorian palm oil. Furthermore, as demand for palm oil continues to increase and land in top palm oil exporting countries such as Malaysia

and Indonesia runs out, palm oil companies are expanding their plantations to Africa – a phenomenon which raises concerns with regards to the pace of deforestation. The industry is largely dominated by low-yielding small-scale farmers with the rest supplied by large-scale plantations. Investments in the oil palm industry can increase plantation areas, increase productivity on existing oil palm farms, as well as increase and ensure the quality of produce. In addition, there is potential to expand processing facilities to meet the high demand of exporters and increase value-added from processing. Since palm oil is an input in many industries, especially in cosmetics and household products manufacturing, these derivative industries would benefit from a domestic supply chain of palm oil.

FIGURE 4.12 FRUITS AND NUTS EXPORT MARKET SHARE, 2013-17



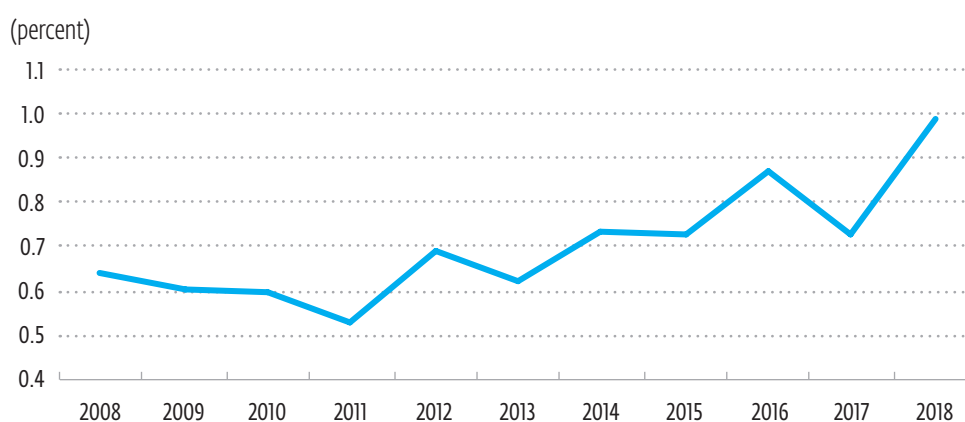
Source: ITC Trade Map.

Fruits and vegetables: Production of fruits and vegetable is also highly labor intensive, but its potential has so far not been fully exploited (Figure 4.12). Côte d'Ivoire's horticulture sector is important as it is a major exporter of fruits, particularly bananas, mangoes, and pineapples. Côte d'Ivoire's market share in fruit and nut exports has doubled since 2013. Demand for higher-value horticulture items is expected to rise with increases in global population and income, and as diets diversify away from grains to healthier fruits and vegetables. In addition, Côte d'Ivoire's shorter distance to Europe compared with Latin America gives it an advantage in the European market. Currently, Côte d'Ivoire lacks temperature-controlled logistics and cold storage facilities for fruit exports, which reduces shelf life and increases post-harvest losses.

Ivorio, a successful company processing fruit into fruit juices, has demonstrated the potential of value-addition in the area of horticulture (Box 4.3). Opportunities include:

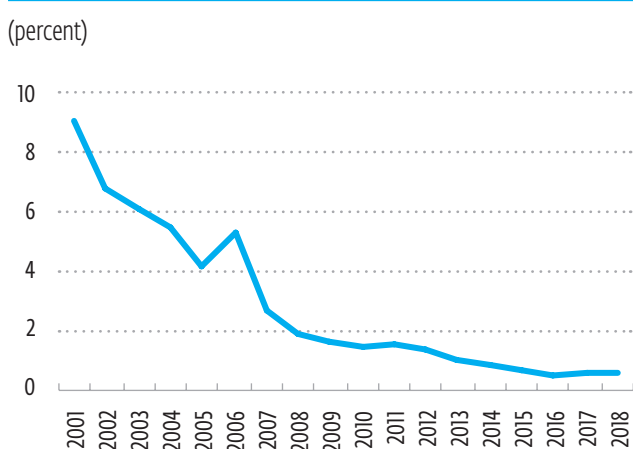
- **Mango** (Figure 4.13): Processing of mangoes is done at a small scale and focuses primarily on drying. Processing can be improved to an industrial scale, resulting in increased production, jobs and quality. Processed mango products can also be expanded to include frozen chunks, juices and concentrates. In addition, mangoes can be processed as an input for cosmetics, pharmaceuticals, and biofuels.

FIGURE 4.13 MANGO GLOBAL EXPORT SHARE, 2008-18



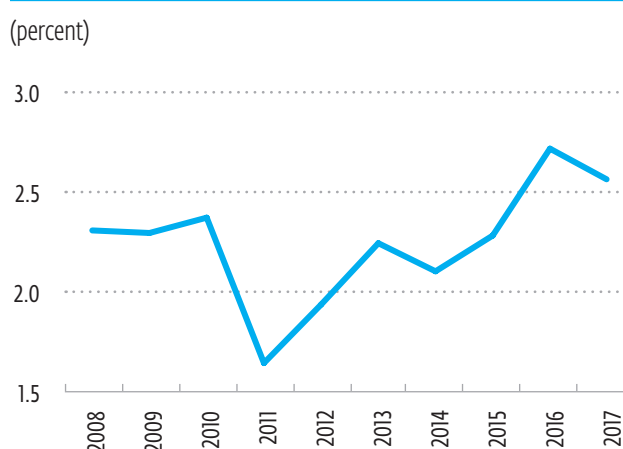
- Pineapple:** Production and exports of pineapples peaked in 2000 but dropped significantly after the introduction of the double sweet variety, MD2, in Latin America (Figure 4.14). There is great potential to increase Côte d'Ivoire's pineapple export market share by replacing pineapple plantations with the MD2-variety. Processing facilities for the pineapple sector are also a growth opportunity, especially for second- and third-grade pineapples. Processing pineapples into smaller cut pieces for export to France has begun in Grand Bassam and can be expanded with greater support.
- Banana:** Increasing production of organically certified bananas, which command a higher price than conventional bananas, is a potential for Côte d'Ivoire's main fruit export sector as demand for organic products rise (Figure 4.15). There is also a growing market for banana powder and banana chips in Europe and in the US, and currently there is no banana processing industry in Côte d'Ivoire. The horticulture sector needs better varieties to progress and to be more competitive internationally. Seeds used in the Ivorian horticulture sector are mostly open pollinated varieties (OPV), which are weak, often infected with diseases, and have low potential (Nugteren 2018).

FIGURE 4.14 PINEAPPLE GLOBAL EXPORT SHARE, 2001-18



Source: ITC Trade Map.

FIGURE 4.15 BANANA GLOBAL EXPORT SHARE, 2008-17



Source: Observatory of Economic Complexity.

BOX 4.3 ATOU/IVORIO: A SUCCESSFUL COMPANY IN THE FRUIT AND VEGETABLE PROCESSING SECTOR

ATOU is an Ivorian agri-food company, specializing in the processing of fruits from Côte d'Ivoire. Production has increased from 1 million cans in 2012 to 10 million cans in 2018, with the next target 15 million cans in 2020. In addition to the local market, the company exports its products to Mali, Senegal, Burkina Faso, Niger and Cameroon. The product is also found on the European market, via African wholesalers.

The company directly or indirectly employs 1,000 people, of which 100 are employed in the factory and the rest are farmers. While pineapple juice is the flagship product, the company produces 12 other flavors. The company produces juices without coloring, artificial flavoring, or preservatives. To win the confidence of farmers, Ivorio has entered into a partnership with 4,000 pineapple growers. It provides technical assistance so that they can comply with the norms and standards of the factory.

It also provides them with financing for a period of 14 months. ATOU also sells its fruit waste to Green Countries, a company that specializes in recycling, which transforms the waste into organic compost that is then used in the various plantations as fertilizer. To continue its expansion, the company has acquired a 1.8 hectare plot of land in the new industrial zone PK24 of Bonoua (pineapple production area), 50 kilometers from Abidjan (south east). One of the company's success factors is the development of the pineapple value chain. Since 2005, the sector has been in decline on account of strong competition from Costa Rican pineapple (MD2).

Despite this strong growth, the company still faces some challenges: (a) packaging that represents 45 percent of the production cost; and (b) significant transport costs for its raw material.

Côte d'Ivoire can emerge as the regional hub for livestock processing. Livestock rearing plays a key role in the economies of the Sahel region, which has a comparative advantage in the rearing of cattle and small ruminants, with the productivity of transhumant livestock rearing higher than ranching productivity in the US or Australia (Inter-réseaux 2015). The Sahel region had about 25 percent of the cattle, 33 percent of the sheep, 40 percent of the goats, and 20 percent of the camels in Sub-Saharan Africa (Kamuanga and others 2008). However, this animal production potential is still underexploited, especially given the employment generation potential of the livestock processing industry. Livestock processing can create employment in the central region (in and around Bouake), where poverty rates are higher. For Côte d'Ivoire to emerge as an exporter of processed livestock, there needs to be more support in the form of public investment in processing and packaging infrastructure and policies to stimulate regional trade in animal products. Côte d'Ivoire needs to also build more abattoirs for daily cattle slaughtering and invest in cold chains. Moreover, the traditional supply chains for the trade in live animals lack uniform health and safety standards. To build a successful value chain for livestock processing, Côte d'Ivoire needs to coordinate with its hinterland neighbors - Burkina Faso and Mali are the main exporters of live cattle to Côte d'Ivoire - to apply health and safety standards across the value chain.

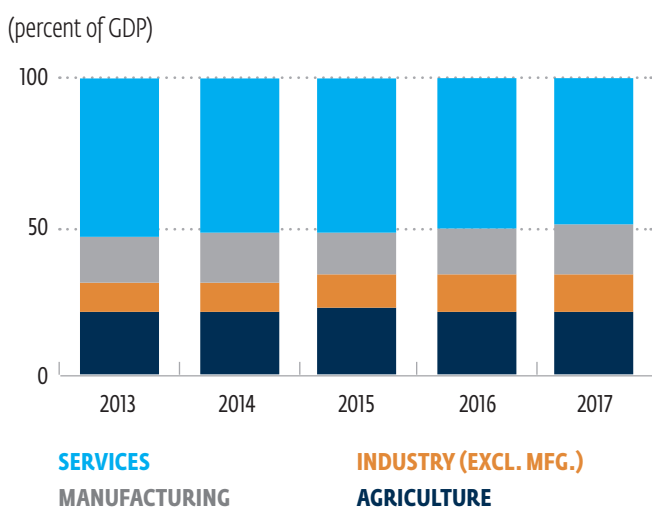
4.2.2 Manufacturing

Trends in manufacturing value added and exports

Côte d'Ivoire's manufacturing share in GDP is approximately 20 percent over the period 2015-18, making it the second largest in West Africa after Senegal (Figures 4.16 and 4.17). From 2008 to 2018, manufacturing value added grew by more than 50 percent from USD 3.5 billion to USD 5.5 billion.

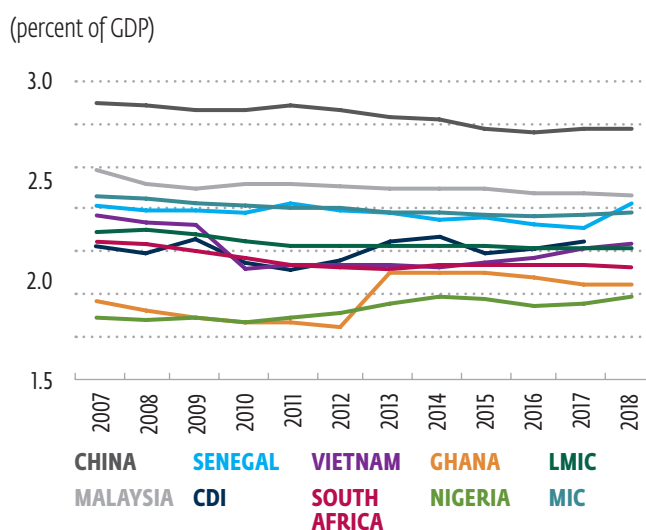
Yet, Côte d'Ivoire's manufactured exports have remained low and have fallen over time. Between 2010 and 2017, the share of manufacturing exports in total merchandise exports averaged 14 percent – 3.5 times lower than the average for lower-middle-income countries, and almost three times lower than that of a peer West African country, Senegal. However, the share was like that of Ghana and close to four times higher than that of Nigeria (Figure 4.18). After growing steadily from USD 1.2 billion in 2007 to USD 3 billion in 2014, the aggregate value of manufacturing exports had fallen by over a third to USD 1.9 billion in 2017, largely reflecting the decline in cocoa prices (Figure 4.19). However, at a disaggregated level, exports of some manufactured goods, including paper, mechanical appliances, pigments, and fabric have grown considerably (International Trade Centre, 2015).

FIGURE 4.16 CÔTE D'IVOIRE VALUE ADDED PER BROAD SECTOR, 2013-17



Source: World Development Indicators, 2018.

FIGURE 4.17 MANUFACTURING VALUE ADDED, SELECTED COUNTRIES, 2007-18



Source: National Statistical Offices and World Development Indicators (aggregates).
 Note: CDI = Côte d'Ivoire; GDP = gross domestic product; LMIC = lower-middle-income countries; MIC = middle-income countries.

The structure and state of the manufacturing sector in Côte d'Ivoire

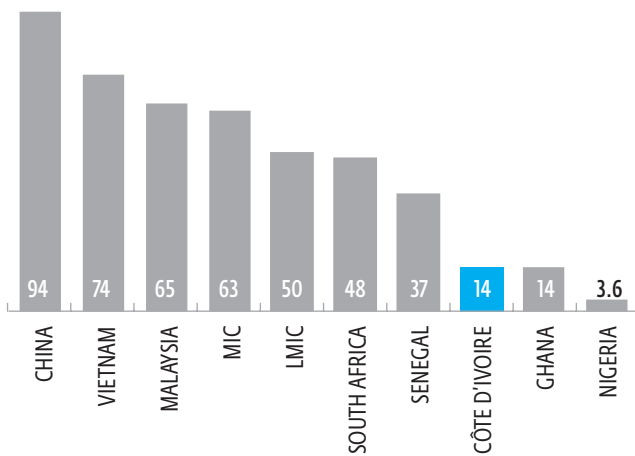
Low technology industries dominate the manufacturing sector's value added (Figure 4.20). They include the agro-industry (57 percent); wood, paper and printing (8 percent); cement (8 percent); plastics (7 percent); metals (6 percent); and oil refinery (1 percent). Medium and high technology industries largely consist of chemicals (9 percent) and machinery (2 percent).

The regional market absorbs most of Côte d'Ivoire exports. Three-quarters of manufactured exports are destined to the ECOWAS region – 85 percent, if wood and paper products are excluded.

Yet, Côte d'Ivoire's manufacturing industry (except for the agro-industry) has not yet taken advantage of the regional and global markets. The bulk of manufactures are destined for the domestic market (Figure 4.21). This is especially the case for cement, metals, and the machinery and apparel industries. Plastics and cosmetics are the largest exporting industries, while the textile sector exports half of its output.

FIGURE 4.18 MANUFACTURED EXPORTS, 2010–17 AVERAGE

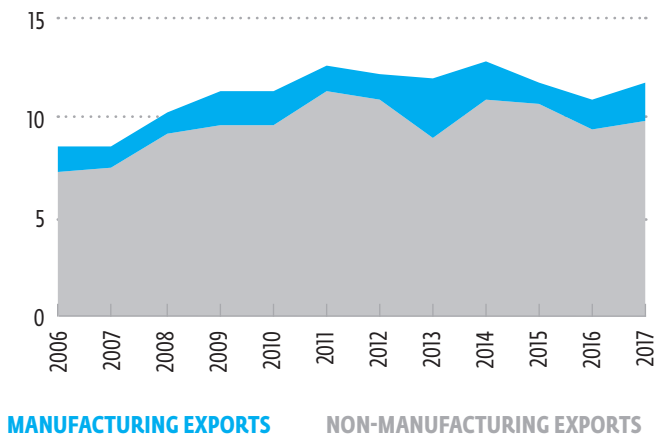
(percent of merchandise exports)



Source: World Development Indicators.
Note: LMIC = lower-middle-income countries; MIC = middle-income countries.

FIGURE 4.19 CÔTE D'IVOIRE'S MERCHANDISE EXPORTS, 2006-17

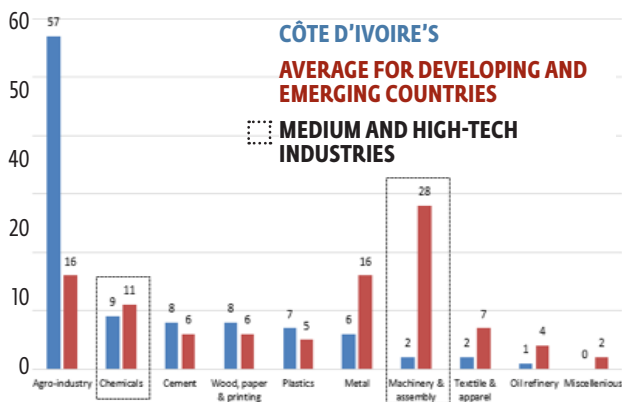
(billions of US dollars)



Source: World Development Indicators.

FIGURE 4.20 MANUFACTURING VALUE ADDED BY INDUSTRY GROUP, 2017

(percent of total manufacturing)

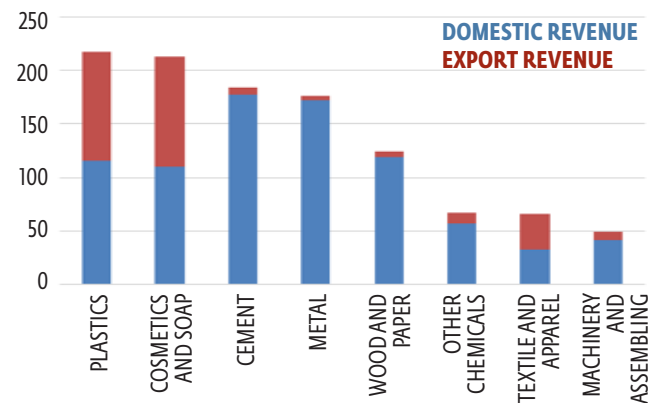


Source: World Development Indicators.

FIGURE 4.21 EXPORT INTENSITY BY INDUSTRY GROUP, 2017

(percent of export revenue vs. industry group revenue)

% of export revenue vs. revenue for the industry group: modern sectors only in billions CFAF, 2013

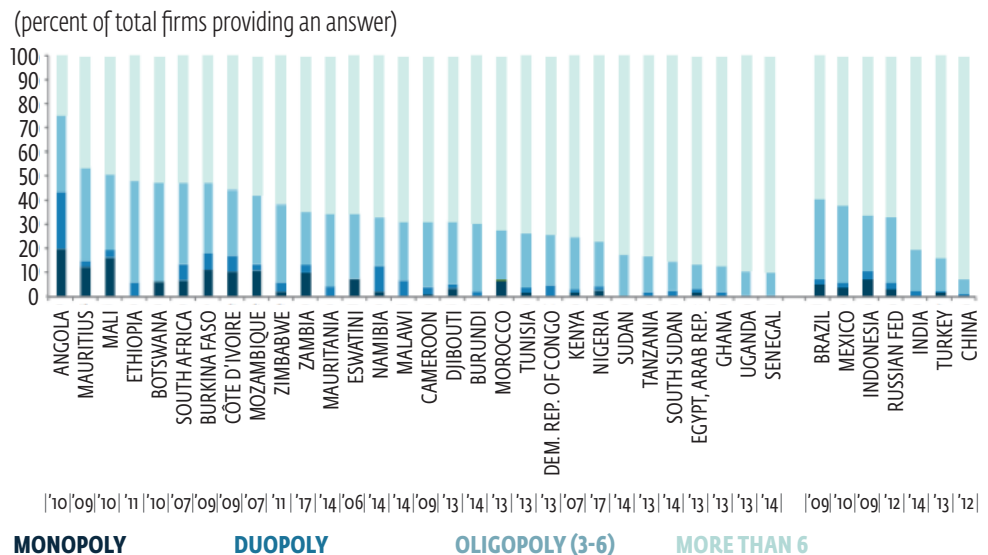


Source: World Development Indicators.

Although the bulk of the manufacturing (75 percent) is destined to the ECOWAS region, these exports form only a very small share of the region’s total imports. As of 2015, Côte d’Ivoire’s exports to the ECOWAS region were just 1.5 percent of the region’s total imports. This number partly reflects the fact that the country’s major exports to the region are of low value. For example, despite accounting for 36 percent of Ivorian total exports to the region, exports of wood, soaps, and detergent and footwear represent less than 4 percent of the region’s total imports. Assembly-focused manufacturing, which accounts for 37 percent of exports to ECOWAS, makes up just 0.2 percent of the market share.

Côte d’Ivoire’s manufacturing sector seems quite concentrated relative to its regional peers (Figure 4.22). It ranks among the top eight African countries that are perceived to be highly concentrated. When only monopolies and duopolies are considered, Côte d’Ivoire ranks in the top four most concentrated.

FIGURE 4.22 MANUFACTURING SECTOR MARKET STRUCTURES, AFRICA AND SELECTED PEERS



Source: World Bank Group, Enterprise Surveys (various years as indicated).
 Note: Figures for China do not include SOEs.

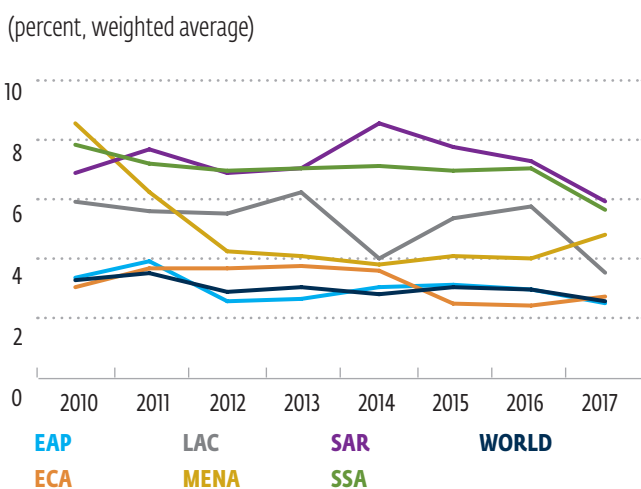
Building a sustainable manufacturing sector post-2020: Where are the opportunities?

Côte d’Ivoire could expand manufacturing by exploiting the regional markets, especially considering the African Continental Free Trade Area (AfCFTA) agreement. If the AfCFTA is effectively implemented, it is estimated to raise intra-African trade by up to USD 70 billion dollars per year compared with a scenario without AfCFTA (United Nations ECA 2018). Its benefits are expected to be significantly concentrated in manufacturing and industrial development, and in tourism (Signé and van der Ven 2018). Business-to-business spending in manufacturing in Africa is projected to reach USD 666.3 billion by 2030, compared with USD 201.3 billion in 2015 (Sun 2017).

AfCFTA is expected to generate opportunities for the manufacturing sector through reduced tariff and non-tariff barriers to trade. Despite a declining trend in recent years, Sub-Saharan African tariffs remain very high, lower only than those for South

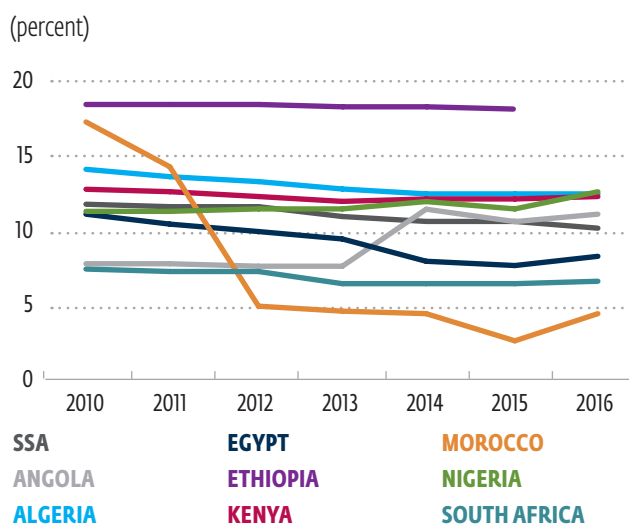
Asia (Figure 4.23). The tariffs substantially vary across countries. Considering the eight biggest African economies, with a combined GDP of close to a third of Africa and a population equal to 41 percent of Africa’s population, five of them have tariffs above the Sub-Saharan African average and three are below (Figure 4.24).³⁵ Tariffs for manufacturing are slightly lower (by an average 0.86 percentage points), except for South Africa, where they are higher by 0.24 percentage points. By aiming for a tariff reduction for 80 percent of all regional goods and implementing other measures to reduce non-tariff barriers, the AfCFTA will create opportunities.

FIGURE 4.23 TARIFFS ON ALL GOODS, 2010–17



Source: World Development Indicators, 2018.
 Note: EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.

FIGURE 4.24 TARIFFS FOR SELECTED AFRICA COUNTRIES, 2010–16



Source: World Development Indicators, 2018.
 Note: SSA = Sub-Saharan Africa.

A joint World Bank-USAID analysis (2018) of the Strengths, Weaknesses, Opportunities and Threats (SWOT) for the product industries in Côte d’Ivoire finds plastic, cosmetics, and rubber to have the highest potential. A SWOT analysis was conducted on Côte d’Ivoire’s six key manufactured product industries, including cosmetics, iron and steel, pharmaceuticals, plastics, rubber, and textiles and apparel. The prioritization was conducted through (a) a quantitative analysis, based on desirability (in relation to impact on jobs and inclusion, economic growth, competitiveness, integration and connectivity, resilience and stability, and environmental sustainability) and feasibility (in relation to potential demand, availability and potential costs of production factors and key inputs, and institutions like regulatory barriers, rule of law and property rights, macro and political stability, and competition; and (b) a qualitative analysis, through a two-stage consultative process, starting with public-private sector dialogue with key stakeholders, and further consultation with the Ministry of Industry and Mines, private sector associations, civil society, and donor organizations. In addition to prioritizing rubber and plastics as core projects for the sector, further options were agreed for exploring future initiatives in cosmetics and textiles.

For example, an effective AfCFTA could allow the Ivorian cosmetic industry to benefit from access to the large markets beyond ECOWAS. If the implementation of AfCFTA results in reduction of tariffs and non-tariff barriers, Côte d'Ivoire could potentially benefit from accessing markets such as South Africa, Ethiopia, Kenya, and Angola. This could be enhanced if Côte d'Ivoire's cosmetic industries promote research and development to develop new products; invest in improved marketing; and enhance quality by improving the country's branding labels and strengthening the institutional framework for combating counterfeit and unsafe products.

However, it should be noted that trade liberalization (through the AfCFTA) is a necessary, but not sufficient, condition for development of the manufacturing sector. To yield a greater dividend, it should be accompanied by measures to improve the business environment, in particular by reducing the infrastructure gap and implementing reforms to improve cross-border trade. This would include, but not be limited to, improving Africa's transport infrastructure, especially the roads, railroads, ports, and air connections that link countries to their markets (see discussion of logistics below).

A further area of focus is the skills gap. The manufacturing sector may require a different profile of skills than other sectors, including skills like engineering. This will require further work to enhance the role of the private sector in tertiary education (see discussion below).

4.3 BINDING CONSTRAINTS – COMPARISON WITH ASPIRATIONAL PEERS

Cross-cutting constraints can be identified and prioritized by comparing the business environment in Côte d'Ivoire with that in countries that lead in industries in which Côte d'Ivoire is competitive. Key aspirational peers that have been identified are Vietnam and Morocco (Box 2.1). With per capita GDP growth at 6 percent in 2018 (compared with 4.7 percent in Côte d'Ivoire) and an average growth rate of almost 7 percent over the past two decades, Vietnam has been a development success story. Côte d'Ivoire and Vietnam shares resource endowment that makes them particularly well suited to agribusiness, such as ample water, fertile soil, and diverse agro-climatic conditions. Apart from its success in manufacturing, Vietnam has had tremendous success in diversifying agriculture exports and upgrading to higher value-added agro-processing. Vietnam's agriculture and agro-processing product exports have grown by 180 percent from USD 10.7 billion in 2007 to USD 30.3 billion in 2017 – led by textile yarns and threads (+756 percent); rubber products (+740 percent), and fruits and nuts (+687 percent) – far outperforming the 110 percent growth achieved by Côte d'Ivoire in the same period. Morocco, while much richer than Côte d'Ivoire (per capita income of USD 3,240), successfully diversified into the manufacturing sector, particularly autos (Morocco's vehicle exports have by grown a factor of 20 in the past 10 years to USD3.4 bn in 2017), auto ancillaries, and aerospace, as well as higher-value-added agriculture and agro-processing.

The report will look at those constraints in which Côte d'Ivoire ranks particularly weak compared with these aspirational peers but that are important to the priority sectors.

TABLE 4.2 AGRICULTURE AND AGRO-PROCESSING EXPORTS, 2007–17

(USD million)

	CÔTE D'IVOIRE			VIETNAM			
	2007	2017	GROWTH (%)	2007	2017	GROWTH (%)	
Cocoa	2,131	4,825	126	Fish	3,758	8,285	120
Fruit and Nuts (including cashew)	287	1,423	396	Fruit and nuts (including cashew)	755	5,946	687
Perfumes and Cosmetics	133	216	63	Coffee	1,927	3,501	82
Cotton	99	205	108	Textile yarn and thread	414	3,544	756
Fixed Vegetable Fat, Oils, Other	92	188	105	Rice	1,490	2,635	77
Coffee and Coffee Substitute	252	130	-49	Rubber (including synthetic)	1,365	2,229	63
Chocolate and Other Cocoa Preparations	73	128	74	Rubber products	168	1,407	738
Soaps, Cleaners and Polish	83	103	23	Spices	300	1,295	331
Wood	211	77	-64	Vegetables	245	576	135
Tobacco	36	77	114	Leather	107	433	304
Paper, Paperboard, etc.	41	70	69	Tea	133	227	70
				Sugar and honey	31	104	236
TOTAL	3,538	7,504	112	TOTAL	10,748	30,324	182

Source: UN Comtrade.

Figure 4.25 shows which constraints appear to be particularly relevant, given that Côte d'Ivoire ranks weaker than aspirational peers.

FIGURE 4.25 CONSTRAINTS ON THE ECONOMY OF CÔTE D'IVOIRE



Note: GNI = gross national income; GNP = gross national product; Mbps = megabits per second.

5 THE FIVE GAPS

Overall, analysis of the business environment compared to aspirational peers highlights the following gaps: (a) access to finance; (b) logistics; (c) digital connectivity; and (d) skills. In addition, evidence from enterprise surveys shows that certain aspects of the business environment, in particular the lack of an effective framework for competition policy, discourage investment.

The overarching goal for Côte d'Ivoire is to create quality jobs for its growing youth bulge and to reduce spatial inequalities. As in other Sub-Saharan African countries, demographic growth in Côte d'Ivoire will create a significant youth bulge: over the next two decades, between 350,000 and 400,000 young people are estimated to join the working-age population each year. The share of working age (15-64) population will increase from around 58 percent in 2019 to almost 65 percent in 2040. The other challenge would be to reduce the regional disparities.

The most promising path would be to promote agriculture, agro-processing, and related manufacturing industries. This section discusses in greater detail in what way shortcomings in these enabling sectors hamper the ability of Côte d'Ivoire to realize the potential comparative advantage, focusing on the constraints most binding to agriculture, agribusiness, and related manufacturing (Box 5.1).

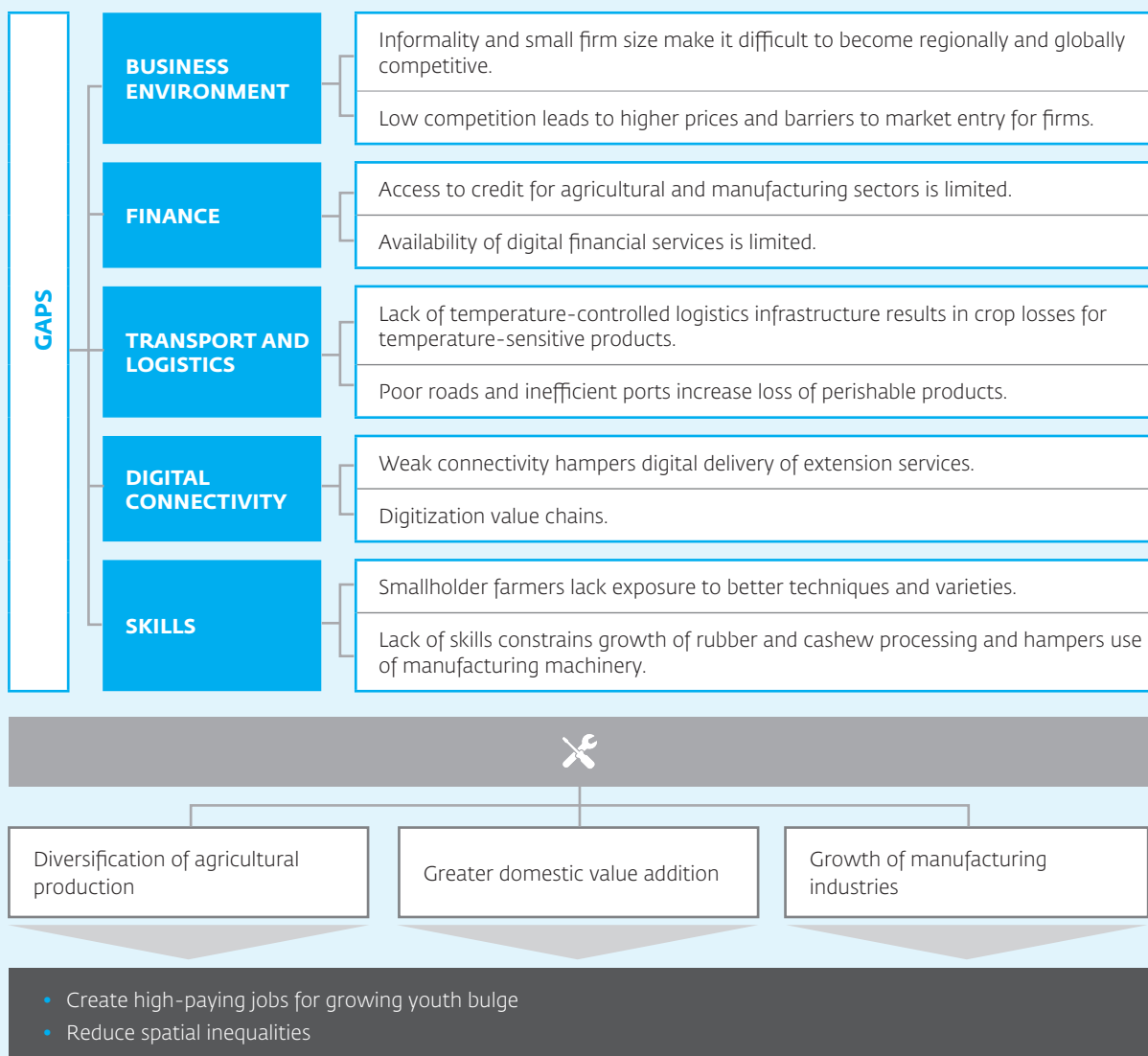
BOX 5.1 HOW DO THE FIVE GAPS CONSTRAIN AGRICULTURE, AGRI-BUSINESS, AND MANUFACTURING?

- **Business environment gap.** Disincentives to formalization include the '*impôt synthétique*', which implies that smaller companies have a much lower tax burden than large companies. Also, frequent inspections by government agencies increase the cost of doing business. Lastly, low competition in several sectors creates an uneven playing field and entry barriers.
- **Finance gap.** Access to credit for small farmers is inadequate due to the limited presence of financing structures such as rural microfinance institutions and rural banks. The weak availability of digital financial services also hampers the digitization of agricultural value chains, which prevents smallholder farmers from building a credit history that could improve their access to the banking system or innovative digital insurance products. Lack of access to finance also constrains the scope of the manufacturing sector to expand and become competitive at a regional and global scale.
- **Transport and logistics gap.** Enhancing connectivity is critical to integrate into global value chains and move to higher-value-added products, in particular for agribusiness and manufacturing industries. High transport costs hamper the competitiveness of Côte d'Ivoire's exports. In addition, lack of adequate temperature-controlled logistics leads to greater spoilage of perishables before they reach global and local consumers.
- **Digital connectivity gap.** Connectivity gaps are the greatest in the poorer north and center of the country. Improved digital connectivity could provide small holder farmers with e-extension services, which would improve productivity. Proliferation of connectivity would accelerate the digitization of agri-value chains, which could build transaction histories for smallholder farmers and SMEs and enhance their credit profile.

- **Skills gap.** Smallholder farmers currently lack exposure and knowledge about better techniques and varieties, usage of technological inputs such as fertilizer and insecticides, as well as skills to operate machinery, resulting in low productivity.

Low digital skills coupled with the gaps in internet connectivity prevent farmers from harnessing the internet to access real-time information on rainfall, and prices.

FIGURE 5.1.1 GAPS AND SOLUTIONS IN AGRICULTURE, AGRIBUSINESS, AND MANUFACTURING



5.1 BUSINESS ENVIRONMENT

Côte d'Ivoire's economy is characterized by high levels of informality and a limited degree of competition in several sectors. This section discusses some of the key factors that explain this situation and in what way they constrain investment.

Informality

Formalizing businesses is a challenge because of the cumbersome procedures for business licenses. The large size of the informal sector can be explained by a combination of factors directly under the control of the government, such as procedures for business licenses and taxes, as well as the other four gaps described below. Larger firms have greater opportunities to overcome shortcomings in access to finance, logistics, the digital economy, and skilled labor. In Côte d'Ivoire, while the informal sector expanded during the crisis years, a large part of the informal sector is structural and it includes a considerable number of businesses with many years of operations (Christiaensen and Premand 2017). Informality has a cost: it is estimated that an increase of one standard deviation in the size of the informal sector leads to a decline of one to two percentage points in the rate of GDP growth per capita (Oviedo, Thomas, and Karakurum-Ozdemir 2009). This is because the informal sector does not pay taxes, reduces the likelihood of capital investments, and can operate below optimal capacity. The cumbersome procedures and informal costs of obtaining business licenses increases the hurdles for businesses to formalize.

The so-called *impôt synthétique* creates perverse incentives for firms to stay small and informal, as a result of the threshold effect. The synthetic tax was instituted to bring small informal sector operators into the tax net through a single tax (in the place of value added tax, patent and income tax). However, in addition to these shortcomings, the current regime of *impôt synthétique*³⁶ creates incentives for companies to remain small, as the tax payments become significantly higher once companies have been formalized³⁷. As a result, many firms choose to split up their operations in multiple smaller entities and remain below the threshold. Firms subject to *impôt synthétique* make up half of the taxpayers but pay only 1 percent of the taxes. Simplifying the tax bases applicable for small businesses, by defining single rates and thresholds, would encourage them to register as formal businesses (IMF 2018).

Informality also affects the development of the supply chain in agribusiness. Currently, many farmers are not organized in cooperatives and are yet to professionalize their operations, and this adversely affects the quality of produce and productivity. Cargill's Coop Academy for cocoa cooperatives is a private sector-led initiative that helps farmers to formalize and can be replicated with other traders, such as Olam that are interested.

The dualistic nature of the Ivorian economy, characterized by a vast, unregulated informal sector and a few large firms, is a constraint on sustainable growth. According to the Enterprise Survey, 75.6 percent of firms report competing against informal or unregistered firms. This result is a significantly higher proportion than the average for Sub-Saharan Africa and low-income countries, which reported 67.1 percent and 53.2 percent of firms, respectively, competing against informal businesses.

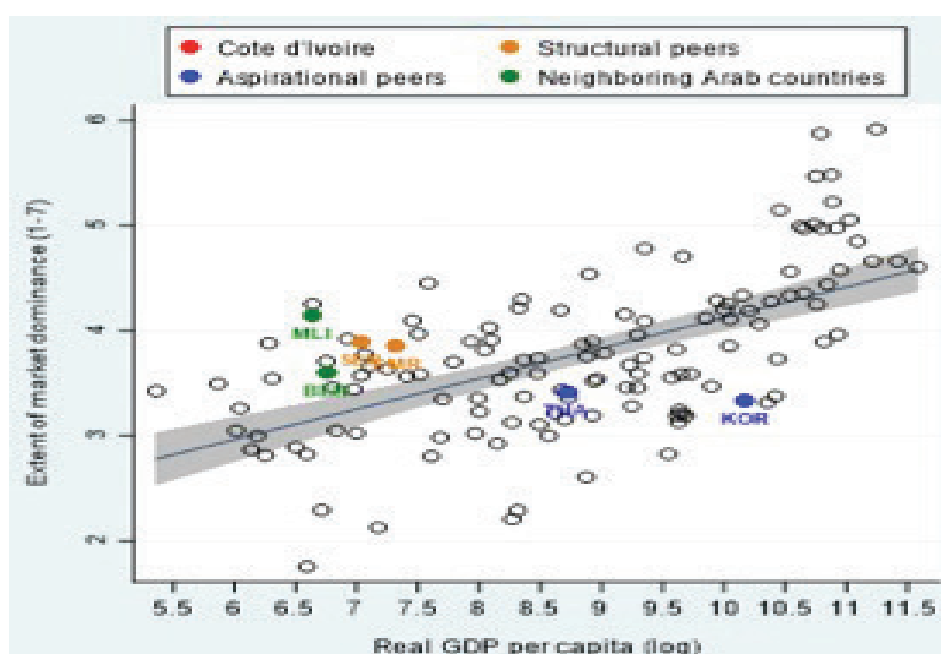
Level of competition

While the implementation of the competition law has improved, there is still evidence that competition in several sectors is restricted, notably in real estate and the import of refined products. This contributes to an increase in prices relative to a competitive equilibrium and creates market entry barriers for newly set-up firms (Figure 5.1).

Competition policy involves two-levels: regional and national. WAEMU countries lost national enforcement powers in favor of the WAEMU Commission in 2003, when WAEMU competition law came into force. National competition authorities only conduct preliminary investigations and market analyses subject to the WAEMU Commission's instructions. The WAEMU Commission has exclusive competence to investigate: (a) state aid, (b) anticompetitive state practices, and (c) anticompetitive practices with a cross-border effect. Before issuing a decision on an anticompetitive practice, the WAEMU Commission must first obtain a non-binding opinion issued by the advisory committee consisting of two members appointed by each member state. National competition authorities perform a secondary role in the enforcement of WAEMU competition rules. Their role is limited to a permanent monitoring of the national markets to identify failures stemming from anticompetitive practices and to cooperate with the WAEMU Commission during the investigation stage.

Many sectors that are relevant to the business environment, such as the transport and telecommunications sectors, are characterized by monopolies or oligopolies that constitute barriers to market entry. While exact data are hard to obtain, limited competition substantially increases the cost of doing business and adversely affects competitiveness. Using structural peers and WAEMU countries (Mali, Burkina Faso, Senegal and Cameroon) as proxies shows that Côte d'Ivoire has a level of market dominance that is too high for its per-capita income.

FIGURE 5.1 MEASURES OF COMPETITION VS. REAL GDP, 2015



Source: Global Competitiveness Index 2015 and World Bank staff calculations.

State-owned enterprises active in certain sectors

The Ivorian government holds substantial interests in many firms, including the refinery SIR (49 percent), the public transport firm (60 percent), the national television authority RTI (98 percent), the national lottery (80 percent), the national airline Air Côte d'Ivoire (58 percent), and the land management agency AGEF (35 percent). These companies owned or controlled by the state are subject to the laws and tax code and each state-owned enterprise (SOE) has an independent board. The government has begun the process of divestiture for some state-owned enterprises and had targeted 15 for sale during 2015, but the program has not been completed. The Ivorian government also holds significant interests in banking, agri-business, mining, and the telecom industry. By comparison, state-owned or controlled firms in Morocco (around 725 entities, including 210 establishments with public status) account for half of the total investments made in the country.³⁸ In Vietnam, while the 2,486 SOEs active in various sectors represent only 0.4 percent of registered firms in 2018 (compared to 1.2 percent in 2010), and employ only 8.3 percent of the workforce, they continue to generate nearly 30 percent of Vietnamese GDP.³⁹

The presence of SOEs leads to some distortion of competition; for example, SIR holds the monopoly for the import of refined products. The sizeable weight of SOEs in certain sectors of the Ivorian economy, together with the preferential treatment that accrue to them (access to infrastructure, land, subsidies and public procurement), creates market distortions that tend to stifle the private sector, especially in the productive sectors. This is why the Ivorian government has started a process of selling shares it holds in some SOEs.

There are no laws or rules that offer preferential treatment to SOEs. They are subject to tax burdens and policies as private companies, though sometimes SOEs develop large arrears on items such as electricity bills. The corporate governance of SOEs in Côte d'Ivoire does not meet the standards of the Organisation for Economic Co-operation and Development, but the government has made some efforts to improve it, including the creation of a new category of public enterprises to bring Ivorian legislation into line with WAEMU regulations. Private and public enterprises compete under the same terms and conditions.

Business regulations

A large majority of firms (86 percent), notably in the sectors of transport, commerce, and tourism, complain about excessive inspections by a large number of government agencies. The effectiveness of, and justification for these inspections, combined with their usually short duration (< 30 minutes), give rise to suspicion with regards to their real intent.

Complex procedures discourage formalization. In key sectors, such as education, health care and tourism, complex processes and lack of streamlined approvals have discouraged formalization and led businesses to either stay informal or not grow. For instance, lack of a streamlined approval process has led to informal construction of hotels, which often do not comply with quality standards. In the education sector, starting a new educational institution requires several redundant and lengthy procedures, unlike, for example, in Senegal, where the government has streamlined the process and increased staff evaluating private applications to ease entry into the market. Many schools in Côte d'Ivoire choose not to formalize and opt to stay small.

BOX 5.2 CÔTE D'IVOIRE LAUNCHES NEW INDUSTRIAL ZONES AND "GROWTH POLES"

In 2012, the Ivorian authorities launched an ambitious program to develop new, state-of-the-art "special economic zones" (SEZ) that would unplug the existing ones located around Abidjan – and help bolster the country's manufacturing industries, bringing the sector from 25 percent of GDP to 40 percent of GDP by 2030. An Agency for Industrial Land Management and Development (AGEDI) was created to: (a) develop and equip industrial areas with basic infrastructure services (connecting the new SEZs to existing networks); (b) examine applications for industrial land acquisition by private developers; and (c) monitor the development of the allocated land by private developers.

To date, three "growth poles" have been identified with the stated goal of catalyzing private investments and job creation in target sectors:

- **Yopougon and PK24 (Abidjan):** Located in Abidjan's industrial basin, the country's economic lung, the old industrial zone of Yopougon is undergoing redevelopment and an additional special economic zone, labeled "PK24" in reference to its distance on the Northern highway, is being rolled out. The Yopougon industrial zone captures 80 percent of the country's manufacturing over 645 hectares of land yet has suffered congestion and underinvestment – resulting in a dire need for infrastructure upgrade (including fiber optic and a new logistics center). As for the new PK24 economic zone, developed over a total area of 940 hectares by the China Harbor Engineering Company, it is attracting growing private sector interest – including in cement (*Limak*), food, and beverages (*Brassivoire*).^a
- **Bouaké:** A second special economic zone is planned in this secondary city located in the interior of the country, at the crossroads between North and South, for facilitating investment in agriculture (livestock), agro-industry (cashew nuts), and light manufacturing (textiles).

- **San Pedro:** The Port of San Pedro, located on the west coast of the country, targets private sector growth in the mining sector (with export potential from its natural seaport outlet) as well as in the agriculture (cocoa) and tourism sectors.

A recent development in Côte d'Ivoire's SEZ policy took place with the announcement made in May 2018 of a new cross-border special economic zone spanning three countries and the cities of Sikasso (Mali), Bobo Dioulasso (Burkina Faso), and Korhogo (Côte d'Ivoire): the "SiKoBo" Triangle could become one of the largest cross-border SEZ, and the first such regional initiatives in Africa, rooted in deep intercommunal relations and with institutional support from the ECOWAS. Endowed with a business-friendly legal framework and tax incentives aimed at attracting local, regional, and global investors in target sectors such as agribusiness/agro-industry and mining, the future zone will further long-standing ambitions for regional economic integration.

The success of Côte d'Ivoire's industrial zones and "growth poles" will depend on key factors summarized in Table 5.2.1. Industrial parks and other types of SEZs aim to attract private investments to specific territories on the basis of quality infrastructure and services, such as reliable and low-cost energy supply, efficient logistics and privileged access to markets. While some may rely on corporate "tax holidays" and fiscal advantages, the use of general fiscal exemptions is never an optimal solution as it leads to increased tax burden on the private sector. On the other hand, targeted tax incentives, intended to support the development of targeted, high-growth value chains, must be granted on a case-by-case basis and accompanied by robust monitoring and evaluation mechanisms.

TABLE 5.2.1 ACTIONS TO DEVELOP SUCCESSFUL ECONOMIC ZONES

DEVELOPMENT PHASES	SUCCESS FACTORS
Program design	<ul style="list-style-type: none"> • Integrate SEZs dynamically in a development strategy. • Complement existing competitive advantages. • Take into account the national investment climate and governance capabilities. • Design zones to be self-financing.
Operations	<ul style="list-style-type: none"> • Get the basics right: business facilitation, infrastructure, labor pool. • Promote clusters and links. • Ensure strong institutions and good governance. • Coordinate investment promotion.
Development impact	<ul style="list-style-type: none"> • Set clear goals and performance metrics for economic and ESG contributions. • Conduct effective monitoring and evaluation with consequence management. • Maximize synergies between institutions and levels of government

a. In July 2016, the Ivorian authorities announced a joint loan from Afreximbank and the Export-Import Bank of China as part of a large support program for the 2,000 hectares of industrial zones in Africa.

Sources: AGEDI; CIIP and World Bank Project (2017), "Poles of growth, competitiveness and employment"; UNCTAD (2019), World Investment Report: Special Economic Zones.

Note: ESG = environmental, social, and governance; SEZ = special economic zone.

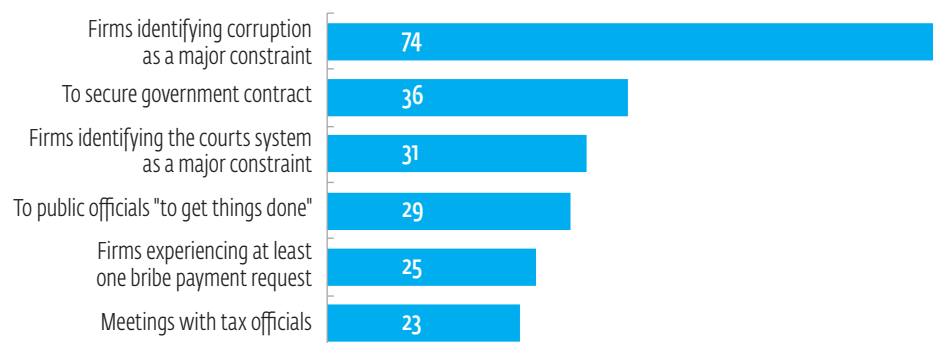
Governance and business integrity

The volatile political environment associated with the run-up to the 2020 presidential elections, creates uncertainties regarding the future political and economic direction of the country. Such factors weigh on private investment. The World Bank Enterprise Survey and World Economic Forum's CEO Survey indicate that political instability is a highly rated concern widespread across the spectrum of firms, irrespective of size or sector of activity, except to a lesser degree for larger more established firms.

High levels of perceived corruption can further inhibit private investments while institutional and regulatory deficits provide a fertile ground for informal activities (Figure 5.2). Corruption undermines confidence in market institutions whereas significant amounts of bribes weaken the operational efficiency of firms through increased costs. World Bank Enterprise Survey results (2016) indicate that a quarter of Ivorian firms were subject to at least one incidence of corruption, while almost a third are expecting to generally provide "gifts" to public officials "to get things done". These results are slightly above the Sub-Saharan African averages of 23.7 percent and 27 percent, respectively.

FIGURE 5.2 PUBLIC SERVICE AND CORRUPTION

(percent of firms expected to provide a "gift")



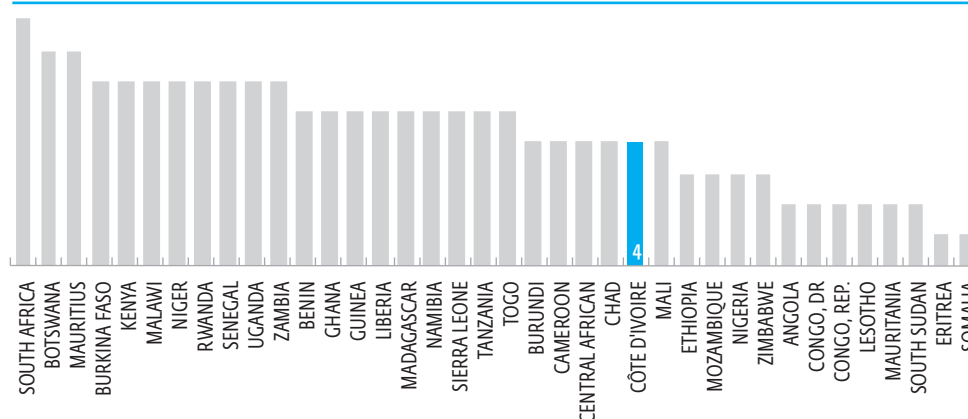
Source: World Bank Enterprise Survey, 2016.

Constraints

Effectiveness of competition law enforcement in the WAEMU is limited by weak coordination and limited resources. The WAEMU Commission has limited resources to finalize investigations and issue competition decisions. Furthermore, there is little de facto collaboration between the national competition authorities and the WAEMU Commission. As such, the effectiveness of competition enforcement is limited.

The scope of competition law is limited, and implementation is weak. In June 2017, the décret n°2017-411 was issued to implement the Competition Ordinance of 2013-662. The members of the Competition Commission were appointed only in March 2018. However, according to the Bertelsmann Stiftung’s Transformation Index – which is derived on the basis of expert assessments – Côte d’Ivoire ranks 25th among Sub-Saharan African countries in implementing legal or political measures to prevent anticompetitive practices and mergers that are likely to harm competition (Figure 5.3).

FIGURE 5.3 ANTIMONOPOLY POLICY



Source: Bertelsmann Stiftung Transformation Index 2018.

Note: Measured on a scale of 1 to 10, where 1 denotes the existence of comprehensive competition laws that are strictly enforced. Assesses whether antitrust or competition laws exist and are enforced against monopolistic or cartelistic structures and conduct.

The national competition authority lacks funding and capacity to fulfil its WAEMU law mandate of conducting preliminary investigation and market analysis. The national competition authority lacks both technical and administrative staff to perform market studies as required under WAEMU's competition law.

Policy recommendations

Impôt synthétique

- Adopt a new regime of *impôt synthétique* that would increase the tax burden on the informal sector with a view to reducing disincentives to formalization.

Competition

- Develop efforts within WAEMU to approve legislation delegating powers to national competition authorities to investigate and decide on anticompetitive practices that occur on the national territory and do not have cross-border effects. For anticompetitive practices with cross-border effects, rules should be framed to regulate and improve cooperation between the WAEMU Commission and national competition authorities.
- Enhance resources of the WAEMU Commission and the national competition authority to improve competition enforcement, including employing technically trained manpower and transferring powers of investigation and decision in matters of anti-competitive practices.
- Review the role of state-owned companies in sectors where a strong role for the public sector may not be necessary.

Inspections

- Adopt a risk-based mechanism to select companies for inspections and define a clear protocol that lays out objectives and sanctions of inspections.

Industrial zones (Box 5.2)

- Integrate the new special economic zones into a dynamic vision of territorial and industrial development, including by connecting to existing infrastructure networks (transport, energy, and telecommunications) and mobilizing sufficient resources.
- Mobilize the land required for industrial use and ensure the financial sustainability of projects through attractive value propositions - if possible, in the form of PPPs with large, anchor investors.

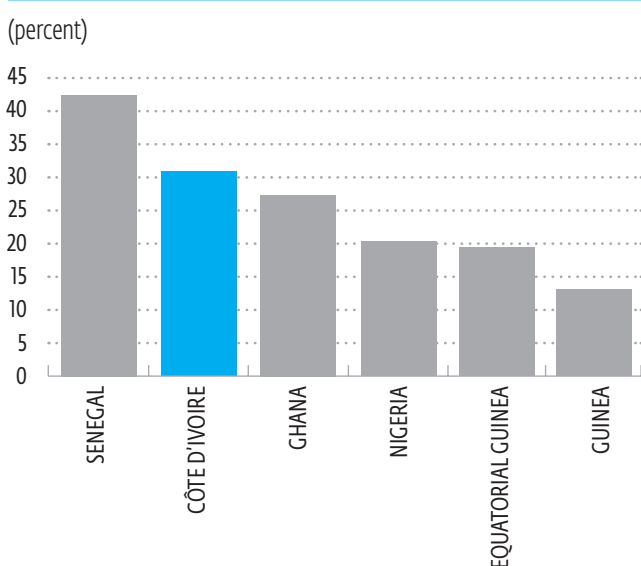
Integrity

- Continue to strengthen the capacity of the national anti-corruption authority and the judiciary to identify and prosecute cases of corruption.

5.2 ACCESS TO FINANCE

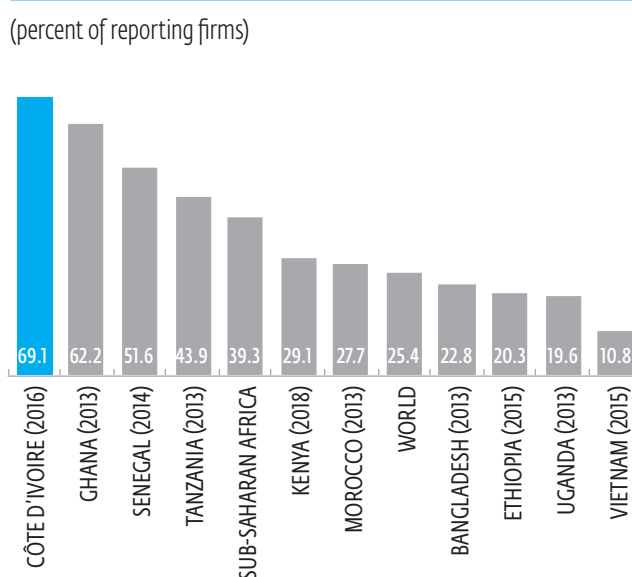
As of late 2018, Côte d'Ivoire had one of the most developed financial sectors in the ECOWAS region, with 30 active banks (Figure 5.4). The sector has expanded rapidly in recent years, driven by an emerging middle class, public investment programs, and the return of private investors. In addition, the arrival of microfinance institutions and mobile money has increased lending and improved access to banking services.

FIGURE 5.4 DEPOSIT MONEY BANKS ASSET TO GDP, 2016



Source: World Bank Global Financial Development.

FIGURE 5.5 FIRMS IDENTIFYING ACCESS TO FINANCE AS A MAJOR CONSTRAINT



Source: World Bank Enterprise Survey, 2016.

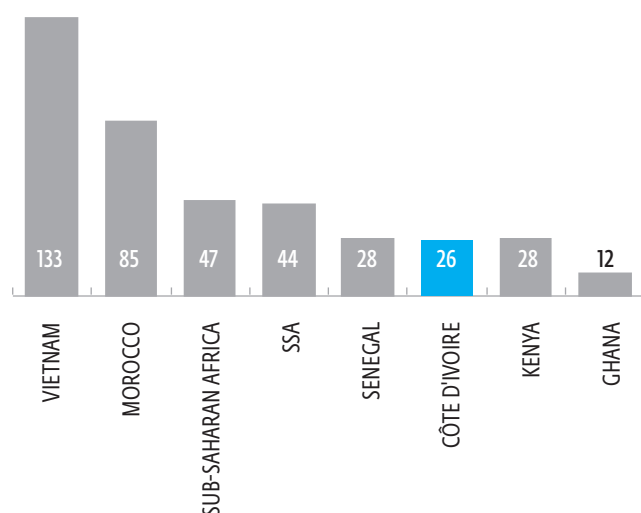
Credit growth has been strong: Total credit to the economy increased by over 200 percent between 2012 and 2018 and is expected to continue growing at over 12 percent annually over the next five years (IMF 2018). However, the sector remains concentrated as one-third of the institutions hold nearly 80 percent of the credit market. Bank lending is also relatively concentrated in loans to a few large customers. Despite the relatively high proliferation of banks and automated teller machines (ATMs), the penetration of banking services remains low and only 21.6 percent of adults had an account at a formal financial institution in 2018. Capital market activity remains limited, as the fixed income market is dominated by government bonds and the regional equity market is thin and illiquid.

But credit remains concentrated: Almost 70 percent of enterprises in Côte d'Ivoire identify access to finance as a major constraint – far higher than regional peers and aspirational peers (Figure 5.5). Notably, Côte d'Ivoire stands out for the low share of credit to the private sector compared with structural and aspirational peers. Private sector credit as a share of GDP remains among the lowest compared to structural and aspirational peers. At 27 percent of GDP in 2017, credit to private sector as a share of GDP remains far below the regional average (47 percent) and lower-middle-income average (44 percent) (Figure 5.6). The percentage of firms using banks to finance investments in Côte d'Ivoire (24 percent) is lower than in aspirational peers (35 percent in Morocco and 30 percent in Vietnam).

An additional important reason behind low extension of credit is the fact that commercial banks can easily be profitable through investment in government bonds that have high rentability.

FIGURE 5.6 CREDIT TO PRIVATE SECTOR, 2017

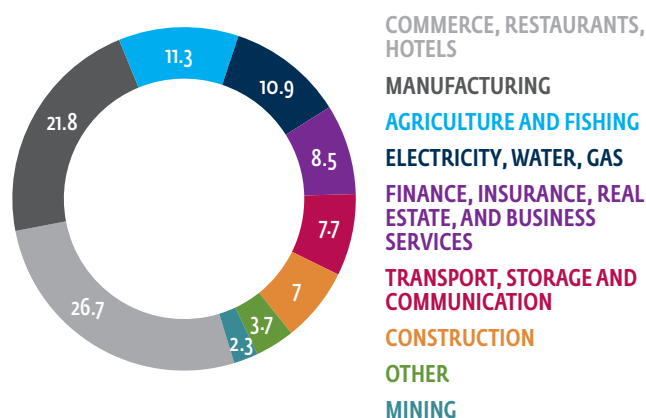
(percent of GDP)



Source: World Development Indicators;

FIGURE 5.7 BANK CREDIT BY SECTOR, 2017

(percent)



Source: IMF, 2018.

Access to credit is particularly limited for smaller firms and the agricultural sector. Access to credit by small farmers is limited by the lack of financing structures such as rural microfinance institutions and rural banks. Agriculture employs 46 percent of the population and contributes around 23.4 percent of GDP but around 10 percent of bank lending (Figure 5.7). Private banks are reluctant to provide loans to rural small-scale farmers because they are deemed too risky owing to: low levels of capitalization, unstable revenue flows, lack of formal credit history, difficulty in evaluating small farmers' repayment capacity, lack of collateral such as titled land, the influence of exogenous factors such as weather conditions, and the limited legal avenues for enforcing contracts (World Bank 2018c). Credit also continued to be particularly challenging for SMEs: the MSME finance gap was estimated to be USD 2.4 billion in 2017 (SME Finance Forum 2020). Available credit often has interest rates that are higher than the average rate of return on the investments and requires large collaterals, which are prohibitive for most farmers and SMEs.

Key constraints to greater development of the financial sector include (a) low deposit mobilization, (b) poor financial inclusion, (c) weak credit information infrastructure, (d) lack of development of capital markets leading to a shortage of local currency financing, and (e) limited availability of digital financial services.

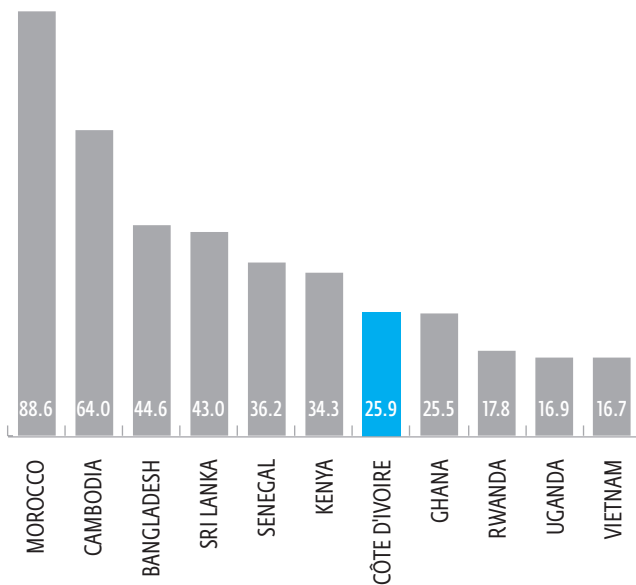
Low deposit mobilization

While the savings rate is relatively high—around 19.7 percent of GDP vs. Sub-Saharan Africa average of 17.1 percent GDP—savings do not find their way into the banking system (Figures 5.8–5.11). Deposits as a share of GDP in Côte d'Ivoire are lower than in some poorer regional peers such as Senegal, Togo, Burkina Faso, and Benin. Banks' inability to mobilize deposits is primarily linked to the high cost of financial services,

lack of documentation, and a lack of public trust in financial institutions. Of those who lack a bank account, 32 percent cited costs as a reason (compared with 19 percent for Sub-Saharan Africa), while 24 percent cited lack of necessary documentation (compared with 18 percent for Sub-Saharan Africa).

FIGURE 5.8 FINANCIAL SYSTEM DEPOSITS, 2014–16 AVERAGE

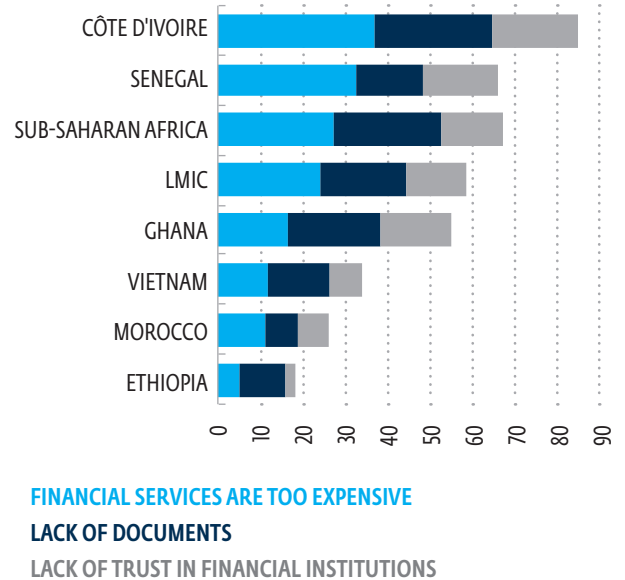
(percent of GDP)



Source: World Bank Global Financial Development Indicators.

FIGURE 5.9 BARRIERS TO ACCOUNT OWNERSHIP

(percentage of respondents without a financial institution account)

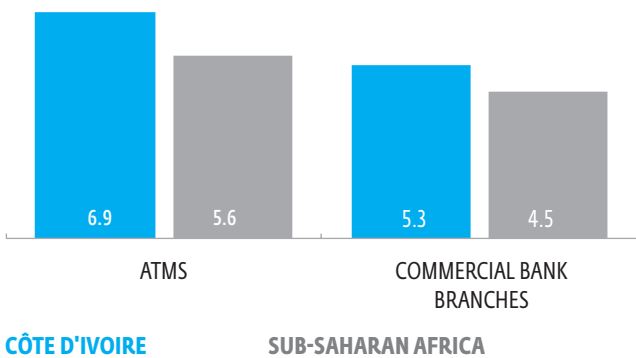


Source: World Bank Findex data, 2017.

Linked to banks' weak capacity to mobilize deposits is low financial inclusion. Despite having a denser bank branch and ATM network than the Sub-Saharan African average, Côte d'Ivoire has a relatively low share of the population with an account at a financial institution.

FIGURE 5.10 BANK BRANCHES AND ATMS, 2016

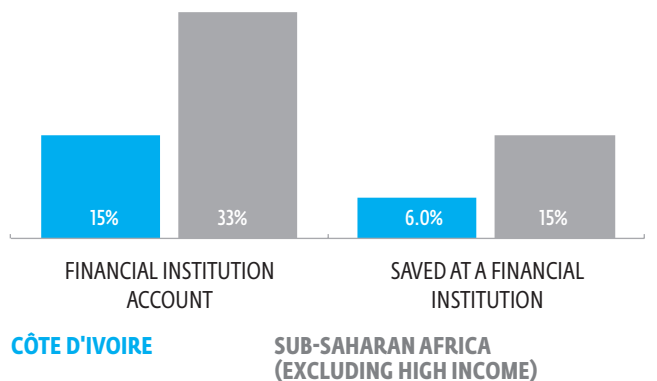
(per 100,000 adults)



Source: World Bank Findex data; World Development Indicators.
Note: ATM = automated teller machine.

FIGURE 5.11 FINANCIAL INCLUSION, 2016

(share of aged 15+ population)



Source: World Bank Findex data.

Weak credit infrastructure

Weak credit infrastructure adversely affects banks' ability to fund smaller firms and the agricultural sector. Credit concentration is high with five borrowers constituting one third of all banks' credit. The reasons cited by bankers for low credit penetration include incomplete or unattractive projects and lack of financial information on borrowers. Côte d'Ivoire also lacks a collateral registry (World Bank 2018c). Movable assets are the main type of collateral that SMEs in Africa can pledge to obtain bank financing. However, banks are reluctant to accept movable assets as collateral due to the inadequate legal and regulatory environment. Collateral registries, which enhance transparency in the credit system, can address the “dead capital” of movable assets. Although a new Insolvency Act was adopted by member states of the Organization for the Harmonization of Corporate Law in Africa (OHADA) Member States in 2015, the insolvency regime remains weak: cost and time to resolve a bankruptcy are relatively high (World Bank 2018c). If Côte d'Ivoire were to reach a level of financial development comparable to Namibia or Cabo Verde, its GDP growth rate would increase by an additional 2 percent per year (World Bank 2018c).

Agriculture finance. Private banks are reluctant to provide loans to rural small-scale farmers as they are deemed too risky. Only about 10-15 percent of the cocoa value chain is digitized, while the digitization rate of other value chains (especially of non-export crops and staples) has been minimal. Many farmers also do not have a proper means of identification.

Lack of titled land. The conversion of customary land into private property remains a challenge. Ambiguity of the legal framework, including the value of a land certificate as opposed to a land title, and complexity and cost of land rights procedures are hindrances to greater availability of land. Notably, village demarcation—an essential prerequisite for securing land rights—has not been effective due to cumbersome and costly procedures and institutional arrangements. Improving urban land tenure system by assigning unique identifiers to urban land parcels is part of forthcoming WBG operations.

Long term credit availability is poor. Data from the Central Bank BCEAO in 2018 suggests that only 3-4 percent of commercial banks' credit is for a period of greater than five years.

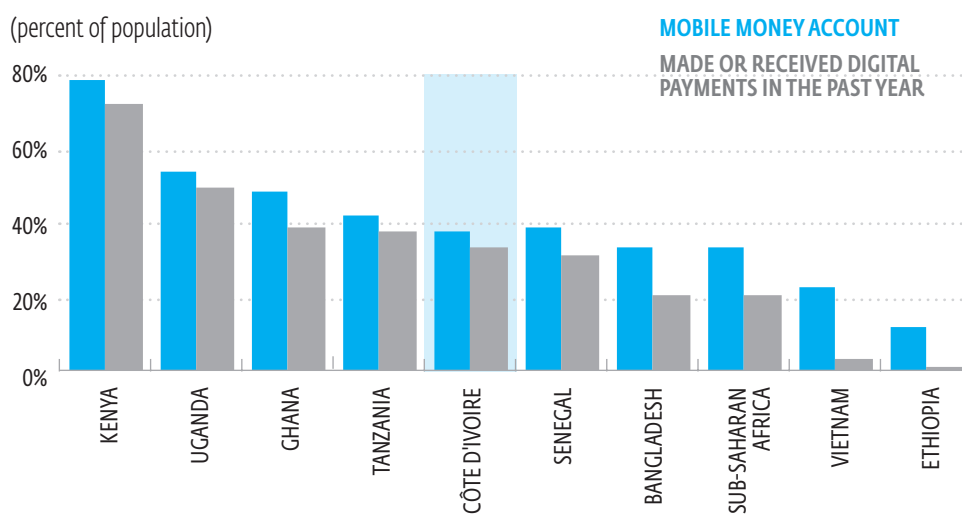
Underdeveloped capital markets

High transaction costs for capital market transactions. Although Côte d'Ivoire boasts some of the most developed financial markets in the WAEMU region, and the location of a regional stock exchange in Abidjan (*Bourse Régionale des Valeurs Mobilières*), capital markets remain illiquid and insufficiently developed. Yet capital markets play a critical role for economic growth. The regional stock exchange recently created a new compartment for SME financing in order to offer SMEs better access to finance via capital markets, and efforts to diversify the investor base, improve the business environment, and reduce the cost of financial transactions should continue. The lack of a functional interbank market and the absence of a reliable long-term segment for the yield curve are further constraints on the development of local capital markets. In this context, it would also be important to further develop the issuance of local currency bonds, building on the recent anchor investment in the 12- and 15-year non-sovereign bonds issued by the *Caisse Régionale de Refinancement Hypothécaire* (CRRH) in December 2017 and February 2019, which allowed banks to extend available mortgage tenor.

Rigid asset allocation rules and lack of capacity with institutional investors and regulators. Capital markets can provide long-term financing, especially since Côte d'Ivoire's pension funds have a young subscriber base and could be natural buyers of longer-term fixed income instruments. Institutional investors in the WAEMU underinvest in corporate fixed income and equities; their investment portfolios are dominated by sovereign debt, short-term liquid investments (term bank deposits; short-term paper) and more speculative land and real estate assets.⁴⁰ Their asset allocation strategy partly reflects restrictive rules imposed by regulatory authorities. Also, regulators lack capacity for market surveillance and risk monitoring across the financial system.

Authorization of offshore accounts. Difficulties in obtaining authorization from the BCEAO to hold offshore accounts by private investors have recently tainted certain infrastructure projects. These accounts are essential for investors to be able to conduct financial transactions in foreign exchange (such as debt service and purchase of equipment), given that BCEAO does not systematically provide them with foreign currency, notwithstanding the full convertibility of the CFA franc. Insufficient access to currency risk hedging instruments is generally cited by market players as an important constraint to the development of the private sector.

FIGURE 5.12 MOBILE MONEY ACCOUNTS AND DIGITAL PAYMENTS, 2017



Source: World Bank Findex data.

Limited digital financial services

Mobile money use is lagging. While Côte d'Ivoire has made progress in financial inclusion through mobile money accounts, it lags high-performing peers in East Africa, such as Kenya, Uganda, and Ghana (Figure 5.12). Moreover, almost 50 percent of all mobile money accounts in Côte d'Ivoire are inactive (versus 42 percent in Sub-Saharan Africa). Mobile money tariffs are much higher in Côte d'Ivoire than in other African countries: 2 digital financial services providers in Côte d'Ivoire were fourth most expensive among 15 providers in selected African and Asian markets, partly because of high taxes (World Bank 2018c). The increased proliferation of mobile bank accounts

has not yet translated into use of formal savings, credit, and insurance products. The poor venture capital funding environment has also hampered the emergence of payment companies.

Policy recommendations

Deposit mobilization

- **Regulatory framework for agency banking.** Public trust in financial institutions is low (Morisset 2016) – among the lowest compared to structural and aspirational peers, which is partly responsible for banks’ weak ability to mobilize deposits despite the relatively extensive branch infrastructure. The absence of a regulatory framework for agency banking, by BCEAO, is making banks and microfinance institutions hesitant to use agents (Meagher 2017).

Digital financial services

- **Digitization of government payments.** Most government payments remain cash based, which affects salaries and payments of benefits and creates delays for citizens. The Program-for-Results financing program, concluded with the World Bank Group, for Enhancing Government Effectiveness for Improved Public Services is also supporting digitization of certain payments, such as payment of student tuition and mission fees of civil servants (World Bank 2019b). A switch from cash and paper-based payments to electronic payments mechanisms for most government transactions would increase the number of transaction accounts and deepen the national retail payment systems.

Credit information infrastructure and credit to agribusiness

- **Replace the patchwork of know-your-customer (KYC) policies with a clear risk-based KYC tier.** Almost 50 percent of farmers do not have regular identification, which hampers their access to digital financial services. The 2015 WAEMU directive on anti-money-laundering/combating the financing of terrorism (AML/CFT) does not provide exceptions for clients without official identity documents. As a result, smaller electronic fund transactions are not subjected to lighter-touch KYC. New risk-based KYC tiers should provide comprehensive coverage of financial services, including digital financial services, and should provide exceptions from requirements more likely to exclude traditionally unbanked groups, such as poor and rural populations.
- **Digitization of agricultural value chains.** Poor financial inclusion and cash dominance in agriculture value chains constrain the access of farmers to finance. Lack of banking history also discourages banks from extending credit to smallholder farmers. IFC’s experience in working with agribusiness players such as Cargill and Olam to digitize payments to farmers suggests that digitization of agriculture value chains could increase farmers’ access to credit by increasing transaction transparency, as it can be used as a proxy for credit history and farmer’s creditworthiness.⁴¹
- **Strengthen the legal framework for the use of land as collateral.** In this context, clarify the value of a land certificate as opposed to a land title, and address the complexity and cost of land rights procedures. Notably, facilitate village demarcation—an essential prerequisite for securing land rights—by streamlining cumbersome and costly procedures and institutional arrangements. Furthermore, improve the urban land tenure system by assigning unique identifiers to urban land parcels.

- **Provide financial literacy education to farmers to educate them about loan access, lending products and costs, and risk management.** Improving financial literacy of adults is supported by the WBG as part of its efforts to strengthen financial inclusion. However, given the low levels of financial knowledge and since requirements differ between providers, increased financial literacy will improve farmers' access to finance. In addition, improved financial literacy also enhances financial inclusion, as it encourages farmers to open a savings account to establish a banking history, in order for them to eventually obtain loans from banks.

Leasing

- **Create a regulatory framework to develop the equipment leasing market.** Leasing of equipment can be an alternative means for SMEs without long credit history or with insufficient collateral to access finance. Leasing could also be a means for farmer cooperatives to access financing – there are some leasing programs for cocoa cooperatives (comprising about 75,000 farmers). To support the growth of the equipment leasing market, authorities should consider (a) improving the implementation of the leasing law by hastening the speed of restitution to around two months by educating the judiciary; (b) VAT neutrality for leasing, as leasing is a credit instrument (similar to a loan) and not an equipment purchase, and (c) accounting treatment for leasing that complies with IFRS 16, which would improve transparency in the equipment leasing market.

Capital market development

- **Activate the regional interbank market, promote yield curve development, and reduce market fragmentation of the sovereign debt market.** The development of a benchmark yield curve is of paramount importance, together with mechanisms guaranteeing that WAEMU sovereign debt issuances registered at the central depository of the regional stock exchange are also eligible as guarantees with the Central Bank. Also, spur income diversification on the regional stock exchange through new company listings and product placements.
- **Advance structural reforms for local capital markets.** Strengthen disclosure requirements on companies in accordance with international good practice; widen the range of regional financial products available, such as private equity funds and risk capital, real estate funds and green/ social bonds; improve financial education for investors, and strengthen investor protection frameworks; strengthen market surveillance; and improve the quality and accessibility of information on listed companies.
- **Encourage policymakers to set adequate asset allocation rules for institutional investors,** including pension funds and insurance companies. This is particularly necessary in Côte d'Ivoire, where pension funds and their young subscriber base could become natural buyers for long-term sovereign and highly rated corporate bonds. However, the current asset allocation of pension funds is skewed towards local sovereign debt and highly speculative real estate investments. The pension funds regulator can limit real estate investments by the funds so that money can be invested in long-term debt. Furthermore, the insurance regulator, CIMA, is restrictive in terms of investment options for insurers: increasing the share of highly rated tradable securities in reserves can expand the pool of buyers for long-term debt.

- **Strengthen the expertise and capacities of financial sector regulators** and their members. Changes in asset allocation rules should be accompanied by capacity building at both institutional investors and regulators (CREPMEF, CIMA, CIPRES, BCEAO).
- **Strengthen transparency and efficiency in management of “off-shore” accounts.** Lack of a transparent framework governing the authorization granted by the BCEAO to hold an “off-shore” account generates considerable uncertainty on the implementation of infrastructure projects, and more generally on the business environment, which would benefit from a transparent authorization framework by BCEAO.

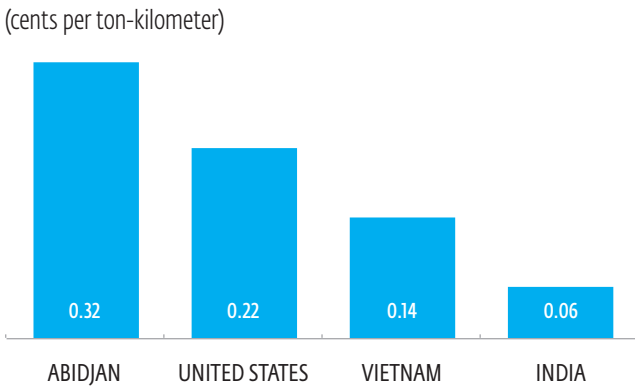
5.3 TRANSPORT AND LOGISTICS

The transport sector in Côte d’Ivoire is one of the most developed in West Africa. Its asset base consists of (a) a road network of 82,000 kilometers (km), of which 6,500 km are paved and 272 km are grade-separated highway standard; (b) 1,238 km (including urban sections) of meter-gauge railway line between Abidjan and Ouagadougou; (c) two international airports at Abidjan and Bouake, and five domestic airports; and (d) two international ports at Abidjan and San Pedro. Roads are a critical component of Côte d’Ivoire’s transport infrastructure, handling more than 99 percent of total internal freight movements. Côte d’Ivoire was one of the first countries in West Africa to effectively use PPPs in the transport sector with the concession of railway, airport, and bridge infrastructure. Over the last five years, the Government and the private sector have invested over USD 2 billion to upgrade/rehabilitate the transport infrastructure, following more than a decade of underinvestment caused by the prolonged political crisis.

Côte d’Ivoire can emerge as a key transport and trade hub for West Africa. Côte d’Ivoire’s transport infrastructure is particularly important for neighboring landlocked countries, such as Mali and Burkina Faso, which channel their imports and exports through it. The Abidjan-to-Ouagadougou transport corridor has become an essential transport route, connecting Burkina Faso with the African Atlantic coast. The market share of the Abidjan-to-Ouagadougou corridor will likely increase as Côte d’Ivoire regains its dominant transit corridor role for Burkina Faso, and, to a lesser extent, Mali and Niger (World Bank 2016). The nearly 1,000 km Abidjan-Lagos coastal corridor links some of the largest and most economically vibrant cities in Africa (Lagos, Accra, and Abidjan) and serves as a population catchment area of over 35 million people. This corridor serves passengers who conduct informal border trade: at least two-thirds of the total traffic has an origin or destination in the neighboring country.

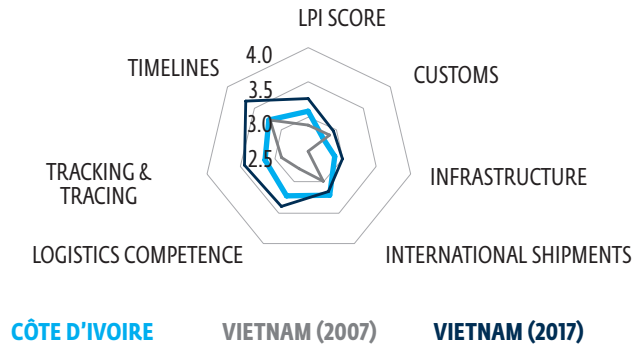
Côte d’Ivoire ranks significantly below Vietnam on the cost and quality of logistics (Figures 5.13 and 5.14). Enhancing connectivity is critical to integrate into global value chains and move to higher-value-added products, in particular for the agricultural products in which Côte d’Ivoire has a comparative advantage (World Bank 2018f). Global trends show that gains from improving trade facilitation (including logistics) outweigh gains from reducing tariffs: exporters with shipping costs 1 percentage point lower than their competitors may enjoy a 5 percent to 8 percent higher market share (World Bank 2018f). Vietnam, which has steadily improved its logistics performance score – Vietnam’s Logistics Performance Index ranking increased 14 spots from 53 (2007) to 39 (2017) – has seen a sharp growth in both agriculture exports and diversification into higher-value-added manufactured product exports, including agri-linked products such as textile yarn, rubber products, and sugar (Figure 5.14).

FIGURE 5.13 CONTAINER TRANSPORT COST⁴²



Source: World Bank 2018e.

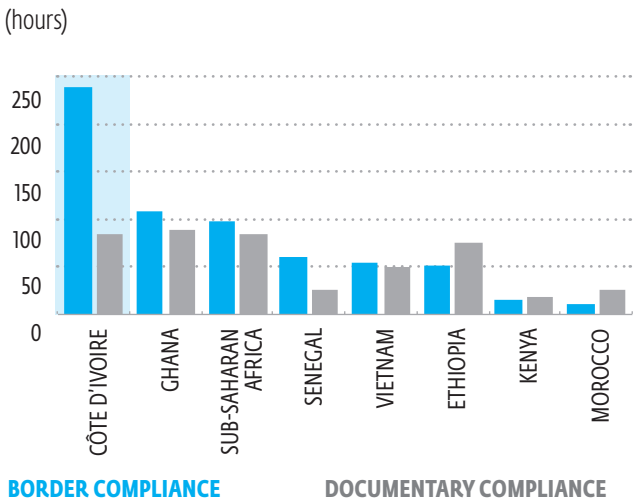
FIGURE 5.14 LOGISTICS PERFORMANCE INDEX, 2017



Source: World Bank Logistics Performance Index, 2018.

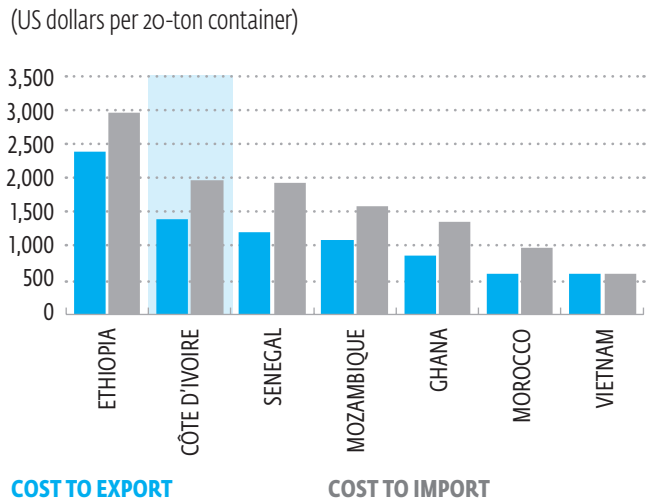
Efficient connectivity through lower transport costs could strengthen linkages between domestic production and international markets. Transport costs in Côte d'Ivoire are far higher than for regional peers: cost of transporting a container for export from the center of the country to the port are far higher in Côte d'Ivoire compared to its neighbor Ghana (Figure 5.16). The share of respondents in the Enterprise Survey who rated transportation as a major business constraint increased from 38 percent (2009) to 53.8 percent (2016). Inefficiencies in the transport sector hamper exports of agricultural products (Box 5.3), and border compliance as Côte d'Ivoire requires significantly more time than at its regional and aspirational peers (Figure 5.15).

FIGURE 5.15 TIME TO EXPORT



Source: World Bank Doing Business 2019.
Note: Ethiopia is landlocked.

FIGURE 5.16 COST OF CONTAINER EXPORT



Source: World Bank Doing Business 2019.
Note: Ethiopia is landlocked.

BOX 5.3 CONSEQUENCES OF INEFFICIENT LOGISTICS: A CASE OF MANGOES

In 2017, containers with mangoes were delayed for long periods in the Port of Abidjan, as only two of the six portal cranes available for the container were operational in the middle of the mango season. Consequently, ships avoided Abidjan because of the long waiting times. This led to a shortage of empty

reefer containers for export. The full containers that arrived could not be connected to a power outlet which shortened the shelf life enormously. Many mangoes were lost, which led to financial distress for a number of mango exporters.

Source: Nugteren 2018.

Cheaper transport costs can reduce spatial inequality. While Côte d'Ivoire has grown at around 8 percent since 2012, the benefits of growth to rural, peri-urban, and remote populations outside major urban areas have been limited. Several crops such as cashews, maize, and tomatoes are produced in the northern regions, while the main markets or destinations for these products are in the southern regions, including the Port of Abidjan for exports. Efficient transportation networks must be available throughout the country to link production areas to urban markets in the South and to the Port of Abidjan for exports.

Roads: The road network has considerably deteriorated due to insufficient maintenance; however, ongoing rehabilitation efforts are bearing fruit. Côte d'Ivoire's road network is old and was, until 2011, in a dilapidated state. The widespread prevalence of overloading trucks has further damaged the road network. As part of the 2016-20 National Development Plan, upgrading the road network has been a priority, and 4,000 km of interurban roads have already been rehabilitated and new motorways developed (around Abidjan).

The trucking sector is dominated by small informal operators. The small informal operators are inefficient transporters and rely on intermediaries and market organizers to find freight, which creates higher costs.

Port: The Abidjan Autonomous Port (PAA), is Côte d'Ivoire's largest port, handling 80 percent of the maritime traffic. With direct routes to Europe, Asia, and the Americas, PAA is both a transshipment hub and a maritime gateway serving its neighboring countries. PAA is also integral to West Africa's economy as it is the gateway for landlocked countries Burkina Faso, Mali, and Niger. As PAA becomes more saturated, a second terminal is being constructed to further boost its handling capacity to 2.8 million twenty-foot equivalent units (TEU) from 1.2 million TEUs. In addition, Côte d'Ivoire's second-largest port, Autonomous Port of San Pedro (Port Autonome de San Pedro) is strategically located to serve the markets of neighboring Liberia, Guinea, and Mali.

Since PAA is situated in the middle of Abidjan, which is a major city, goods have to pass through the city's traffic in order to access or leave the port. Road congestion in and around the port is a major factor slowing the clearance of freight from PAA, at a pace of an average of five times slower than leading ports in Asia (Oxford Business Group 2019b). In addition, PAA's current throughput is about half of its capacity, at 650,000 TEUs due to operational inefficiencies at the port. The inefficient operation of the port is further exacerbated by inefficient customs procedures and a lack of related infrastructure such as storing warehouses, bringing the average processing time of

export goods to 10 days, compared to 2 days in Vietnam,⁴³ an aspirational peer. Even though PAA has an overall port score that is ranked better than its neighbors, the container throughput of Côte d'Ivoire's neighbors, specifically Nigeria and Ghana, exceeds that of Côte d'Ivoire.

Airport: Since the end of the political crisis in 2011, passenger traffic through Abidjan's Felix Houphouët-Boigny Airport has been growing by almost 16 percent a year, making it the third largest in West Africa with 1.8 million passengers in 2016. However, some of its infrastructure is inadequate and the airport is saturated at peak periods. Except West Africa, all other regions in Africa have developed aviation hubs and air corridors, which have had a beneficial impact on the economic growth of the sub-region.⁴⁴ Despite all West African countries having been granted "fifth freedom right"⁴⁵ to airlines from outside, the connectivity between West African countries is poor.

Key constraints to greater private sector investment include operational inefficiencies at the PAA; insufficient road network maintenance; low market competition and high resulting transportation costs; and roadblocks. In addition, while Côte d'Ivoire has managed to execute a number of PPPs, the regulatory framework for PPPs may need further clarification.⁴⁶

- **Operational inefficiencies at the Port of Abidjan increase costs (World Bank 2015c).** Due to delays in loading and unloading ships and the lengthy procedures at the port (time taken for import and export clearance in Côte d'Ivoire is among the highest in the region), it takes an average of 10 days for containers to leave the port. The uncertainty in the time it takes for the cargo to be loaded onto the ship or to exit the port also creates a difficult business environment for transporters. This situation partly reflects the shortage of free storage areas within the port, so that the port's main handling areas are being used as stacking (storage) areas, slowing down the berthed ships' loading and unloading operations and causing excessive waiting time at sea to berth – dwell time for ships is often around 20 days (Raballand and others 2012). The high volume of trucks (particularly during the peak seasons) on the port's main access roads along with a lack of truck parking space (200 spots versus demand for about 1,200, which leads to truckers parking on the port's main access roads), increases congestion and creates uncertainty of travel times for truckers (World Bank 2018e).
- **Market distortions in the trucking industry and lack of formalization of the trucking industry increase costs and discourage containerization.** *Syndicates* of truck drivers and *Coxeurs* (intermediaries between the carrier and the shipper), collect a considerable rent when allocating freight to truckers, most of whom operate at a small scale in the informal sector. Consequently, truckers in the informal sector resort to short-term profit maximizing behavior by overloading beyond the axle load. Overloading discourages containerization because containers tend to occupy more space than the stripped cargo and two or more containers can be unpacked and loaded onto a single truck. The containerization rate on the Abidjan-Ouagadougou Corridor is about 20 percent for transit goods moving inland, which is among the lowest rates in the world (World Bank 2015d). About 95 percent of the trucks in Côte d'Ivoire made 12 trips or fewer – which is less than the number required for a new truck to be financially viable (World Bank 2015d). The high-cost low-quality equilibrium, driven by profit-seeking, discourages the formalization of the trucking industry, as in the current system most truckers are not profitable enough to meet professional standards. Over the long term, containerization would increase efficiency at ports as well as reduce damage to roads, but many jobs at Abidjan port

depend on unloading containers and re-packing their contents into trucks, which has created strong vested interests against reforms.

- **Frequent roadblocks created by law enforcement – formally to enforce axle loading rules – also increase transit time and costs** (World Bank 2015d). Roadblocks create opportunities to extract bribes from truckers (World Bank 2018e), generating additional transport delays and increased rotation time.

Deficiencies in the transport sector have particularly severe adverse effects on the competitiveness of agribusiness:

- **Lack of temperature-controlled logistics results in crop losses.** Côte d'Ivoire currently lacks adequate temperature-controlled logistics to preserve the quality of crops prior to export or before reaching local consumers. This is important considering the inefficiencies in transportation and frequent delays at ports. On average, about 40-50 percent of crops are wasted. There is also the need to expand warehouse capacity for commodities such as cashews, cocoa and coffee. These need more dry storage and humidity-controlled facilities.
- **Inefficiencies and high costs in transport and logistics prevent agriculture produce from reaching markets in a timely manner.** The lack of accessible roads increases travel times and transport costs, and contributes to the loss of perishable products. In addition, transportation cost is high because of delays in clearing goods at the port, cumbersome customs and transit procedures, and difficulties in finding backhaul cargo from the port.

Policy Recommendations

Formalization of the trucking industry

- **Greater regulation for entry and exit in the trucking sector.** To increase formalization of the trucking industry, measures should be taken to regulate entry and strengthen the training system for road transport operators, while at the same time compensating truckers that are not able to meet professional standards. Weight and axle load should also be regulated by using weighting equipment and levying penalties in the case of non-compliance. The World Bank's *Transport Sector Modernization and Corridor Trade Facilitation* project (PAMOSSET) is supporting capacity building for transport sector professional associations through trainings (World Bank 2016).

Fleet renewal

- **Fleet renewal through scrappage schemes and financing mechanisms for new truck purchases.** Reflecting poor profitability of small informal truckers—partly because of slow rotation times—85 percent of trucks are more than 10 years old, leading to short-term profit-maximizing behavior, such as stripping goods from a container to load onto trucks and overloading. Policymakers should consider initiating a scrappage scheme for old trucks. A fleet renewal financing facility for long-haul heavy cargo trucks is supported by the World Bank's PAMOSSET project (World Bank 2016). The World Bank's Abidjan Urban Mobility Project is supporting the fleet renewal of small-scale urban transport vehicles, including through scrappage payments and a risk-sharing facility (World Bank 2019a). Additionally, institutions such as the IFC can set up a risk-sharing mechanism with financial institutions to

finance transporters' purchases of new trucks. Fleet renewal would also help in the formalization of the trucking industry. A fleet renewal of trucks would reduce the road damage caused by old vehicles.

- **Liberalizing delivery of containers in Abidjan.** Stevedoring companies in the port have a monopoly on road deliveries in the Abidjan metropolitan area.⁴⁷ As a result, the largest trucking companies in Côte d'Ivoire are also the port cargo handling companies, leading to very high transport costs within Abidjan.⁴⁸ Liberalizing the market for delivery of containers, including through accreditation, will be key.
- **Freight exchange system.** Create freight exchanges (bourse de fret) based on supply and demand to remove unnecessary intermediaries and brokers, which increases costs and creates uncertainty. Creating a transparent freight market, such as by eliminating middlemen, would lead to a reduction of USD 0.13 per km of the transport costs on the Ivorian section of the Abidjan-Ouagadougou corridor (Bove and others 2018). A possible example can be the Kobo freight exchange recently put in place in Kenya (Box 5.4).

BOX 5.4 KOB0360: A LONG-HAUL E-LOGISTICS PLATFORM SOLUTION

Nigerian trucking logistics start-up, Kobo360, has implemented an Uber-like app that connects truckers, cargo owners, and cargo recipients, creating an efficient supply-chain framework. The platform has improved access to long-haul road freight services for both large and small companies in various sectors by optimally matching demand and supply of trucks, providing predictability, reliability, price transparency, and increased utilization of

otherwise idle trucks in the highly fragmented trucking market. The long-haul e-logistics platform reduces logistics friction through improved information sharing, thus improving efficiency and reducing supply chain costs. Kobo360 has already been launched in Nigeria and Togo – home to West Africa's largest port in Lomé, and is expanding to Ghana and Kenya as well.

Port operational efficiency

- **Total automation of customs cargo releases for rail and road transit goods** will reduce the uncertainties in the time taken for cargo to leave the port. Authorities should implement a random checking mechanism for customs cargo – like those prevalent in Europe and the US. Customs reforms could also reduce the need for road checkpoints (the Abidjan and Ouagadougou corridor has 31 mobile and fixed checkpoints), and reduce the rotation time for trucks. Greater efficiency at ports will also reduce the high dwell times for ships at ports. Improving the customs clearance procedures also requires the implementation of single windows and trade information portals. The Greater Abidjan Port- City Integration project is facilitating the buildout of infrastructure – access roads and parking bays – that would ease physical constraints (World Bank 2018e). Through policy actions that would speed up customs clearance, authorities can further reduce the time and uncertainty of goods transport.

5.4 DIGITAL CONNECTIVITY GAP

The ICT sector is fairly developed, and indicators suggest improving conditions.

The ICT sector in Côte d'Ivoire has consistently expanded during the last few years, contributing 8 percent of GDP (versus 3.3 percent of GDP in Senegal), and has created around 5,400 direct jobs. The sector is growing at a 9 percent per year, spurred by an estimated USD 200 million in combined public and private investments over the last five years. There are three main mobile operators (Orange, MTN, and Moov)⁴⁹ and mobile penetration (number of SIM cards divided by population size) reached 139.1 percent in June 2019, growing at a quarterly rate of 4.4 percent.⁵⁰ The number of subscribers to mobile money services reached 14.7 million in June 2019, growing at a quarterly rate of 5 percent.

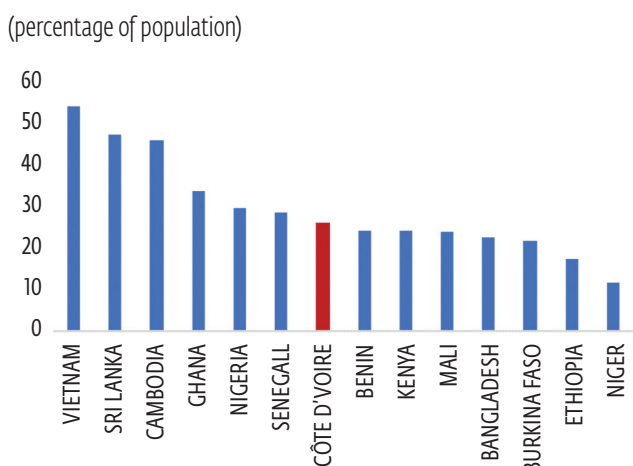
Private stakeholders are increasingly engaged in promoting the digital economy.

The Chamber of Commerce and Industry is active in advocacy campaigns and the promotion of networking events to support the uptake and development of digital solutions among its members. The digital ecosystem hosts 300 high-tech firms, including 50 start-ups, operating mainly in web agencies and application development⁵¹ and several hosting coworking spaces and incubators, including Abobo (Babi Lab), Cocody (Orange Fab, Akendewa), Plateau (DNA Factory), and Marcory (O'Village). The city of Grand Bassam, located about 30 km from Abidjan, houses the headquarters of VITIB, the Ivorian Free Zone dedicated to ICT and biotechnology.

However, Côte d'Ivoire still has a digital connectivity gap both in terms of mobile and fixed internet access (Figures 5.17 and 5.18). The penetration rate of mobile telephony is partly driven by subscriptions for several SIM cards by a single subscriber, often to take advantage of periodic promotional offers from the main mobile network operators. Estimates by the Global System for Mobile Communications Association (GSMA) suggest that the penetration rate of unique subscribers in 2018 could be approximately 50 percent for mobile telephony and 25 percent for mobile internet, behind regional peers like Senegal (28 percent), Nigeria (29 percent), and Ghana (33 percent). Moreover, fixed broadband penetration (the number of fixed broadband subscribers divided by the number of households) reached 4 percent in 2018, below the level of aspirational peers like Sri Lanka (26 percent) and Vietnam (48 percent) as well as regional peer like Senegal (7 percent).

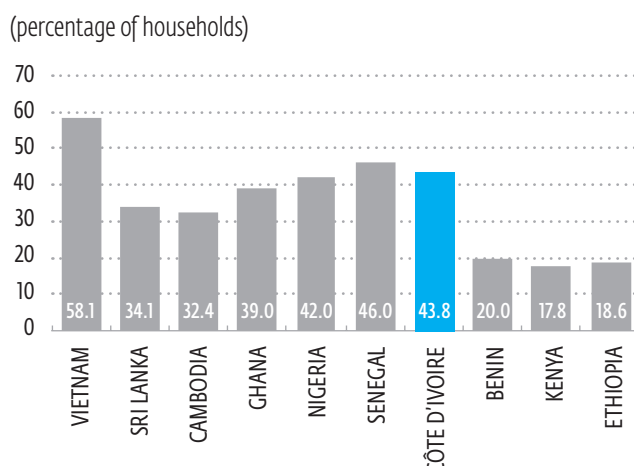
This connectivity gap is more pronounced in rural areas. The use of internet – mostly through mobile broadband, as fixed broadband connectivity is marginal – is concentrated in the most affluent, educated, and urban population centers. Sixteen percent of households in urban areas have access to the internet compared to only 2 percent in rural areas. Around half of the 8,518 localities, which represent 23 percent of the population in Côte d'Ivoire, were not covered by any mobile service.

FIGURE 5.17 UNIQUE MOBILE INTERNET SUBSCRIBERS, 2018



Source: GSMA Intelligence. Estimated number of SIM cards per unique subscriber: 2.55 in Côte d'Ivoire, against an average of 1.83 in West Africa.

FIGURE 5.18 FIXED BROADBAND SUBSCRIBERS, 2018



Source: Telegeography. The number of households used is consistent with the figures released by the national regulator ARTCI.

Increased access to digital connectivity would improve the productivity of businesses, including agriculture, as well as farmers' access to finance. Ivorian businesses, and especially SMEs, could benefit from increased access to fixed broadband through the adoption of cloud services and enterprises resources planning systems. Improved digital connectivity could provide smallholder farmers with timely advice on all aspects of the seed-to-market agriculture value chain, which would result in increased efficiency of the use of water, fertilizer, pesticides, soil fertility, timing of harvest, and marketing of products. In addition, agricultural extension and advisory services can be delivered more frequently at a lower cost as extension agents can connect with farmers through a combination of voice, text, videos, and internet instead of the traditional method of traveling to visit a farmer. Similarly, training videos as well as pictures of damaged crops and advice on treatment can be shared in real time. Proliferation of connectivity would accelerate the digitization of agri-value chains, which could build transaction history for smallholder famers and SMEs and enhance their credit profile.

Access to digital connectivity could also contribute to overcome the limited coverage of national ID systems. In Côte d'Ivoire, only 55 percent of the population (over the age of five) is registered, yet birth certificates are an annual prerequisite for school enrollment. Establishment of foundational IDs under the IDA-funded WURI project will help in transactions and authentication for digital service delivery. Côte d'Ivoire's national ID covers 45 percent of the citizens, which the WURI project aims to increase to 80 percent by 2020. With data protection legislation and a data protection agency, Côte d'Ivoire has a legal and institutional framework for the deployment of a national ID. The regional interoperability of IDs is particularly valuable in Côte d'Ivoire, which hosts over 2.3 million non-Ivorians present in its territory, primarily from other ECOWAS states (OECD/ILO 2018).

Key constraints to increased access to digital connectivity are lack of service affordability and limited service quality – due to limited competition in the retail markets, significant upstream costs, government interventions (license fees and taxation), and limited level of digital literacy.

Lack of affordability

Despite significant progress over the past years, digital connectivity in Cote d'Ivoire is still less affordable. According to data from ARTCI, between Q1-2017 and Q1-2019, unit price declined by 23 percent for mobile calls, 32 percent for mobile internet, and 49 percent for fixed broadband. While these trends reflect increased usage of digital connectivity by subscribers, they are less representative of the cost borne by a new subscriber, especially in a context where more than half of the population is still not connected. An alternative measure proposed by the International Telecommunications Union (ITU) suggests that the cost of the least-expensive representative plan represented 11 percent of income per capita for mobile telephony (Figure 5.19) and 25 percent for fixed broadband.⁵² The cost of mobile telephony, in particular, is above the level observed in aspirational peers like Cambodia (6.7 percent) and Vietnam (2.5 percent), as well as regional peers like Nigeria (4.9 percent) and Ghana (2 percent). This lack of affordability stems from various factors, including limited price competition in the retail market for fixed or mobile connectivity, significant wholesale costs and sector-specific taxation.

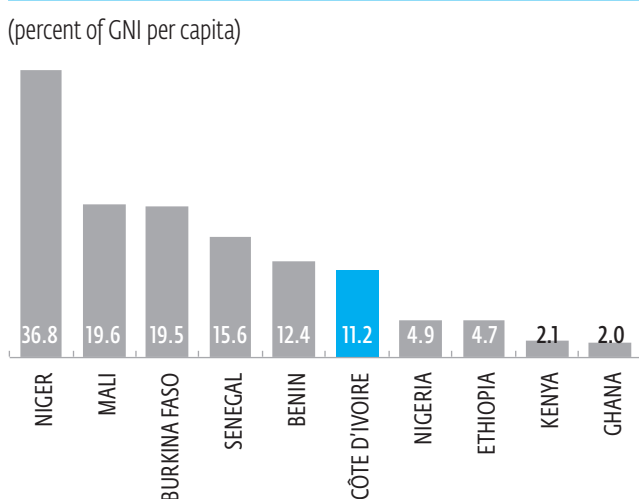
- **Reflecting limited price competition, the retail markets for fixed or mobile connectivity remain concentrated and exhibit potentially high levels of “consumer stickiness”:** the two largest mobile network operators (MNOs) hold 75 percent of mobile telephony subscribers, and 82 percent of mobile internet subscribers, while the largest fixed broadband provider has 99 percent market share. Moreover, despite the implementation of mobile number portability since September 2018, the market share of the largest MNOs has slightly declined, probably due to asymmetric pricing, whereby subscribers pay more to terminate calls or text messages on competitors' networks (off-net price). As of June 2019, the off-net price of calls was twice the price to terminate calls on the same network (on-net). This practice, which is no longer implemented in regional peers like Senegal and Nigeria, may support consumers' stickiness and contribute to maintaining the current level of market concentration. Another source of consumer stickiness is the bundling of digital connectivity services with mobile money services. Data from ARTCI suggests high positive correlation between mobile telephony market shares and mobile money market shares. Finally, there is still no active pure retail mobile operator in the market.
- **Reflecting significant upstream costs, the regulated cost of network interconnection remains high, the market for mobile infrastructure is led by a large incumbent, and the wholesale market for transmission capacity remains underdeveloped.** The wholesale price of call termination on the mobile network in Côte d'Ivoire is almost three times larger than in Senegal.⁵³ In addition, the termination price is symmetric – the same for all networks – which does not favor MNOs with low market share. Some MNOs share towers through a single independent company (IHS). While the tower sector is regulated, peer markets like Ghana and Kenya have at least two tower companies, enabling competition with lower leasing price and creating demand for mobile infrastructure.
- **Sector-specific taxation: Taxes on financial services are unequally applied between telecom operators and banks, creating an uneven playing field.** Banks are currently exempt from the 0.72 percent digital services tax, while electronic money issuers (EMIs) are obliged to pay the tax.

Limited service quality

Despite significant investment by the private sector and the government, the quality of connectivity service in Côte d'Ivoire remains limited. Telecom operators invest significant amounts every year to upgrade and maintain their network and the government is deploying 7,000 km of fiber-optic cable to further support the national backbone. However, the average download speed experienced by users lags peer markets like Vietnam, Kenya, and Ghana (Figure 5.20), probably due to limited competition in quality and significant license fees.

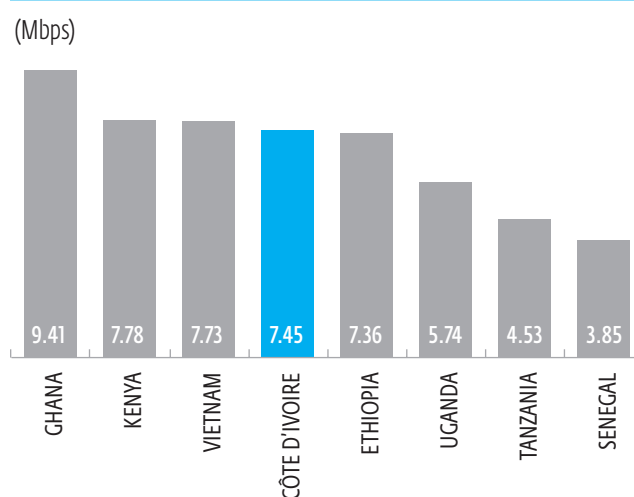
- Reflecting limited competition in quality, the mobile network appears to be congested and fixed broadband is mainly provided using an older technology. Côte d'Ivoire has 8,000 customers per tower, compared to an average of 5,403 in Sub-Saharan Africa, 4,101 in lower-middle-income countries, and 1,500-2,000 customers per tower in Ghana. This gap in network infrastructure is mirrored in investment when the market size is taken into consideration. Average mobile capital expenditure is USD 7.3 per subscribers, far below the average for Sub-Saharan Africa (USD 14.6) and the average in lower-middle income countries (USD 17.4).⁵⁴ This gap might have resulted from the nascent tower market in Cote d'Ivoire. A significant densification of the mobile network through a large increase in tower infrastructure would be needed to catch up with the level of Ghana. In addition, about 95 percent of fixed broadband users rely on ADSL, an older technology that delivers lower speed than fiber-optic, reflecting the near monopoly in the fixed broadband market.
- Reflecting significant license fees, the conditions of the latest 4G license were more stringent. During the last award, the price of license fees more than doubled and the duration of the concessions was cut by five years. These conditions might not be conducive to investment in network quality.

FIGURE 5.19 COST OF MOBILE TELEPHONY SERVICES, 2017



Source: International Telecommunications Union. The mobile telephony basket comprises 30 outgoing calls per month (on-net/off-net to a fixed line and for peak and off-peak times) in predetermined ratios, plus 100 SMS messages

FIGURE 5.20 MOBILE DOWNLOAD SPEEDS



Source: OOKLA's Speedtest Intelligence, in GSMA Mobile Connectivity Index. Note: Mbps = megabits per second.

Limited level of digital literacy

- **Education and gender divide:** Only 1 percent of those having achieved at most primary education level use the internet on a weekly basis compared to 19 percent of those having reached at least a secondary education level. GSMA's Intelligence Consumer Survey report finds that in Côte D'Ivoire, women are 9 percent less likely than men to own a mobile phone and 48 percent less likely to use the internet (GSMA 2016). Addressing this shortcoming is part of the broader education agenda.

Policy Recommendations

The following policy options could be explored to increase private sector participation in the digital sector:

Promoting competition in the retail market for mobile broadband internet access

- Setting aside spectrum for a potential new entrant or actively encouraging the entry of retail mobile operators by enacting a decree specifying the license conditions, including the fees.
- Gradually removing price differentiation between off-net and on-net calls.
- Supporting the interoperability of ancillary services such as mobile money.
- Providing financial support to new tower companies to enable mobile infrastructure sharing at more competitive prices.
- Consider enforcing coverage obligations with coverage targets at the regional or department level rather than only at the national level.

Promoting competition in the retail fixed broadband market

- Making a priority the implementation of the network-sharing provisions in the 2013 decree on network mutualization. At the moment, most operators deploy their own network, potentially creating unnecessary duplication.
- Enforcing wholesale remedies such as local loop unbundling and bitstream
- Implementing new remedies on next-generation access such as virtual unbundling local access for fiber.

Reducing upstream costs while ensuring territorial coverage

- Aligning mobile termination rates to the regional level by revising the approach to cost modeling.
- Considering aerial deployment of last-mile fiber-optic broadband networks where appropriate.
- Gradually aligning taxation in the telecom sector with other sectors of the economy.
- Striking a balance between future licensing conditions and operators' incentive to invest in network quality.
- Consider enforcing territorial coverage obligations with coverage targets designed at the regional and infra-regional level, rather than only at the national level.

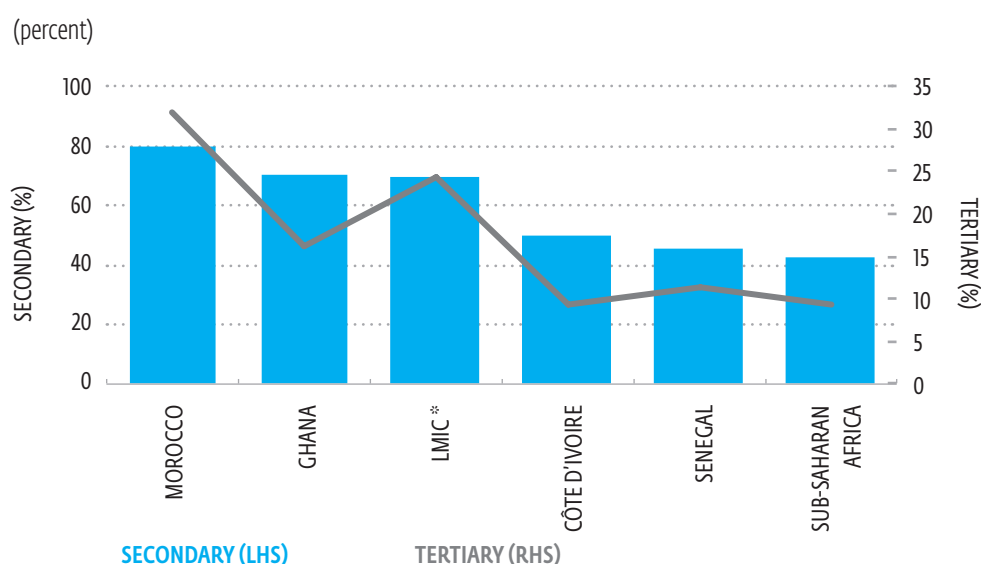
Strengthening the digital ecosystem

- Improving the venture capital ecosystem. With just around \$2 million of funding received by local tech start-ups in 2018, Côte d'Ivoire remains nascent, especially compared to East Africa. Lack of a robust ecosystem has prevented the emergence of local companies, such as independent payment operators, that could solve local challenges.
- Strengthening the acquisition of digital skills, especially for women.

5.5 SKILLS

The education sector has yet to fully recover from the crisis. Education was disrupted nationwide during the political crisis between 2002 and 2011, leaving many children and youth unable to attend school. Enrollment rates remain low past secondary levels (Figure 5.21). Today, children who start school at age 4 can expect to complete only seven years of school by their 18th birthday, below the Sub-Saharan Africa average. While the primary gross enrollment rate (GER) was 99 percent in 2017 – up from a low of 68 percent in 2006, low transition rates led to an overall secondary GER of 50 percent with a sharp drop in enrollments in upper secondary (EdStats). Overall, literacy levels amongst youth have also remained unchanged for decades, hovering around 50 percent. The university sector was particularly affected by the crisis – tertiary GER declined from 9.3 percent in 2005 to 8.3 percent in 2016, compared to an average of 24.4 percent for lower-middle-income countries.

FIGURE 5.21 GROSS ENROLLMENT RATIO: SECONDARY AND TERTIARY



Source: World Development Indicators.
LMIC = lower-middle-income countries.

The government has, since 2012, invested heavily in rehabilitating the basic education sector, by building new classrooms and hiring teachers, and made improving educational outcomes a strategic priority in its National Development Plan. School was made mandatory in 2015 for all children aged 6 to 16. Starting in 2011, the government has increased its total education budget by 7.5 percent annually. In 2015,

in line with international norms, the government spent a quarter of its budget, or nearly 5 percent of GDP, on education. As a result, education outcomes are improving quickly: enrollment rates have been growing since 2015 at all levels (with structural pressures at higher levels). However, it will take several years for the K-12 “flow” to be near that of comparator countries. Improving learning will probably be the most difficult to achieve in the short term.

Learning outcomes are insufficient across all levels. A 2016 national evaluation for third-grade revealed that 77 percent and 81 percent of students had a low or very low level of proficiency in French and mathematics, respectively. On the 2014 PASEC program of analysis of education systems (Programme d'analyse des systèmes éducatifs de la Confem), Ivorian sixth-graders not only scored less than average in French and among the lowest in mathematics, but they also performed worse than their 1996 Ivorian cohorts.⁵⁵

The education system remains poorly equipped to prepare either those currently in school or youth out of school for work. Beyond basic competencies, youth often lack the specific skills (soft and hard) needed to be more productive in the workplace, including as self-employed. For example, smallholder farmers currently lack exposure and knowledge of better techniques and varieties, usage of technological inputs such as fertilizer and insecticides, as well as skills to operate machinery, resulting in low productivity. In addition, low digital skills coupled with the lack of internet connectivity prevent farmers from harnessing the internet to increase knowledge and access real-time information on weather, rainfall, and prices. Low digital skills also hinder farmers from improving market access via the digital economy. Growth in the agro-processing and manufacturing sectors faces obstacles from the lack of skilled labor in Côte d'Ivoire. Notably, low skills constrain the ability of the cashew and rubber processing industries to grow more rapidly. Those who are or who aim to be self-employed often lack the financing and “business” literacy needed to establish and maintain a successful and productive enterprise.

University and technical and vocational education and training (TVET) are the weakest link of the Ivorian education system. While access remains an issue, the number of high school graduates is expected to treble by 2030, with most qualifying for free tertiary education, so the quality and relevance of programs are even bigger challenges. College graduates have considerable difficulty finding jobs, with employers questioning the quality of many tertiary programs, especially BTS (*Brevet de Technicien Supérieur*), a two-year professional program. There is a higher percentage of BTS holders among unemployed graduates, even though in most countries, graduates of shorter professional programs like the BTS are more in demand than jobseekers with a general bachelor's degree. Data suggest that 40 percent of students in public universities have been in the university system for more than 10 years. In addition, an overwhelming majority of students steer away from science, technology, engineering, and mathematics tracks starting at the secondary level.

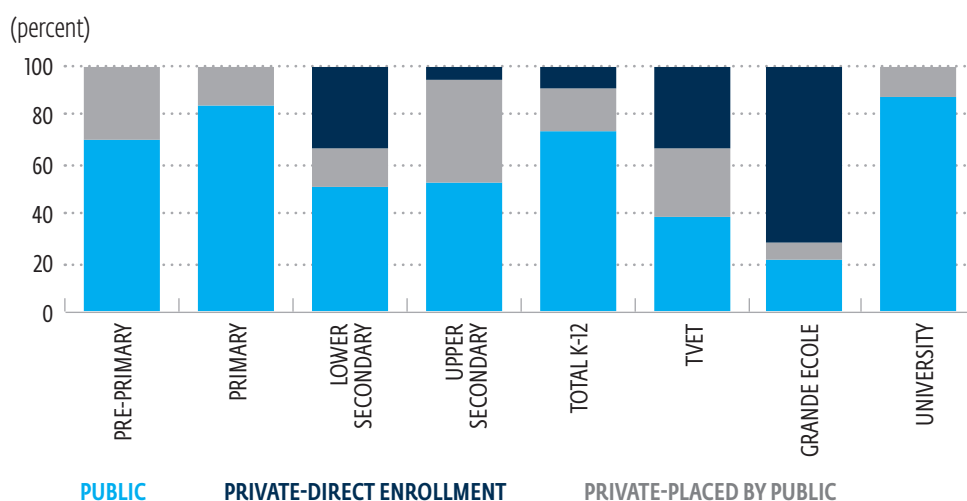
Although the Government is making a concerted effort to close spatial gaps in basic education, there are few comprehensive programs for targeted populations. The government has taken a uniform approach to education, and it would be worthwhile to examine more closely the specific challenges faced by young girls and why they drop out of school more than boys, why apprenticeship programs are not leading to the desired results in rural areas, or why poorer individuals are not signing up for literacy classes.

Education finance is driven essentially by government’s commitment to free education at compulsory levels (primary and lower secondary school) and at university levels for those who have obtained a baccalaureate degree. Upper secondary education is not mandatory, but the government finances public schools, where some fees are charged. However, parents and students can choose to attend private schools at the compulsory level at their own expense; as will be discussed further the Government sometimes places students in private secondary or tertiary institutions because of lack of space in public institutions.

Current Private Sector Engagement in Education

Private providers are playing an increasingly important role in the education sector, especially in urban areas (Figure 5.22). In 2016, private providers educated 30 percent of all students from pre-primary to secondary. In secondary TVET, 65,000 students (61 percent) were enrolled in private programs. While private schools perform better on some indicators, including the PASEC results, quality of provision varies greatly. The government, manifesting its openness to the private sector, subsidizes students in private establishments to alleviate overcrowding at secondary and tertiary levels and to offer entry into a tertiary program to all baccalaureate graduates, per requirement of the law (better students are guaranteed enrollment in a public institution). Private providers, once certified to receive government students, are given a flat fee per enrolled student. In 2017, nearly 600,000 students were placed in private establishments at the secondary level and 35,000 in the TVET sector, and nearly 70,000 students were subsidized at private institutions for a two-year BTS program (the only type of program eligible for the subsidy). In 2018, 75 percent of all high school graduates were placed in private establishments (World Bank 2019c).

FIGURE 5.22 ENROLLMENT IN PRIVATE EDUCATION INSTITUTIONS



Source: World Bank 2017b.

There exist four *de facto* and overlapping markets for private education programs in Côte d’Ivoire, each with its own set of constraints and peculiarities:

- The premium general education market caters to the wealthier segments of society, mostly at the primary and secondary school levels, with some professional schools

at the higher education level. This sector offers potentially high returns to private investors, but also carries higher costs, which explains why most private higher education programs are business schools, with no private medical or engineering schools on the market. With economic growth expected to remain around 7 percent for the next few years, there are likely to be continued opportunities for expansion of premium services at all levels, including pre-primary, where enrollment rates are still very low. In a sign of the market potential, Côte d'Ivoire has already attracted the interest of several funds exclusively focused on the education sector, including Comoé Capital and Oasis Capital.

- **The skills upgrading market** comprises mostly short-term certification training (in languages, software, culinary skills, licensed contractors, administrative skills upgrading, and so on) provided by cabinets. These nonofficial professional programs are on the rise, with limited oversight, but they seem to be gaining appeal with youth outside of the main academic streams (World Bank 2019b).
- **The subsidized market** is concentrated in the lower secondary and higher education levels (BTS diploma programs) where the Government subsidizes students in private establishments due to rapidly growing demand. The subsidy system's current design offers little transparency and gives no choice to parents. As such, a significant proportion of students placed in the private sector are not given the option of attending a public school. The subsidy system, theoretically meritocratic but not needs based, also ends up being biased toward wealthier households. Subsidies are capped at an amount often below the real cost of provision or tuition, and students are often expected to cover additional costs out-of-pocket, including registration and material fees, which is an additional deterrent for less affluent families. The system is also marred by many accounts of corruption in terms of obtaining licenses, numbers of students enrolled, and so on, and does not incentivize higher-quality institutions to take in subsidized students.
- **The out-of-school youth market** includes a vast array of training by nongovernmental organizations, youth employment projects, and traditional apprenticeships. These essentially target undereducated adults (mostly youth) and aim to help them enter a particular informal sector field or set up their own businesses. The more successful programs in this market bring together technical and business skills training, finance, and coaching. Interventions that specifically target girls and young women have been shown to be particularly successful. The demand for such interventions is large, but programs tend to be small, uncoordinated, and funded through discrete channels (partners, special programs).

Constraints to Growth

Key constraints for greater private sector in the education sector are: (a) the need to define the government's strategic vision on how to engage the private sector; (b) poor ease of entry for private education institutions; (c) subsidy programs that do not foster accountability, leading to sub-optimal learning outcomes; (d) a lack of qualified teachers, and (e) poor access to finance.

The education and TVET sectors would greatly benefit from a strategic vision, including measures and incentives for private sector provision of education services as a complement to the public sector at secondary and tertiary levels. The government views its subsidy program as a temporary measure, and there is no public-private partnership framework to encourage private investments in education. In addition,

regulations are often inconsistently applied: private providers speak of double standards and the lack of transparency in regulatory enforcement, including with regards to quality assurance, as major constraints to their operations.

New entrants to the premium market face major hurdles. Starting a new educational institution requires several redundant and lengthy procedures, unlike, for example, in Senegal, where the Government has streamlined the process and increased staff evaluating private applications to ease entry into the market. At the tertiary level, for example, a new provider needs four separate approvals before it can start and have its diploma recognized: (a) to become a legal entity, and another to be a legal academic entity; (b) to launch the university, (c) to validate specific study tracks (limited to four at first), and (d) for its diplomas to be recognized by the government.

The subsidy program has negative effects on competition between market players and the quality of services provided. While public funds have helped increase enrollments and provide a significant portion of the private sector's revenue at secondary and tertiary levels, these subsidies are centrally controlled, independent of program performance, and often paid late. With 80 percent of private enrollments in tertiary and 60 percent in lower secondary being subsidized, many private establishments have little incentive to invest to improve learning outcomes.

Private providers also face a shortage of qualified teachers as the government has a monopoly on teacher training and certification. Secondary-level providers are left to hire and train their own teachers with limited quality oversight. At the tertiary level, in particular, qualified trainers often split their time between private and public establishments, with weak quality assurance mechanisms in place to ensure minimum teaching standards.

Policy Recommendations

Public-private sector vision

Articulation of a clear framework accompanied by incentives is necessary to foster a dynamic education market and improve learning outcomes. A clear private sector partnership framework focused on quality is needed to encourage private involvement. This can include private-public partnerships focused on the skills needed in the job market (an example of this is the project to create two Higher Institutes for Vocational Training and Technology with World Bank support). The procedures for establishing a new educational institution should be streamlined at all levels and made more transparent to facilitate market entry and formalization of smaller providers. At the tertiary level, the establishment of an independent quality assurance agency for public and private providers alike, as in Senegal, would level the playing field by making the degree validation and recognition processes more transparent (World Bank is also supporting the establishment of this quality assurance agency through the Higher Education Development Support Project).

Improving the administration of subsidy and financial incentives to encourage investment in private education while ensuring equity and pertinence

Improving efficiency in the subsidy system would help incentivize quality in the private sector. As part of the Third Education, Energy, and Cocoa reforms DPO, the government is improving learning outcomes by incorporating the performance of

private schools as a criterion for receiving financial assistance from the state and by publishing the results obtained by each school.⁵⁶ Other interventions can also foster more accountability in the system, such as ensuring that teachers meet a minimum professional standard and introducing performance-based contracts or a competitive procurement system for schools receiving subsidized students. At the secondary level, the government's plan to pilot a biometric enforcement system could lead to significant efficiency gains by eliminating payments for "ghost" students. At the tertiary and TVET levels, financial incentives could be linked to students' job placement rates and/or increased earnings, where data can be made available.

Prompt payments to schools would incentivize private investments. Payments to private educational institutions are delayed by several months, leaving private schools to bridge the cash flow gap on their own. Prompt payments would incentivize more providers to enter the market.

Financial incentives (whether through risk sharing or guarantees) in the mid-range institutional finance market are also needed. Main banks' exposure to education (both student and institutional finance) is limited and is unlikely to grow without government incentives, despite what appears to be a sizeable market opportunity (Capital Plus Exchange 2017). Ghana's experience with the IDP Rising Schools Program (impact fund) or IFC's Ghana Schools Program (risk-sharing) can also offer useful alternatives for financing private schools' expansion while simultaneously providing capacity-building opportunities.

[The financing and management of the TVET system require fundamental reforms that provide for a greater role of the private sector on both the supply and demand side](#)

The TVET subsidy system should be reformed to increase coverage and to include multipartite authorities (Government, industry, and unions), similar to those in place in many Latin American countries. On the demand side, the private sector (employers, industry associations, collectives) needs to be more involved in oversight and strategy to ensure the relevance of TVET training. The World Bank's Higher Education Development Support Project is helping the government improve the quality and learning outcomes of the BTSs, where most tertiary students are enrolled, to push up their pass rates and employment rates (World Bank 2019c).

On the supply side, more incentives should be created for private providers to enter this fragmented market. Private-public cooperation mechanisms in key sectors, such as those being piloted by the Ministry of Education and the *Fonds de Développement de la Formation Professionnelle*, should be scaled up to absorb more of the vast number of youths left out of the tertiary sector. Professional training centers, including the "cabinets" which attract youth outside of the formal academic system, should be formalized by allowing them to offer certifications and receive subsidies in exchange for meeting basic quality standards. Finally, the out-of-school youth market could represent a great opportunity for private providers, considering the high demand. However, this would require significant mobilization by government to develop a comprehensive and programmatic strategy that creates the regulatory and financial incentives necessary to encourage growth of private provision in this market.

APPENDIXES

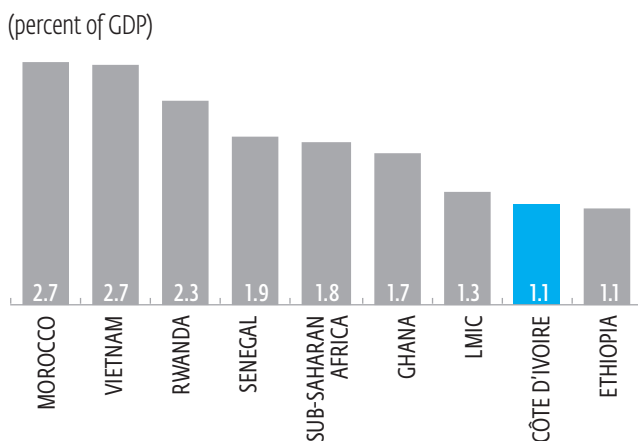
While health care and tourism are important from the perspective of employment generation, Côte d'Ivoire has low competitiveness in these areas. Moreover, the sectors are relatively fragmented with limited interest from larger private sector enterprises. Côte d'Ivoire's revealed comparative advantage in agriculture and the potential for domestic value addition through both processing and manufacturing make these sectors a higher priority for growth and employment generation.

HEALTH CARE

The health care system in Côte d'Ivoire was modeled on the French system, with heavy reliance on physicians and secondary and tertiary care institutions.⁵⁷ There is a relative abundance of doctors, especially in urban areas, but generally fewer nurses and midwives country-wide, with the greatest shortages occurring in the rural areas and in the North. The private health sector in Côte d'Ivoire is divided into commercial entities, nonprofit entities (faith-based and association-based), social protection entities (workplace-based clinics, *mutuelles*—community-based health insurance pools, and larger insurance companies), and traditional medicine entities. The sector has grown rapidly over the past decade. Much of that growth has been unregulated. There is a great concentration of private facilities in urban areas, especially in Abidjan.

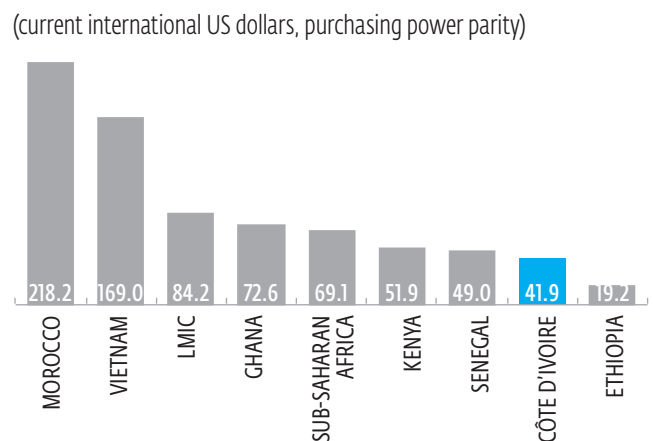
Public expenditures are low. Current health spending in Côte d'Ivoire accounts for just under 5 percent of government expenditure. This level is lower than the 15 percent target set in the 2001 Abuja Declaration.⁵⁸ At 1.1 percent of GDP, public expenditure on health care is among the lowest in the region and far lower than in aspirational peers such as Vietnam, which spends 2.7 percent of GDP on health care (Figure A1.1). In per capita (purchasing power parity, adjusted) terms, Côte d'Ivoire spends 20-25 percent of aspirational peers such as Vietnam and 50 percent of lower-middle-income countries' average (Figure A1.2).

FIGURE A1.1 DOMESTIC GENERAL GOVERNMENT HEALTH EXPENDITURE, 2017



Source: World Development Indicators.
Note: GDP = gross domestic product; LMIC = lower-middle-income countries.

FIGURE A1.2 DOMESTIC GENERAL GOVERNMENT HEALTH EXPENDITURE PER CAPITA, 2016



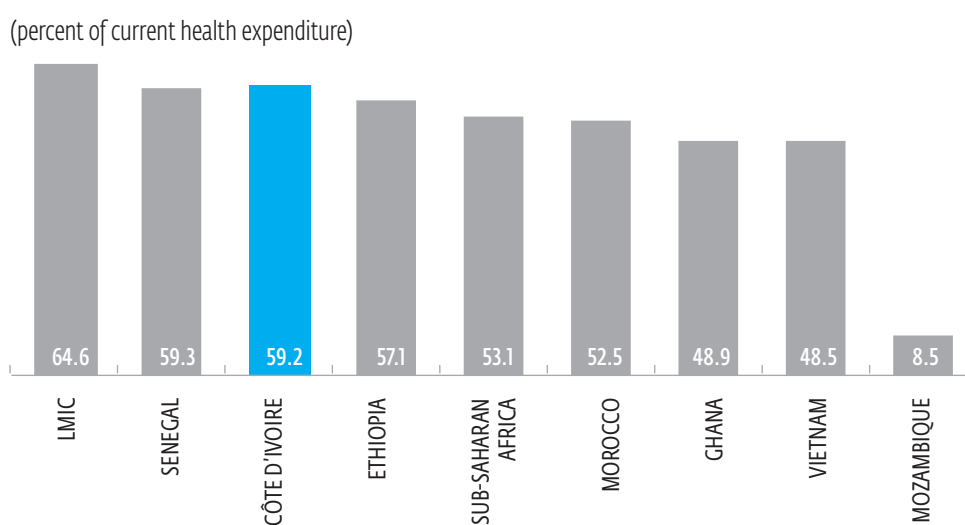
Source: World Development Indicators.
Note: LMIC = lower-middle-income countries.

The Ivorian Government has embraced PPPs for health care. To promote the goal of growing the sector, the government has partly embraced PPPs. For example, Hospital Saint-Jean Baptiste in Bodo-Tiassalé, located 90 km north of Abidjan, was financed by the government and Compagnie Fruitière.

Current Private Sector Engagement in Health care

The health care system is dominated by the public sector, but there is a burgeoning private sector, alongside traditional medicine. The private health sector contributes about 40 percent of the care supply in Côte d'Ivoire and almost 60 percent of the health expenditure is private—in the upper tier of African countries (Figure A1.3). The private health sector in Côte d'Ivoire, which includes for-profit and nonprofit providers (professionals and associations), as well as workplace clinics, is growing fast. Private establishments tend to be concentrated in urban areas, particularly in and around Abidjan. There are almost 2,000 private health care establishments in Côte d'Ivoire. A large majority of private sector health care facilities (almost 93 percent) focus on primary care and consultations. There are only 13 polyclinics, which offer multiple services.

FIGURE A1.3 DOMESTIC PRIVATE HEALTH EXPENDITURE, 2016



Source: World Development Indicators.

Key constraints for the private sector

The need to define a clear, strategic vision on the role of the private sector in the health sector. The private sector is not yet part of the government's health care sector vision or indeed in the government's plans for expanding the provision of health care services. Given the financial constraints and state capacity limitation, the private sector will play a key role in achieving the government's goals. However, while a regulator to govern private sector health care providers is in place, the application of these regulations is uneven. The regulator lacks capacity to adequately enforce the regulations.

Low profitability of private health facilities and the way health care expenses are paid. The reimbursement of private health facilities does not ensure cost recovery. Consultations with private health care providers suggest that the reimbursement rates should be revised upward to better reflect costs and to ensure quality provision of health care.

Prevalence of “dual practice”. To deliver its services, the private health sector relies significantly on the public sector’s human resources through “dual practice”—meaning that providers work in both the public and private sectors. Estimates suggest that up to 70 percent of physicians and 50 percent of other health workers employed at private facilities also work in the public sector.

Cumbersome administrative procedures for the opening of a private health sector. There are numerous procedures necessary for the authorization of private health facilities, which are cumbersome and causes significant wait times.

Difficulties in accessing bank financing for private health facilities. Private health facilities have difficulty accessing bank financing, which has led to the closure or takeover of several private health facilities. NOVAMED Group, a leading private hospital group in West Africa, for instance, bought many polyclinics, which were constrained by availability of bank financing.

Inequities in health care access. Supply-side constraints to health care, such as a lack of availability of qualified nurses and midwives, hinder patient utilization of available health services. Moreover, unlike other countries in West Africa, Côte d’Ivoire does not use community health workers or other lower-level clinical staff, increasing the reliance on physicians. Less than 45 percent of the population lives within 5 km of a health center, with a large share of the poor not having access to a health center (12 percent) or to a general hospital (26 percent). Sixty percent of women in the poorest quintile mentioned distance to health services as a major barrier to maternity care, compared to 25 percent for women in the wealthiest quintile. These shortages are particularly acute in the North and Center of the country: 20.5 percent of districts do not have an operating theater while 24.1 percent do not have radiology services.

Policy recommendations

Vision for public-private health care

Improve standards. The health ministry should set standards for private health care facilities as recommended by the World Health Organization and ensure their implementation.

Facilitate access to human resources, including through assignment to private health facilities. Increase supply of trained health care personnel through (a) increasing the number of public training institutes (there is only one medical school), and (b) facilitating the creation of private medical colleges, with supervision from the Ministry of Higher Education and the Ministry of Public Health.

Formalize dual practice. Formalizing dual practice would permit private employment of public sector employees. For the public sector, it would alleviate the burden of too many patients, increase the population's access to services by allowing more private facilities to operate, allow public sector employees to gain more experience, and, in many cases, allow them to work under better conditions. A formal partnership would allow the private sector to access qualified staff in a flexible manner and to benefit from professional training provided by the public sector at no cost to the private facility.

Create a one-stop approval process for private health care facilities. Simplification in the approval process would speed up the time and reduce the costs of setting up a private clinic. It will also reduce the problem of illegal clinics.

[Improve operations of private health insurance](#)

Recovering medical expenses for policyholders. The government should work with insurers to establish binding deadlines for payment of benefits to policyholders.

TOURISM

The tourism sector recovered from the negative impact of the prolonged political crisis, with the sector's share increasing from 0.6 percent in 2011 to 2.2 percent of GDP in 2015, and to 5.5 percent in 2017, and with the number of visitors increasing from 1.4 million to 2 million visitors over the same period. Seeing the potential offered in a country endowed with a rich natural and cultural heritage, the authorities have adopted a new sectoral strategy with the aim to raise the share of tourism to the third-largest contributor to GDP, at 12 percent by 2025 (Box B1.1), and have created a Tourism Development Fund responsible for financing priority projects. Currently, international tourists come mainly from neighboring ECOWAS countries (60 percent) and from France (25 percent).

BOX A1.1 "SUBLIME CÔTE D'IVOIRE" (2018-25)

Côte d'Ivoire's new tourism strategy for 2018-25 aims to make Côte d'Ivoire a tourism "leader" on the scale of the African continent, with niche opportunities in regional leisure tourism and business tourism. Among the country's many assets:

- **A fast-growing sector since 2012**, albeit its share in the country's GDP remains below regional comparators such as Senegal (11 percent), Kenya (9.8 percent), and Morocco (18.5 percent).
- **A good track record in the business tourism sub-sector**, with Abidjan, ranked as third African destination, as the host city for large regional companies and organizations.
- **Untapped potential for ecotourism and leisure tourism (domestic and regional)**, both in volume (22 percent of visits) and in value (8 percent of revenue).

However, the sector faces numerous challenges both from the supply side (poorly developed tourism infrastructure centered around Abidjan,

dilapidated road network, cumbersome land acquisition procedures, and insufficient sector professionalization), and from the demand side (high price of international flights due to weak competition and high airport taxes, perceptions of insecurity across the wider sub-region).

The government's strategy revolves around four pillars: (a) consolidating Côte d'Ivoire's reputation as the leading African hub for business tourism, (b) becoming a regional base for leisure tourism, (c) attractive new, adventure-oriented international tourists eager for authenticity, and iv) promoting social/eco-tourism entrepreneurship.

Nine flagship projects were prioritized as part of this strategy (such as Abidjan Business City, Afro-Disney, tourism micro-firms incubator, routes of "African treasures") as well as nine related policy reforms, such as developing a comprehensive map of touristic infrastructure, promoting vocational training in the hospitality sector, and promoting the Côte d'Ivoire tourist destination towards emerging (Asian) markets.

The growth of the tourism industry in Côte d'Ivoire can be seen in the light of a growing global interest in African tourism, with international arrivals to Africa, and particularly Sub-Saharan Africa, up by 8 percent and 10.3 percent, respectively, in 2017 - with 64 million international tourists (mainly European and increasingly Asian) hosted in 2017, compared to 58 million in 2016. The tourism infrastructure has improved with the expansion of the Felix Houphouet-Boigny international airport and the development of new hotels; however, despite progress, accommodation is often of poor quality and does not comply with international standards.

Tourism is dominated by the business segment (40 percent of arrivals and almost 65 percent of tourism revenues), which is also reflected in the low average length of stay (four nights).⁵⁹ Tourism offerings primarily comprise meetings, incentives, conferences, and exhibitions (MICE) and weekend leisure markets. The MICE potential of Abidjan as a destination is high, with several MICE venues (such as Sofitel Abidjan/Hôtel Ivoire with a 1,450-seat auditorium). Abidjan has been regularly hosting international meetings (Francophonie games in 2017, African Cup of Nations scheduled for 2021). The weekend leisure market consists of business tourists extending their visits for a couple of days.

However, there is potential for Côte d'Ivoire's tourism sector to expand into other types of segments, in particular, national parks and beaches. The national parks of Comoé and Taï, and the Mount Nima Strict Nature Reserve, are classified as UNESCO World Heritage sites. Grand-Bassam, located about 40 km from Abidjan, has classic colonial architecture and numerous beach resorts. The Basilica of Our Lady of Peace in Yamoussoukro, which was modelled after the Basilica of Saint Peter in the Vatican, is an attraction for regional tourists.

Harnessing this potential could help create quality jobs. The international average in the tourism sector is one job for every 11 arrivals.

Key constraints for the private sector

Growing security concerns. In light of the spike in terrorist attacks in the Sahel and one terror attack in Côte d'Ivoire, security concerns have become quite prominent and have become a major obstacle to the development of tourism.

Over-reliance on the business segment. Promotion activities are mainly directed towards the already developed business segment. High prices of international flight prices (due to low competition and high airport charges) affect competitiveness in the leisure segment of the tourism market.

Promotion activities have not addressed the perception of insecurity and instability of Côte d'Ivoire as a tourism destination. The agency in charge of implementing the promotion is underfunded (relying on the Ministry of Tourism and the airport taxes) and not fully effective.

Land use, zoning, and planning of tourism development zones. Lack of planning and of a streamlined approval process has led to informal construction of hotels and other businesses (except in the Assinie area), which do not comply with quality standards.

Poor infrastructure, especially in the interior of the county. According to the National Investment Promotion Agency, Abidjan needs 7,000 more rooms as the current supply is of poor quality (only 10 percent of the hotels are considered as 'upscale').⁶⁰

Availability of tourism infrastructure. Eighty percent of the hotel rooms are concentrated in Abidjan and Yamoussoukro, even though there are opportunities in other parts of the country. There is also a lack of international hotels. If tourist infrastructure is improved by the extension of Félix Houphouët-Boigny International Airport and the development of new hotel chains, the quality of lodging will need to conform to international standards.

Skills. The public training school (*Lycée Professionnel Hôtelier d'Abidjan*) for the tourism sector lacks inputs in curriculum development from the private sector or the Ministry of Tourism. Teachers at the training institute have limited professional experience. The recent opening of the Grand Bassam Hotel School (*Ecole Hotelière de Grand-Bassam*) should help; however more capacity is needed to train the workforce for different sectors of the hospitality business.

Policy Recommendations

Improving tourism infrastructure. The coastal road linking Abidjan to San Pedro—a destination with considerable potential for beach tourism—needs to be upgraded. To further promote business tourism, creation of an exhibition center with a capacity between 1,500 and 2,000 for trade shows, exhibitions, and conferences could be considered.

Diversifying tourism offering for different segments. Promotion of destinations such as Assinie, Grand Bassam, Grand-Bereby (beach / coastal resorts); Tai and Man (nature tourism); Yamoussoukro (religious tourism). Long weekend packages for (a) business travelers or for tourists for the subregion (including a day at the coastal resorts in Grand Bassam or Assinie), and (2) tourists from the subregion visiting the Basilica of Our Lady of Peace in Yamoussoukro.

Enhancing the availability of skills. In order to meet the growing needs of the sector, Côte d'Ivoire needs more professionals.⁶¹ The government should collaborate with the industry to create programs to train tourist guides, and hospitality workers. To meet short-term needs, scholarships for students to training institutes in Morocco, Tunisia, Kenya, and South Africa could be considered.

Streamlining building permits for hotels to reduce cost and time overruns for hotel construction.

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NOTES

- 1 In response to the COVID-19 outbreak in March 2020, the Government of Côte d'Ivoire adopted an emergency economic rescue package aimed at mitigating the economic and social repercussions from the pandemic. This package, equivalent to 5 percent of GDP, seeks to help vulnerable households and firms weather the crisis through a variety of support measures for MSMEs, businesses, and informal sector workers, and to prepare for post-crisis recovery.
- 2 Between 2011 and 2019, Ivorian farmers received FCFA 21,177 billion (around USD 37.8 billion) of income for cash crops and FCFA 23,000 billion (around USD 41.05 billion) for food crops.
- 3 As a result of differences in computation methods and in household survey design, the poverty rate series from 1985 to 2008 is not comparable to the data from 2011 to 2018. Yet poverty rates for 2011 and 2015 are estimated using a methodology comparable to that of 2018. Previous communications from the Ivorian authorities indicate slightly different poverty rates (46.3 percent in 2015 and 37.2 percent in 2018).
- 4 Despite considerable central government education expenditures, the results in terms of school enrollment and learning outcomes remain below expectations. The findings are based on the latest data available at the preparation of this report.
- 5 Crude petroleum does not include refined products.
- 6 The official unemployment rate is based on International Labor Organization (ILO) standards. In the Ivorian context, few workers can afford to earn nothing, and they often find themselves in situations of self-employment characterized by low productivity. According to the Jobs Diagnosis conducted by the World Bank on Côte d'Ivoire (2017), 77.2 percent of the Ivorian working-age population is self-employed, whether in the agricultural or in the non-agricultural sector, while 15.1 percent of the active population is made up of informal private sector employees. Self-employed workers (mainly in the informal sector) and informal workers often work at low levels of productivity and income, in what is commonly referred to as "under-employment". The report thus recommends focusing on how to improve the quality of employment in Côte d'Ivoire.
- 7 The United Nations Economic Commission for Africa (UNECA) estimates that AfCFTA has the potential to raise intra-African trade by 15 to 25 percent by 2040, representing up to 70 billion US dollars.
- 8 Many firms choose to split up their operations in multiple smaller entities and remain below the threshold to remain subject to the "*impôt synthétique*". Firms subject to it make up half of the taxpayers but pay only 1 percent of the taxes.
- 9 Côte d'Ivoire's National Strategy for Financial Inclusion, adopted in 2019, aims to increase the country's financial inclusion rate from 41 percent of the population currently to 60 percent by 2024.
- 10 The report also discusses opportunities in health care and tourism, but these sectors do not have the same immediate potential.
- 11 Includes processed foods.
- 12 Bangladesh's export performance in ready-made garments has been a crucial factor in the country's development (see, for example, World Bank 2015).
- 13 More details on RCA and its methodology are in chapter 4 of this CPSD.
- 14 In June 2019, for example, Côte d'Ivoire and Ghana, the two largest producers of cocoa beans with more than 60 percent of global supplies, announced the freezing of bean sales and the establishment of a floor price of USD 2,600 per ton for the 2020-21 cocoa harvesting season, with the aim of creating added value for individual producers.
- 15 FAOSTAT.
- 16 The "Electricity for All" program allows households to connect to electricity in exchange for the payment of FCFA 1,000 (around 2 US dollars) compared with a regular price of FCFA 150,000 (about 300 US dollars). The difference is covered by a dedicated fund (for FCFA 149,000), which the household reimburses over 10 years.
- 17 According to the World Bank Doing Business Index 2019. The system average interruption duration index and the system average interruption frequency index rankings have improved since 2015.
- 18 World Bank's CI-Energies Guarantee Project supported the resolution of short-term debt. See "Côte d'Ivoire: CI-ENERGIES Guarantee Project," World Bank website. <http://projects.worldbank.org/P164145?lang=en>
- 19 As a result of differences in computation methods and in household survey design, the poverty rate series from 1985 to 2008 is not comparable to the data from 2011 to 2018. Yet poverty rates for 2011 and 2015 are estimated using a methodology comparable to that of 2018. Previous communications from the Ivorian authorities indicate slightly different poverty rates (46.3 percent in 2015 and 37.2 percent in 2018).
- 20 World Bank Databank.
- 21 Business owners and top managers in 361 manufacturing firms were interviewed from July 2016 through February 2017.

- 22 In 2019, the Ivorian government signed agreements with eight industrial processors with the aim of increasing cashew processing by 107,000 tons over the next four years (70,000 tons were processed in 2018). In return, manufacturers will benefit from exemption from customs duties and value added tax on spare parts or other forms of tax holiday during the operating phase over a period of five years.
- 23 In 2015, a Vietnamese firm, Viet Mold Machine, specializing in the production of cashew processing machines, set up a processing unit with an initial annual capacity of 5,000 tons.
- 24 National Institute for Statistics.
- 25 National Institute for Statistics.
- 26 Data from General Directorate of Taxes. Micro enterprises include firms with an annual turnover not exceeding FCFA 30 million and fewer than 10 employees; small enterprises are firms with an annual turnover between FCFA 30 million and FCFA 150 million and fewer than 50 employees; and medium-sized enterprises with an annual turnover between FCFA 150 million and FCFA 1 billion and up to 200 employees.
- 27 The national employment survey collected in February 2014 (ENSETE 2013) suggests that medium and large firms account for more than 75 percent of formal employment. The share of jobs generated by firms older than 10 years is similarly high.
- 28 On the Bertelsmann Stiftung's Transformation Index, Côte d'Ivoire shows an improvement in the enforcement of competition policy from 2 to 4 between 2006 and 2018 – on a 1 to 10 scale, 10 being the best.
- 29 The food products sector primarily includes processed food and cocoa. For details, refer to <https://wits.worldbank.org/Product-Metadata.aspx?lang=en>
- 30 World Trade Integrated Solution.
- 31 Based on recent USAID/World Bank study (2018).
- 32 According to FAOSTAT, no exact figures on land use currently available. This seems underestimated and may not include the required minimum fallow periods. (Agri policy update)
- 33 USAID
- 34 https://gain.fas.usda.gov/Recentpercent%20GAINpercent%20Publications/Cottonpercent%20andpercent%20Productspercent%20Annual_Accra_Cotepercent%20d'Ivoire_4-26-2019.pdf
- 35 Note that tariffs for Africa's 4th largest economy has averaged 12 percent over the last three years. The data are not presented in Figure 4.24 because they have substantial gaps.
- 36 The tax rate of 5 percent for taxpayers whose annual turnover, all taxes included, is between FCFA 10 million and FCFA 50 million, and 8 percent for taxpayers whose annual turnover, all taxes included, is between FCFA 50 million and FCFA 100 million.
- 37 An international benchmark of Côte d'Ivoire's corporate tax system reveals that the so-called "synthetic tax" is complex and encourages the fragmentation of economic activities, therefore some degree of informality (IMF 2018).
- 38 Seven Moroccan public enterprises carry out approximately 60% of all cumulative public investments in the country: OCP, ONEE, HAO, ONCF, CDG, RAM and TMSA (2016 data).
- 39 The Vietnamese government has a majority stake in 1,500 companies, of which about 740 are listed on the two main exchanges in Hanoi and Ho Chi Minh City. As of 2017, the state holds the majority of the shares of at least 6 of the 10 largest companies on the Vietnam Stock Exchange.
- 40 World Bank/IFC Joint Capital Market Program (J-CAP), 2017.
- 41 The World Bank's "E-agri project" attempts to digitize value chains with a focus on staple crops that are predominantly grown in the poorer North and Center of the country (a) maize, manioc, rice; (b) plantain, yam (igname); (c) shea (karité); and (d) poultray.
- 42 <http://documents.worldbank.org/curated/en/881401530502234660/pdf/Cote-d'Ivoire-PAD-06122018.pdf>
- 43 Border compliance, which includes customs clearance and inspection. World Bank Doing Business 2019.
- 44 Lomé, which is home to ASKY, is an emerging hub, but is small compared to the region's market size.
- 45 Right to carry passengers from one's own country to a second country and from that country to a third country (and so on).
- 46 Clarifying this framework will also help in the execution of other projects.
- 47 A similar monopoly was in place at the port of Dakar, but the port authority took resolute action to introduce competition in the container delivery activity, which resulted in a price reduction.
- 48 Freight transport costs in Abidjan among the highest in the world at USD 0.32 per ton-kilometer (source: PSIA)
- 49 In 2018, Orange had 48 percent market share, MTN 30 percent and Moov 20 percent.
- 50 Source: Autorité de Régulation des Télécommunications de Côte d'Ivoire (ARTCI).
- 51 According to French tech Abidjan an industry online advocacy platform.
- 52 Cf. OECD, Telecom price baskets: To measure and track prices over time, (industrial) economists have built "mobile baskets" made of pre-determined number of calls, SMS and mobile broadband data consumption, and then check in each country what is the cheapest price plan to satisfy this consumption basket (there are usually several baskets defined with "low", "medium", and "high" consumption).
- 53 13 FCFA/minutes in Cote d'Ivoire vs. 4.5 FCFA/minute in Senegal.

- 54 GSMA Intelligence
- 55 A new PASEC has been conducted in 2019 and the results should be available in 2020.
- 56 http://imagebank.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&menuPK=64154159&search-MenuPK=64154240&theSitePK=501889&siteName=IMAGEBANK&eid=090224b0865ecec6_1_0
- 57 In 2010, the government committed to build and rehabilitate 5 hospitals and 100 health centers. During the period 2012-2019: 10 general hospitals were built and 22 Regional Hospital Centers (CHR) were rehabilitated as well as 78 General hospitals and 233 urban and rural health centers. Côte d'Ivoire has had Specialized Centers offering unique technical platforms in the sub-region. These include the National Center for Radiotherapy for the treatment of cancer and the Mother and Child Hospital in Bingerville. The access rate for health services has thus increased from 44 percent in 2012 to 69 percent in 2019. Today, Ivorian women benefit from free-of-charge delivery kits and caesareans through health centers across the country. Universal Health Coverage was launched and made operational since October 1, 2019, with nearly 3 million people enrolled.
- 58 The 2001 Abuja Declaration is a commitment made by African heads of state who met from 26 to 27 April 2001 at a special summit to address the exceptional challenges posed by HIV/AIDS, tuberculosis and other related infectious diseases. On this occasion, governments pledged to allocate at least 15 percent of their total annual national budgets to the health sector.
- 59 World Travel & Tourism Council (WTTC).
- 60 McKinsey strategy.
- 61 The McKinsey strategy estimates an additional need of 120,000 professionals.

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