

## Chapter 1

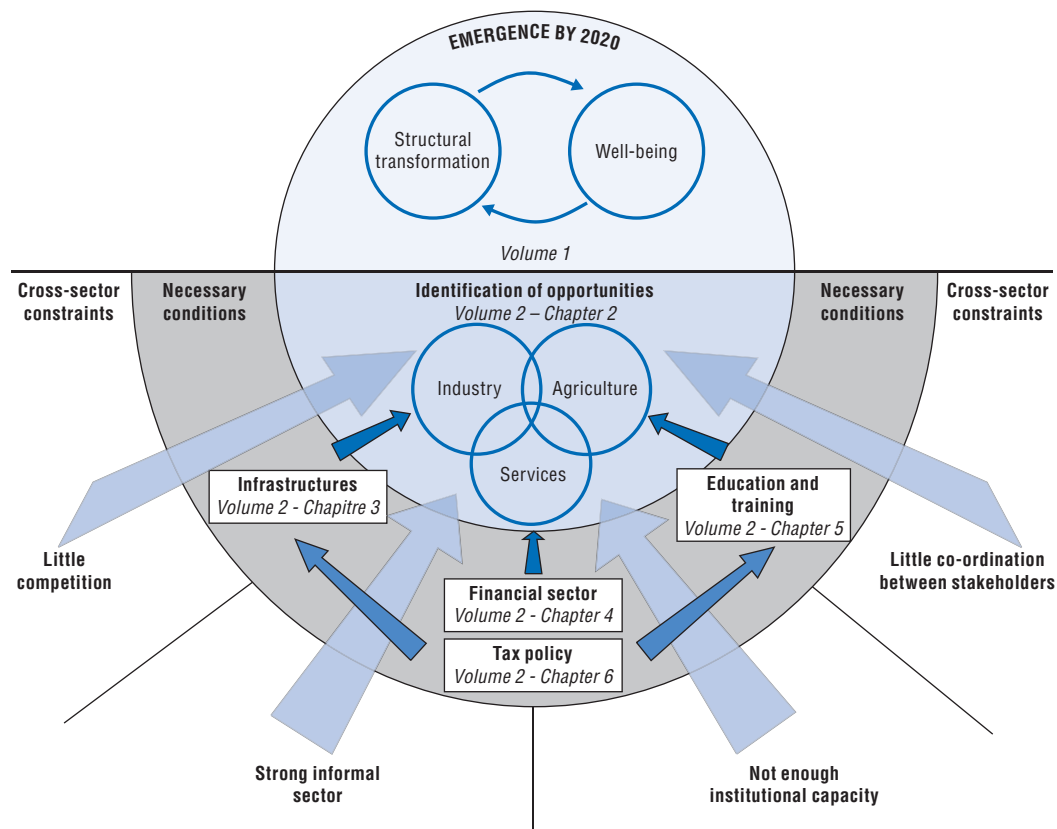
# Opportunities and challenges for emergence

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

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

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

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



Source: Authors.

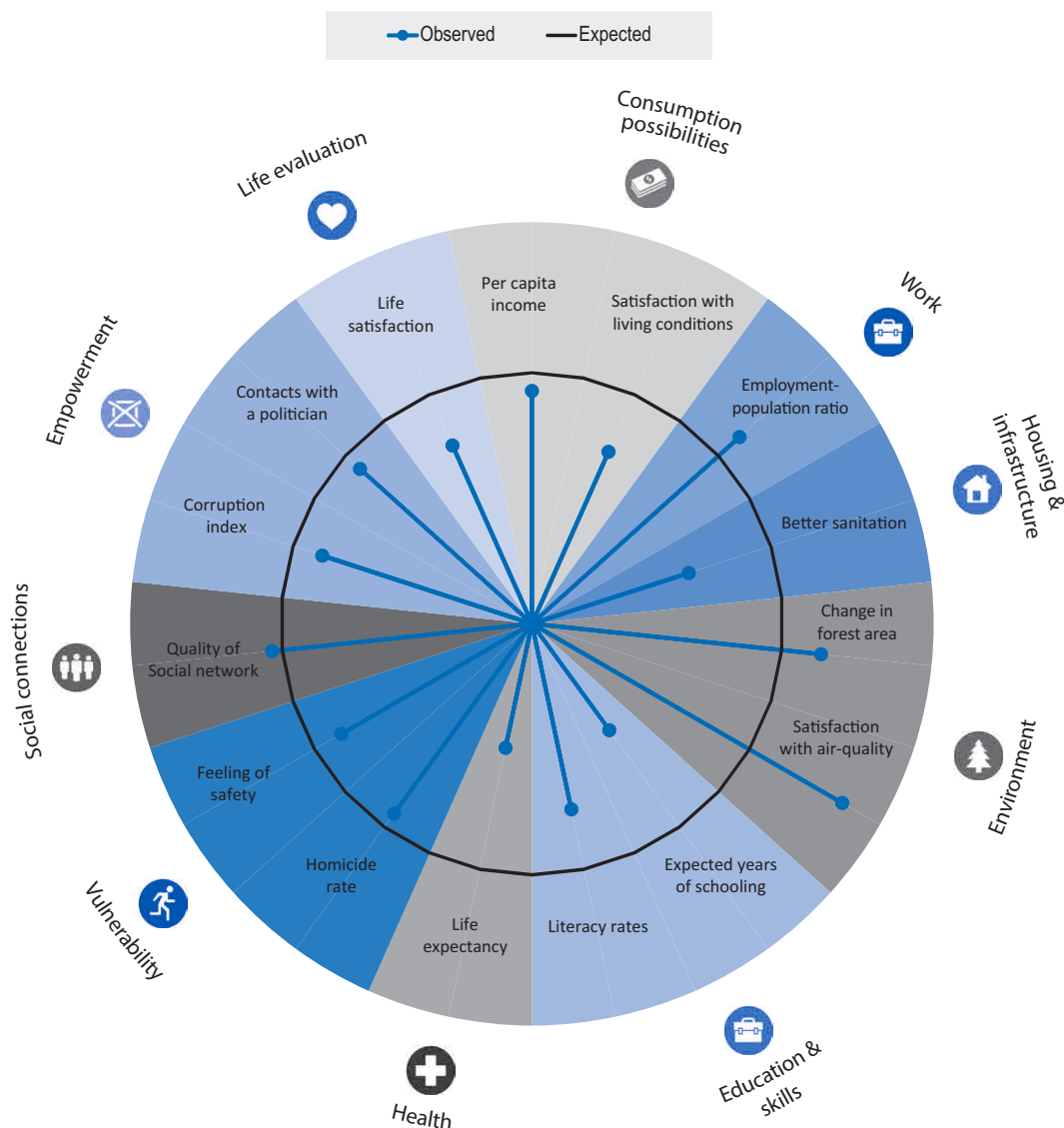
The second report is a detailed analysis of the constraints identified in the first report, their economic impact and cross-sectoral nature. It offers policy guidelines for the national development strategy and highlights many opportunities for diversifying agriculture, industry and services (Phase II).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

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

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

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

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



Note: The methodology used to assess well-being is explained in Appendix 1.A2.

Source: Authors' calculations based on: Gallup Organisation (2013), <http://www.gallup.com>; Transparency International (2013), <https://www.transparency.org/cpi2013>; UNDP (2013), <http://hdr.undp.org/fr/content/indice-de-developpement-humain-idh>; UNESCO (2014), [www.education-inequalities.org/](http://www.education-inequalities.org/); WHO (2014), <http://apps.who.int/gho/data/view.main>; World Bank, <http://data.worldbank.org/products/wdi>.

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

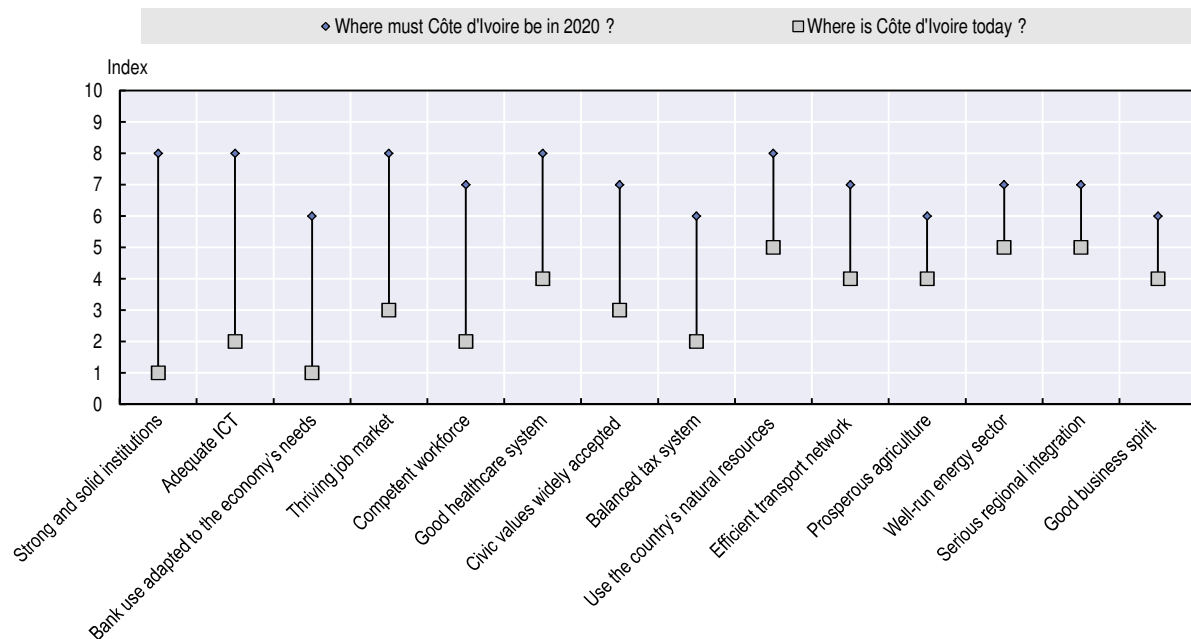
For Côte d'Ivoire to realise its ambition of becoming an emergent country by 2020, a clear vision and a coherent strategy will be needed. And emergence goes well beyond the ambition of revisiting old growth models: it requires a fundamental rethink of the country's development trajectory. There has to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

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

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

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

Key aspects and scores during the March 2015 workshop



Source: Based on strategic futures workshops.

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

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

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

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

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

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

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

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

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

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

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

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

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

Jobs created and capital invested 2013-15



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

Source: Cepici (2015).

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### **The potential of agriculture and agro-industry is insufficiently exploited**

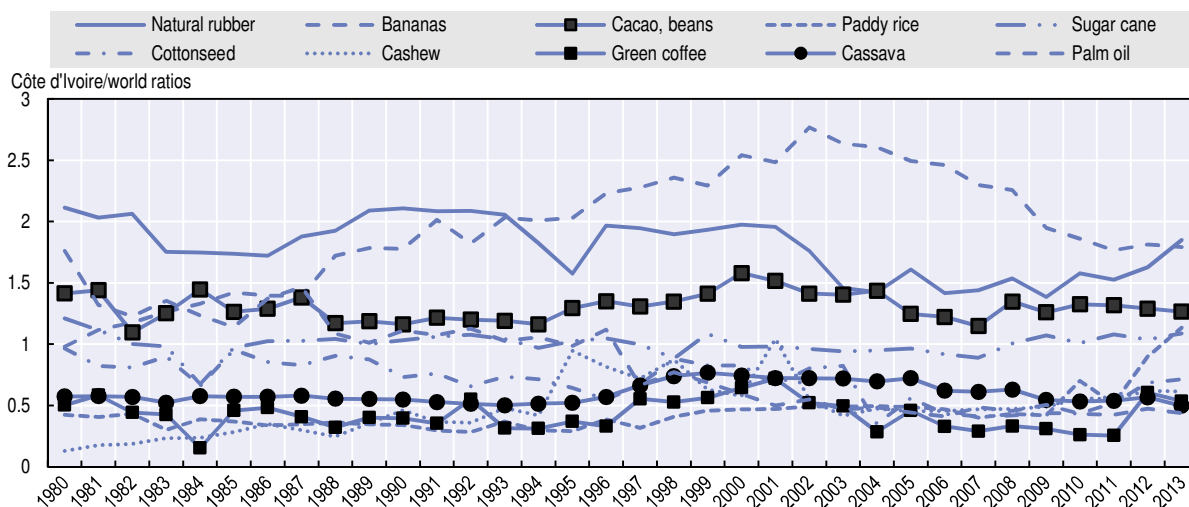
Côte d'Ivoire produces several much sought-after agro-industrial items that can stimulate new activity but have become less competitive and need to be paid more attention. Farm production by value is still overwhelmingly dominated by cocoa, which has always been the backbone of the economy. Current policy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

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

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

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

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



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

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### Industrial capacity is limited

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

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

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



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

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

### ***The services sector has unused potential***

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

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

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

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

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

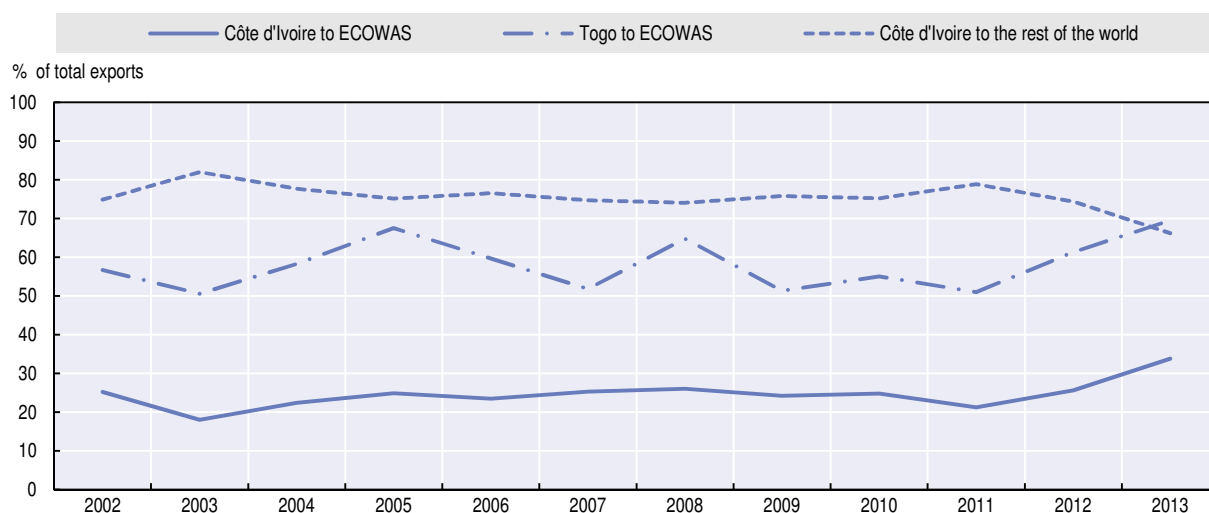
Conditions are not right for taking full advantage of the opportunities for diversification and for the growth of productive sectors. Quite apart from the need for Ivorian goods and services to win a place in new regional and world markets, obstacles to the country's competitiveness need to be removed.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

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

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

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

Percentage of total exports, 2002-13



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

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

### **Infrastructure is not effective enough**

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

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

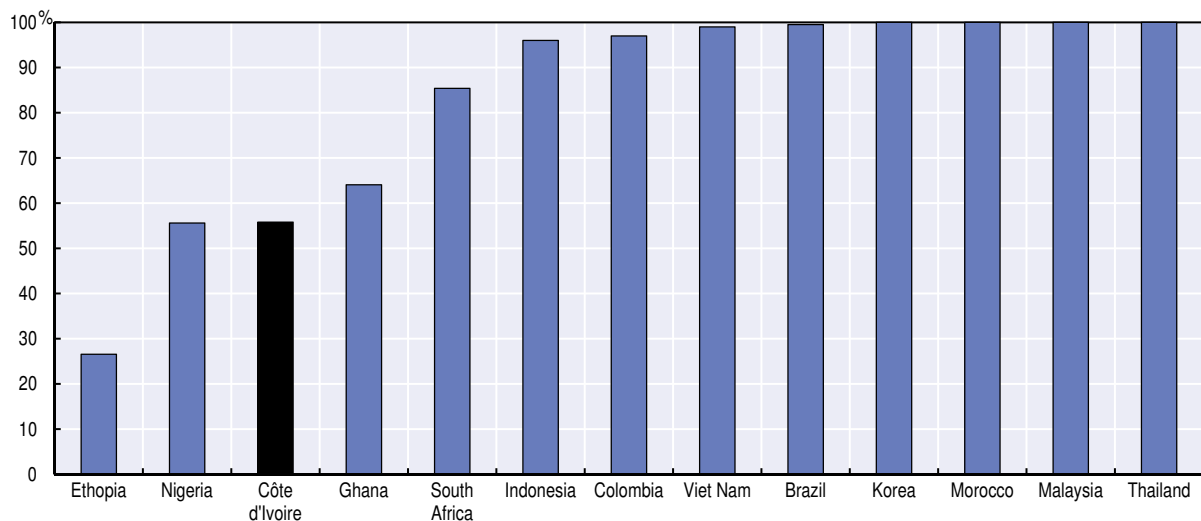
infrastructure should also boost regional development and reduce inequalities. Beyond these parameters for infrastructure planning, funding and human resources can focus on those areas with the biggest gaps between needs and existing infrastructure, to prepare the country for the future. The OECD suggests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

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

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

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

Figure 1.7. **Côte d'Ivoire lacks enough electricity access for an emerging country**  
% of the population with access to electricity, 2012



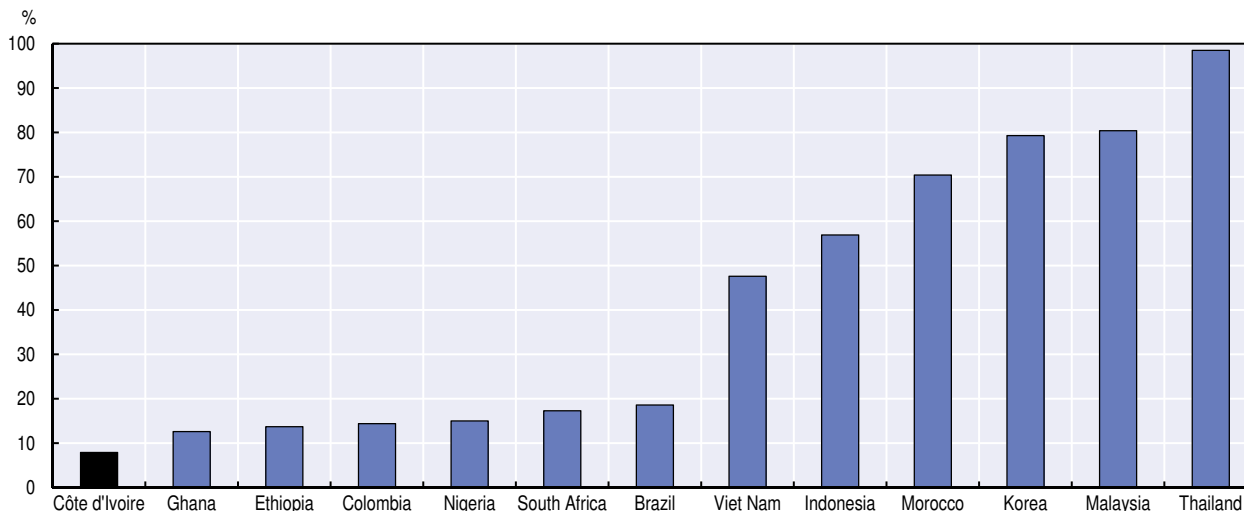
Source: World Bank, World Development Indicators (2015), <http://data.worldbank.org/products/wdi>.

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

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

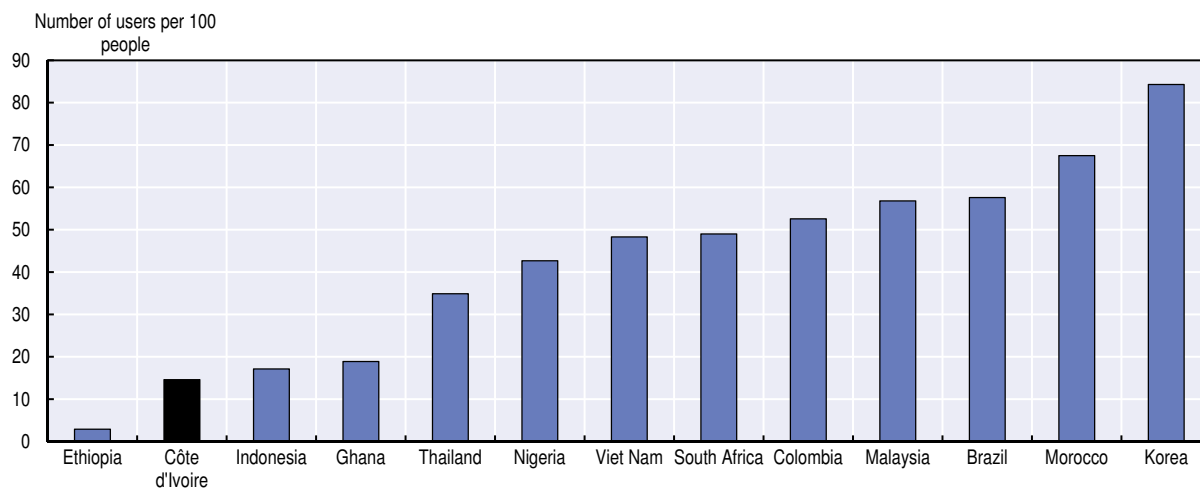
Paved roads (% of total) in 2010



Source: International Road Federation (2012).

StatLink <http://dx.doi.org/10.1787/888933381100>Figure 1.9. **Internet use is below that in many emerging countries**

Number of users per 100 people, 2014

Source: World Bank (2015), <http://data.worldbank.org/products/wdi>.StatLink <http://dx.doi.org/10.1787/888933381119>

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

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

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

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

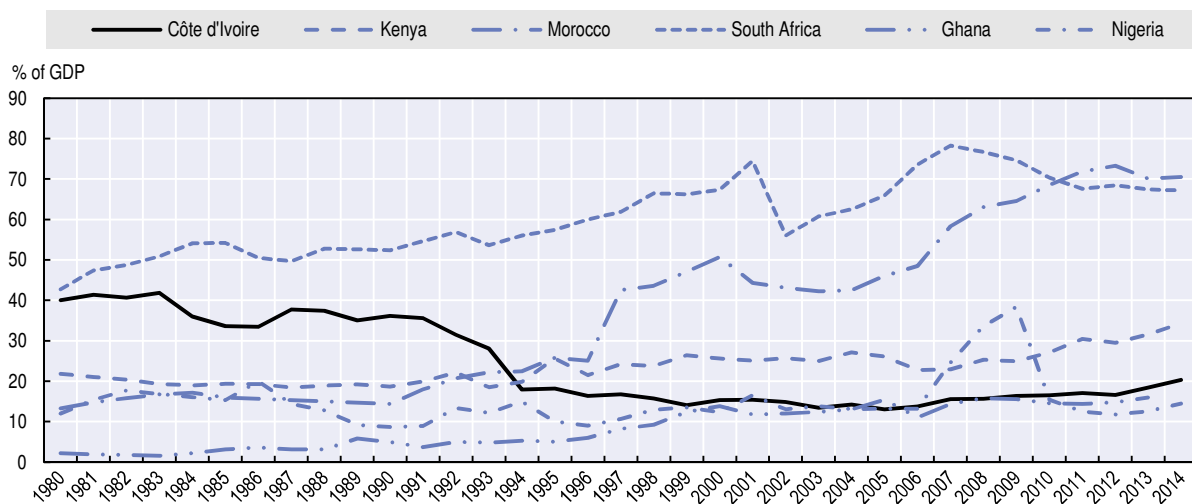
### **Access to funding is a constraint for business and individuals**

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

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

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

Credit to private sector



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

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

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

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

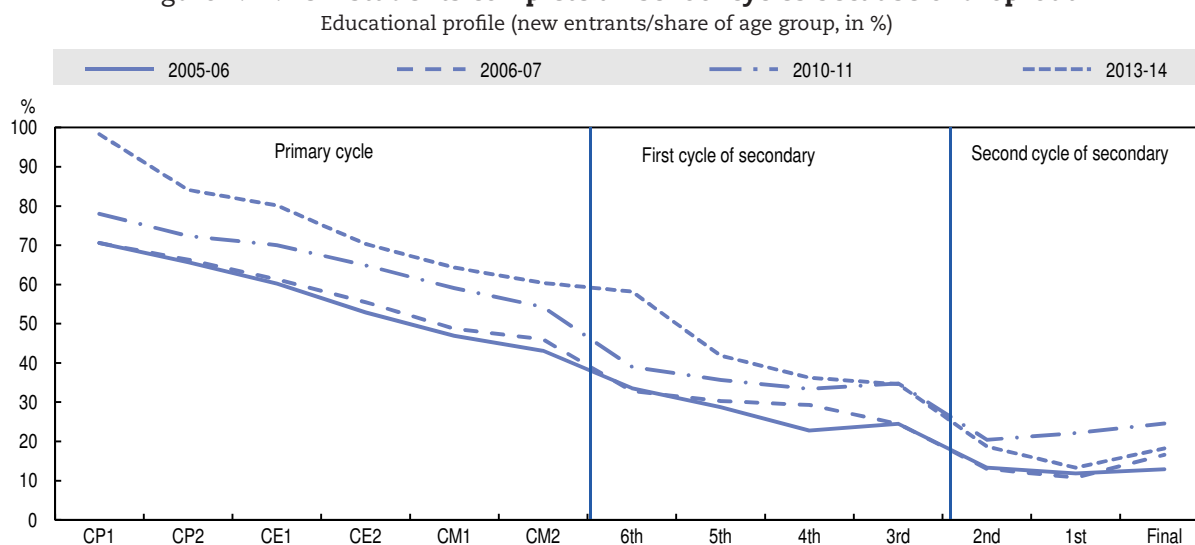
The range of financial products is insufficient. Leasing and factoring are still uncommon in Côte d'Ivoire in the absence of tax incentives, proper legal guarantees and adequate financial expertise. But these represent solutions for firms (especially SMEs) excluded from traditional formal funding facilities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

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

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

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

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



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

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

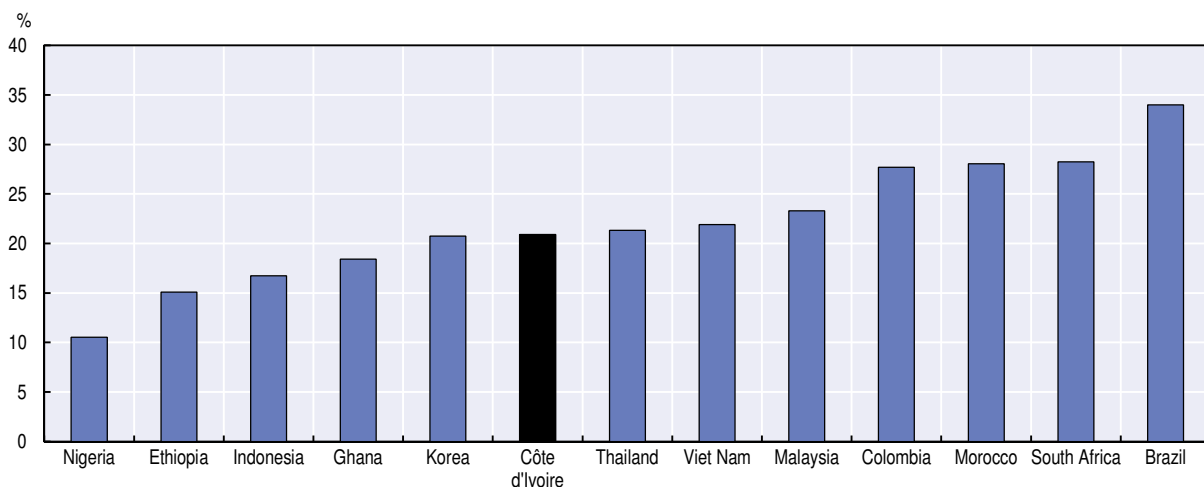
The training available is not sufficiently adapted to the economy's structure and must focus on the future needs created by structural transformation. The Ivorian economy is dominated by informal, self-employed workers and by agriculture, but technical and vocational education and training (TVET) remain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

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

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

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

Public revenue in comparison countries in % of GDP in 2014



Source: IMF, <https://www.imf.org>.

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

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

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

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

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

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

### ***Cross-sector constraints affect several economic sectors at different levels***

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

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

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

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



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

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

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

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

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

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

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

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

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## APPENDIX 1.A1

### *Methodology of multi-dimensional country reviews*

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

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

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

## APPENDIX 1.A2

### *Methodology of assessing well-being*

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

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

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



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