

**Côte d'Ivoire—Poverty Reduction Strategy Paper—Joint Staff Advisory Note**

The attached Joint Staff Advisory Note (JSAN) on the Implementation of the Poverty Reduction Strategy Paper for Côte d'Ivoire, prepared jointly by the staffs of the World Bank and the IMF, was distributed with the member country's Poverty Reduction Strategy Paper (PRSP) to the Executive Boards of the two institutions. The objective of the JSAN is to provide focused, frank, and constructive feedback to the country on progress in implementing its Poverty Reduction Strategy (PRS).

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**International Monetary Fund  
Washington, D.C.**



# CÔTE D'IVOIRE

## JOINT STAFF ADVISORY NOTE ON THE NATIONAL DEVELOPMENT PLAN 2012–15

May 22, 2013

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## OVERVIEW

- 1. The National Development Plan (NDP) for the period 2012–15 approved by the government on March 28, 2012 replaces the previous Poverty Reduction Strategy Paper (2009–15).** Based on an assessment of the results of economic policies since independence as well as of the impact of recurrent political crises since 1999 and, in particular, the 2011 post-election crisis, the NDP articulates a comprehensive reform agenda that takes into account the new challenges facing Côte d'Ivoire. It aims at transforming Côte d'Ivoire into an emerging market by 2020 and halving the poverty rate by end-2015.
- 2. The vision of the National Development Plan to transform Côte d'Ivoire into an emerging market by 2020 has been articulated around five strategic pillars:** (i) people living in harmony in a secure society in which good governance is ensured; (ii) the creation of national wealth is increased, sustained and its fruits are shared in an equitable manner; (iii) the population, in particular women, children and other vulnerable groups have fair access to quality social services; (iv) people live in a healthy and adequate living environment; and (v) Côte d'Ivoire's stature on the regional and international scene is enhanced. These strategic objectives are broadly in line with the pillars of the previous PRSP.
- 3. Implementation of the previous PRSP was undermined by the socio-political crisis.** Rising tensions ahead of the 2010 presidential elections and the post-election crisis between November 2010 and April 2011 pummeled the economy. Consequently, real GDP growth slowed to 2.4 percent in 2010, and contracted by 4.7 percent in 2011; inflation accelerated to 4.9 percent in 2011; and the overall fiscal balance deteriorated. Furthermore, the 2009 ECF-supported

program went off track; the government was unable to honor the maturities falling due on government securities; and new arrears were accumulated. Nonetheless, macroeconomic management has been solid; public sector reforms have brought improved transparency and better public procurement and have protected basic public services, most notably the free provision of many healthcare services. Reforms governing private-sector activity hold the promise of renewed investment, increased productivity in key agricultural sectors, and greater transparency in the exploitation of Côte d'Ivoire's extensive natural resources.

**4. The NDP was prepared in a participatory manner.** Extensive consultations at the national and district levels, with participation of stakeholders from central and local authorities, donors, private sector, academia, and civil society organizations on a new National Development Plan began as soon as the post-election crisis ended and the new government was formed. Although implementation of the previous PRSP-1 was still ongoing, the government decided that it would be important to prepare a new NDP so as to reflect its priorities. After its validation at end-2011 by the various stakeholders and the donor community, the NDP was officially endorsed by the Council of Ministers on March 28, 2012 and later discussed with the National Assembly.

**5. This Joint Staff Advisory Note (JSAN) reviews the NDP strategic pillars and key outcomes.** Section II discusses poverty diagnosis and trends, followed by section III which discusses macroeconomic policies. Section IV reviews the NDP's strategic pillars and discusses key priorities necessary to ensure effective implementation of the strategic pillars. The last section of the note presents staffs' main conclusions and recommendations.

## POVERTY DIAGNOSIS AND TRENDS

**6. Poverty indicators have not been updated since 2008, making it difficult to consistently assess the poverty trends over the past few years.** Due to the crisis and instability that affected the country, the National Statistics Institute has not been able to carry out a new Living Standard Measurement Survey (LSMS). The lack of recent data notwithstanding, the NDP states that poverty rates have further worsened on account of the crisis. In fact, the authorities estimate that, in view of the large number of internally displaced people, and population who fled abroad, the sharp deterioration of social services mainly in the Center-North-West, and the broad decline of incomes, more than half the population is now below the poverty line—against 48 percent in 2008 and only 10 percent in 1985.

**7. Staffs concur with the assessment of poverty trends in the NDP and urge the government to improve the country's poverty monitoring capacity.** In this regard, priority should be given to a new Living Standard Measurement Survey (LSMS). Given the country's immense social needs and decline in living standards over the last ten years, the goal to halve poverty by 2015 appears ambitious, if not unrealistic. Staff urges the government to develop a better understanding of linkages between the policy actions and programs identified in the NDP and poverty outcomes. This applies, in particular, to the expected impact of structural reforms currently underway in the energy and agricultural sectors, as well as to reforms of the civil service and of state-owned enterprises. Poverty and social impact assessments (PSIAs) would be instrumental in understanding the poverty outcomes of envisaged reform measures. In this context, it will also be important to further develop the government's capacity to monitor and analyze poverty trends on a more regular basis by building capacity of the Statistical Institute.

## MACROECONOMIC FRAMEWORK

**8. Staffs are of the view that the growth prospects over the medium term are strong.** However, the NDP growth targets (9 in 2013 and 10 percent in 2014–15), though achievable, represent an upside scenario. Staffs' relative prudence are justified by: (i) uncertainties as to the magnitude and pace at which private sector engagement will materialize; (ii) possible delays in the effective mobilization of the promised external financing, which could in turn negatively affect implementation of investment projects; and (iii) the time needed to eliminate remaining bottlenecks (e.g., largely obsolete public infrastructure, weak business climate, etc.). Staffs' baseline scenario uses a real GDP growth path of about 8 percent per annum in 2013–15.

**9. The NDP's fiscal strategy, focused on scaling up public investment while achieving sustainability, is fully consistent with the one agreed in the context of the IMF-supported program.** Achieving these objectives would imply strengthening revenue collection as well as containing and reprioritizing current expenditure. The NDP's revenue objectives, though ambitious, are achievable, and require stepping up ongoing structural fiscal reforms, with a particular focus on increasing the efficiency of VAT collection. These revenue efforts should be supplemented by measures to contain the wage bill and universal subsidies over the medium term. Staffs welcome the implementation of an automatic fuel price mechanism as of April 2013 and call on the authorities to continue efforts to reduce subsidies in the electricity sector. The government's commitment to complete the design of a medium-term wage bill strategy by the fourth quarter of 2011 with the Fund technical assistance is a good step in the right direction. Staffs call on the authorities to strengthen project appraisal and implementation capacity in order to support a scaling up in public

investment. Staffs emphasize the need to avoid an overly large and rapid increase in public debt that could jeopardize debt sustainability and generate debt service that would place undue pressure on the budget. In this regard, staffs welcome the authorities' plan to strengthen debt management by adopting a medium-term strategy and reorganizing the debt management unit along functional lines in 2013.

**10. Staffs are of the view that the public sector investment program of the NDP is financeable.** At the Consultative Group meeting held in Paris in December 2012, donors' pledges (about US \$ 8.6 billion) exceeded the authorities' expectations. These pledges are sufficient to meet the external financing needs of the NDP.

**11. Staffs' assessment is that risks to the macroeconomic projections of the PND are mainly on the downside, but likely small enough to not disrupt the strategy.** The main risks center around the socio-political and security situations, which are still challenging, and remaining bottlenecks to growth, which could lower private investment and thus growth. In addition, a global downturn stemming particularly from an intensification of the euro area crisis could impede the inflow of FDI and external aid.

## STRATEGIC PILLARS

### A. People Live in Harmony in a Secure Society in Which Good Governance is Ensured

**12. Staffs commend the authorities for clearly stating the objective to become a secure country where people live in harmony and benefit from good and effective governance in line with international standards.** As a result of a decade of social and political crisis culminating with the post-election crisis in early 2011, the country's ethnic divisions have further exacerbated. Tensions have abated substantially since the end of the military crisis, but root causes of the earlier conflict remain essentially unaddressed, creating the potential for renewed violence. Furthermore, weak security could remain a major hindrance for the country to achieve the strong growth targets envisaged by the government. The widespread circulation of light arms, slow reform of the military and policy, and large number of ex-combatants yet to be reintegrated into society continue to be challenges to the security situation that need to be handled with determination. Staffs commend the authorities for their plan to involve in a more coherent manner local communities, as well as religious leaders, in the resolution of social conflicts in rural areas.

**13. Abuse of human rights, weaknesses in the judicial system, and poor governance have been root causes of the country's crisis.** With past regimes partly allocating resources on the basis of ethnic and regional criteria, a strong sense of injustice was felt amongst those excluded from this system of patronage, both in the public and the private sector. In addition, the judicial system is weak with unequal access to justice, and an often non-transparent conduct of judges and courts, resulting in deep distrust in the formal justice system. Staffs agree that the reform of the judicial system is crucial, and that cases of human rights abuse stemming from the period during and after the post-election crisis need to be dealt with by the government judiciously. Staffs urge the authorities to improve governance at all levels, and particularly to work towards establishing a more accountable, results- and client-oriented justice and social services system which will be key to restoring confidence of the population in the public administration.

## **B. The creation of National Wealth is Increased, Sustained, and its Fruits are Shared in an Equitable Manner**

### *Modernization of Public Financial Management (PFM)*

**14. Staffs agree with the authorities that modernizing the PFM system is a key element in achieving a more effective system of economic governance.** Preparation of macrofiscal projections, transparency of budget execution, as well as oversight of state-owned enterprises, need to be strengthened to allow the targeted development outcomes to be achieved. The planned PFM and public procurement reforms, including the expansion of the MTEFs to line ministries, and the strengthening of the various computer-based IFMIS (SIGFIP, SIGBUD, SIGMAP etc.) will play a key role in improving credibility of the budget execution framework and ensuring that the planned increase of investment spending, both public and private, will have the expected impact on growth. Staffs also wish to underscore the importance of further strengthening cash management, improving the reliability of public accounts, and reinforcing the audit function, including by creating a Supreme Audit Court (Cour des comptes).

**15. Staffs concur with the authorities that improving the taxation of domestic activities is instrumental to sustaining the significant scaling-up of capital spending.** The increasing reliance on tax breaks to achieve social and economic development objectives over the last decade has weakened revenue yield. Staffs recommend reviewing preferential tax regimes in order to limit exemptions with limited traction on investment decisions. Tax and customs administration reforms should also be pursued to improve revenue mobilization and the fight against tax fraud intensified.

*Revival of strategic sectors of the Ivoirian economy*

**16. Staffs concur with the authorities about the key role of agriculture, livestock, and fishery development as sources of growth and engine of poverty reduction.** The reforms in the various agriculture sub-sectors, including the implementation of the capacity building agenda in the agriculture, livestock, and fishery sectors will provide the foundation for their development. Critical to tackling poverty in the rural areas will also be the transmission of international market prices to farmers, productivity improvement, and better marketing networks. In this context, staffs welcome the reform of the cocoa sector from November 2011, with the adoption of the forward sales mechanism and the decision to fix farm gate prices to not less than 60 percent of the CIF price. In addition, the envisaged subsidies mechanism to cotton producers and cashew processors should establish the basis for significant income gains for farmers in the Northern part of the country.

*Increased oil production capacity, a better exploitation of the mining potential and enhanced energy services and electricity supply*

**17. In view of Côte d'Ivoire's significant natural resource potential, the NDP's objective to develop the country's hydrocarbon, gas, and mining sectors is appropriate.** While fiscal incentives may be offered to new investors, the implied costs to the state budget need to be carefully assessed against their expected benefits. Staffs emphasize the need to prepare fiscal frameworks to strengthen capacity to manage natural resources.

**18. Staffs welcome the NDP's focus on electricity sector reforms, as occasional shortages of electricity can represent significant bottlenecks for the country's faster growth.** In this regard, increasing generation capacity and mobilizing greater investments to consolidate and expand the transmission and distribution networks are as essential as measures to strengthen the financial sustainability of the electricity utility through tariff increases and measures to enhance collection capacity. Tariff increases should address the current regressivity of the tariff structure and limit increases of the cost of electricity to the poor and vulnerable segments of the population.

*Development of economic infrastructures for an emerging economy*

**19. Staffs concur with the NDP's focus on infrastructure development.** However, while the emphasis on the development of the national rural roads network and on improvements in governance to address the infrastructure gap is appropriate, the NDP omits a discussion of high logistics costs which restrain the development of many agricultural value chains, in particular in the Northern part of the country. High cost of transport due to market distortions in road transport and

mismanagement in the port and the railways needs to be addressed by regulatory reform aimed at promoting competition and capacity-building efforts to strengthen enforcement.

*Promoting private sector growth clusters and trade*

**20. Staffs welcome the NDP's emphasis on the major role of the private sector as an engine of job creation and revenue generation and the authorities' determination to improve the business climate.** The authorities have already set up a Commercial Court in charge of handling commercial disputes. In addition, they have also established a one stop shop (*guichet unique*) that allows the creation of firms in two business days. Furthermore, the government has adopted a new investment code to offer appropriate incentives for the development of the private sector, and is currently developing a new industrial policy aimed at supporting growth in strategic sectors. In this regard, staff advises the authorities to build on the findings of the recent Bank studies on the Sources of Growth as well as the application of the Growth Identification and Facilitation Framework with a view to prioritizing sectors in which the country has a comparative advantage and could create more value added and generate employment, particularly for the youth. The government has also initiated steps to improve the soundness of the financial sector and enhance access of SME's to credit. In addition, a national Public-Private Partnership (PPP) framework was adopted with a list of priority projects. Staffs call for vigilance in monitoring potential contingent liabilities from these PPP.

**21. Staffs take note of the government's commitment to promote tourism as an engine of job creation.** However, Côte d'Ivoire has historically been a country with little attractiveness as a tourism destination, and the situation has further deteriorated as a result of the long political and social crisis of the country. Improving the country's potential in the tourism sector calls for stronger support from the government to encourage investment and operations from the private sector. However, staffs advise the authorities to prepare a more rigorous analysis of the strategic orientation and the policy choices in the tourism sector and provide robust assessments of the employment, environmental, and macro-fiscal impacts of the related policies, before embarking on such an initiative. To this end, benchmarking with competitor countries in the tourism industry would be important.

**22. The NDP places an appropriate emphasis on the promotion of trade.** Notably, the authorities have committed to improving local trade networks through institutional changes and capacity-building activities. The NDP also outlines a number of policies to improve the competitiveness of Côte d'Ivoire's exports, including capacity-building for private sector operators and public officials involved in trade with foreign countries and intensified trade missions. However,



the NDP does not treat fully adequately the issue of Non-Tariff Barriers (NTB) to trade which pose major bottlenecks to trade development and expansion particularly with neighboring countries and within the ECOWAS region.

### **C. The Population, in Particular Women, Children, and other Vulnerable Groups Have Fair Access to Quality Social Services.**

**23. The NDP develops an ambitious agenda aimed at achieving better outcomes in the education sector.** Staffs concur with the authorities on the urgent need to strengthen the quality of the education system, in particular in the area of vocational training. In the staffs' views, the development targets in the primary and secondary education system (gender parity index, enrolment rate, achievement rate, transition rate from primary to secondary, and literacy rate) are achievable, if the government effectively implements the strategies outlined in the NDP. In this regard, staffs urge the authorities to enhance the Education for All (EFA) agenda, including by providing free access to books for pupils. Also, greater involvement of parent-teacher associations in the monitoring of public schools management will be key in achieving the mentioned targets.

**24. Staffs agree with the choice of indicators in the areas of health, nutrition, and HIV, but consider that targets should be more realistic, and priorities better articulated and sequenced.** Staffs welcome the candid analysis of shortcomings in the health sector, in particular the weak access of the poor to health care. Poor outcomes in the health sector partly reflect inadequate public resources as well as weak management systems. Staffs urge the government to increase allocations to the sector and move towards a results-oriented management of health systems, with particular emphasis on better control of hospital expenditure, and prioritizing public investments in favor of primary health care centers, in particular in rural areas.

**25. Staffs concur with the authorities on the need to enhance social protection for vulnerable groups in particular and for the population as a whole, but more details would be welcome.** Staffs welcome the plan to prepare a national social protection strategy and encourage the authorities to progress on the finalization and the implementation of this strategy. This strategy, as a component of the NDP, should provide targeting mechanisms to improve and extend safety nets and social assistance for truly vulnerable groups. Staffs also urge the authorities to explore the possibility of amending labor market regulations with a view to creating a basic social safety net for workers, while preserving the flexibility of the labor market necessary to create employment.

**26. Staffs agree with the authorities on the need to improve gender equality.** While the NDP mentions measures to empower women and promote more economic opportunities, staffs

encourage the government to coordinate policies to promote gender equality with other sectoral policies designed to support the country's growth agenda, particularly in the agriculture sector where several sectors are dominated by female workers. The government should also aim at building a national consensus on the need to empower women, as this will be necessary to bring about the change in attitude necessary to reduce gender-based violence, help increase girls' enrolment in primary and secondary education, and create more opportunities for women in politics and public administration.

**27. To better monitor progress in meeting objectives of the NDP, staffs recommend that the national statistics system be overhauled to ensure regular production of timely and coherent statistics covering all the sections of the NDP.** The lack of adequate statistics compounds the difficulties of Ministries to implement strategies, as they lack the tools to monitor the results. Staffs urge the authorities to fully fund—possibly in collaboration with donors—the recently prepared National Statistics Development strategy prepared by the Ministry of Planning, and to ensure an effective monitoring and evaluation framework for the NDP.

#### **D. People Live in a Healthy Environment and a Suitable Living Environment**

**28. The NDP rightly emphasizes the challenges faced in water, sanitation, and waste management.** On account of disorganization, lack of investment, and poor regulation over the last ten years, these sectors have experienced continuous decline. With a view to attaining the objectives of the NDP and improving living conditions, staffs also urge the authorities to better articulate the institutional framework in these sectors, given overlapping mandates of the various government agencies involved in the management of these sectors, including in particular the roles of local governments and public agencies.

**29. Staffs concur with the Government on the weak capacity in environment and natural resources management, and call for a more strategic framework to support the development objectives in these areas.** The strategy outlined in the NDP, as well as the related targets may not be ambitious enough, as strong weaknesses prevail in these sectors. Staffs encourage the authorities to improve the institutional framework, including by addressing the weak strategic planning, monitoring and evaluation capacity.

#### **E. Côte d'Ivoire's Stature on the Regional and International Scene is Effective**

**30. The NDP clearly states the authorities' ambition to make Côte d'Ivoire a key player on the regional and international scene.** Staffs agree that realizing this objective would improve access to international markets, and thus support the proposed growth agenda. However, the strategy underpinning this objective should be spelled out more clearly, in particular with respect to efforts to attract specific FDI, as well as to promote greater integration among ECOWAS countries.

## MONITORING AND EVALUATION

**31. The NDP aims at strengthening the national monitoring and evaluation system.** The institutional framework includes: (i) the National Monitoring Council; (ii) the Supervision committee; (iii) the technical secretariat; (iv) sectoral coordination units; and (v) district committees. The committees include representatives from all stakeholders in the country and are coordinated by the National Monitoring Council which is chaired by the Prime Minister, with the Minister responsible for Planning and Development as Vice-Chair. To ensure continuous dialogue between the Monitoring Council and the technical and financial partners, a Steering Committee has been set up to (i) ensure that the government can interface with development partners; (ii) facilitate mobilization of financial and technical resources ; (iii) promote coordination and harmonization of the interventions of the various stakeholders, and (iv) monitor cooperation activities as part of the management of the public development assistance. This organizational structure is conducive to increased participation at both sector and regional levels. However, the work of both the supervision committee and the technical secretariat is challenging, mostly because of the Planning Ministry's limited capacity.

**32. The NDP lacks a set of clear, appropriate and relevant key performance indicators (KPI).** Staffs urge the authorities to work on defining the KPIs to ensure the effective monitoring of the NDP programs and projects, in a way consistent with achievement of the objectives. Staffs urge the authorities to enhance capacity in the line ministries, and involve the communities in the regions and districts in the monitoring framework of the NDP.

## CONCLUSION AND RECOMMENDATIONS

**33. Staffs believe that the framework for poverty reduction in the NDP can be improved upon.** The ambitious poverty reduction target is not substantiated by appropriately articulated sectoral strategies linked to specific goals. Moreover, the authorities need to better define a strategy to address pervasive lack of data with a view to more effectively monitoring progress. To make the

NDP fully effective it will also be important to more concretely outline sectoral strategies, integrate them into a medium-term expenditure framework, and link them to targeted outcomes.

**34. Risks to successful implementation of the NDP are exogenous shocks, resistance to structural reforms, and socio-political instability in the country.** Côte d'Ivoire is highly dependent on exports of cocoa and other agricultural commodities and, therefore, vulnerable to price shocks in these commodities. Furthermore, structural reforms in key sectors of the economy, in particular in the agricultural sector, have in the past been undermined by vested interests. Moreover, while the socio-political situation has stabilized, it remains fragile and renewed ethnic or political tensions could derail the reform process.

**35. To strengthen the framework for poverty reduction , staffs recommend that the authorities give priority to:**

- *Developing a program of targeted interventions to support growth in key strategic sectors.* Côte d'Ivoire has significant untapped potential in a number of agricultural and non-agricultural value chains. Targeted interventions to address the most binding constraints in these sectors could be critical to accelerating growth and employment creation. In this context, attracting foreign direct investment from countries that may lose competitiveness in sectors in which Côte d'Ivoire could have a comparative advantage may be pivotal to mobilize the required financial resources and technical competence and develop these value chains.
- *Public investment management.* Reducing the infrastructure gap will require a substantial increase in infrastructure expenditure and better expenditure management. To this end, it will be important to beef up capacity of line ministries to supervise execution of infrastructure projects, establish an effective framework for Public-Private Partnerships, and improve procurement processes.
- *Maintaining fiscal and debt sustainability.* To preserve debt sustainability, the fiscal deficit should continue to be reduced, and the authorities should continue to rely mostly on concessional external financing.
- *Implementation of energy sector reforms.* Success implementation of these reforms will be essential to strengthen growth and competitiveness. Staffs urge the authorities to accelerate implementation of investments in the electricity sector and consider options to reduce energy subsidies.

- *The distributional aspects of growth and poverty reduction are critical, in view of the sharp increase in poverty over the past decade.* It will, therefore, be crucial to consider measures to improve equity, including by reforming the transmission mechanisms in the agricultural sector and strengthening access to infrastructure and social services in areas with high poverty rates and population density.
- *Better prioritizing key actions.* The capacity of Côte d'Ivoire's public administration has been adversely affected by the political crisis over the past decade. To achieve the desired results, it is, therefore, crucial to appropriately prioritize key reform action plans.

## ISSUES FOR DISCUSSION<sup>1</sup>

**36.** Do Directors agree that the NDP provides an adequate framework for poverty reduction in Côte d'Ivoire?

**37.** Do Directors agree with staffs on the main areas identified as priorities for strengthening the government's strategy and its implementation, as well as on the areas identified as key implementation risks?

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<sup>1</sup> As the JSAN was circulated for information, these issues were not discussed by the Fund and World Bank Executive Boards.