

**Côte d'Ivoire: Joint Staff Advisory Note on the Progress Report of the
Poverty Reduction Strategy Paper**

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 DEVELOPMENT ASSOCIATION

AND

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

**Joint Staff Advisory Note on the
Progress Report of the Poverty Reduction Strategy Paper**

Prepared by the Staffs of the International Development Association
and the International Monetary Fund

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I. OVERVIEW

1. **In January 2009, the Government of Côte d'Ivoire published its first full Poverty Reduction Strategy Paper (PRSP) covering the period 2009–15.** The PRSP was discussed by the Boards of IDA and the IMF on March 27 and 31, 2009, respectively. It focused on four principal outcomes: (i) re-establishment of the foundations of the Republic; (ii) transforming Côte d'Ivoire into an emerging economy; (iii) social well-being for all; and (iv) becoming a dynamic actor on the regional and international scene. In February,¹ 2012, the Government of Côte d'Ivoire issued a Progress Report (PR) of the PRSP, the first assessment of progress made in the implementation of the policies outlined in the PRSP, covering the period 2009–11. No annual progress reports were produced in 2010 or 2011.

2. **The progress report notes the difficulty of implementing the PRSP in a period of continued political crisis and civil conflict.** Political violence broke out after the second round election of November 2010 as the outcome of the election was disputed by the outgoing president. The civil conflict ended only in April 2011. The new government was not sworn in until June 2011. As a consequence, during the period covered by the PR, policies were oriented first toward elections and later toward disarmament, demobilization and reintegration of ex-combatants and the countrywide redeployment of public services, many of which had been interrupted. The post-election crisis resulted in the loss of about 3,000 lives, 10,000 displaced persons, and some destruction of infrastructure. This created

¹ This was transmitted to the staffs on April 10, 2012.

emergency challenges for the incoming government that were not foreseen in the 2009 PRSP. Staffs acknowledge that in this context the shift of focus that occurred, to the effective delivery of basic social services to rural and urban populations and to emergency infrastructure provision, was appropriate. This shift is likely to have been instrumental in mitigating the impact of the crisis on the population, including on poverty rates.

3. This Joint Staff Assessment Note (JSAN) of the PR is issued in the context of the presentation to the Boards of IDA and the IMF of Côte d'Ivoire's proposed HIPC completion point. The JSAN draws conclusions that could be helpful for effective implementation of the recently adopted National Development Plan (NDP 2012–15), which will now supersede the PRSP discussed here.² The JSAN discusses poverty trends, macroeconomic policies and framework, outcomes in each of the PRSP's four strategic pillars, and monitoring and evaluation arrangements. The final section presents staff recommendations.

II. POVERTY TRENDS AND DIAGNOSTIC

4. The PR lacks estimates and analysis of current poverty levels and therefore also of the poverty effects of PRSP implementation, due to the absence of up-to-date household surveys. The 2008 household data that served as the baseline for the 2009 PRSP remain the most recent data available on poverty and many other indicators of welfare in Côte d'Ivoire. The 2008 poverty rate was 43 percent, having increased from 40 percent in 2002.³ Between 2002 and 2008 rural areas suffered particularly; rural poverty rates exceeded 50 percent in 2008.

5. A recent poverty assessment by the World Bank found that the main cause of recent deterioration in living standards has been a series of interlocking political and economic shocks. These have included political uncertainty and civil conflict, but additional economic shocks have come from occasionally sharp declines in the prices of key export commodities. A further important factor, particularly for rural poverty, has been agricultural policies, especially the taxation of the main cash crops, which has reduced the price paid to farmers for exports. In this context, today's higher commodity prices, combined with reform efforts in agricultural governance, have the potential to lift many Ivoirians out of poverty if political and economic stability can be maintained. Also important have been efforts to mitigate the impact of the recent crisis on the poor through increased spending on pro-poor programs, mainly in health and education.

² While the objectives of the NDP are similar to those of the PRSP, the NDP reflects the post-crisis environment and has more ambitious investment and growth targets.

³ These poverty rates were up from 34 percent in 1993 and from only 10 percent in 1985 (all rates based on national definitions).

6. **Staffs recommend that future Progress Reports include a thorough poverty diagnosis.** In this regard, the National Statistics Development Plan and efforts to strengthen the capacity of the National Statistical Institute (INS)⁴ are important elements of the new National Development Plan. Staffs commend the authorities' launch of emergency basic statistics compilation as well as a new population census planned for late 2012, which, along with future household survey data collection, will be important steps towards more comprehensive and up-to-date poverty analysis.⁵

III. MACROECONOMIC POLICIES AND FRAMEWORK

7. **The PR emphasizes that economic performance was affected by various domestic shocks.**⁶ Two reviews were completed under the ECF arrangement of 2009, but real GDP growth slowed to 2.4 percent in 2010, reflecting rising tensions ahead of the late 2010 presidential elections, as well as severe power shortages in the first quarter of 2010 and a drop in oil production. The post-election crisis between November 2010 and April 2011 led to a contraction of the economy as economic activity declined sharply during the crisis (GDP contracted by 4.7 percent in 2011). Staffs acknowledge that the growth prospects envisaged in the PRSP did not materialize due to domestic shocks. Staffs further note that the PR does not make full use of the macroeconomic data available. The report omits estimates and analysis of inflation and fiscal developments over the period, particularly during the crisis. The PR also omits mention of the measures taken by the new government to restore macroeconomic stability following the end of hostilities.

8. **During the post-election crisis, the 2009 ECF-supported program went off track.** The government was unable to honor the maturities falling due on government securities; in response the BCEAO rolled over maturing T-bills to avoid a default that would have had severe ramifications for the regional banking system. New domestic and external arrears (primarily to the World Bank, AfDB, Paris Club creditors, and Eurobond holders) were accumulated.

9. **Following the post-election crisis, macroeconomic policy implementation was broadly satisfactory.** The new government took several measures to restore macroeconomic stability, improving revenue mobilization and keeping expenditures in line with available resources. In May 2011, arrears vis-à-vis multilateral creditors were cleared. The execution of pro-poor spending improved. The overall fiscal deficit widened, reflecting both the economic slowdown and post-crisis spending; this was financed largely from external

⁴ Institut National de la Statistique.

⁵ A new household survey is expected to be fielded after the 2012 census has been completed.

⁶ The discussion of macroeconomic policies and framework is limited to the period covered by the PR. A forward-looking discussion is contained in the IMF's first review of the ECF-supported program.
<http://www.imf.org/external/pubs/cat/longres.aspx?sk=25931.0>

sources. An RCF arrangement was approved in July 2011 to support the authorities' recovery efforts. Reflecting the successful implementation of policies agreed under this arrangement, an ECF arrangement in support of a medium-term economic policy program was then approved in November 2011, and the government agreed with Paris Club creditors on a flow rescheduling on Cologne terms. The government then successfully restructured the outstanding stock of short-term government securities in December 2011, and resumed financing from the regional market in 2012.

10. The PR highlights efforts to strengthen public financial management (PFM) and reform the cocoa sector. Staffs agree that these reforms have been significant. The PR omits, however, to describe important progress made by the end of 2011 on the cocoa sector reform: the approval of the strategic orientation of the reform in November 2011 and the setting up of the new regulatory structure in December 2011. The PR also omits mention of legal and institutional reforms improving the business climate: the establishment of the legal framework for the Business Support Center and the progress made on judicial reforms, including setting up commercial courts and strengthening the force of arbitration rulings. Staffs recommend forceful action on the electricity and financial sectors, and the development of a forward-looking debt management strategy.

11. Staffs recommend that future Progress Reports discuss outcomes in light of the medium-term objectives of the macroeconomic framework underlying the NDP.

IV. STRATEGIC PILLARS

A. Re-establishing the Foundations of the Republic

12. The PR notes several actions undertaken to build and consolidate peace and strengthen social cohesion. In 2009 the government launched a capacity building agenda for social, religious and community leaders and CSOs.⁷ Although the dialogue that resulted from this contributed to a peace that held through the first round of the presidential election in 2010, the crisis that followed the second round effectively undid these achievements. Staffs acknowledge the efforts of the authorities to identify and assist vulnerable populations who suffered from the crisis. Strong commitment will now be needed to build peace and reconciliation. In particular, the National Truth, Dialogue and Reconciliation Commission will need to be more proactive. The destruction of infrastructure, mainly in the ex Center-North-West region, has created new challenges. Staffs commend the authorities for the rehabilitation of the civil registry; additional efforts will be needed to build a comprehensive registry.⁸

⁷ This agenda is supported by the United Nations Operation in Cote d'Ivoire (UNOCI).

⁸ The civil registry records births, marriages, and deaths at the local level.

13. **The emphasis placed on governance by the PR is appropriate.** Staffs agree with the importance placed on ongoing improvements in the judicial environment for private-sector investors, particularly the creation of commercial courts, and encourage continued progress (including follow-up steps to make the commercial courts operational). Staffs commend the authorities on conducting the biometric civil-service census, which has identified and eliminated over 3,000 “ghost workers” and on the adoption of a Code of Ethics and an e-governance strategy. Progress achieved on public procurement and the improvement of PFM has also been significant. In particular, Staffs acknowledge the shift that has occurred with the implementation of the Public Procurement Code in 2009, in conformity with WAEMU Directives. The National Procurement Regulatory Authority (ARNMP)⁹ is now effective and these reforms should lead to improved perception of the integrity of public procurement by the private sector. Staffs encourage the authorities to intensify existing efforts to improve transparency and strengthen governance.

14. **Staffs concur with the finding of the PR that administrative decentralization has lacked a coherent strategy and that initial progress made in this area has not been sustained.** Despite incentives to local authorities to develop participatory development strategies, only 15 strategic local development plans were available at the time of the PR. The PR highlights low ownership and blames the lack of demand-driven investment in the regions on the low participation of the population. More participatory local consultative processes and locally demand-driven public investment remain crucial to strengthen peace and reconciliation.

B. Transforming Côte d’Ivoire into an Emerging Market Economy

15. **The PR summarizes efforts to strengthen sources of growth in the Ivoirien economy through reforms in agriculture, industry, services, infrastructure, and information technology.** The PR correctly identifies several policy improvements in the agricultural sector that have increased opportunities for farmers, including organizational changes that have allowed subsectors to professionalize, notably palm-oil and rubber, where producers are now well-organized and therefore better placed to benefit from export price increases. Staffs particularly commend the adoption and implementation of the new cocoa sector strategy, with the importance it places on strengthening the *Interprofession*,¹⁰ improving the representativeness of governance structures, and increasing farm-gate prices based on a forward sales program. More broadly, the newly created National Agricultural Investment Program should further strengthen rural infrastructure based on producer-led demand. These efforts could be complemented by further efforts on land tenure and property

⁹ Autorité Nationale de Régulation des Marchés Publics.

¹⁰ The *Interprofession* is an extension of a producers’ association, incorporating other actors related to the sector in question, such as private buyers, exporters, and government representatives.

rights. Staffs would also emphasize the role of low agricultural productivity and high transport costs as barriers to development.

16. The PR highlights progress made on the rehabilitation of existing infrastructure and the expansion of new infrastructure investments. Staffs commend the authorities' efforts to resolve the energy deficit and improve access to safe and affordable electricity. Staffs nonetheless remain concerned by the continuing financial deficit run by the Ivoirien energy sector. Making the sector financially sustainable will require a tariff revision, taking into account needed maintenance investments, while at the same time protecting the most economically vulnerable consumers from price increases. This would also help secure private investment in increasing generation capacity, which could otherwise become a significant constraint to growth. Staffs commend efforts to expand the road network, although much remains to be done towards the rehabilitation and construction of rural, regional, and national roads. On telecommunications, despite development of the network over the period covered by the PR, much demand still remains unmet. This sector has been a major source of job creation and its growth potential therefore harbors an opportunity to generate much-needed employment, particularly among youth. Given limited resources and the high growth impact of well-targeted and efficient public investment in infrastructure, staffs encourage the authorities to develop careful cost-benefit analysis to set priorities for both public investment and private partnerships, as well as monitoring capacity of such partnerships and their implementation.

17. The PR acknowledges that progress on the business environment has not yet enabled rapid private sector development. The PR acknowledges that improvements are needed to the business climate, particularly for SMEs. Staffs commend the authorities for building dialogue with the private sector. The new Investment Code under preparation should be instrumental in broadening opportunities for enterprise growth and job creation. Staffs acknowledge progress on governance of the mining sector and of the oil and gas sector, including moving towards full EITI conformity, which should help spur new private investments in these important areas. The PR does not dwell on the sluggish job creation of the economy in 2009-11; unemployment both fuelled and was in turn exacerbated by the political crisis. Finally, staffs underscore the importance of addressing the level of non-performing assets and management performance in state-owned banks and in the microfinance sector, which will be necessary for the financial sector to be able to adopt lending practices appropriate for sustained growth.

C. Social Well-Being for All

18. The PR acknowledges weak results despite increased public spending on education but omits mention of the effect on schools of the civil conflict. Current expenditures on education had by 2010 reached more than a quarter of total current public spending. The PR does not trace the changes in outcomes that followed this increased spending, which is now possible given progress made on data availability in the education

sector. These data show that primary gross enrollment has in fact stagnated at about 80 percent for a decade. Primary completion rates have declined to 46 percent in 2011 (52 percent for boys and 39 percent for girls) from 49 percent in 2009. Staffs note that the PR omits mention the effect on schools, in particular on teacher and pupil attendance, of the post-election crisis, and whether such effects have persisted.

19. Staffs concur with the PR that pupil achievement and completion rates are of concern. Improving the quality of education and the management of the sector remain key challenges. Of particular importance are actions to improve student learning, efficiency and equity at secondary and higher levels, and gender parity. While the PR underscores the provision of more than 12 million textbooks (*inter alia* on mathematics, French, and civic education) to more than 90 percent of public school pupils, along with countrywide capacity-building on teacher supervision, it correctly acknowledges that greater efforts are required in these areas.

20. The report emphasizes that vocational and technical education (VTE) has suffered from similar deficiencies to those in academic education. VTE did not reach the targets specified in the PRSP, in particular due to low investment, exacerbated by the destruction of some equipment during the post-election crisis. As a result, skills development, particularly among youth, is a pressing issue given increasing youth unemployment. International experience suggests the need to have the private sector involved in defining vocational training content; this may be of particular importance for SME revitalization, a driver of job creation.

21. The PR describes achievements in health and nutrition and provides suggestions for further improvements. Staffs commend the authorities for commitment to the health sector and improving its management, which has translated into improved quality of health services. Of key importance is the implementation of the Maputo Road Map for the acceleration of the reduction of infant mortality. Staffs commend efforts toward mass distribution of long lasting insecticidal mosquito nets for pregnant women and under-fives, particularly during the crisis, when this program was maintained in spite of obvious difficulties. The number of births assisted by qualified health professionals increased to 67.5 percent in 2010 and to 69.2 percent in 2011. Staffs also commend the authorities for continuing targeted free access to health services in public hospitals and community health centers (e.g., for mothers and under-fives). More strategic commitment to these programs will be needed to maintain them and improve the targeting of free access to health care. The availability of key medical drugs remains a concern, which calls for programmatic planning and the removal of bottlenecks to the efficient purchase of drugs and their transmission to health centers.

22. The report does not describe certain negative effects of the civil conflict on health outcomes. During the unrest many health staff in the Center-North-West region moved away and outreach declined as a consequence, some health centers closed, and drug

and vaccine shortages occurred. Immunization rates therefore deteriorated (e.g., measles from 70 percent in 2010 to 60 percent in 2011). Poliomyelitis, for which no case was detected in 2010, saw 36 cases in 2011. The country has also seen outbreaks of cholera, meningitis and yellow fever.

23. The report provides a clear description of progress made in the fight against HIV. Funding from the US, the Global Fund and IDA have allowed the government to continue to provide free access to anti-retroviral (ARV) therapy, with complete coverage offered to HIV/AIDS patients. Staffs commend the continued efforts that have led to HIV/AIDS prevalence declining to 3.2 percent in 2011 from 3.4 percent in 2010. The PR does not conclude on whether the coordination issues among donors and other stakeholders identified in the 2009 JSAN have been fully addressed.

24. Staffs agree with the PR in its assessment of gender outcomes. The female-male parity index in secondary education increased from 0.81 in 2009 to 0.83 in 2011, while in higher education it had reached only 0.54 by 2011 (with an enrolment rate of only 35 percent for women versus 65 percent for men). Overall, despite the increased involvement of women in public affairs, gender parity on this dimension remains far from the 30 percent target chosen in 2009. Gender-based violence remains persistent; targeted sexual violence, including rape, has been documented during the post-election civil conflict.¹¹ Staffs urge the authorities to heighten efforts toward reducing gender-based violence and improving gender equity. Staffs also reiterate, as in the 2009 JSAN, that the PR does not specify the detailed measures undertaken by the authorities to try to ensure increased female access to schooling, retention rate, or other gender-related objectives.

25. The PR highlights incapacity to illustrate environmental progress due to the lack of data. The PR also notes mediocre achievements in sanitation, with little change in overall living conditions. The environmental agenda has been implemented weakly despite the existence of the strategic plan for the sector. Staffs concur with the PR that lack of financing has been the major constraint. This is compounded by the lack of statistical capacity to monitor those projects that did receive funding. Staffs encourage the authorities to focus efforts particularly on increasing access to sanitation services, mainly for the poor.

26. The report highlights a weak social protection system, the absence of an effective universal safety net program, and a lack of funding for civil protection in emergencies. Staffs understand the concern of the authorities about the absence of a broad safety net program. In this context, staffs commend the efforts directed to handling internally and externally displaced populations after the 2010-11 crisis, but note that most refugees are yet to return home. A broader civil protection strategy is needed to build access to basic social services for displaced persons. Conditional cash transfers might also form part of an overall

¹¹ Human Rights Watch, October 2011.

strategy to strengthen safety nets. Based on international experience, this could also contribute to improving gender-related outcomes, such as female enrollment.

D. A Dynamic Actor on the Regional and International Scene

27. **The PR highlights greater participation within ECOWAS and the international community, particularly since the end of the 2010-11 crisis.** Staffs agree with the PR that Côte d'Ivoire has increased its regional and international profile, enhancing cooperation with donors and neighbors. However, given the prominence accorded to this objective by its inclusion as a separate pillar of the PRSP, relatively scant attention is given to it in the PR, with no reporting of measurable results or indicators. In this context, staffs encourage the authorities to consider joining the African Peer Review Mechanism (APRM), an initiative of the African Union to foster mutual peer monitoring of governance, economic management, regional integration, and political accountability.

V. MONITORING AND EVALUATION (M&E)

28. **The PR includes no chapter specifically dedicated to the M&E framework of the PRSP.** Staffs encourage the authorities to consider a more robust results M&E framework for the recently adopted NDP 2012-15. The 2009 JSAN recommended a strengthened M&E Committee with key ministries represented. Staffs note the lack of data to track achievement of the development results targeted in the PRSP, weak statistical capacity at the central level and within line ministries, and low involvement of the population in monitoring PRSP implementation. The PR thus relies mainly on outputs, rather than outcomes, as results. Staffs encourage the authorities to validate, adopt, and implement the National Statistics Development Plan (NSDP), as part of the new National Development Plan (and specifically to strengthen its M&E component). Staffs commend the authorities for strengthening the National Statistics Institute, an important step towards stronger national M&E capacities, and encourage the continuation of these efforts.

VI. CONCLUSIONS, RISKS, AND ISSUES FOR DISCUSSION

29. **The PR relates significant progress on a number of fronts, despite the rapidly changing priorities forced on the authorities by the civil conflict.** 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.

30. **The main risk to successful implementation of the NDP 2012-15 concerns security.** The new NDP reflects post-conflict conditions, based on a process of countrywide

consultations,¹² and articulates five principles: (1) harmony in a secure society in which good governance is assured; (2) sustained increases to national wealth, with equitable distribution; (3) equal access to quality social services, especially for women, children and vulnerable groups; (4) a healthy environment with adequate living conditions; and (5) repositioning Côte d'Ivoire at the international level. The most immediate challenge will be to maintain the confidence of all population groups in the inclusiveness not only of peace and reconciliation but also of economic growth. Building on existing consultation processes and including a wide array of civil society organizations, including those representing opposition political parties, will be vital.

31. Beyond peace and stability there remain several reform challenges. Key to generating sustained macroeconomic growth and poverty reduction will be increasing public and private investment in energy while putting the sector on a sustainable financial footing. Public enterprise performance should be improved, in particular that of the five public banks, including through restructuring. Comprehensive strategic approaches are called for in education and social protection. After reaching the HIPC Initiative completion point, fiscal policy and public debt management will face new challenges of longer-term strategic planning. Finally, better monitoring and evaluation, based on the regular collection of high-quality microeconomic data from households and firms, will be needed to guide Côte d'Ivoire's future policy decisions with greater precision than is now possible.

32. In considering the Progress Report and the associated JSAN, Executive Directors' views are sought on whether they concur with the advice and recommendations made by staffs in the priority areas identified.

¹² NDP preparation utilized a participatory process including civil society, the private sector, and development partners (NDP, paragraph 22) and integrated a human rights-based and gender-based planning approach (paragraph 23).