



TAKING STOCK AND LOOKING AHEAD:

Cote d'Ivoire and the COVID-19 Pandemic

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Foreword

The COVID-19 pandemic changed lives and lifestyles around the world on a scale unprecedented in modern times, and it has also changed the global economic outlook drastically. The African continent is heading for its first recession in 25 years. Six months into this global crisis, the world slowly develops a better understanding of the pandemic's mechanism, its economic consequences, and how best to respond to those.

This report contributes to the growing body of knowledge by shedding light on the impact of COVID-19 and confinement measures on Ivorian enterprises and households. It builds on two dedicated sets of survey data that were collected in April 2020, at the height of the local confinement measures. The report also presents a set of policy recommendations, building on the government's response plan and how it addresses the triple challenge of saving lives, protecting livelihoods and protecting the future. Specifically, it tries to highlight responses measures that could also contribute to boosting recovery and support the country's return to strong growth.

The report begins in Part 1 with a presentation of the country's progress in 2019, recent developments in 2020 and the macroeconomic outlook. Thanks to strong economic growth and sound macroeconomic policies, Cote d'Ivoire entered the crisis from a position of strength. However, the global recession and uncertain evolution of the domestic outbreak pose significant downside risks.

Part 2 is then dedicated to a diagnostic of COVID 19's impact on enterprises and households. The new survey data suggests that enterprises across all sectors felt the crisis impact – in terms of closures, sales, disruptions in logistics and access to inputs. Smaller enterprises with less buffers to withstand shocks were more severely impacted than larger ones. Households likewise reported much reduced working hours and a significant drop in incomes, salaries or revenues, while being (temporarily) hit with higher prices for food. Taken together, the survey data suggests that a severe shock for consumption and demand will become visible and tangible in the next months, even as the overall situation appears to have stabilized.

Thanks to the government's swift reaction, the comprehensive crisis response package could mitigate the social and economic impact of the crisis, if it is disbursed quickly enough. Looking forward, some response measures – such as laying the foundations for social safety nets, or enhancing access to finance for SMEs – could also contribute to recovery and boost long-term growth.

In summary, this report tries to inform on the impact of the most substantial crisis Cote d'Ivoire has seen in several years, but also consider the next steps that could help get back on its previous track record of strong growth.

Coralie Gevers

Country Director for Cote d'Ivoire, Benin, Guinea and Togo

Abbreviations and Acronyms

BCEAO	Banque Centrale des États de l'Afrique de l'Ouest
BNI	Banque Nationale d'Investissement
C2D	Contrat de Désendettement et de Développement
CHU	Treichville University Teaching Hospital
CILSS	Comité Permanent Inter-Etat de Lutte contre la Sècheresse au Sahel
CMU	Couverture medicale universelle
CNPS	Caisse nationale de protection sociale
DGD	Direction GEnérale des Douanes
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EUR	Euro
EHCVM	Enquête Harmonisée des Conditions de Vie des Ménages
FCFA	Franc de la Communauté financière africaine
FDI	Foreign Direct Investment
FSGE	Fonds de soutien aux grandes entreprises
FSPME	Fonds de soutien aux Petites et moyennes entreprises
GDP	Gross Domestic Product
ICT	Information and communication technology
IGF	Inspection Generale des Finances
IMF	International Monetary Fund
INS	Institute of National Statistics
MSME	Micro, small and medium enterprises
NDP	National Development Plan
NPL	Non-Performing Loans
OHADA	Organisation pour l'harmonisation en Afrique du droit des affaires
PAA	Autonomous Port of Abidjan
PSGouv	Programme Sociale du Gouvernement
RCF	Rapid Credit Facility
RCPA	Réseau de prévention des Crises Alimentaires au Sahel et Afrique de l'Ouest
RFI	Rapid Financing Instrument
RRT	Trained Rapid Response Teams
RSU	Registre social unifié
SETIN	Single Electronic Taxpayer Identification Number
SME	Small and Medium Enterprises
SOE	State owned enterprise
SYDAM	Système de Dédouanement Automatisé des Marchandises
TVET	Technical and Vocational Education
UNDP	United Nations Development Program
USA	United States of America
USD	US Dollar
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union
WBES	World Bank Enterprise Surveys

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Key Messages

Thanks to strong economic growth in recent years Cote d'Ivoire entered the COVID-19 crisis from a position of strength – but progress in 2020 will be much slower due to the pandemic's impact. Economic growth is expected to slow down from near 7 percent to around 1.8 percent. The Government of Cote d'Ivoire implemented confinement measures¹ and increased its crisis management capacity soon after the first domestic cases were registered. However, social distancing measures (such as closure of restaurants and shops, public transport limitations etc.) have come at a cost. In addition, the global crisis is expected to cause a recession in most industrialized countries with GDP contracting substantially in many. Sub-Saharan Africa will see its first recession in 25 years. Cote d'Ivoire is no exception, having been hit by the shock to global trade as well as the cost of confinement measures.

State of the economy: Recent growth before COVID-19 and the changed outlook for 2020 and beyond

Economic growth in Cote d'Ivoire remained strong in 2019² and a growing middle class has supported demand growth across sectors. With GDP growth estimated at 6.9 percent in 2019 (4.2 percent in per capita terms), Côte d'Ivoire continued to be one of the fastest growing economies in Sub-Saharan Africa. Growth was dynamic across all sectors, including good agricultural crops, some modest diversification in manufacturing and buoyant services, which benefited from strong domestic demand and investments. Strong export performance, alongside moderate import growth, also supported a positive trade balance and a narrowing current account deficit. Growth and progress of the Government's social program (PSGouv) have supported a decline in poverty, but living standards remain unequal, notably in rural areas.

The Government continued to consolidate public finances, reaching a low fiscal deficit of 2.3 percent of GDP, driven by slightly higher tax revenues and lower expenditures. Recent reforms and digitalization reinforced domestic revenue mobilization, although key challenges remain in the field of tax policies. At the same time, there was some under-execution in expenditures, both in lower capital investments as well as in current expenditure. Overall, thanks to sound policies in recent years Cote d'Ivoire entered the COVID-19 crisis with solid macroeconomic fundamentals.

Covid-19 has hit the economy hard – but also offers opportunities for reforms

While Cote d'Ivoire may not slip into a recession, the impact has nonetheless been strongly felt across all sectors. Enterprises have been faced with disruption of value chains, employee absence, temporary closures and slowing global demand. Households have likewise been impacted, and income losses are especially severe for households relying on income from informal and services activities.

¹ Note: the government implemented various measures in support of social distancing and limiting economic interactions, although this never amounted to a full "lockdown" as seen in some advanced economies.

² Cote d'Ivoire conducted a rebasing exercise in early 2020. This entailed changing the base year for its national accounts from 1996 to 2015, and revising GDP deflators and growth rates downward. New data was released for 2015-2018 by the authorities with support from AFRITAC. The rebasing was mostly driven by services, and increased nominal GDP by more than 30 percent over the period in question. As a consequence, several key macroeconomic indicators expressed as share of GDP improved.

Findings from a recent Enterprise Survey³ indicate a heavy crisis impact for formal firms in terms of closures, loss of revenue, and other effects. Overall, 37.7 percent of firms were closed (temporarily or definitely) but the rates was much higher in severely affected Abidjan (about 60 percent) than in secondary cities, partly driven by forced closures (hospitality, retail, education) due to lockdown measures. Almost all (94.1 percent) enterprises experienced a decline in sales, and for many firms the decline was steep, with a drop of 67 percent compared to the previous month. On the positive side, few firms had started to lay off staff yet, but many resorted to temporary closures, reduced hours and benefits/salaries.

The overall impact was highly heterogenous, and more pronounced for smaller firms. Large enterprises experienced adjustment costs to their operations (reduced hours, constrained logistics and access to inputs) but they typically had cash buffers and more capacity to manage the situation. In contrast, smaller firms, notably in some sectors (like hospitality, professional services) had much less financial resilience to get them through a prolonged difficult time. SMEs were also more likely to report access to finance as a constraint, difficulties to access key inputs and micro firms also experienced the most severe losses of sales.

The uncertainty going forward was great among enterprises and all are looking for crisis support. About 78 percent of establishments that were temporarily closed didn't know when they would reopen. Nonetheless, 87 percent of enterprises considered this a temporary shock that would pass in the medium run. Utility subsidies were favored by 68 percent of enterprises, although this was more important for micro, small and medium enterprises. This was followed by tax deferrals, with a total of 66 percent of companies finding this useful. For medium firms, only access to loan and credit guarantees scored higher (would help 75 percent of enterprises) and for large firms, wage subsidies were a particular concern.

The survey results suggest that overall, the government's crisis response met important needs, but there remains further room for fine-tuning. Large enterprises are more resilient and thus some tax relief as well as wage subsidies might be sufficient for many of them. In contrast, SMEs and micro firms need more support more urgently – including access to finance through loans or subsidies. In order to prevent bankruptcies and losses to the country's private sector fabric it will be essential to continue with quick disbursement of funds . Given that access to finance is a key concern for enterprises, it is also important to quickly operationalize the new credit guarantee fund.

A survey of households in Cote d'Ivoire shows that these also have been hit hard by the crisis – and the impact concerns not just the poorest parts of the population. Households in the bottom income levels and those working in services are most vulnerable to the impact of COVID-19. Around 67.5 percent of household heads are self-employed and thus more vulnerable to income shocks. Only around 20 percent of household heads felt no specific impact for their working hours or employment status – whereas the majority was affected by reduced hours, furloughs, teleworking or were entirely out of work.

The loss of income is widespread and significant, although it varies by sector and employment status. Across sectors and income classes, 71 percent of households reported to have suffered a drop in their income. Only employees of the public sector were less affected. Workers in the field of tailoring, retail services, hospitality and transport more frequently

³ The survey was conducted in April 2020 to gauge the impact of COVID-19 on the private sector in Cote d'Ivoire. For details see Section 2.2.

reported that their revenue or salary had dropped, and by larger shares – regardless of whether people were self-employed or wage earners. Most households are highly concerned about how to meet their regular basic living expenditures: 62 percent of all surveyed households are not sure how to pay their next utility bill and 74 percent of households are concerned about food expenditure.

The quick disbursement of support funding for the population is imperative to mitigate the plight of poor households and prevent a significant rise in poverty. While many households reported a negative impact of COVID-19 measures, the households below and around the poverty threshold are the most vulnerable ones. Survey-based estimations suggest that poverty could increase by up to 4 percentage points if the crisis in its acute phase lasts for one quarter. Even middle-income households reported sizeable losses in income, and taken together, these would likely translate into a significant and sustained drop in consumption. In July, the disbursement of crisis support funding to households was on track with objectives but it will be important to continue at a quick pace. The rapid disbursement of crisis funding will also be important to (1) preserve past progress in fighting poverty and (2) to provide liquidity to the economy's demand side. This would enable households to pick up consumption again and support the economic recovery in the long run.

The impact on households and enterprises will entail challenges for macroeconomic policies

Before the crisis, the outlook for 2020 was positive but with COVID-19 growth is expected to slow down significantly. First, the slowdown in global growth will affect Ivorian exports through demand and lower prices, thus deteriorating the external account balance. Even though exports constitute only 20 percent of GDP they are nonetheless an important growth driver. Second, the confinement measures took a heavy toll on domestic economic activity across all sectors. The gap in household incomes could further weigh down domestic consumption in 2020, also leading to lower growth of around 1.8 percent.

The outbreak will lead to a peak in public expenditure, debt and the fiscal deficit, and a temporary breach of the WAEMU convergence criterion. Total revenue and grants are projected to decline in 2020, driven by lower tax revenues, coupled with the additional expense of funding the crisis package. Jointly, this will widen the fiscal deficit to 5.3 percent, going beyond the official WAEMU target (which has been temporarily suspended, given that most countries in the region face similar challenges). The Government has obtained emergency funding from the IMF, the African Development Bank and other donors and is seeking additional funding from donors, regional and possibly international markets, so debt is expected to increase slightly beyond 40 percent of GDP (but below the WAEMU target of 70 percent of GDP).

In 2021 and beyond, Cote d'Ivoire should gradually return to a path of growth and fiscal consolidation. As the health crisis gradually dissipates, the economy will recover in 2021-22, driven by a rebound in services. Domestic demand and investments should pick up again, which in turn will help exports to recover and improve the trade balance. In parallel, the fiscal deficit will return gradually to 3.0 percent of GDP in 2022. Even if global growth remains somewhat subdued in 2021, a recovering domestic economy (including imports) should drive up public revenues.

Nonetheless, significant downside risks exist – including spillovers from the global environment as well as domestic risks. First, a rapid expansion of the COVID-19 outbreak overwhelming the basic healthcare sector, a global recession or further exogenous shocks (such as a deterioration in key commodity prices) could endanger Cote d'Ivoire's projected return to the high growth rate of the recent past. It will be essential to monitor macroeconomic stability, and to achieve progress on key reforms that would strengthen domestic private sector growth and competitiveness. Second, despite strong growth in recent years and a decline in poverty by 15.6 percent points since 2011, poverty remains a challenge and pressure to address socio-economic disparities may be mounting in the lead-up to Presidential elections. Third, violence and conflict could spill over from neighboring Sahel countries as they too face the strains of the COVID-19 pandemic. Finally, the upcoming Presidential elections in October 2020 may lead to spending pressures, and lower investor confidence.

The Government is implementing a comprehensive crisis response package to address the immediate impact for enterprises and households.

Like other countries around the world Cote d'Ivoire's crisis response had to address the triple challenge of saving lives, saving livelihoods and protecting the future. More specifically, this would entail (1) measures for the prevention, detection, and treatment of the disease, (2) protecting jobs, incomes, and public services delivery, while (3) creating the foundations for future recovery through investments and building resilience. All elements are indeed represented in the package, but faster implementation and careful tailoring of measures will be important going forward.

The Government supported the healthcare sector with a 95 billion FCFA package. The plan entails measures to increase healthcare sector capacity and fund the tracking, tracing and quarantining of infection cases, and the purchase of medical equipment. The first domestic COVID-19 case was registered in mid March and in June the country still counted only 3,000 cases and 33 deceased. However, with increased testing capacity in July there were 15,655 confirmed cases, albeit still only 96 deceased. This rise in cases after the lifting of many confinement measures in June suggests that social distancing discipline may be weakening. In addition, it will be important to improve capacity for (1) contact tracing and tracking as well as (2) capacity to conduct test rapidly.

The government also passed an economic response package of 1700.9 billion FCFA allocated for 2020-21. The package aims to support the private sector and vulnerable households through dedicated support funds, and promote a quick recovery of the economy. In addition, regulatory and fiscal measures were temporarily put in place to ease the burden for households and enterprises. The four emergency funds were operational as of July: the two funds for the formal private sector (large enterprises and SMEs) had disbursed 11,000 billion FCFA in favor of 79 beneficiaries, the informal sector fund had disbursed 3,18 billion FCFA to more than 13,000 beneficiaries, cash transfers to vulnerable populations had reached more than 100,000 households. Macroeconomic data suggests that a recovery is possible but will require continued and rapid cash injections, to fill the demand gap that the confinement period has created.

Finally, several measures of the crisis response package could facilitate reforms to address some of the country's biggest challenges. (see Annex 1) First Ivorian enterprises' productivity and competitiveness lag behind those of peers in other emerging market countries. Some progress has been made but this would have to accelerate in order to sustain continued growth going forward. In order to get back on track post COVID-19, support for the private sector will be essential, to maintain quality jobs and improve productivity and competitiveness of enterprises. Second, growth could become more inclusive.⁴ The government's ambitious social program (PSGouv) has greatly contributed to this with investments in rural infrastructure and the launch of a national healthcare insurance system to facilitate access to healthcare. Progress has been notable and continuous during recent years. However, disparities in income and living standards remains significant, especially in Abidjan.

The crisis response funds for the informal sector and vulnerable populations could be used to boost the development of national social safety nets. The government could set up digital information systems to collect information on recipients and beneficiaries. The government intends to use the information from emergency funds for the roll-out of the Universal Health Coverage program, given the overlap between underprivileged populations for both systems. Likewise, it is planned that companies in the informal sector will be supported with a view to their formalization as part of the sustainability of the Support Fund for the Informal Sector. Informal sector enterprises could be requested to register (without having to formalize yet) which could then facilitate more systematic capacity building in the future. This, in turn, could boost voluntary formalization and thus contribute to the country's competitiveness.

Establishing a credit guarantee fund for SMEs would help ensure continued access to finance for enterprises that are particularly affected by the crisis. It could also support financial deepening in the long run and address a key constraint to competitiveness and productivity. The legal frameworks to permit this instrument are already in place, and authorities are working to strengthen its governance mechanisms in line with best international practices. This would help to establish an instrument that is financially viable while having strong outreach and filling a market gap in a competitive, market-oriented way.

Finally, lockdown measures and stockpiling likely contributed to rising prices, and better monitoring systems could help manage such risks in the future. During this price hike, the government temporarily fixed prices for some basic goods. Given data limitations, it is not clear whether these spikes were temporary and how they would affect local food security. The Government could use this opportunity to improve data collection of prices, volumes, storage, transport flows and digitize information. This would allow to monitor food security, be aware of emerging trends and risks and allow better and more timely policy responses.

⁴ Note: more in-depth analytical work on Cote d'Ivoire's productivity and private sector competitiveness is ongoing and will be published during the second half of 2020, including through the Country Economic Memorandum and a Private Sector Diagnostic.



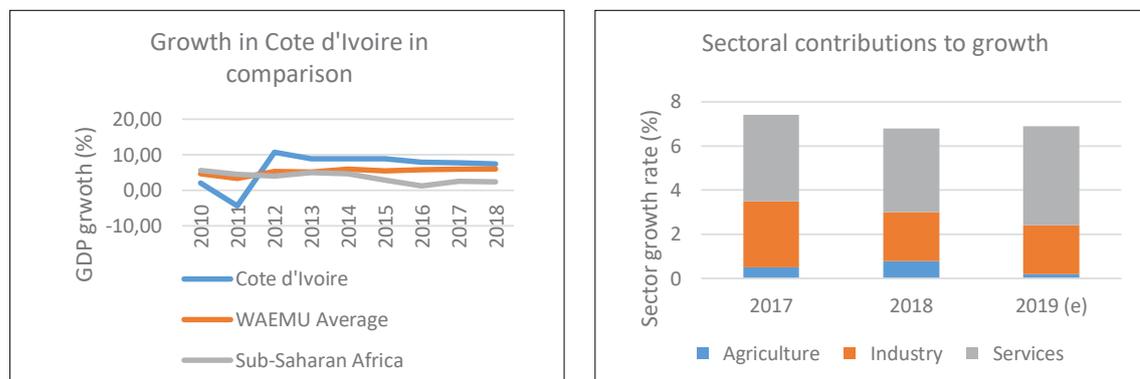
Part 1: State of the ivoirian economy

1.1 Recent economic developments before COVID-19

Economic activity in 2019 showed robust growth, but low productivity and high informality remain persistent challenges

Economic growth in Cote d'Ivoire remained strong in 2019⁵ and a growing middle class has supported demand growth across sectors. With GDP growth estimated at 6.8 percent in 2018 and 6.9 percent in 2019 (4.2 percent in per capita terms), Côte d'Ivoire continued to be one of the fastest growing economies in sub-Saharan Africa. The supply side was supported by a good agricultural harvest (notably in cocoa, coffee and cotton), and buoyant growth in services, including telecommunications, transport, retail and construction were growing. Digitalization in services– for example with delivery services, ride-sharing platforms etc.- also supported growth. On the demand side, increasing incomes in the middle class as well as of farmers (thanks to the harvest and commodity prices) supported domestic demand.

Figure 1: Growth in Cote d'Ivoire and the region in 2016-2019



Source: World Bank Development Indicators as of May 2020, World Bank staff calculations.

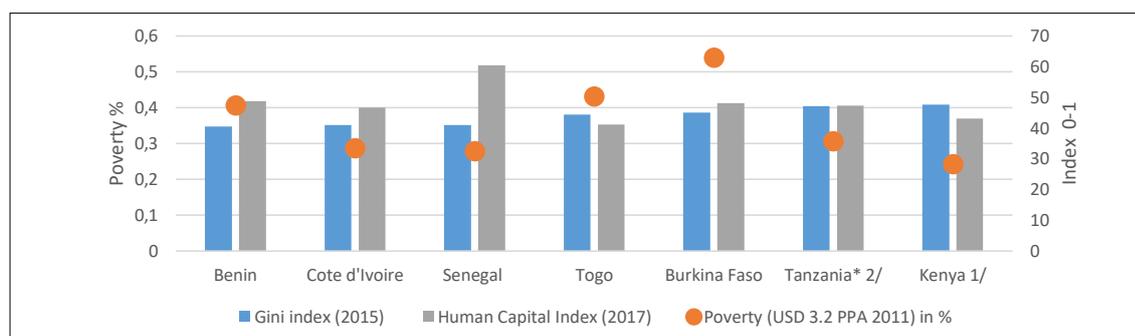
Productivity has improved since the crisis in 2011 but productivity growth is slowing down and still lags behind other comparable countries. Growth in recent years was partly driven by improvements in productivity but progress is slowing down and overall productivity levels remain low. Enterprise survey data suggests that labor productivity among Ivoirian firms is low – indeed, one of the lowest in the region. The median firm produces output per worker of about USD 2331, lower than in neighboring Senegal or Togo. Moreover, a median firm in China produces nearly 10 times as much output for each worker (USD 22,471).⁶ This is driven by several factors, including (1) low levels of private investments (notably into

⁵ Cote d'Ivoire conducted a rebasing exercise in early 2020. This entailed changing the base year for its national accounts from 1996 to 2015, and revising GDP deflators and growth rates downward. New data was released for 2015-2018 by the authorities with support from AFRITAC. The rebasing was mostly driven by services, and increased nominal GDP by more than 30 percent over the period in question. As a consequence, several key macroeconomic indicators expressed as share of GDP improved.

⁶ World Bank. Créer des marchés en Cote d'Ivoire. Mobiliser le secteur privé pour appuyer la transformation économique de la Côte d'Ivoire. Private Sector Diagnostic, forthcoming 2020.

modernization of equipment) and (2) skills gaps and skills mismatches. Both, manufacturing and agriculture would benefit from a better availability of technical skills, including technical and vocational skills (TVET) and engineering to facilitate technology adoption and innovation in support of productivity. Addressing these challenges will also be essential to ensure more equitable growth where the benefits of growth reach wider parts of the population more directly through better jobs and incomes.

Figure 2: Poverty and living standards in Cote d'Ivoire



Source: Note: Gini index: * 2017, UEMOA countries based on EHCVM-UEMOA, 1st edition, 2018-2019. Poverty: 1/ 2015, 2/ 2017, UEMOA based on EHCVM-UEMOA.

Although economic growth was strong and poverty declined, growth could have been more equitable and inclusive across all regions and population groups. Poverty in Côte d'Ivoire has been steadily decreasing since 2012. The poverty rate, which had been increasing for more than three decades (from 10% of the population in 1985 to 48.9% in 2008 according to household surveys) reached 55.4% of the population in 2011, after a decade of civil and political conflict. Since then, in a context of economic catching up and dynamic progress in reforms, poverty has fallen sharply, from 55% of the population in 2011 to 44.4% in 2015, and 39.45% in 2018.⁷ Although inequality - as measured by the Gini index - has decreased, the benefits of growth have materialized especially in Abidjan. A large share of the rural population still depends on subsistence agriculture and has far more limited access to healthcare and education than the urban population, so poverty reduction remains a key objective of government policies.

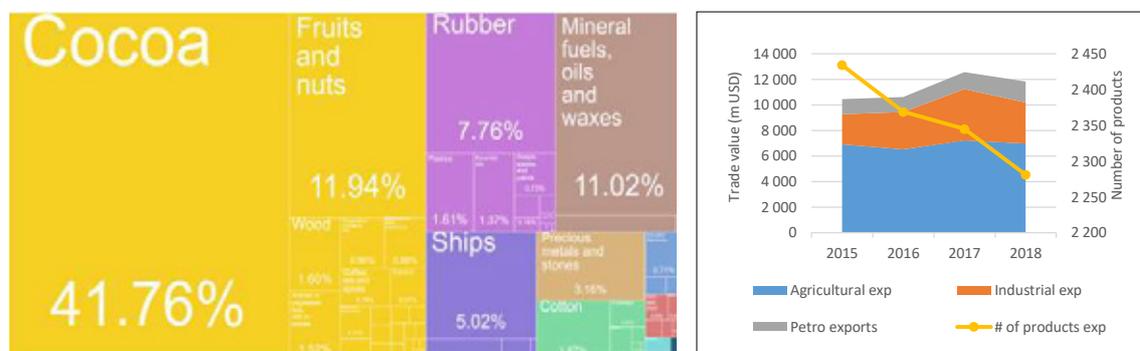
Despite significant progress since 2011, the results in terms of human development did keep up with the strong GDP growth: in the areas of education and health, Côte d'Ivoire lags behind the averages for its region and lower-middle-income countries. Despite considerable public spending on education, the results in terms of schooling and skills acquisition remain below the country's needs. The Government's Social Program (PSGouv) 2019-2020 specifically aims to accelerate the pace of poverty reduction and make economic growth more inclusive, through social actions targeting vulnerable populations, with a particular emphasis on health, education, access to drinking water and electricity as well as basic infrastructure.

Buoyant exports supported growth, but the focus on primary commodities continues to constrain integration into global value chains

⁷ Due to differences in calculation methods and changes in the design of household surveys, the series of poverty rates from 1985 to 2008 are not comparable to those from 2011 to 2018. Poverty rates for 2011 and 2015 are estimated using a methodology comparable to that of 2018. Previous communications from Ivorian government authorities indicate slightly different poverty rates (46.3% in 2015 and 37.2% in 2018).

Côte d'Ivoire's exports are focused on agricultural commodities – with little diversification towards manufactured or processed goods. Agriculture accounts for around 22 percent of value-added in GDP, but it is the main driver of exports. Cocoa and its derivative products together account for more than 50 percent of total exports. The range of agricultural products increased over the past decade, and regional trade has become more relevant, including for example palm oil exports to neighboring countries. Nonetheless, the share of manufactured/processed products in Côte d'Ivoire's export basket has remained relatively constant, hovering around 15–20 percent. The country has projects to promote diversification and transformation to increase the share of local value-added (e.g. or cashews, rubber, palm oil). Global exports from Cote d'Ivoire have been increasing for certain crops like cashew, cotton, horticulture, rubber and palm oil – indicating the presence of competitive advantages that could be further leveraged. Some of these also offer potential for diversification in processing activities (such as cashew, rubber products) which could help to support job creation. The government envisages targeted support for such sectors.

Figure 3: Cote d'Ivoire's export profile



Source: World Integrated Trade Solutions (WITS) database, Simoes & Hidalgo, 2011⁸ and Hausmann, R., et al., 2011. The Atlas of Economic Complexity: Mapping paths to Prosperity

In addition, trade obstacles – notably at the Port of Abidjan – constrain trade and the country's overall global integration and competitiveness. Shipping through the Autonomous Port of Abidjan (PAA) is very costly: in the Doing Business 2020 survey, Cote d'Ivoire was ranked 163rd in the world for “trading across borders”, much lower than its performance in other areas (the country's overall ranking improved from 110th rank in 2012 to 177th in 2020). This is driven by high costs and delays, arising from infrastructure limitations and administrative and customs procedures. The authorities have successfully launched a One-Stop Trade window (Guichet Unique) which has made things easier for businesses but not all dimensions of trade procedures (and associated payments) have been integrated yet. Customs controls and inspections remain relatively burdensome, with as many as 4-5 physical inspections scheduled for an import shipment. Finally, the port area, being located in the center of Abidjan, is often congested, with limited connecting infrastructure and storage space, further slowing down throughput of shipments.

The external current account deficit narrowed in 2019 as the trade balance improved. Higher export volumes supported a stronger trade balance and lower current account deficit (including grants), down to -2.7 percent of GDP in 2019 from -3.6 percent in 2018. On the capital

⁸ AJG Simoes, CA Hidalgo. The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development. Workshops at the Twenty-Fifth AAAI Conference on Artificial Intelligence. (2011) at <http://www.tinyurl.com/lf8y4uw>

and financial account side, the deficit was financed through a combination of Foreign Direct Investment (FDI), concessional borrowing, as well as regional bond issuances. Several sectors benefited from Foreign Direct Investment (FDI), notably in the agri-business, extractives, financial and telecommunication sectors, but its share in GDP remains relatively small around 1 percent.

The banking sector's stability has improved but access to finance remains limited, including slow reforms supporting the adoption of Fintech

Inflation remained well below the regional target while regional reserves increased. As a member of the WAEMU, Côte d'Ivoire's monetary and exchange rate policies are managed at the regional level by the Central Bank of West African States ((Banque Centrale des États de l'Afrique de l'Ouest, BCEAO). The regional central Bank maintains a fixed peg between the CFA Franc and the Euro. Inflation in 2019 stood at 0.8 percent, reflecting lower energy prices and moderate food inflation. Credit to the economy continued to support economic activities, expanding by 6.1 percent for the year (year-end comparison). Credit is largely concentrated in the manufacturing and trade sectors. International reserves at the regional level increased at 4.9 months of imports by end-2019 reflecting Eurobond issuances in the sub-region (i.e., Côte d'Ivoire, Senegal, Benin).

The banking sector is relatively stable thanks to recent reforms, but pockets of vulnerability persist. The implementation of Basel II/III principles for banking regulation strengthened the banking sector but some institutions in particular remain vulnerable to shocks. The capital adequacy ratio remained stable at about 9.5 percent in 2019 – above the Basel II/III regulatory norm. Despite the growth of credit to the private sector, Non-Performing Loans declined from 9.3 percent in 2018 to 8.3 percent as of June 2019.

Healthy demand for credit has supported the expansion of the banking system but access to credit remains limited in many ways. Financial intermediation remains relatively weak, even compared to other middle-income countries in Africa. Lending is fairly concentrated in key sectors, notably those that are focused on exports, while many SMEs struggle to obtain credit. Loan maturities are relatively short even for larger companies, and SMEs and farmers in particular face many difficulties in obtaining loans. Digital financial services could help to address these gaps, but the necessary legal frameworks within the WAEMU have not been fully put in place. On the other hand, deposits as a share of GDP in Côte d'Ivoire are lower than regional peers such as Senegal, Togo, Burkina Faso and Benin. Banks' inability to mobilize deposits is primarily linked to the high cost of financial services, lack of documentation and a lack of public trust in financial institutions.⁹

Lower expenditures and marginally higher tax revenues contributed to fiscal consolidation

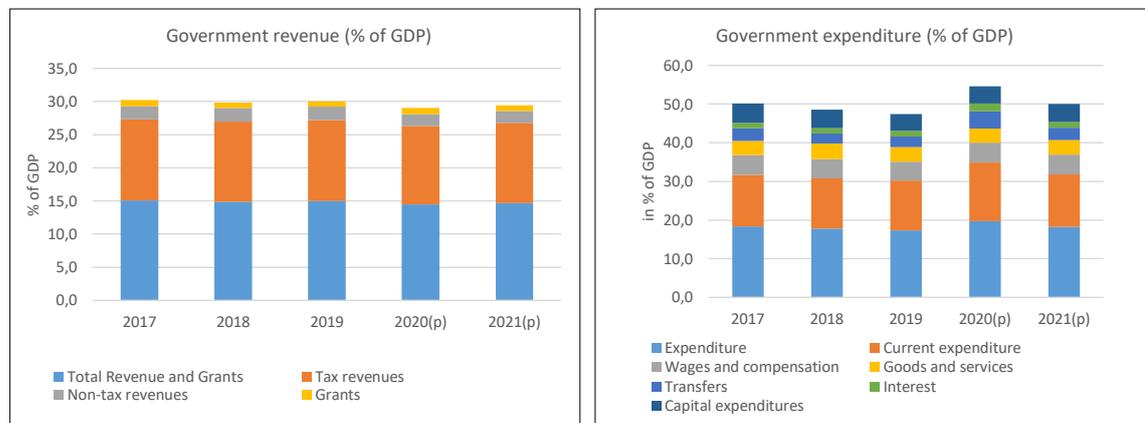
Higher fiscal revenues and lower expenditures helped to bring down the fiscal deficit, which was below the regional target of 3 percent in 2019. The fiscal deficit dropped to 2.3 percent in 2019 – down by 0.6 percentage points. Thanks to some tax reforms, tax revenues improved a little from 12.1 percent of GDP in 2018 to 12.2 percent of GDP in 2019, but revenue growth has been slower than expected.¹⁰ At the beginning of 2019, authorities put in force several reforms to strengthen domestic revenue mobilization, including: (i) the elimination of value-added tax (VAT) exemptions on imports of cell phones and tablets; (ii) the increase of the tobacco

⁹ World Bank: Créer des marchés en Cote d'Ivoire. Mobiliser le secteur privé pour appuyer la transformation économique de la Côte d'Ivoire. Private Sector Diagnostic, forthcoming 2020.

¹⁰ See World Bank : Côte d'Ivoire : Relever le défi de la mobilisation fiscale. Rapport préparé dans le cadre d'une étude sur la politique fiscale en Afrique de l'Ouest, June 2019.

excise rate from 35 percent to 37 percent; (iii) the increase of the corporate tax rate for private persons from 20 percent to 25 percent. In parallel, the authorities have continued to make some progress in strengthening and digitizing tax administration.

Figure 4: Revenues and expenditure compared



Source: Ivoirian authorities and World Bank staff calculations.

Domestic revenue mobilization still remains a challenge and it will be important to revise tax policies as well to improve the tax base. The tax to GDP ratio is one of the lowest in the region and reflects a relatively complex system which includes many exemptions. Following the recent improvements made in tax administration, it would be important to consider additional tax policy reforms to streamline tax exemptions and broaden the tax base. The government in 2019 adopted a strategy to rationalize tax exemptions, and faster implementation would also help to bring the share of tax revenues closer to the WAEMU target of 20 percent of GDP.

Total public expenditures declined in 2019 reflecting both lower current and capital expenditures. Current expenditure declined from 13 percent of GDP in 2018 to 12.9 percent in 2019 due to lower wages and salaries expenditures. The wage bill decreased slightly because authorities have remained committed to key policies aimed at bringing down the public sector wage bill. Specifically, authorities have continued to replace two retirees with only one new hire in all sectors, except education and health. Capital expenditure declined from 4.8 percent of GDP to 4.4 percent, mainly because of lower foreign-financed investments. As result, total expenditures declined by 0.5 percent of GDP to reach 17.3 percent of GDP in 2019.

The fiscal deficit was financed by a combination of concessional and non-concessional borrowing. The authorities have successfully raised funds both in the international market and regional markets. The Government also contracted debt with international commercial banks and issued two Eurobonds, which were part of a liability management operation to smooth future repayment peaks in 2024 and 2025. Overall, public debt increased slightly and reached 37.8 percent of GDP (Incl. C2D), mainly due to an increase of external debt (but below the WAEMU threshold of 70 percent of GDP).

1.2 The Economic Outlook in the wake of a global pandemic

The pandemic arrived in Cote d'Ivoire with a delay but has accelerated continuously since then

After the first cases were diagnosed in March, the Ivorian government implemented containment measures and strengthened its crisis management capacities. Containment measures were less stringent than in some developed countries, as the characteristics of developing economies require a balance between controlling the pandemic and preserving livelihoods.¹¹ Lockdown measures included traffic limitations between Abidjan and the rest of the country, to contain a spreading of the pandemic in the hinterland. The country has put in place an institutional framework to fight against Covid-19, chaired by the Prime Minister, with dedicated committees to coordinate the healthcare sector response and the economic response.

Cote d'Ivoire established a state of emergency and closed its borders in mid-March 2020, and implemented confinement measures that limited the domestic outbreak.

The government has implemented measures to limit the spread of COVID-19 in three steps. First, on March 16, the government closed land, air and sea borders indefinitely. It also made information available to passengers entering the country while improving the monitoring and tracing of contacts. From March 23, schools were closed and events, ceremonies and gatherings of more than 50 people were banned. Non-essential retail businesses as well as bars, restaurants and entertainment venues had to close. Social distancing was in effect: no handshaking and keeping a distance of at least three feet from other people. In addition, a curfew was established from 9 p.m. to 5 a.m. Finally, on March 31, the authorities restricted travel between Abidjan and the hinterland, with the exception of freight transport and basic services. Most measures were lifted successively in June and July, although land and water border remained closed until end of July.

Cote d'Ivoire's healthcare system capacity is generally perceived as limited, but the government intensified its support to the sector throughout the crisis.

Despite significant investments into healthcare infrastructure in recent years¹², healthcare sector expenditures as share of total government expenditure remain weak at around 5 percent –below the target of 15 percent agreed by the African Union in the Abuja declaration.¹³ Weaknesses of the health system include (i) insufficient infrastructure and limited physical access to health facilities; and (ii) the limited availability of basic medical equipment and essential drugs (especially in small towns and rural areas). In addition, the efficiency of public expenditure and financial management of the sector would benefit from strengthening (e.g. performance-based financing (PBF) in the context of strategic procurement, strengthening of governance and systems, setting up Management Information System (HMIS)).¹⁴ However, Abidjan (which has seen most of the COVID -19 burden) is relatively well-equipped and benefitted from

11 Loayza, Norman V. (2020). Costs and Trade-Offs in the Fight Against the COVID-19 Pandemic: A Developing Country Perspective. Documents de recherche et d'orientation politique ; n°35. Groupe de la Banque mondiale, Washington D.C. <http://documents.worldbank.org/curated/en/799701589552654684/Contents-and-Trade-Offs-in-the-Fight-Against-the-COVID-19-Pandemic-A-Developing-Country-Perspective>

12 For example, the Government built 623 primary contact health establishments and rehabilitated 223 others, as well as a university health center. 3 general hospitals were also built, a cancer center and 78 general hospitals rehabilitated.

13 In April 2001, heads of state of African Union countries met and agreed on a common expenditure target of at least 15 percent of annual budgets to be dedicated to the healthcare sector.

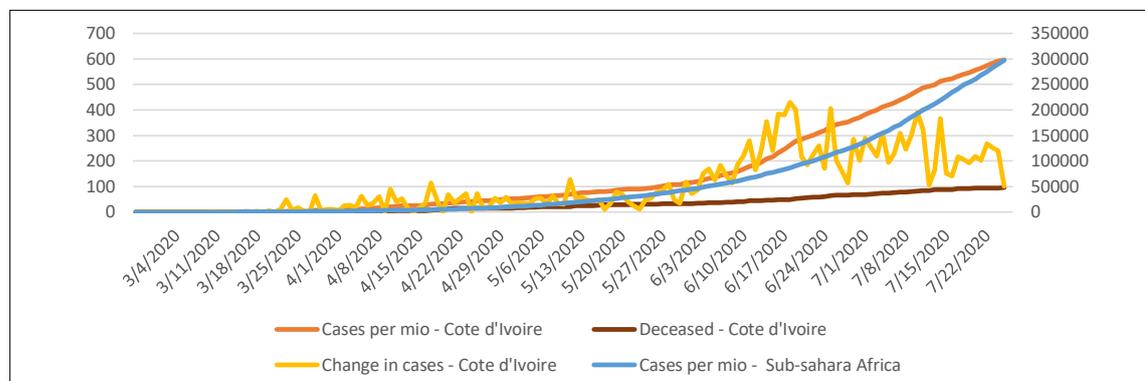
14 Republique de Côte d'Ivoire et Ministère de la Santé et de l'Hygiène Publique. DOSSIER D'INVESTISSEMENT 2020-2023. Version du 12 avril 2019. https://www.globalfinancingfacility.org/sites/gff_new/files/documents/Cote-dIvoire-Investment-Case_fr.pdf

investments in recent years. Cote d'Ivoire can also build on having implemented the World Bank-funded Health System Strengthening and Ebola Preparedness Project between 2015 and 2020. Despite the initially slow outbreak a second wave or drastic increase of the caseload could quickly overwhelm the healthcare system. This underlines the importance of quick government action to contain the pandemic.

As the country registered its first cases, it enhanced its capacity to track and trace cases and manage the crisis. The institutional set-up to manage the health crisis is headed by the President of the Republic, through the Council of Ministers and the National Security Council. At the operational level, the Prime Minister coordinates all activities related to the health response, through an operational committee. The committee put in place various components of the response, including (1) identification and tracking of patients and suspected cases (through a geolocation platform), (2) increasing the capacity of laboratories to carry out tests and ensure an adequate supply health materials and equipment, (3) strengthen medical care (almost 800 beds available at no cost to patients), and (4) reinforce communication and awareness-raising of the population. The testing capacity has been gradually increased to around 1500-2000 samples tested per day in July, with results delivered overall within 48 hours since July. The country has special quarantine and isolation units, including one at Félix-Houphouët-Boigny International Airport. Sick people can call dedicated phone numbers to speak with an official from the National Institute of Public Hygiene. Rapid Response Teams (RRTs) trained in each of the regions have been set up and the country has put in place specialized tracking and tracing teams.

The COVID-19 caseload in Cote d'Ivoire mirrored the evolution in other African countries, characterized by a slow start and low death rates. The first case was registered in mid-March, and by early June, the country had only 3,000 cases and 33 deceased. As of July 27, however, there had been 15,655 cases and 96 deaths. The rise in cases in June - after the easing of containment and social distancing measures - was faster than in many sub-Saharan countries (measured in per million inhabitants), but towards the end of July, the growth of cases stabilized. However, the increase in the number of cases indicates that the population is no longer respecting social distancing measures. Nevertheless, mortality is significantly lower than in most other countries, with 3.67 deaths per million in Côte d'Ivoire, against for example 110.8 in Germany or 5.47 in Ghana. Mortality per confirmed case is also relatively low.

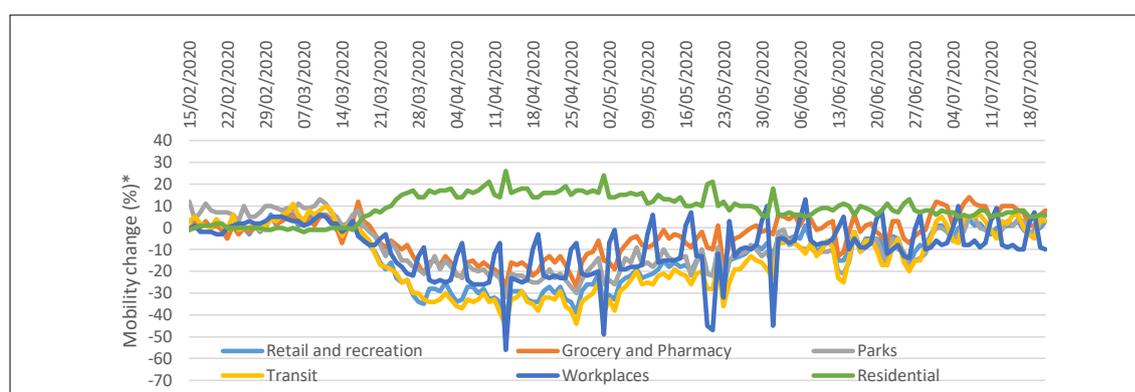
Figure 5 : COVID-19 outbreak in Cote d'Ivoire and the region



Source: World Bank staff calculations, based on Johns Hopkins University Center for Systems Science and Engineering. <https://github.com/CSSEGISandData/COVID-19>

Despite the limited domestic outbreak observed during the first months of the COVID-19 crisis, the confinement measures have impacted everyone in the country. Google mobility data shows how people changed their daily mobility patterns. The data was collected based on smartphone data collected on a daily basis and overlaid with map information on key locations.¹⁵ Two trends stand out: the time spent at home was remarkably constant until March 15th but afterwards increased until end of March, and remained higher than normal well into June. In contrast, all other types of daily mobility experienced a first drop in early March, and then a steep decline before settling at much lower levels in late March – recovering only slowly in June. Traffic in retail areas and around transit hubs dropped around 30 percent compared to pre-COVID mobility, and the drop in grocery shops and pharmacies amounted still to 12 percent in the early phases, and increased to 17 percent in April.

Figure 6: Change in mobility patterns following confinement measures¹⁶



Source: World Bank staff calculation based on Google Mobility reports, as of June 12th, 2020. <https://www.google.com/covid19/mobility/>

Cote d'Ivoire's economic outlook will suffer from the impact of confinement and the global recession. Amidst a regional recession in Sub-Saharan Africa and neighboring countries, economic growth in Cote d'Ivoire is projected to temporarily slow down significantly, as the combined effects of COVID-19 and insecurity weigh on economic activity. The impact through domestic channels is expected to be significant, given that the services sector in particular has been affected by confinement measures and temporary closures to contain the domestic outbreak. A global recession will also likely have some impact through external channels, although Cote d'Ivoire's mostly agricultural and moderately diversified exports basket somewhat mitigates these risks.

The government launched a comprehensive economic support package to aid households and enterprises through the crisis. The "Plan de Soutien Economique, Social et Humanitaire" was developed in consultation with many stakeholders of the private sector and professional associations, and amounts to up to 1,700 billion FCFA (or 5 percent of GDP) for 2020-21. The package, announced on March 31st, includes various measures (see section 2.4 for details). Direct support to firms is provided in the form of tax deferrals and suspensions, easing of regulatory burdens and three dedicated support funds for large enterprises (100 billion FCFA),

¹⁵ Two caveats should be noted. First, the data was only collected from smartphone users, thus representing mostly the upper segments of the population in Cote d'Ivoire. Second, the classification of key locations as reflected in Google Maps is likely not as comprehensive and accurate, especially outside of Abidjan.

¹⁶ *Google data show how visits and length of stay at different places change compared to a daily baseline. The daily baseline is the median value for the corresponding day of the week, during a 5-week period Jan 3–Feb 6, 2020.

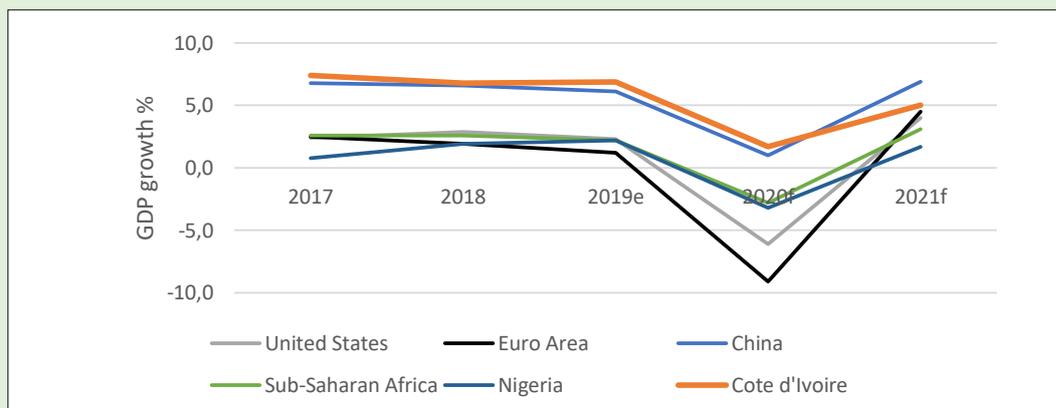
SMEs (150 billion FCFA) and the informal sector (100 billion FCFA). Households benefitted from deferrals of and subsidies for electricity bills, and vulnerable households and individual will receive cash and in-kind support through another fund (170 billion FCFA). The government also allocated funding to specific SOEs as well and implemented measures for specific sectors, particularly agriculture.

The regional central Bank BCEAO also implemented various measures to support governments and the financial sector. This includes the extension of the collateral framework to access central bank refinancing to include bank loans to prequalified companies; the establishment of a framework inviting banks and microfinance institutions to accommodate demands from customers with Covid19-related repayment difficulties to postpone for a 3 month renewable period debt service falling due, without the need to classify such postponed claims as non-performing; and the introduction of measures to promote the use of electronic payments. Moreover, the issuance of COVID-19 related bonds should help governments to bridge liquidity shortages as they implement their response packages.

Box 1: The COVID-19 pandemic will cause a worldwide recession and the first in Africa in 25 years

COVID-19 has taken an enormous human toll around the world, and caused an unprecedented economic crisis . It has also created much suffering through lost livelihoods, and has brought about the deepest global recession in decades. The ultimate outcome is still uncertain, but it is clear that the pandemic will result in contractions in many countries, and it will likely do lasting damage to labor productivity and potential output. The World Bank's Global Economic Prospects published in June 2020 projects that the global economy will shrink by 5.2 percent in 2020. Advanced economies are projected to shrink by 7 percent in 2020, as widespread social-distancing measures, a sharp tightening of financial conditions, and a collapse in external demand depress activity. The cross-border spillovers have disrupted financial and commodity markets, global trade, supply chains, travel, and tourism. Finally, the suffering and strain caused by the pandemic have also exacerbated existing tensions and brought latent existing conflicts to the fore.

The following year, 2021, could see a bounce-back and recovery, but there is much uncertainty. If many countries are indeed beyond the peak outbreak and resume economic activity through the second half of the year, supported by economic stimulus packages to boost consumer and investor confidence, or if a vaccine can be found and produced quickly, then the worst might indeed be over. Still, the recovery of lost jobs, incomes, livelihoods, and investments will probably take years. In contrast, if the pandemic returns towards the end of the year bringing about renewed lockdown measures, if volatility in global commodity and financial markets persist and trigger new shocks, if emerging countries who are still facing a rise in cases are driven towards collapse – then the recession could be even deeper.

Figure 7: Global growth trajectories and projections until 2021

Source: World Bank staff calculations, GEP 2020.

The outbreak reached African countries with a delay, but the economic impact was already felt before that. Many countries already suffered from weak growth and investment, and declining commodity prices. With the pandemic the prices of crude oil and industrial metals have fallen sharply (by 50 and 11 percent, respectively, between December 2019 and March 2020). As a consequence, countries that depend on oil exports and mining would be hit the hardest, and growth could fall by up to 7 percentage points in oil-exporting countries and by more than 8 percentage points in metals exporters compared with the no-COVID base case. In non-resource-intensive countries, growth is expected to slow but remain positive. Nonetheless, developing countries will likely find it harder to deal with the crisis, given that they have large informal sectors, limited fiscal space and less efficient governance – all of which argue for a tailored response, with more measured lockdowns that balance the cost and benefits of confinement in a local context.

The global uncertainty will affect Cote d'Ivoire's growth trajectory. The country's agricultural commodity exports are subject to less volatility than other commodities, but a drop in demand and prices would nonetheless hit the country hard. Volatility in international financial markets would limit the country's access to financing. Finally, some of the country's growth depends on the transfer of skills, knowledge and technologies which relied partly on global trade and the travel of people. A prolonged shock would also hamper FDI, the execution of important investments and overall progress in terms of productivity and competitiveness.

Sources: World Bank GEP, June 2020 <https://www.worldbank.org/en/publication/global-economic-prospects#outlook>. World Bank Africa's Pulse, April 2020, Volume 21, <https://openknowledge.worldbank.org/bitstream/handle/10986/33541/9781464815683.pdf?sequence=18&isAllowed=y>. Loayza, Norman V. 2020. Costs and Trade-Offs in the Fight Against the COVID-19 Pandemic : A Developing Country Perspective (English). Research & Policy Briefs; no. 35. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/799701589552654684/Costs-and-Trade-Offs-in-the-Fight-Against-the-COVID-19-Pandemic-A-Developing-Country-Perspective>

The Ivorian economy was heading for robust growth – but COVID-19 will make a dent in 2020 growth

Cote d'Ivoire's economic outlook has suffered severely from the global COVID-19 epidemic, through external and domestic channels. Economic growth is projected to temporarily slow down to 1.8 percent in 2020 as the combined effects of COVID-19 and insecurity weigh on

economic activity. The impact through domestic channels is expected to be significant and growth across all three sectors is expected to drop. Services (accounting for around 46 percent of value added, and much of it informal services) were a key driver of growth in recent years but containment measures effectively shut down this domestic growth channel. Data suggests that traffic in retail outlets and key transport hubs was down by 22-35 percent during the confinement in April and remained below normal levels in June, after confinement measures were lifted. Data on consumption of fuel and electricity, while only available for March-May, also points towards a drop in economic activity.

Box 2 : Transmission channels in Côte d'Ivoire: global integration and domestic demand will dominate the impact

Cote d'Ivoire's basket of export products is characterized by agricultural products, which have been affected less than some other commodities by the global slowdown.

Cocoa (raw and processed) accounts for the largest share of exports (over 50 percent), and prices are expected to remain relatively stable this season due to futures contracts for much of the crop. Other export products such as natural rubber, cashew, bananas and cotton could suffer from a slight deterioration in prices and volumes. On the import side, risks exist and are more difficult to quantify. Côte d'Ivoire is heavily dependent on imports of manufactured goods and various food products. A shortage of these goods could (1) disrupt domestic production through lack of imported intermediate inputs and (2) drive up food prices and further exacerbate food insecurity.

Other external channels such as tourism and remittances could have limited direct impact, but spillovers and multiplier effects may start to be felt in the long term.

Tourism contributes a small share (<5%) to GDP and is primarily domestic - but inbound international business travelers (estimated at just under 2 million per year) are linked to key business activities. Their prolonged absence could put a brake on key economic activities. FDI was only around 1% of GDP in 2019, but is expected to contract significantly, constraining a key source of skills transfer, technology and value chain upgrading. International remittances are also estimated at less than 1% of GDP, suggesting that their decline would not have a major impact on the economy either.

The main impact channels will be domestic demand and supply shocks resulting from (1) government measures limiting contagion and (2) a possible national epidemic, mainly concentrated in Abidjan.

Much of the Ivorian economy is informal, accounting for around 70 percent of added value and up to 90 percent of employment. In recent years, services, which account for around 55 percent of value added, have been a key driver of growth, (growth of 7.2 percent in 2019). Industry (contributing 26 percent to value-added) has experienced even faster growth of 10 percent. Services will be particularly affected by the government's containment measures, as the closure of restaurants, bars, shops and public transport limitations will very quickly affect owners and employees in these key sectors.

A lasting impact on the local economy could also spill over into the financial sector.

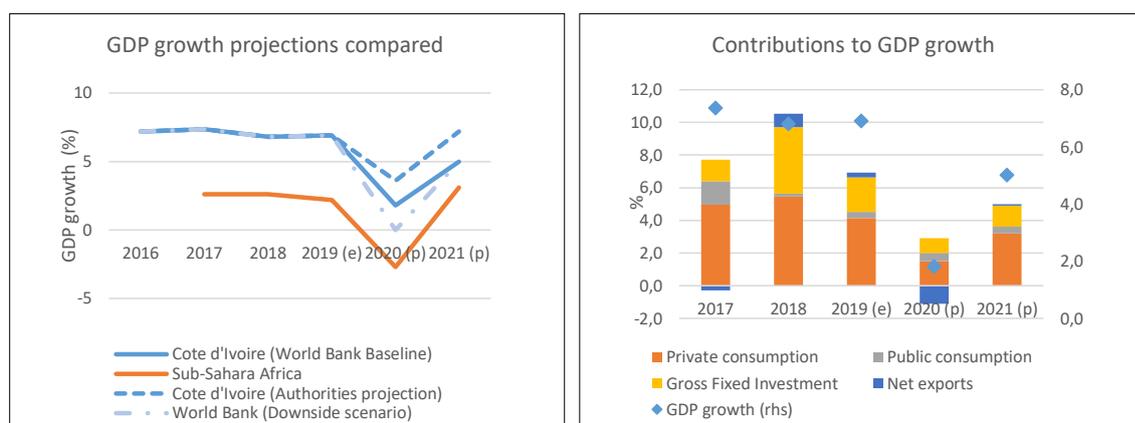
As domestic companies are under pressure from lost revenue, they may no longer be able to repay loans, which would lead to an increase in NPLs in banking sector portfolios. The informal financial sector (cooperatives, microfinance providers) also needs to be monitored to ensure that it remains stable and viable, especially since it may be even less resilient to deteriorating loan portfolios.

Agricultural and industrial activity have been moderately affected. Rural agricultural production will likely only experience a moderate impact, since confinement measures were mostly focused on Abidjan. About half of Cote d'Ivoire's agricultural production are food crops, where demand should be stable. The crisis came at a time when most of the agricultural harvests for the 2020-2021 agricultural season had already been completed. The difficulties recorded were mostly related to the marketing of agricultural products due to the drop in international prices of export commodities, drop in international demand for these products, and logistics restrictions both internationally and nationally.

Industrial activity will also be subject to demand volatility, as well as knock-on effects from constraints in transport, logistics and access to financing. Across all sectors, large firms have mostly continued to operate during daytime hours and have buffers to withstand a temporary drop in revenue, but small informal firms with low productivity will be less resilient to shocks. Overall, both manufacturing and services firms rely on (intermediate) inputs (e.g. agricultural commodities coming from the hinterland, or imported goods through the port) and these may be affected by supply constraints (from abroad) and logistics disruptions (from the hinterland).

Post 2020, Cote d'Ivoire could return onto a path of growth, albeit at a slower pace in the context of a global recession. As the health crisis dissipates, the economy will gradually recover in 2021-23 thanks to a rebound in services, and renewed productivity growth in industry and agriculture. Growth could recover to around 5 percent in 2021 and then slower approach previous levels in subsequent years. Investments should pick up again in the medium run and help to get back onto a path towards higher productivity and more processed products, notably in agriculture and manufacturing, which in turn would also boost exports. Both would also help private consumption to return to previous levels (contributing to growth with 3.2 percent in 2021) – especially if the population catches up on some of the foregone expenditure during the lockdown. Government consumption will peak in 2020 and 2021 to mitigate the crisis impact, but afterwards is expected to return to pre-crisis levels.

Figure 8 : Growth projections for Cote d'Ivoire – scenarios and decomposition



Source: World Bank staff calculations, Global Economic Prospects, and authorities' projections, April 2020. Cote d'Ivoire updated July 2020.

The global slowdown in trade will affect Ivorian imports and exports and likely lead to worsened terms of trade

The country's basket of goods and destination countries mitigate the impact of spillovers from the global recession, but the overall terms of trade will deteriorate. Cocoa accounts for the largest share in exports (more than 50 percent for raw and processed), and prices are expected to remain relatively stable this season because of forward contracting of the upcoming harvest. Cashew (the country's second largest export product) faced a steep drop in demand from Asia in the first half of 2020, but the prospect is improving as countries manage the crisis. Demand for rubber has also slowed down, but there is a chance of recovery later this year. The remaining range of export goods is relatively diversified: cotton, palm oil, banana. and demand comes from a large number of countries, which should help to mitigate the impact of slower global demand. Nonetheless, exports will suffer some difficulties, leading the trade balance and current account deficit to deteriorate in 2020. Trade data suggests that exports of all goods (incl. manufactured goods) dropped significantly in April (agricultural products excluding cocoa were down 24 percent compared to the previous month, and manufactured exports were down 56 percent). This drop seems to go beyond the normal volatility observed throughout the year, suggesting that this partly reflects the effects of COVID-19.

Import demand in Cote d'Ivoire will slow down. Cote d'Ivoire relies heavily on imports of manufactured goods from China and Europe.¹⁷ A shortage in these goods could disrupt domestic production through lack of intermediate inputs. Trade data suggests that imports dropped substantially in January, February, April and May, compared to the previous year and month (although March registered an increase). In the medium run, the domestic slowdown of the economy in 2020 will affect demand for imports (due to lower private consumption and investment). Nonetheless, imports would be expected to react less than exports to global volatility, given that many import goods are essential and have no locally produced substitutes.

The external current account deficit is expected to peak at -3.3 percent of GDP in 2020 before gradually decline in the medium-term. Driven by lower exports and limited impact on imports the external current account deficit (including grants) will rise in 2020. However, in the medium-term, higher productivity in agriculture and manufacturing should give a boost to exports, which is expected to outpace the rebound of imports. At the same time, net services imports and outflows for income accounts will remain stable. As a result, the current account deficit is expected to narrow to -2.5 percent of GDP in 2022. FDI and net portfolio investments will suffer in 2020, but recover afterwards to pre-crisis levels, with FDI and portfolio investments settling around 1 percent of GDP in the medium run.

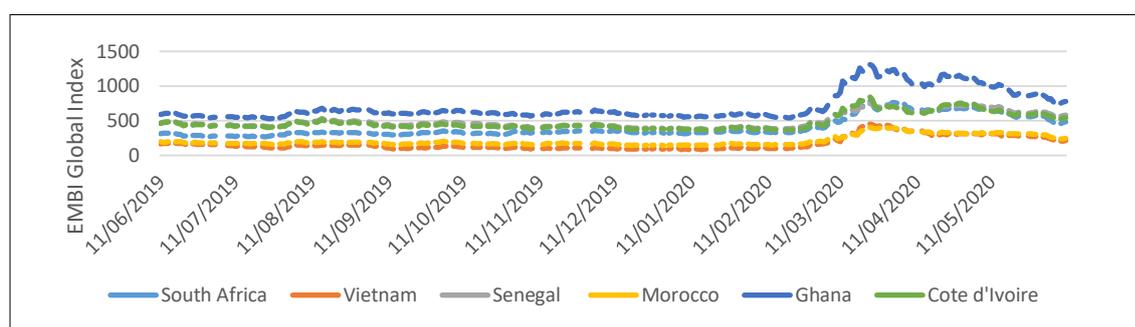
Crisis-related expenditure will have a serious fiscal impact in 2020 but authorities remain committed to fiscal consolidation

Increased expenditure to mitigate the crisis impact, coupled with reduced fiscal space and tighter financing conditions will increase pressure on the government budget. On March 31st the government announced an economic response package to complement the healthcare emergency response, the « Plan de soutien économique, social et humanitaire » (response plan). The package is expected to cost up to 550 billion FCFA in 2020 equivalent to 1.5 percent of GDP (1,700 billion FCFA total in 2020-21). It includes four dedicated funds for

¹⁷ Nearly 18 percent of total imports in 2018 from China, and more than 30 percent from Europe, see: Simoes & Hidalgo, 2011 et R. Hausmann et coll., 2011. The Atlas of Economic Complexity: Mapping paths to Prosperity.

households and enterprises, as well as specific sectors and SOEs, accompanied by various regulatory/ fiscal measures. The increased expenditure will need to be financed, but access to finance for the government will become more difficult. Bond spreads for emerging market economies in global markets have increased, and FDI is likely to dry up temporarily, but the country can rely on regional bond issuances and is expected to benefit from additional concessional financing from international partners. In April 2020, the government received IMF support through a combined RCF/RFI facility in the amount of 886 million USD. Other donors (like the EU, France, African Development Bank, the World Bank etc.) are also expected to step up their support.

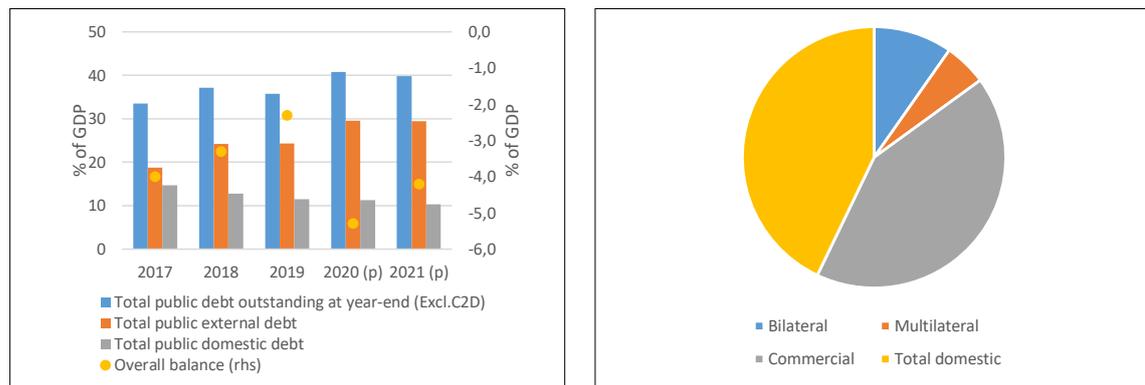
Figure 9 : Bond spreads for selected emerging markets



Source: EMBI Global, as of 22 May 2020.

Expenditure will peak temporarily in 2020 due to crisis-related spending. First, the cost of the crisis (direct support funds as well as the implicit cost of regulatory and fiscal measures) will increase expenditures. Second, there is limited room for re-allocation of existing expenditure, since the government is committed to keeping up spending on the Social Program Components (PSGouv) in support of vulnerable households at a particularly challenging time, to ensure equitable growth. Expenditure peaks at 19.8 percent of GDP in 2020, but will thereafter decline. The government remains committed to managing current expenditure, and notably the wage bill, coupled with moderate capital expenditure, to return to a fiscal deficit in line with the WAEMU target in the medium run.

The economic slowdown will entail a decline in government revenues in 2020-22. Lower domestic and export activity will impact government revenues, as well as some of the fiscal crisis response measures (tax suspensions and deferrals). As a result the tax to GDP ratio is expected to decline to 11.9 percent of GDP in 2020. However, in the medium run the revenue side should improve again as growth picks up. In recent years, the government implemented several tax administration reforms which have increased tax revenues, but the tax to GDP ratio remains one of the lowest in the region, projected to be 12.1 percent of GDP in 2021 (similar to 2019). Progress in revenue mobilization would require sustained progress in revenue administration and tax policy reforms, for example in the area of VAT, corporate income tax and property taxes, as well reducing exemptions.

Figure 10 : Debt (in % of GDP) and debt service (as % of total, 2019) in Cote d'Ivoire

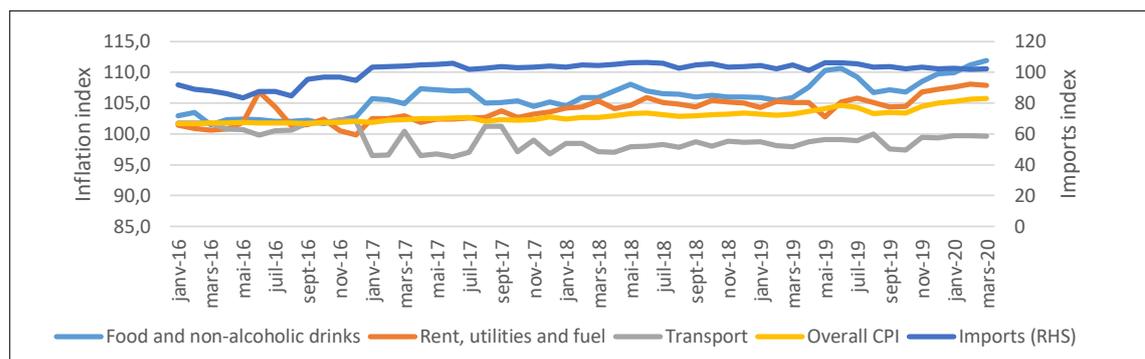
Source: World Bank staff calculations, based on authorities data, April 2020.

Higher expenditures and lower tax revenues will drive up the fiscal deficit temporarily.

The deficit is projected to temporarily deviate from WAEMU target of 3 percent (which has been suspended due to the crisis) of GDP at 5.3 percent in 2020. Before COVID-19, the fiscal deficit was projected to be in line with the WAEMU target, and the government is committed to returning to this level in the medium run. Cote d'Ivoire successfully raised funds in the regional capital market in April, but global tightening financing conditions suggest an uncertain outlook for access to international capital markets. Overall, public debt (excluding C2D) is expected to reach 40.1 percent of GDP in 2020 (and 42.7 percent in 2021), before dropping just below 40 percent in the medium run.

The crisis could also spill over into the financial sector, although the Central Bank's support measures could mitigate this risk

The BCEAO has provided accommodating monetary policies during the crisis, but inflation is still expected to remain below the 3 percent WAEMU target. To support governments and the financial sector, BCEAO passed measures to facilitate refinancing and dedicated short-term COVID-19 bonds for governments. Cote d'Ivoire's food production is self-sufficient for many key staple products, and lower fuel prices will also mitigate inflation risks. Some imported food products may experience shortages and temporary price hikes in 2020 and stockpiling rushes or transport disruptions entail some risks of short-term price peaks, driving up inflation from 0.8 percent in 2019 to above 1 percent in 2020. In the medium run, as the economy returns to growth and demand picks up again this could lead to rising inflation – but inflation is still expected to remain below the WAEMU target of 3 percent.

Figure 11 : Consumer price index and key drivers of inflation

Source: Staff presentation based on authorities' data as of May 2020.

A sustained impact for the local economy could also spill over into the financial sector.

Cote d'Ivoire's banking sector is generally held to be relatively stable, although vulnerabilities exist and financial intermediation is still relatively weak. Banking supervision has been strengthened in recent years, and the capital adequacy ratio increased to 9.6 percent, above the new Basel II/III regulatory norm. Non-performing loan rates continued to improve in 2019. However, as Ivorian enterprises come under pressure in the COVID-19 crisis from loss of revenues they may no longer be able to service loans, leading to rising NPLs in banking sector portfolios. In addition, as bank lending is reoriented towards safer government lending, the private sector could face even more severe access to finance constraints, which could hamper the recovery of the private sector.

The future outlook will depend on how COVID-19 will play out globally in the next year. The extent and severity of the global recession will have an impact for Cote d'Ivoire's recovery in 2021 (see Box 1) and entails significant downside risks and much uncertainty. Even if Cote d'Ivoire overcomes the pandemic in 2020 (with moderate but positive GDP Growth), the recovery in 2021 will be weakened by a world in recession – including slower demand for export products, less foreign investment, and more subdued domestic consumption and investment.

On the domestic side, a resurgence of the outbreak and confinement would further deteriorate growth. After a slow beginning the country saw rising case numbers in June, but these stabilized in July, and with relatively low mortality levels. Nonetheless, a severe domestic outbreak could overwhelm the healthcare system, and renewed confinement measures would also come with a cost for the economy.¹⁸ Both would constrain output across all economic sectors and hit demand at the same time, as buffers in savings (for enterprises and households) have been depleted by the first round of confinement in March-April. As a consequence, the government's finances would come under even more pressure, given that both spending pressures and revenue losses would be more severe. Rising fiscal deficits and public debt would in turn make the eventual recovery in subsequent years much harder.

Beyond the risks associated with COVID 19, the presidential elections scheduled for October 2020 and the related political tensions could pose new risks. The tensions generated by the COVID-19 pandemic could translate into social tensions, especially with the approaching elections. There are also sub-regional security constraints: neighboring Sahel countries are facing an increase in insecurity and terrorist attacks and Cote d'Ivoire could be affected by this situation, particularly in border areas. In addition, as in many countries, the electoral context could induce an increase in spending and put pressure on public finances. Finally, the general volatility of international financial markets in the context of the health crisis could increase borrowing costs and have a negative impact on private investment.

¹⁸ Loayza, Norman V.. 2020. Costs and Trade-Offs in the Fight Against the COVID-19 Pandemic : A Developing Country Perspective (English). Research & Policy Briefs; no. 35. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/799701589552654684/Costs-and-Trade-Offs-in-the-Fight-Against-the-COVID-19-Pandemic-A-Developing-Country-Perspective>

Part 2: Taking stock and looking ahead: the impact of COVID-19 on Ivoirian households and enterprises

*“Crisis either causes regress or progress depending on the will of the people.”
— Abhijit Naskar*

2.1 A global pandemic – and how it changed life in Cote d’Ivoire

Covid-19 is going to have much larger effects on countries across the world than initially expected and the global economic outlook is yet unclear

COVID-19 took the world by storm, and the storm isn’t over yet. Since the first cases were diagnosed in China in late 2019, citizens in most countries have had to drastically change their lifestyle, as governments implemented social distancing measures in a bid to prevent healthcare sectors from being overwhelmed. Borders were closed, travel, tourism and hospitality sectors have collapsed, and changes in consumption and mobility patterns have put many economic activities at risk. The economic impact around the world of COVID-19 will be unprecedented, although it is as yet impossible to credibly estimate the overall cost. Sub-Saharan Africa is expected to enter a continent-wide recession in 2020 as a result of the global coronavirus pandemic – the first time in 25 years. Academic research on the economic impact of pandemics was a niche subject until very recently, but now papers and publications abound (See Box 2).

This chapter draws on two separate surveys that were undertaken in April to capture how COVID-19 has impacted households and enterprises. The first survey was conducted by the World Bank and collected data from more than 600 formal private sector enterprises in Cote d’Ivoire, based on representative sampling techniques. The questionnaire was administered by phone and captured the firms’ basic characteristics (as per the standard WBES surveys¹⁹) as well as specific impact measure of the crisis. In addition, the Ivoirian authorities and UNDP conducted a household survey with specific coverage of households engaged in informal sector activities. This survey was completed in mid April and provides an idea of the income losses and challenges households and the population in general face during the confinement.

19 <https://www.enterprisesurveys.org/>

Box 3: Research and evidence from other pandemics

The Influenza of 1918 is a rare example of a global pandemic and may serve as a “worst case” scenario, since mortality was significantly higher than that of COVID with an estimated 39 million people killed globally. It came in three waves through 1918-1920, and although the effects of the Influenza and the First World War are difficult to separate, estimates suggest that mortality reduced real per capita GDP by 6.0 percent in the typical country (across 40 countries). Another study exploits data on historical pandemics to study rates of return. The data goes back to the 14th century, and covers 15 major pandemics where more than 100,000 people died. In addition, we include major armed conflicts resulting in a similarly large death toll. Significant macroeconomic after-effects of the pandemics persist for about 40 years, with real rates of return substantially depressed.

Historical evidence – again going back to the 1918 Influenza – suggests that social distancing, despite its cost, may still be better than the mortality impact. The authors evaluate data at the city level in the US to estimate the impact of mortality and containment measures. They find that pandemic may have reduced manufacturing output by 18%, driven by the joint supply and demand-side shock. However, measures to decrease influenza mortality were found to be beneficial in the short and long-run: cities that intervened earlier and more aggressively do not perform worse and, if anything, grow faster after the pandemic is over.

The most recent reference point for the impact of pandemics, notably for economies in West Africa, is the Ebola outbreak in Sierra Leone, Liberia and Guinea in 2014-2016. A World Bank study tried to model the overall potential impact relatively early on, and predicted sharp drops in GDP. Indeed, GDP growth contracted in all three countries in 2014, although falling global iron ore prices also affected growth in Sierra Leone and Liberia in that year. More micro-level research by the International Growth Centre for Liberia found a large decrease in economic activity and jobs during the Ebola outbreak, notably in the capital Monrovia. Sectors that were particularly affected (in terms of lost revenues, having to let go staff etc.) were hospitality, and construction. Overall, during the peak of the Ebola crisis 24 percent of Liberian enterprises reported to have closed down, far exceeding Africa’s average business closure rate of 5 percent annually.

References: Barro, Robert J., José F. Ursúa, and Joanna Weng. The coronavirus and the great influenza pandemic: Lessons from the “spanish flu” for the coronavirus’s potential effects on mortality and economic activity. No. w26866. National Bureau of Economic Research, 2020. Jorda, Oscar, Sanjay R. Singh, and Alan M. Taylor. Longer-run economic consequences of pandemics. No. w26934. National Bureau of Economic Research, 2020. Correia, Sergio and Luck, Stephan and Verner, Emil, Pandemics Depress the Economy, Public Health Interventions Do Not: Evidence from the 1918 Flu (March 30, 2020). The World Bank: The Economic Impact of the 2014 Ebola Epidemic: Short and Medium Term Estimates for West Africa. October 2014, Reference 91219. Bowles, Jeremy, et al. “Ebola, jobs and economic activity in Liberia.” J Epidemiol Community Health 70.3 (2016): 271-277.

2.2 Ivoirian enterprises, the lockdown, and possible avenues for recovery

A large part of the Ivoirian economy is informal and particularly vulnerable to the impact of confinement measures and a domestic outbreak. The informal sector accounts for around 70 percent of value-added and up to 90 percent of the population, comparable to other West African countries.²⁰ A key challenge arises from the high levels of employment in low productivity activities (47.5 percent of the labor force in agriculture and 29.7 percent in non-agriculture self-employment). Self-employment activities tend to have low productivity and limited growth opportunities, which also means very limited buffers and capacity to withstand outside shocks like the COVID-19 crisis.

Box 4 : Anecdotal evidence on the crisis impact for informal sector enterprises

A large part of the Ivoirian economy is informal, contributing around 70 percent to value-added and up to 90 percent of employment. Informal activities include informal wage labor in formal and informal enterprises, as well as self-employment for subsistence and relatively successful micro-enterprises. Systematic survey data on the informal sector is difficult to collect, but the combination of household data and information on (formal) micro enterprises can still shed a bit of light on this segment (see Section 2.3 for more details on the survey data used).

Self-employment is the pre-dominant form of income in Cote d'Ivoire: according to 2018 household survey data, 67.5 percent of household heads were self-employed (84.2 percent in rural areas, compared to 60 percent in secondary cities and only 34 percent in Abidjan). Self employment is also more common among poorer households: more than 80 percent of households in the bottom 40 percent of households are self-employed, but only 40 percent among the best-off 20 percent.

The household survey suggests that many informal enterprises were directly affected by closures and the lack of demand. Among self-employed household heads (“unités de production informelles”), 26 percent had to stop their activities entirely, more than 50 percent faced less demand from customers, and this translated into nearly 65 percent which were facing cash flow problems.

This matches well with survey data on formal micro enterprises: more than 40 percent operated with reduced hours or had closed entirely and more than 90 percent experienced lower sales. 66 percent of micro enterprises had cash buffers of under 3 months, of which 29 percent less than one month. The limited cash buffers imply that informal enterprises might have to sell of their productive assets to cover for lost income, which would essentially curtail future livelihoods. Almost certainly this data hides a lot of heterogeneity– but it clearly signals that many informal sector enterprises would benefit from support to make it through the crisis.

²⁰ World Bank: Créer des marches en Cote d'Ivoire. Mobiliser le secteur privé pour appuyer la transformation économique de la Côte d'Ivoire. Private Sector Diagnostic, forthcoming 2020.

While agriculture – much of it located outside of Abidjan – might be less affected, non-agricultural self-employed entrepreneurs might be particularly vulnerable. The nascent stage and limited coverage of social safety nets coupled with limited resilience to shocks make the informal sector particularly vulnerable to the impact of COVID-19. The results of the household survey (Section 2.3 and Box 4) provide some insights into the impact for informal enterprises.

In the formal sector, the overwhelming majority of firms are small or micro firms although large firm contribute substantially to value-addition. Ivorian SMEs account for 98 percent of formal registered enterprises.²¹ Entrepreneurship has grown in recent years: the total number of registered firms has grown from 13,387 to 57,574 between 2013-2018, driven especially by services, trade and construction. However, large firms are behind much of the country's value addition, notably in agribusiness and manufacturing. The formal industrial sector includes very few firms that are labor intensive and consists mostly of subsidiaries of multinationals, many of them involved in the commodity sector (cocoa, oil and gas, cashew, rubber).

A firm level survey, commissioned by IFC and the World Bank, provides a more granular view of the impact of the epidemic.²² Implemented in April-May 2020, it uses data from a random stratified sample of 604 private firms, covering the key economic areas of Cote d'Ivoire (mostly Abidjan, Bouake, San Pedro)²³. The large degree of informality and lack of full enterprise census data in Cote d'Ivoire make representative sampling challenging, but the survey was designed to yield largely representative results. Sectors covered include trade and import-export, tourism and hospitality, scientific and technical activities, construction and real estate, agriculture and agribusiness, transport and logistics, education and financial services. Following the Ivorian legal definition²⁴, the sample include micro firms (10 percent), small companies (40 percent), medium sized companies (21 percent) and large firms (10 percent). 89 percent of the sample is composed of domestic private firms and about 10 percent is foreign-owned private establishments.²⁵

21 Data from General Directorate of Taxes. Micro enterprises include firms with an annual turnover not exceeding XOF 30 million and fewer than 10 employees; small enterprises firms with an annual turnover between XOF 30 million and XOF 150 million and fewer than 50 employees; and medium-sized enterprises with an annual turnover between XOF 150 million and XOF 1 billion and up to 200 employees.

22 The survey instrument used is called the COVID-19 Business Pulse Survey (COVBPS). It was very recently developed by the World Bank's Finance-Competitiveness and Innovation practice. The COVBPS provides a rapid survey to understand the impact on businesses of the epidemic. It is designed to be conducted by phone or online and allows for adaptation to local contexts. 30 such surveys are currently either completed or about to start. The survey was efficiently implemented by ES Partners, an Ivorian consultancy under IFC funding.

23 The sample was randomly drawn from a sample frame built on the basis of a 2013 taxpayer listing from Direction Generale des Impots. The original dataset was then updated with firms birth and death rates obtained from CEPICI to get 2018 estimates and an updated listing. Thus, the overall number of formal firms in activity was estimated to be 102,984. For a 95% confidence level, the required sample size was 600 firms. 604 establishments were surveyed in the end. Following a stratification by size, location and sector, firms were randomly selected inside each cluster from the updated list and then interviewed by phone. The survey took place between April 14 and 29, 2020.

24 Micro firms are legally defined as firms with a turn-over below CFA.F 30 million (about USD 50,000), small firms have a turn-over in the CFA.F 30-150 million range (roughly USD 50,000-249,000), medium firms have a turn over between 150 and 1000 million CFA.F (USD 249,000-1,650,000) while large firm's turns over is larger than 1 billion CFA.F (above USD 1.65 million).

25 Building on experiences with previous quick response surveys in a crisis context, the questionnaire focused on key elements only. The questionnaire was administered to senior staff of enterprises, in phone interviews lasting around 30-40 minutes each. It includes seven introductory questions to establish basic facts about the company (sector, ownership status, staff number), followed by sets of questions investigating the impact on (1) operations, (2) staff numbers (3) value chains (access to input, output), (4) the outlook going forward and (5) the relevance of government support measures. The team would like to express their gratitude to the respondents to this survey for their time and insights.

This section is largely based on these survey data on how enterprises dealt with the crisis impact. The preliminary data presented here provides an early snapshot of the situation during the second half of April 2020.²⁶ Results confirm anecdotal evidence that COVID-19 has been a massive shock to the economic system. The containment measures; the slowdown of domestic and external demand; disruptions in the supply chain and sources of financing; and overall uncertainty have all impacted firms. The section first takes stock of the observed overall impact in terms of closures and revenue losses. It next looks at some of the mechanisms behind the impact, notably issues around labor availability and the workforce, transport and logistics, and access to finance. Finally, the last part reflects firms' opinions on the outlook and how authorities could support them through the crisis.

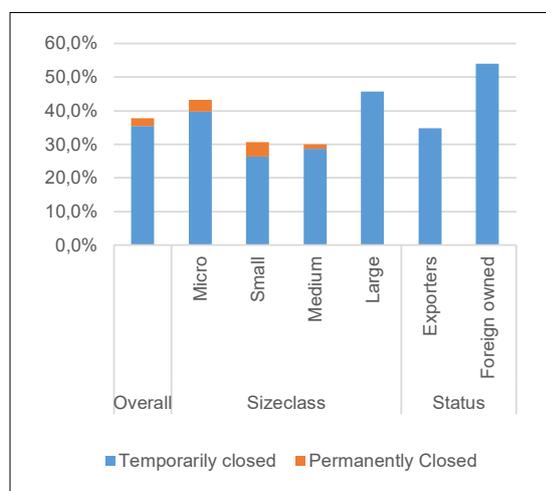
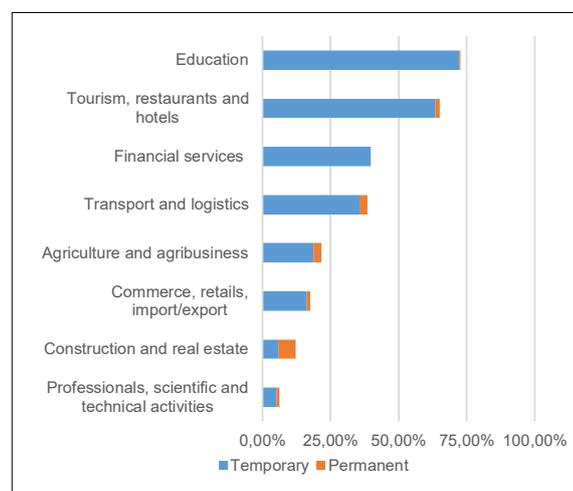
The direct impact for enterprises included closures, reduced hours, lower sales and revenue – but very few immediate layoffs of workers

Closure rates differ across firms and are more important for micro firms (43 percent) than for small and medium firms (around 30 percent). Overall, 37.7 percent of firms were closed (of which 2.4 percent definitively and 35.3 temporarily). Some large enterprises had to close because of the confinement, whereas smaller ones may have suffered from indirect effects (lower demand, incapacity to adapt) as well. Around 35 percent of exporters and 54 percent of foreign-owned firms were closed. Abidjan experienced by far the highest rate of closure (60 percent), compared to enterprises in secondary cities and the hinterland (31-35 percent). This reflects that the outbreak and confinement measures hit the country's economic capital most severely. Permanent closures seem to be a feature of smaller firms, a possible explanation being that they were unlikely to have buffers against the crisis and less access to emergency finance than larger firms. No large firms were permanently closed at the time of the survey.

The sectors the most impacted by closures were Education, Tourism, restaurants and hotels, Financial services, restaurants and hotels as well as Transport and logistics (Figure 12). Several of these were directly forced to shut down temporarily due to government interventions. In transport, the impact was less direct -but possibly related to the curfew, drop in demand, and confinement of Abidjan (no traffic allowed with the hinterland). Permanent closures are minimal for now across other sectors (in the 1 to 7 percent range), whereas widespread temporary closures varied with the sector of activity, ranging from 5 percent (Professionals) to 73 percent (Education).

At the time of the survey in mid-April, firms had already been subject to restricted operations for about four weeks on average. There was major uncertainty about a reopening. About 68 percent of establishments that were temporarily closed did not know when they would reopen. Only about 26 percent of establishments thought they would reopen within 2 months (i.e. end May or end June 2020) and 5.1 percent over the period of 2 to 6 months (i.e. between the end of June and the end of October 2020). Practically, most restrictions by the government were lifted in mid-May –, but the future trajectory will also depend on the further evolution of the domestic outbreak.

²⁶ This period reflects the early stages of the pandemic and confinement and doesn't allow for a final and comprehensive assessment – but it nonetheless provides important insights into the nature of the shock and the private sector's adaptation and reactions.

Figure 12 : The impact of closures on Ivoirian enterprises**Closure rates (April 2020 - Pct.)****Closure rates by sector (April 2020 - Pct.)**

Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates.

The impact of the pandemic on business' sales has been significant across all size categories and sectors. 94.1 percent of firms reported a decline in sales over the last 30 days. In contrast, few firms seem to have benefitted from the crisis: only 0.6 percent an increase and the increase was generally small.²⁷ (Figure 13). Compared to developed countries, where certain sectors (like e-commerce, online services etc.) got a substantial boost, Cote d'Ivoire seems to have only a very small share of these – reflecting the gap in private sector structure, but also an opportunity for future development. The overall average sales decline was about 67 percent compared to the previous month. Micro firms seem to have been the most affected, 98 percent of them reported a decline in sales close to 75 percent on average. Firms in other size classes suffered from a smaller (but still large) decline in sales of about 61-62 percent compared to the previous month's sales.

Box 5 : Another snapshot of the impact on the private sector – one month later

The General Confederation of Businesses of Côte d'Ivoire (CGECI) conducted a survey of 125 businesses, online and by telephone from May 12 to 29, 2020. The sample consisted covered various sectors (67 percent services, 17 percent industry, 17 percent retail, and 6 percent agricultural sector). This study was conducted about a month after that of the World Bank, when most of the containment measures were still in place. Even though the study is based on a different and smaller sample of companies, the results are relatively similar: almost all companies said they felt the impact of COVID-19 on their operations.

27 The later was limited – mostly in the 5-10 percent range.

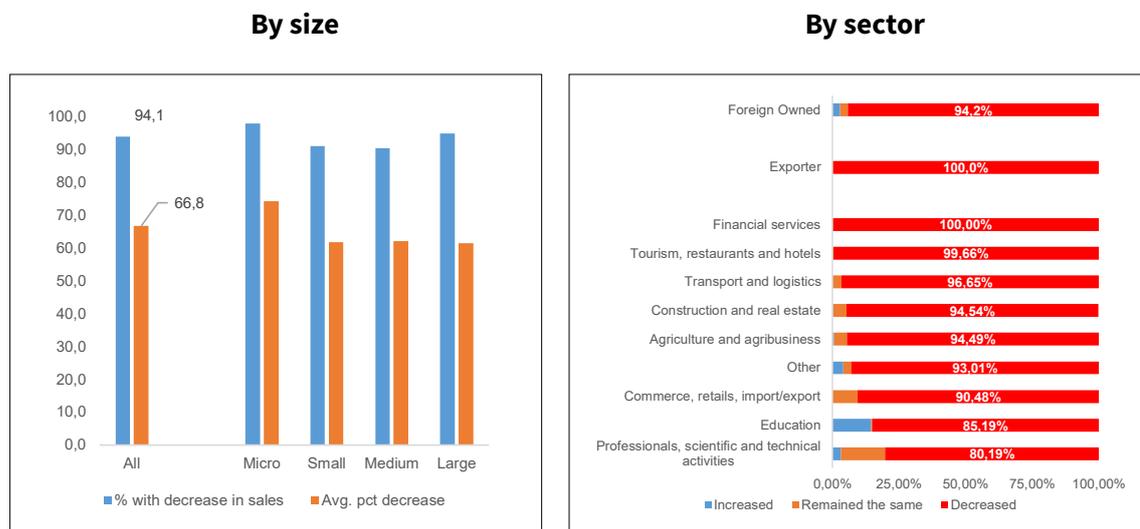
Of the companies that responded, 87 percent have had to adjust working hours (including closing down entirely) and 24 percent have even had to close completely for now. The impact on turnover was also substantial: 84 percent of companies experienced a drop in turnover and of these, 33 percent reported losses of 25 to 50 percent in turnover, compared to the same period last year. Only 9 percent reported an increase in turnover. The impact on employment is also significant. Although only 5 percent had to lay off workers, many companies resorted to part-time work (43 percent), holidays (35 percent) and layoffs (25 percent). Only 11 percent of companies continued to operate without change for their employees.

Businesses also reported that their cash flows were under pressure, with 93 percent saying they needed financing. For SMEs, the needs were estimated between 20 and 100 million FCFA, while among large companies, 33 percent said they needed more than 1,000 million FCFA. 66 percent had already used government and BCEAO support regimes in some way to mitigate the impact of the crisis.

* CGECI: "COVID-19: CGECI officially presented the results of its investigation into the impact of the health crisis on businesses. <https://cgeci.com/covid-19-la-cgeci-a-presente-officiellement-les-resultats-de-son-enquete-sur-limpact-de-la-crise-sanitaire-sur-les-entreprises>

All enterprises in the Financial services sector reported a decline in sales as well as almost all establishments in the Tourism, restaurants and hotels. The latter is hardly a surprise given that these sectors were mostly forced to close. In addition, confinement and travel restriction measures have impacted Transport and logistics, which have also seen a widespread decline in sales.

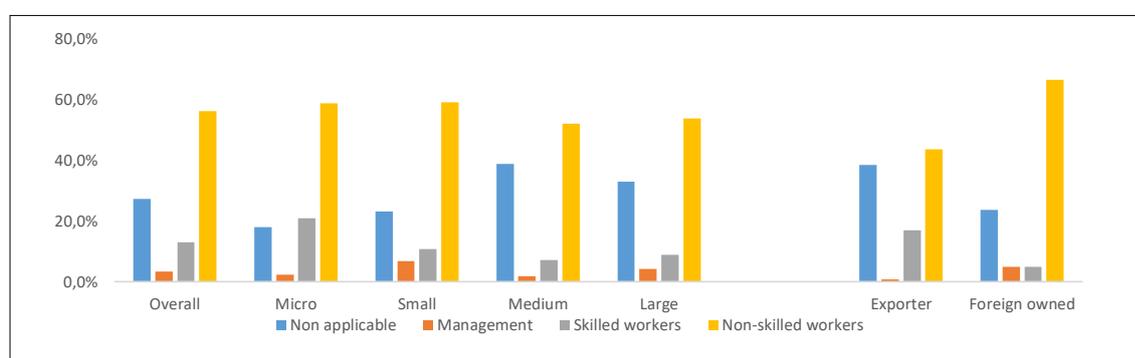
Figure 13 : Estimated impact on sales over the last 30 days preceding the survey.



Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates.

Enterprises have not yet had to lay off significantly workers, but have resorted to reduced hours, leave and holidays and salary/benefits reductions²⁸. Over the survey period, very few full-time workers were hired or fired (respectively only 0.4 and 0.7 percent of the average full-time workforce)²⁹. There is no sign of large-scale layoffs, although a small number of firms (across almost all sectors) fired a limited number of their full-time workers (Figure A. 1). However, firms have relied quite significantly on a reduction in work hours, leaves of absence and salary/benefit reductions. Tourism, restauration and hotel, Transport and logistics and Education all made a significant use of leaves of absence and salary/benefit reductions. Working hours reductions were predominantly used by firms in Professional fields, Transport and logistics, and Commerce. In the future, should the situation get worse, non-skilled worker would bear the brunt of workforce reduction efforts (Figure 11).

Figure 14 : Potential workforce reduction (%) if the crisis got worse



Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates. Question read: . If you were, today forced to reduce your workforce, which class of worker would be the most affected?

The crisis has triggered various constraints for enterprises, affecting logistics, supply chains, and access to financing

The changes in sales are explained by a variety of reasons, including lower demand, the absence of workers, inputs, access to finance and transport/logistics. A first channel of impact is an economywide reduction in demand for goods and services. About 92 percent of the firms noted a diminution in demand over the last 30 days. In sectors like Tourism, Restaurants and hotels, Commerce, Transport and logistics such a reduction in demand was noted by almost all the firms (between 94 and 98 percent of firms). A second channel is the workforce. 51.9 percent of firms have experienced difficulties with workforce availability (due to illness or other mobility restrictions) that have affected their operations. The issue seems to have been most significant in sectors such as Tourism, restaurants and hotels, Construction and real estate, and Transport and Logistics (between 50 and 60 percent of the firms).

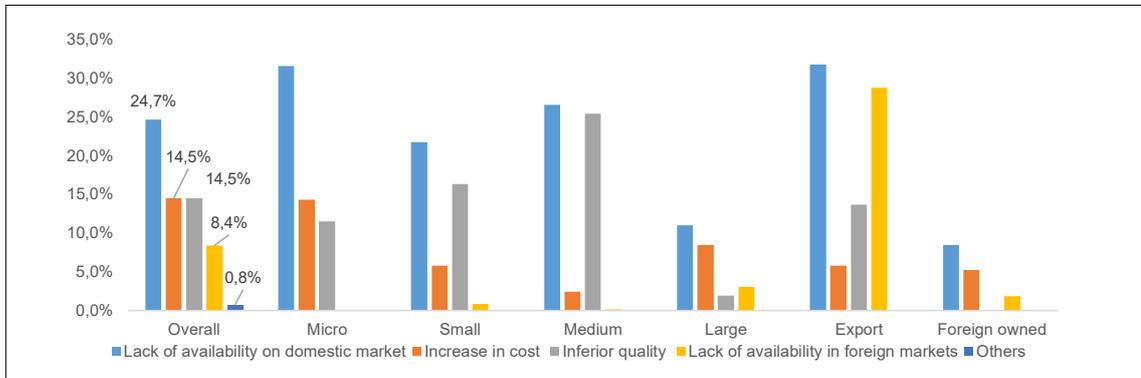
The crisis has also raised constraints to the availability of inputs. Overall, 42 percent of firms faced a reduced or limited availability of intermediate inputs or services required for operations. Sectors such as Construction and real estate, Commerce, retails, import/export, and Agriculture and Agribusiness report significant issues (for 48 to 70 percent of the firms in the sectors). The key reason behind such difficulties seems to be a lack of availability of such inputs/services on the domestic market. This holds irrespective of the category of firm (size class, trade orientation, ownership). Of note is the fact that exporters, sometimes part of larger

²⁸ This also matches the findings from the household survey presented in the next section, where salaried workers appear to have been less affected than self-employed people.

²⁹ Compared to December 2019 employment.

GVCs, have had significant difficulties with the lack of availability of inputs on foreign markets. This is probably linked to the observed decline in international trade and transportation observed in recent months – which was reflected in a decline in incoming vessels at the Port of Abidjan. The curfew also had an impact on the port's working hours and throughput.

Figure 15 : Main reasons for inputs issues by types of firms (%)

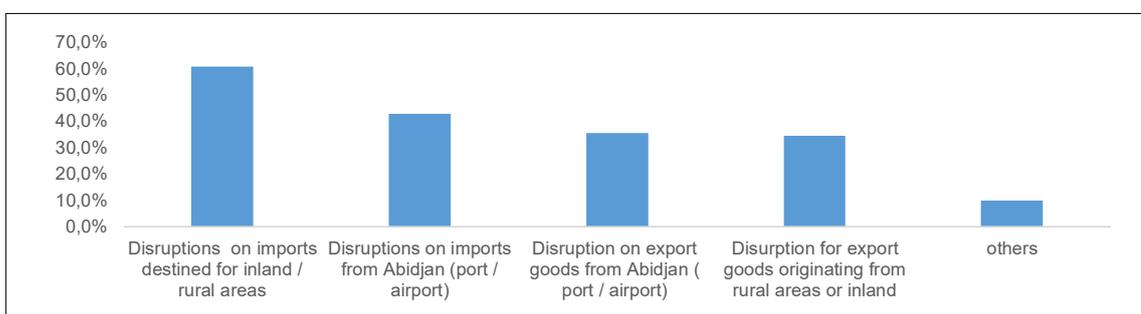


Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates.

About one third of firms were also hit by constraints on transportation and logistics more generally. 37 percent of firms report having faced disturbances/issues with transport services. Exporters are especially concerned, 49.6 percent of them report such issues. Disruption on imports, either for inputs or final good for the hinterland and from Abidjan are reported as the key source of issue (Figure 15, 16). Anecdotal evidence suggests that some of this may have been related to traffic restrictions between Abidjan and the hinterland – where exemptions took a few days to be effectively implemented, for example with regard to informal transporters obtaining the required paperwork etc. Measures to limit the number of passengers in public transport also led to a drop in mobility for the workforce.

Figure 16 : Key reasons for disruptions in transport and logistics

(Pct of Yes)

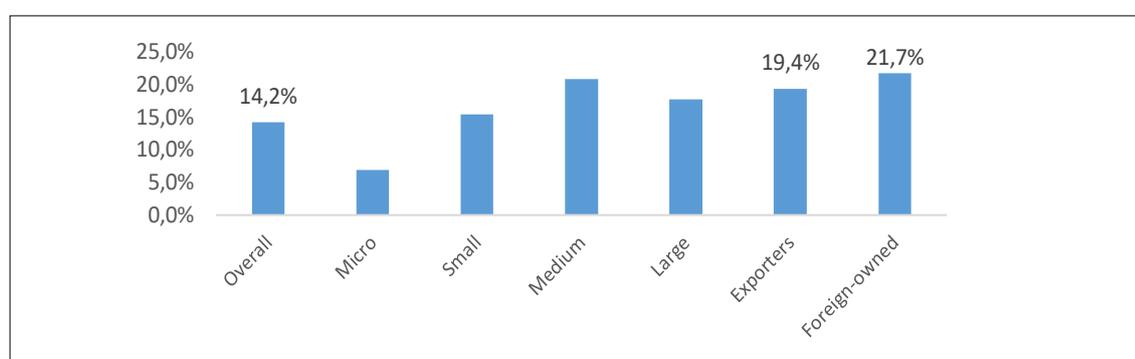


Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates.

Limited access to financing may become more severe due to the crisis impact. The financial sector could experience a deterioration of loan portfolios which could lead to a contraction of overall lending to the economy. In addition, the crisis has heightened banks' risk aversion, which could lead them to further reduce lending activities or a "flight to safety" with lending rather directed toward the financing of Governments' fiscal deficit. At the time of the survey in April, only about 14 percent of the firms noticed a shortage in available financing. The share was slightly higher (19 and 25 percent) in certain sectors, such as retail, trade, construction and agriculture. Key concerns seem to relate to Medium- and Long-Term financing which is either more expensive and difficult to obtain or less available (Figure 17 and Figure A. 2). Support from the government and BCEAO could do much to mitigate these risks, and will be essential to enable firms' recovery (also reflected in firms' support priorities, see below).

Figure 17 : Restrictions in the provision of normally available financial service

(Pct of Yes)



Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates.

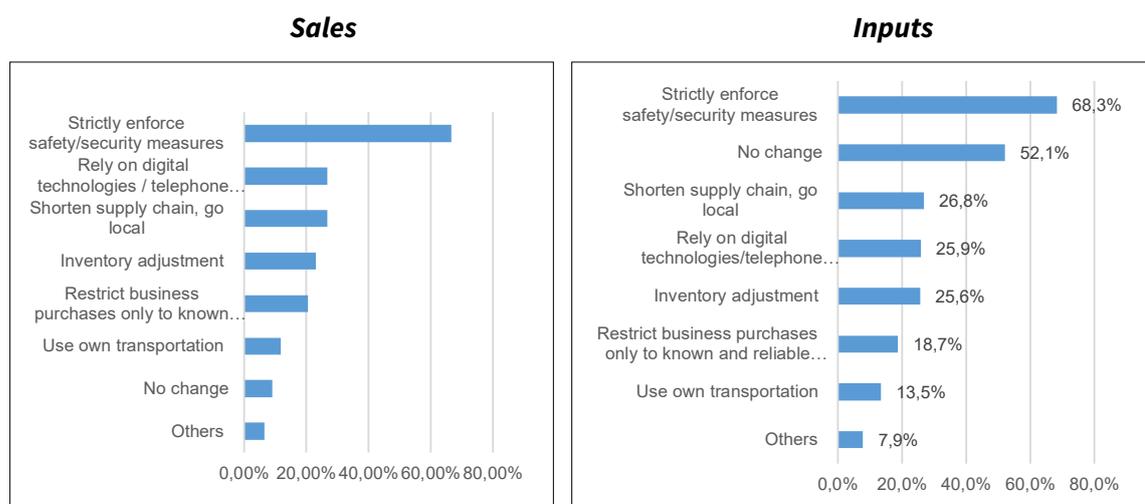
Data on the financial buffers of enterprises highlights the need to secure continued access to finance. Looking at firms' global cash position reveals that 25 percent of them can only last a month and about 26 percent from one to three months. Only 26 percent can last more than 3 months, and this includes a lot of large enterprises (only 25 percent had buffers of less than 3 months). Exporters seem especially vulnerable, as 44 percent of them have less than 3 months of cash at hand, same for micro firms (66 percent had less than 3 months). Tourism, hospitality and transport/logistics also have the double challenge of being hit quite directly while having limited buffers to cover their expenses (Figure 18). Looking forward, firms will require cash to restart operations, stock up again on inputs, start paying their workers on a normal level again – and a lot of these expenditures will be required upfront. Most domestic restrictions have been lifted in May – but after two months of lockdown cash buffers will likely be depleted, making access to finance essential to facilitate the economy's recovery.

Figure 18 : Estimated ability to remain active with existing cash flow*(% firms by sectors)*

Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates.

In the face of these challenges, there are signs of flexible adjustment, but also a need for policy support

Some Ivorian firms seem relatively agile in adapting to the circumstances, but the resilience of smaller firms is especially limited. When it comes to customer-facing operations and sales, nearly 67 percent of firms adopted a variety of safety measures, such as requiring staff to wear masks, using hand-washing or alcoholic gels, and trying to implement distancing measures. Further measures include relying on phone and ICT technologies instead of personal contacts (27 percent). In addition, firms are now more focused on how they sell, 27 percent go « local » and about 21 percent restrict their business to known and reliable outlets. Only 9 percent of enterprises continued business as usual. In terms of managing the impact on supply management, some enterprise implemented similar changes but around 52 percent, saw no need or room to adjust (Figure 19).

Figure 19 : Firm's change in behavior

Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates.

Overall, the shock is expected to be short, despite the uncertainty of the outlook. About 88 percent of establishments consider that the current shock is temporary in nature and will not alter permanently the economic landscape. Under what firms consider as a realistic scenario (by their own definition), they expect a 38 percent decline in sales over in the next 6 months following the survey, i.e. by October 2020. While huge, this is to compare with an observed decline in sales in the past 30 days which was about 67 percent. In other words, although firms expect to be in the red for this calendar year, they also consider that the magnitude of the shock will be significantly smaller by end year.

The government's support is important to leverage private sector's efforts during COVID-19 recovery. Overall, the top three requests include two cost cutting elements - utility subsidies (68 percent of firms), Deferral of tax payments (66.3 percent of firms) - and a financing item - access to loan and credit guarantees (62 percent of firms). Disaggregated by firm size, utility subsidies (especially electricity and water) are more important for micro and small enterprises. For medium firms, access to loan and credit guarantees scores highest (it is requested by 75 percent of enterprises) and for large firms, wage subsidies were a particular concern. Exporters would also consider access to credit or guarantees a priority, whereas foreign-owned enterprises focused on tax payment suspensions.

This suggests, that the government's crisis interventions did indeed address some important needs. Ordonnance 2020-357 (passed on April 8th) allows enterprises that have been affected by the crisis to defer tax payments (and employer social security contributions) by three months, alongside a temporary suspension of tax controls, and made crisis-related expenditure (masks, handwashing etc.) tax deductible. Direct government support funds will provide liquidity injections in the form of credit and grants, with an explicit focus on protecting productive assets and jobs. As part of its economic response package, the government allowed households to defer electricity and water payments for three months, and subsidised electricity bills for the poorest households, which may also benefit some smaller firms that are run on non-business accounts. These measures achieve a balance between generalized and targeted support. Overall, the survey data suggests that they correspond to the needs reported by the private sector in many respects.

Figure: 20: Firms' appreciation for various types of crisis support³⁰

	Dominant Choice	2nd Choice	3rd Choice
Micro	Public service subsidies 77.36%	Deferral of tax payment 69.41%	Access to loan and credit guarantees 62.71%
Small	Public service subsidies 68.67%	Access to loan and credit guarantees 63.69%	Deferral of tax payment 61.94%
Medium	Access to loan and credit guarantees 75.42%	Deferral of tax payment 73.09%	Public service subsidies 63.17%
Large	Wage subsidy 61.84%	Public service subsidies 55.26%	Deferral of tax payment 54.42%
Exporters	Access to loan and credit guarantees 80.12%	Public service subsidies 78.62%	Deferral of tax payment 72.51%
Foreign owned	Deferral of tax payment 75.90%	Wage subsidy 72.22%	Social security exemptions 60.61%

Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates.

30 The colours indicate the type of measures.

The impact on Ivorian enterprises seems comparable to those reported by business federations across the WAEMU region. According to anecdotal data collected through private sector associations, across the region enterprises in services and retail were most directly affected (87 percent and 71 percent, respectively), whereas agriculture seemed much less affected (only 48 percent felt impacted). The relative scale of sales and/or revenue losses was also high across the region, with many enterprises across all sectors reporting losses of 50 percent and more. At the same time, this did not yet translate into large layoffs, only 25 percent of enterprises reported employment affects so far, and if any, on a relatively small scale.³¹

The survey results suggest that large enterprises experienced adjustment costs and support for maintaining employment would be most important. Large firms had to adjust their operations (hours, safety measures, inputs) but they typically had higher cash buffers and more capacity to manage the situation. Large firms are important in providing formal, quality employment and contribute to the country's exports and public revenues. The government's fiscal support measures of deferring tax payments and employer social security contributions are clearly welcome, implemented swiftly and will help to maintain jobs. Further financial support could be more targeted if it were targeted to (1) explicit needs, such as utility costs or wage subsidies; (2) specific constraints of some firms (access to inputs, logistics, trade-dependency) or (3) ensure that more general financial support is clearly linked to crisis-related difficulties and maintaining jobs.

In contrast, smaller firms and specific sectors were much more affected and would benefit from more direct financial support. First, certain activities, such as hospitality and non-essential retail (both relatively large sectors of the economy) were forced to close down during the lockdown. These sectors also reported low cash buffers, indicating an urgent need for more general support. Indirect fiscal measures (tax deferrals etc.) might not be enough to get these enterprises through the crisis. Likewise, SMEs were also more likely to report various crisis constraints as obstacles, including access to finance. MSMEs in particular experienced the most severe losses of sales. Here, more direct financial support – as implemented by the government through its Emergency Funds – will address important and immediate needs.

Across all sectors, transport and access to finance emerged as key constraints – and would merit close monitoring during the recovery. High-frequency data or a follow-up survey could help to determine how the situation is evolving. Anecdotal evidence suggests logistics issues during the crisis were temporary – but this would benefit from an evaluation with newer data. Access to finance has not tightened significantly for most enterprises as per the survey results, but there are substantial risks going forward. As enterprises are under pressure, banks may be less likely to give credit, at the same time as increasing public debt offers a safe alternative. The government's planned SME Credit Guarantee Fund (FGCPME) aims at supporting access to liquidity to businesses with viable models (before the COVID crisis) through improved collateral conditions to incentivize financial intermediaries to provide credit during the recovery phase. In the longer run, the FGCPME aims to improve access to finance by introducing an instrument that could help to overcome typical SME constraints such as lack of transparency, lack of collateral, lack and general information asymmetry .

31 Chambre Consulaire Regionale UEMOA: Rapport COVID-19. Impact de la Pandemie du Covid-19 sur le secteur prive de l'UEMOA. Mai 2020.

The FGCPME would also be open to eligible microfinance institutions (MFI) who are considering measures to strengthen the access to finance for micro and small enterprises.

Given the nature of their portfolios and the activities of their clients, microfinance institutions are particularly at risk from the current crisis. MFI portfolios are often characterized by a high share of clients in the informal sector, in trade / retail activities, and fragile clients with limited crisis resilience. Authorities should consider measures to strengthen the microfinance sector (improving the supervision as well as restructuring institutions). In addition, the digitization of microfinance institutions could increase access to and use of digital financial services, especially in remote and rural areas, and thus strengthen financial inclusion.

2.3 COVID-19 and its impact on Ivoirian households and poverty

Globally, the COVID-19 pandemic will likely drive up poverty, especially in developing countries. The International Labor Organisation (ILO) estimates suggest that informal workers could lose between 60-80 percent of their incomes around the world, with African country estimates situated more towards 80.25 percent.³² World Bank poverty estimates from April suggest that in very populous countries millions of people could be pushed into poverty (e.g. up to 12 million in India and 5 million in Nigeria, and more than 1 million in South Africa).³³ Compared to its much smaller population size, the one million people at risk of falling into poverty in Cote d'Ivoire underlines the need to act quickly and generously, to prevent a sustained reversal of poverty trends.

Households in Cote d'Ivoire have been hit hard by the crisis – and the impact concerns not just the poorest parts of the population. The Institute of National Statistics (INS) conducted a household survey in April 2020 jointly with the United Nations Development Program (UNDP) to better understand the impact of the pandemic and government confinement measures. The survey shows that most households have been impacted, with 81 percent of households reporting that COVID has affected their employment status or hours worked, and 72 percent experienced a decline in household income. The survey also showcases how many households have limited buffers to withstand an income shock.

The COVID-19 survey covers a sample of 800 households across the country and builds on the latest comprehensive household survey conducted in 2018 (EHCVM).³⁴ Taken together, the two surveys allow to construct a picture of different strata of the population and how they were impacted by COVID-19. For the COVID-19 survey, phone interviews were conducted between April 11-17, when the government confinement measures had been in force for three to four weeks. The majority of surveyed households are in Abidjan (88.3 percent), the remainder being in rural areas and secondary cities throughout the territory (11.7 percent). Results are probably more representative of the impact in Abidjan and less informative on the situation in rural areas. In contrast, the EHCVM conducted in 2018 surveyed more than 12,000 households across the country and thus presents a more comprehensive and representative picture.

32 ILO: ILO Monitor: COVID-19 and the world of work. Third edition. Updated estimates and analysis. https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_743146.pdf

33 World Bank: The impact of COVID-19 (Coronavirus) on global poverty: Why Sub-Saharan Africa might be the region hardest hit. April 20, 20. <https://blogs.worldbank.org/opendata/impact-covid-19-coronavirus-global-poverty-why-sub-saharan-africa-might-be-region-hardest>

34 The Enquete Harmonisee sur les Conditions de Vie des Menages was conducted by the National Statistics Institute (Institut National de la Statistique, INS) and supported by the World Bank.

The disruptions of confinement measures have had a massive impact on the population's income

Practically all surveyed households were aware of the pandemic and government measures. Specifically, 99 percent of household heads were aware of the pandemic and most (90 percent) were concerned about its health impact.³⁵ The traditional channels of information, television and radio, have been used to inform people so that they can better understand coronavirus disease. The traditional media are considered as reliable sources of information to reinforce alternative sources such as: relative and friends (3.8percent), community leaders (3.7 percent), Facebook (2.4 percent) and others sources (1.6 percent).

The COVID-19 crisis has disrupted the dynamics of the labor market and slowed economic activity. The coronavirus crisis resulted in a decrease in the number of employed workers and an increase in unemployed and inactive individuals particularly in Abidjan. Data from 2018 suggests that at the time, nearly 85 percent of household heads were working, and only 15 percent either unemployed or inactive. By comparison, among household heads surveyed in April 2020, almost 43 percent reported to be inactive or unemployed. Although the two surveys are not directly comparable, the difference highlights the impact COVID-19 has had on the working population. Only around 20 percent of household heads felt no specific impact for their working hours or employment status – whereas the majority was affected by reduced hours, furloughs, teleworking or entirely out of work. Across most urban sectors (i.e. everything except agriculture) key drivers of impact were having to stop operations, lack of clients, and to a much lesser extent difficulties in accessing necessary inputs.

Box 6 : Evolution of Poverty and Inequality in Cote d'Ivoire

Poverty in Cote d'Ivoire has declined significantly since 2012. Poverty experienced a peak around the electoral crisis in 2011. Economic growth since then has helped to raise real average incomes and the poverty rate dropped from 55.01 percent in 2011 to 39.45 percent in 2018.* Inequality as measured by the Gini index also declined between 2010/11 and 2018/19 but remains an important challenge. Overall, the benefits of economic growth materialized mostly in Abidjan, and regional disparities (notably poverty rates in the North and Central regions) remain a challenge.

Despite significant progress since 2011, the results in terms of human development did not keep up with the strong GDP growth: in the areas of education and health, Côte d'Ivoire lags behind the averages for its region and lower-middle-income countries. Despite considerable public spending on education, the results in terms of schooling and skills acquisition remain below the country's needs. The Government's Social Program (PSGouv) 2019-2020 specifically aims to accelerate the pace of poverty reduction and make economic growth more inclusive, through social actions targeting vulnerable populations, with a particular emphasis on health, education, access to drinking water and electricity as well as basic infrastructure.

35 World Bank internal paper : Evaluation de l'impact du COVID-19 en Cote d'Ivoire, based on data from INS, Ministère du Plan et du Développement, UNDP, April 2020.

Most household heads surveyed in 2018 are part of the workforce, but self-employment is dominant, especially among poorer households. The 2018 EHCVM data suggests that at the time, nearly 85 percent of household heads were working, and only 15 percent either unemployed or inactive. On average, 67.5 percent of household heads are self-employed (and just 2.4 percent are employers), but this share is much higher in poorer households, where around 85 percent of household heads are self-employed.

Figure 21 : Household consumption and expenditure in Cote d'Ivoire



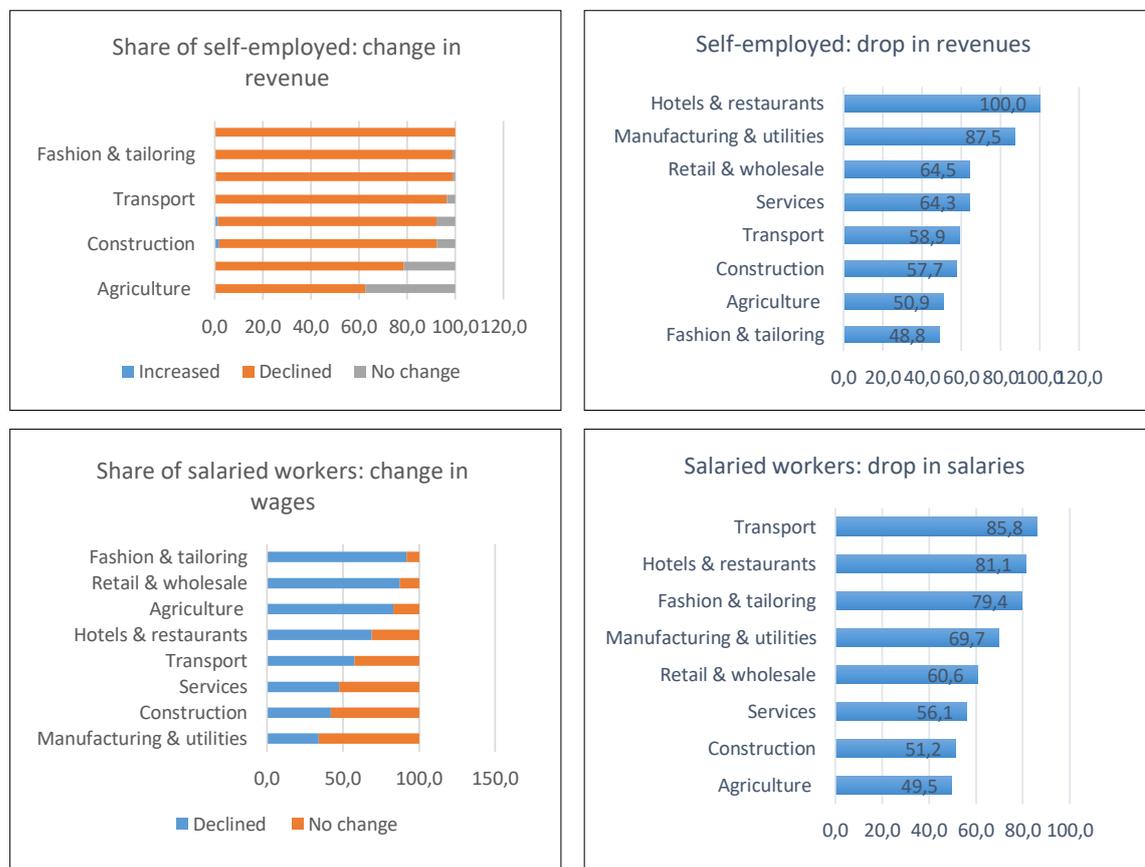
Source: World Bank staff calculations, based on EHCVM data 2018.

Average household expenditure per year is significantly higher in Abidjan than in rural areas, and food is the biggest single expenditure item for all Ivorian households. It is difficult for many households to estimate their revenue, because households have different income-earners, with various jobs and often high fluctuations in income. The EHCVM data suggests that the majority of income is derived from labor, with only small shares of income from remittances, property or other assets. A better measure to look at vulnerabilities in this context is average annual consumption. The poorest 20 percent of households consume on average 190,000 FCFA per year and per person, but this includes many rural households, where the contribution of subsistence agriculture might be hard to estimate. By comparison, average annual household consumption per capita in Abidjan is around 776,000 FCFA.

* Due to differences in calculation methods and changes in the design of household surveys, the series of poverty rates from 1985 to 2008 are not comparable to those from 2011 to 2018. Poverty rates for 2011 and 2015 are estimated using a methodology comparable to that of 2018. Previous communications from Ivorian government authorities indicate slightly different poverty rates (46.3% in 2015 and 37.2% in 2018).

The loss of income during the crisis is widespread and significant, although it varies by sector and employment status. Across sectors, 71 percent of households reported to have suffered a drop in their income, and this was felt across all income levels. Only employees of the public sector were less affected. Workers in the field of tailoring, retail services, hospitality and transport more frequently reported that their revenue or salary had dropped, and by larger shares – regardless of whether people were self-employed or wage earners. In contrast, workers in manufacturing were the least affected if they were salaried employees – but the second most affected sector for self-employed people. This is in line with data from enterprises that suggests that formal, larger enterprises (e.g. in agribusiness processing) were more likely to keep up operations whereas self-employed small manufacturing shops (like carpenters etc.) were more severely affected by the general drop in demand and economic activity. In contrast, salaried workers in agriculture felt quite an impact in terms of experiencing a drop in salaries and its severity, whereas people self-employed in agriculture were far less affected.

Figure 22 : The impact of COVID-19 on wages and incomes



Source: World Bank staff calculations, based on INS, Ministère du Plan et du Développement and UNDP : Mesure de l'Impact Socio-Economique du COVID-19 sur les Menages en Cote d'Ivoire. Avril 2020.

The loss in income will impact living conditions and could lead to rising poverty

To cope with the income loss, many households had to adjust their spending, mostly through the reduction of non-food expenditure. After the onset of confinement measures in mid-March only a small number of households moved within the country due to COVID-19 (from Abidjan to the rural areas). However, there has been a significant impact on mobility patterns, and 30 percent of households surveyed have reduced the transportation spending. With the

closure of schools, more than 40 percent of households have had to reduce their spending on education. To cope with the loss of income, most households reduced their non-food expenditures. Women headed households decrease their food consumption less than headed by men. A lower proportion of poor households reduced their consumption for the various expenditure items compared the wealthiest households. Transfers of money by households also decreased, with an average drop of 40 percent in transfers issued.

Many households are highly concerned about how to meet their regular basic living expenditures, given the general lack of resources. The survey shows that only 3 households out of 10 will be able to use savings to meet regular charges such as rent, water and electricity bills, food consumption. 62 percent of households are not sure how to pay their next utility bill and 74 percent are concerned about food expenditure. In addition, coping strategies are limited: 35 percent of households plan to rely on savings, 11 percent have access to credit, but a total of 34 percent have no means of accessing extra funds or help from anyone to meet their obligations. However, the impact and consequences vary with the income bracket. The better-off households experienced the largest fall in income but should be more resilient and able to cover their basic living expenses. In contrast, households with incomes already barely above the poverty line will likely adopt harmful coping strategies (like reducing food intake or selling productive assets).

Many households reported rising food expenditure in April 2020. Specifically, 65 percent of households in Abidjan reported having to spend more on food, whereas expenditure for education and transport declined or remained stable, respectively. Food security has been a major concern for many countries during the crisis, but Cote d'Ivoire is generally considered to be relatively food secure, and was not severely affected. The country is self-sufficient in terms of basic food security. A lot of staple crops are produced locally in sufficient quantities, key food imports include vegetables, fish and especially rice from Asia. Recent harvests have been good, so the main risk to food security arises from domestic transport/logistics disruptions.

The rise in price indices for food products at the beginning of lockdown measures was temporary or reflects actual inflation. Initially, confinement measures constrained food from travelling from the hinterland to Abidjan (and to a lesser extent vice versa), global trade disruptions may have hampered imports, and stockpiling by the population in the early days of confinement may have also contributed to rising prices. The month of ramadan with its increased demand could also have contributed to price hikes. Although anecdotal evidence suggest that disruptions were temporary and prices were normalizing again, April saw moderate inflation. The government established price limits for key products to prevent possible inflation.

The government has launched support for the most vulnerable households in the form of cash transfers and in-kind donations, amounting to 170 billion FCFA. This is being rolled out across the country, beginning with Abidjan. The survey data above indicates that up to 70 percent of households don't know how to meet basic living expenses. While it is difficult to quantify the income gap (in the absence of systematic income information), the survey data suggests that income losses might be larger than what will be covered by the government's cash transfer allocations (of 25,000 FCFA per month per household for the poorest, to be paid for three months). The more well-off households in contrast, have experienced significant income losses too (not covered by government support) and had to resort to savings and family support to bridge the gap, which may be sustainable for now, but renders them more vulnerable to further shocks.

Box 7. The government's COVID-19 electricity bill relief will help all households.

Although utilities account for only a small share of household expenditure, 62 percent of households are not sure how to pay their next utility bill because the impact of COVID-19 has significantly reduced their incomes.

But what does this mean in practical terms?

Electricity in Cote d'Ivoire is provided by the State-owned "Compagnie Ivoirienne d'Electricite". Providing access to electricity for all is a key component of the government's social program. In 2019, a total of 919 villages (and more than 200,000 households) were connected to the electricity grid. It also revised the company's tariff structure to provide cheaper access to poorer households under the "social tariff". This is limited to households with very low consumption of under 200 kWh per month. Under this scheme, households pay a much lower fee for setting up the connection, and benefit from low tariffs. In 2019, around 1 million of households benefitted from the social tariff. Families on the social rate would – depending on their consumption – have to pay around 3,500-11,000 FCFA (or 5-17 EUR) per two months.

The poorest households in Cote d'Ivoire spend around 188,000 FCFA per capita on consumption per year. For a household of 5 individuals, this would mean that household income should be around 83,000 FCFA per month. So, although electricity would account for around 6% of household expenditure it still has become an obstacle for families affected by COVID.

In light of this, the government's plans to support electricity bills, cash transfers and provide in-kind food support will address important basic needs. The government transferred 7.1 billion FCFA to the national electricity company to pay electricity bills in April and May for around 1 million households which are already on the "social rate" for households with low electricity consumption. The rest of households will benefit from a suspension of bills for three months which provides some relief to all households who are struggling.

The survey data clearly shows that the impact has been larger and more widespread than expected. First, it has exacerbated existing poverty through severe income losses for poor households. This short-term income gap will be difficult for many households to cover and the government support program will be important to alleviate the shock. Second, the crisis has also put many households with middling incomes into a much more difficult situation. Many of these may be able to smooth consumption with savings and family support, but the crisis has rendered them far more vulnerable to further shocks (such as a second wave of outbreak). Finally, in the longer run, the loss of incomes and savings may impact the recovery of domestic demand which was a key driver of economic growth in recent years.

The COVID-19 crisis will likely translate into rising poverty numbers, at least temporarily. Strong growth in recent years supported rising incomes for many households, as well as improved living conditions through distribution and social programs. Since 2015, the poverty rate has experienced a downward trend moving from more than 55.1 percent in 2011 to 44.4 percent in 2015, and has since then declined to 39.45 percent in 2018. This trend is likely to be

reversed in the context of COVID-19 – depending on the duration of the crisis. Survey-based estimations suggest that poverty could increase by up to 4 percentage points if the crisis in its acute phase lasts for one quarter. Given these numbers, the government response program will be essential to support vulnerable households – which would also help to keep up demand in the economy and mitigate the overall crisis impact. In a best case scenario, the poverty rate could remain stable and continue its downward trajectory in future years. However, continuing the quick disbursement of cash support would go a long way in addressing income losses and help households to climb out of poverty again fast.

Many of the government's crisis measures to support households address important needs. Subsidizing electricity bills for the poorest households, and suspending payment for three months for all households will provide relief to large parts of the population, acknowledging that even middle-class households are struggling. The survey also reflects the great need of poorer households for financial support, indicating it will be essential to process cash transfers as soon as possible. The crisis has opened up a significant income gap – and if households don't have liquidity to recover normal consumption levels this could translate into a future demand shortfall that would hamper recovery. More data on the impact in rural areas and secondary cities would help to determine how much support is needed there and how best to target the neediest households.

2.4 Policy recommendations: Linking the crisis response with future growth

Countries around the world structured their crisis responses around three main objectives: saving lives, saving livelihoods and protecting the future. More specifically, this would entail (1) measures for the prevention, detection, and treatment of the disease, (2) protecting jobs, incomes, and public services delivery, all while (3) creating the foundations for future recovery through investments and building resilience. This has been a steep challenge, especially in developing countries with high informality, capacity constraints and limited fiscal space. The need for tailored and nuanced lockdown measures, selective investments and prioritization of measures is hence even greater, especially in Sub-Saharan Africa.³⁶

36 Loayza, Norman V.. 2020. Costs and Trade-Offs in the Fight Against the COVID-19 Pandemic: A Developing Country Perspective (English). Research & Policy Briefs; no. 35. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/799701589552654684/Costs-and-Trade-Offs-in-the-Fight-Against-the-COVID-19-Pandemic-A-Developing-Country-Perspective>

Box 8 : Framework of the government's response package

The “Economic, Social and Humanitarian Support Plan” (Plan de Soutien Economique, Social et Humanitaire) is coordinated by the Ministry of Economy and Finance and was developed in consultation with private sector stakeholders.

The four emergency funds are set up within the National Investment Bank (BNI) and managed by dedicated Management Committees. Control is ensured by a management committee chaired by the Ministry of the Economy and Finance. An Executive Secretariat is provided by the technical ministries in charge, and representatives of private sector associations are part of the business support funds. The funds' operational and financial governance has been defined by Ordinance and through implementing decrees. The Funds intervene through non-refundable grants, in particular within the framework of humanitarian and social support; non-repayable grants in the informal sector; zero-interest loans in the informal sector and SMEs; and reduced rate loans; and loan guarantees.

The operational modalities of the funds have been developed with the support of major international audit firms. This helps to ensure that best practices are applied to procedures, eligibility criteria, procurement, and overall management and transparency. To facilitate rapid disbursement, “transitional operating procedures” were quickly put in place for the first weeks of operations, which were subsequently replaced by definitive operating arrangements. Disbursement has progressed as of July: Funds in support of the private sector disbursed a total of 11 billion FCFA to 79 beneficiaries (including 64% of SMEs with 13% of disbursements), 3.1781 billion for the informal sector (13,651 beneficiaries). Finally, 108,518 vulnerable households benefited from cash transfers; and 6,230 workers made redundant due to COVID-19 also received support (for a total of 13.61 billion FCFA from the Solidarity Fund).

Source: Ivoiriane authorities.

The government of Cote d'Ivoire rose to the challenge and swiftly launched a comprehensive crisis response package: the « Plan de Riposte sanitaire» and the « Plan de Soutien Economique, Social et Humanitaire ». First, this included funding and measures to address the immediate healthcare sector capacity constraints. The plan includes upgrading of infrastructure, training of staff, communication with the population, stocking up essential equipment and taking charge of infected patients and quarantine measures. Second, a support package was designed to mitigate the economic fallout for households and enterprises. It includes various measures of direct support to the private sector (tax deferrals and suspensions, several support funds, easing of regulatory burdens) as well as four dedicated funds for various beneficiaries (households and enterprises).

The government is committed to establishing solid fiduciary governance and oversight for its response, to prevent misuse and mis-targeting of the various support funds. Presidential Orders creating the four Emergency Funds clearly referred to the country's Organic Budget Law No 2014-336 of June 5, 2014. Funds will be located and managed at the National Investment Bank (Banque National d'Investissement, BNI) and disbursed through clearly established procedures. Funds will be audited by both the General Inspection of Finance (Inspection Generale des Finances, IGF) and selected International Audit firms. These

provisions (as well as regular public reporting on operations and beneficiaries) will help to mitigate the risks of misuse, mis-targeting of beneficiaries and enhance transparency and accountability.

Saving lives: the government's measures to support the healthcare sector

As the country registered its first cases, authorities started to enhance testing and tracking capacity, and strengthen the healthcare sector's capacity – but implementation has been slow. The government's initial response measures included setting up dedicated hospitalization sites and testing centers, increasing laboratories capacity to conduct testing, training healthcare workers, community outreach activities to sensitize the population, stocking up on equipment. Trained Rapid Response Teams (RRTs) in each of the twenty regions have been placed on alert and the country set up dedicated track and trace teams.

The epidemic in Cote d'Ivoire evolved similar to that of other African countries, characterized by a delayed start and low death rates. The first case was recorded in mid-March, and by early June, the country had only 3,000 cases and 33 dead. As of July 27, however, there had been 15,655 cases and 96 deaths. The rise in cases in June was faster than in sub-Saharan Africa in general (measured in per million population), but towards the end of July the growth in case slowed down and stabilized. Mortality is significantly lower than in most other countries, with 3.67 deaths per million in Côte d'Ivoire, against for example 110.8 in Germany or 5.47 in Ghana. Mortality per confirmed case is also relatively low.

The accelerating outbreak constitutes a severe risk for the country. It would be essential for authorities to reinforce their crisis response, including (1) increasing/maintaining the testing capacity to cover larger parts of the population (learning from other countries with innovative approaches), (2) expanding the capacity to track and trace suspect cases and (3) enforcing social distancing measures more strictly and informing the population – again, relying on lessons learned from other countries and past experience, such as the Ebola outbreak (e.g. involving faith-based organization and other community leaders) and (4) Strengthen risk communication and community engagement strategies.

Saving livelihoods: safeguarding jobs and incomes for the population

The government quickly established an emergency fund for vulnerable populations to broaden the country's safety nets coverage. Despite significant progress of the Government's social program, coverage of social protection programs remains low compared to the needs in the country. The National Development Plan (NDP) includes increased expenditure in key dimensions contributing to equitable growth, such as improved access to education, health care, social transfers, and youth employment; but also improved utilities availability and infrastructure connectivity in rural areas. Despite significant progress on most fronts, the coverage of the three largest social protection programs is limited. The Universal Health Coverage (“Couverture medicale universelle”, or CMU) covers 10 percent of the population, with only 4.8 percent of poor households³⁷; (2) the National Productive Cash Transfer Program (“Programme national des filets sociaux productifs”) covers 6,4 percent³⁸ of poor households; and iii) the Social insurance programs cover 7.9 percent of the active population³⁹.

37 Based on the poverty numbers of ENV 2015

38 Based on the poverty numbers of ENV 2015 and on the 127 000 households registered in the program in May 2020. With the extension planned for 2020, the coverage is likely to almost double.

39 Banque Mondiale, Modernisation des politiques de protection sociale et de travail pour la croissance inclusive, Note de politique, Nov. 2019

The government established a Solidarity Fund (Ordonnance No 2020-382 of 15 April 2020) to provide financial support for households impacted by COVID-19. The eligibility criteria are quite wide and eligible beneficiaries include orphans, poor households and individuals who have lost their jobs or face a substantial reduction of income due to measures in place (from the formal and informal sector).⁴⁰ In-kind support distribution is also organized based on the availability of in-kind donations to the Fund. The fund aims to prioritize cash transfers by electronic payment to enable flexibility, scaling up and transparency. This emergency program will be the biggest social program the government has ever implemented in urban areas.

Continuing with the quick disbursement of cash transfers will be essential to mitigate the impact and preserve the country's recent progress in lowering poverty rates. Households have experienced significant income losses during confinement and the poorest parts of the population are particularly constrained with little buffers to ensure basic living expenditures are met. Even middle-income households reported sizeable losses in income, and taken together, these would likely translate into a significant and sustained drop in consumption. In order to close this gap it will be essential that the government proceeds quickly with disbursement of crisis support funding to provide liquidity to the economy's demand side. This would enable households to pick up consumption again, and support the economic recovery in the long run.

The Government has also put in place a Covid-19 Support fund to support informal sector actors to overcome negative effects from COVID-19 measures. Through the 100 billion FCFA Fund (established through Ordonnance N° 2020-385 of April 15, 2020), the Government plans to (i) identify informal sector workers who will be supported with temporary cash transfers through the Solidarity Fund; (ii) provide grants to informal micro-enterprises to protect productive assets and support their economic recovery beyond the Covid outbreak; and (iii) provide loans to informal MSMEs to support their economic recovery. The Fund also aims to make services available for informal firms to support their recovery, increase their productivity and support the creation of more and better quality jobs. A transitory phase concluded in July 2020, after which the Fund is expected to be fully operational to support quick economic recovery and longer-term resilience.

The informal sector fund could be challenging to operationalize – but addresses a dire need. Informal sector enterprises are among those hit hardest by the crisis and often with the least resilience to withstand shocks. This translates into three risks: first, entrepreneurs will immediately suffer a loss in income which puts their household and basic livelihood at risk. Second, the more enterprises go out of business the more the private sector fabric will suffer, creating gaps in value chains, supply and demand. Finally, if entrepreneurs are forced to sell productive assets, this makes their recovery impossible. At the same time, given the absence of registries or systematic information, identifying beneficiaries and disbursing quickly will require innovative and creative approaches, but could build on associations and professional organisations. Nonetheless, given the importance of this sector, money disbursed through this fund will be especially valuable.

Finally, the government has established two dedicated funds to support formal private sector enterprises. The Ordonnance N° 2020-384 (15th April 2020) created a specific fund for SMEs (FSPME), and the Ordonnance N° 2020-383 one for large enterprises (FSGE). The funds are endowed with 150 billion FCFA and 100 billion FCFA, respectively. Both Funds essentially

⁴⁰ For the transitory phase (until June 2020), the Fund is planning to assist 177 000 households in the Grand Abidjan, through a three-month-cash transfer program. The coverage might be extended to the rest of the country, but was not confirmed at the time of writing.

aim to ease liquidity constraints, protect productive assets and avoid layoffs for both large enterprises and SMEs. The primary instruments under consideration are credit guarantees and direct credit through the Banque National d'Investissement (BNI). Given the special constraints that SMEs are facing (see Section 2.2 above), with limited cash/credit buffers, quick and sustained financial support is important to allow them to pay bills without selling off their productive assets and avoid staff layoffs. In contrast, large enterprises have generally more resilience, more cash buffers and more capacity so disbursement could more selectively target those firms that are really struggling. Linking emergency support to preserving jobs for the population could also strengthen enterprises' incentives to not lay off staff.

Protecting the Future: the crisis response could entail key reforms to promote recovery and economic growth

The relatively swift response and generous coverage of packages will hopefully mitigate losses – but could also be a stepping stone for long-term reforms. COVID-19 - despite the hardships and suffering it brought about – could also be a catalyst for progress on some key challenges. First, the implementation of crisis response measures could directly contribute to advancing existing long-term development programs, such as a more comprehensive social safety net, healthcare insurance, and streamlined support for informal enterprises. Second, the crisis has highlighted the need for fundamental reforms in key areas – notably, the importance of better food security monitoring and improving access to finance for the private sector.⁴¹ In parallel, across the response package it will be important to ensure good governance and fiscal transparency, to enable Cote d'Ivoire to emerge from the crisis in the same strong macroeconomic position in which it entered these difficult times.

The implementation of certain crisis response measures could boost future implementation of long-term development programs

The Government is committed to developing a Social Registry to expand social safety nets for the population. The Government adopted a decree in 2019 to set up a Unique Social Registry (“Registre social unique”, or RSU) in order to i) improve the coordination, effectiveness and efficiency of social protection and poverty reduction programs; (ii) allow the identification of poor and vulnerable households throughout the territory; and (iii) to constitute a single secure database of households to target poor and vulnerable eligible households and individuals. However, to date, the Unique Social Registry is not yet operational.

The implementation of the emergency cash transfer program is an opportunity to accelerate the development of an adaptive social protection system. An adaptive social protection system should leverage synergies between social protection, disaster risk reduction and protection against other shocks. As a first step, the government could develop a Management Information System (MIS) for the emergency cash transfer program and use it as a foundation for the RSU. An MIS would help to register the list of all beneficiaries and monitor the cash transfer payments under the crisis support program. This MIS could also constitute the foundation of the Social Registry and accelerate substantially its development and expand coverage more quickly after the crisis by capitalizing on data collected through the Solidarity Fund.

⁴¹ Note: more in-depth analytical work on Cote d'Ivoire's productivity and private sector competitiveness is ongoing and will be published during the second half of 2020, including through the Country Economic Memorandum and a Private Sector Diagnostic.

The government could roll out the universal healthcare scheme to increase access to health care of poor households. The National Health Insurance Fund initiative (CMU), carried out by the Ministry of Social Affairs, pools government and household resources to gradually expand protection against the financial risks associated with disease to the entire population through two schemes: a contributory basic general scheme (régime général de base) and a noncontributory medical assistance scheme (régime d'assistance médicale) for low-income or destitute persons, as defined by law. At the moment, the CMU covers 10 percent of the population, with only 4.8 percent of poor households⁴² benefiting from the full subsidized scheme for poor households. A roll out of the indigent scheme to all poor households could also capitalize on the data collected through the Solidarity and informal sector funds. This will contribute to increase access to health care for this category and increase resilience.

The operationalization of the informal sector support Fund is a chance to develop a comprehensive set of support measures and services for informal sector actors. Most informal sector businesses operate at very low levels of productivity and revenue. Productivity-enhancing support measures could help improve the living standard of informal sector workers. During the emergency phase of COVID-19, any support should be unconditional to ensure firms' survival. International evaluations have shown little impact of formalization programs on the number of firms that formalized. Informal firms productivity would benefit from targeted support to bring them closer to the point where formalization happens naturally and voluntarily⁴³. The informal sector support fund, in the medium run, will aim to combine several elements, including access to healthcare insurance, simplified taxation and access to finance. Data collected through the informal sector support fund could help to identify firms with a similar profile as formal ones, coordinate support to raise their productivity and eventually encourage such enterprises to formalize.

An informal sector support program could lay the foundations for more streamlined and systematic capacity building after the crisis. Such services could include improved access to financial services, improved access to market information, (management and technical) training opportunities, social protection instruments adapted to the informal sector (unemployment insurance, old-pension insurance, etc.). Given the cross-cutting natures of the issue and the multiplicity of actors, it would be important to develop a coordinated multi-sectoral strategy with strong leadership at the highest level.

The data from the informal sector support fund and fund for vulnerable populations could be integrated into the RSU for effective and transparent targeting of informal sector support. Informal sector actors are the missing middle between vulnerable households, to be registered in the RSU, and formal firms, already registered in official and tax databases. It would be useful to register beneficiaries of emergency support in a database, to enable a better understanding of the sector and support a more efficient delivery of capacity building in the future. The data base created through the operationalization of the Fund could also be integrated as a sub-registry in the RSU. Such an integration would require additional information be collected from vulnerable households, including on the primary economic activities of each household member, their sector of activities, their status as worker or firm owner, etc. The sub-registry would allow to target services from various Government agencies in an effective and transparent manner to support the resilience of informal sector workers beyond the Covid-19 relief phase.

42 Based on the poverty numbers of ENV 2015

43 World Bank: Faciliter la Promotion de l'Emploi en Côte d'Ivoire, 2019. <http://documents.worldbank.org/curated/en/907061571854774317/pdf/Faciliter-la-Promotion-de-l-Emploi-en-Cote-d-Ivoire.pdf>

The need for credit for SMEs will be even greater as firms restart operations after the COVID-19 crisis, creating a window for more fundamental reforms. In particular, the COVID19 crisis presents an opportunity to establish the public Credit Guarantee Scheme for SMEs in Cote d'Ivoire. The legal framework for a Credit Guarantee Scheme in Cote d'Ivoire exists since 1968 and has been amended several times, most recently in January 2020. The COVID-19 crisis prompted a relaunch of the Guarantee Fund (the SME Guarantee Fund) in May 2020. In order to ensure that the Fund will be functional and offers a marketable product, authorities are strengthening its governance to align it with global good practice standards, including the World Bank's "Principles for Public Guarantee Schemes for SMEs".⁴⁴ This document presents 16 best practice principles for public credit guarantee schemes' governance. Alignment to these principles would bring Cote d'Ivoire to the frontier of best practice in terms of public credit guarantee schemes for SMEs and help to turn the new fund into a successful means to address financing constraints for SMEs.

Laying the foundations to address key systemic challenges, including the business environment, food security and trade procedures

The dominance of informal sector enterprises poses a significant challenge which cannot be addressed with a single measure. In order to succeed, a clearer strategy and a more comprehensive support and reform package in Cote d'Ivoire would be needed, to approach the problem from various angles. Currently, the institutional landscape in support of SMEs and informal entrepreneurs is large which often leads to a lack of coordination and clear strategy.

With the heightened probability of firm closures, an area of structural reform would be to amend the insolvency framework for firms. For micro and small businesses, increasing the debt threshold required for a creditor to initiate bankruptcy proceedings against a debtor⁴⁵ or limiting access in modern personal bankruptcy systems to a debtor's petitions alone, for a fixed time period, will prevent the system from becoming one of debt collection during a pandemic. It will also control the number of cases entering the overburdened court system. For larger MSMEs, other policies have been implemented in the corporate insolvency framework, such as suspending the director's duty to file⁴⁶ or suspending the personal liability of directors for a fixed time period for insolvent trading.⁴⁷

For Cote d'Ivoire, the legal and regulatory system for insolvency was modernized in 2015 at the regional level (OHADA). Each OHADA country may adopt additional regulations to operationalize the OHADA insolvency law as long as it does not contradict the primary provisions: in particular, the implementation of the conciliation framework; the simplified framework for MSMEs; and the strengthening of the knowledge/capacity of the judiciary and insolvency practitioners (especially with respect to the new cross-border insolvency framework). Updating national legal frameworks to build on the OHADA-level reforms would help to streamline bankruptcy procedures and contribute to the country's long-term competitiveness in doing business.

Lockdown measures likely contributed to rising prices. The government's restrictions on mobility initially led to some delays and disruptions in logistics chains, even though shipping of goods was exempt. This in turn contributed to rising prices for food products in Abidjan.

44 <https://www.worldbank.org/en/topic/financialsector/publication/principles-for-public-credit-guarantee-schemes-cgss-for-smes>

45 Australia has just introduced similar measures through the Coronavirus Economic Response Package Omnibus Bill 2020

46 For example, Spain and Germany

47 Australia

A rapid food security survey conducted in April 2020 in Abidjan highlights that one in four households noted difficulties in accessing markets due to the temporary closure of markets and more than 60 percent of households reported increases in staple food prices⁴⁸. Evidence suggests that this was a temporary effect, partly driven by disruptions to domestic and international logistics, but also by stockpiling.

The crisis has highlighted the need for an improved food security and nutrition monitoring system. First, global trade disruptions of COVID have heightened risks and vulnerabilities in the sub-region. Second, the crisis (and its immediate impact) has highlighted weaknesses in food supply chains, notably losses due to transport and market access challenges. Improvements in the food security and nutrition monitoring system should be built on critical indicators across the sectors of agriculture, transport, and commerce, consolidated in one comprehensive data platform. These indicators would lend themselves to a more comprehensive and systematic monitoring of the food and nutrition security, and allow a better monitoring of the market dynamics – with a view to future crises that may disrupt logistics, global trade or local agriculture in similar ways as seen during COVID-19.

In the longer run, this kind of information would also facilitate more targeted responses from the government and development partners. This complementary monitoring system will add to the information provided under the harmonized food and nutritional security monitoring system of the Food Crisis Prevention Network (Réseau de prévention des Crises Alimentaires au Sahel et Afrique de l'Ouest (RCPA)) where Cote d'Ivoire is a member.

The government could also review the changes to customs procedures to catalyze efficiency of trade. Trading across borders is particularly onerous in Cote d'Ivoire. The establishment of a Single-Stop window has helped to centralize some required procedures and processes, however, simplification is not yet optimized as the migration of all functions into this single window has not been completed yet, and several types of paperwork are still required from various agencies and need to be rationalized. Similarly, while the pace has been slow, significant reforms of customs controls are underway, including the move towards more risk-based (and selective) inspections based on electronic data and risk profiles of cargos and shipments. However, there remains much room for improvement and further simplification.

A fully electronic system (paperless electronic basis) for customs procedures could greatly ease trade procedures for the private sector. During the COVID-19 crisis the customs authority (Direction Generale des Douanes, DGD) temporarily accepted paperwork via email to facilitate trade during the crisis. In the relevant software system (SYDAM), the necessary regulatory framework is already in place.⁴⁹ When goods are sent for inspection to the scanner, all documents attached to the declaration are already digitized by customs services to be transferred and analyzed electronically by the image scanner analyst. The analyst can therefore compare and match the electronic customs declaration along with the digitized trade and transport documents to the cargo X Ray imagery – so the digitization process of the supporting documents is already effective. It should be easy to make the necessary modifications in SYDAM to upload the digitized documents in attachment to the declaration, and thus facilitate the process for enterprises and authorities.

48 PAM 2020. L'enquête de référence de l'impact du COVID 19 sur la situation de référence des ménages du district d'Abidjan

49 Although the Single-Stop window has rendered part of trade procedures digital, several customs procedures still require the submission of paperwork. The electronic customs system (SYDAM) does not offer the possibility of electronically attaching the digitized documents to the customs declaration, which obliges the operator to deposit the documents in paper format for customs clearance.

The single window for trade (Guichet Unique) would benefit from a more general review to identify its potential to truly become a trade facilitation tool. Its establishment has streamlined some processes but it still doesn't meet its full potential to support Cote d'Ivoire's trade competitiveness. Furthermore, its operating model is a breach of the WTO provisions since it requires economic operators to pay a percentage fee to benefit from the single window operations.⁵⁰ Reviewing the single window's operating model and fee structure would be important to really turn it into a trade facilitation tool – something that is urgently needed, given the country's ambition for further global integration.

⁵⁰ GATT Art. VIII provisions and of Art. 6 of the WTO TFA. The current charge of based on the value of the goods is a significant financial burden for the private sector, and is against the WTO law, as the GATT, Art. VIII stipulates that fees and charges levied should be appropriate to the level of service rendered, hence prohibiting ad valorem fees.

ANNEX

Annex 1: Government response to the crisis

Table A.1 : Crisis response in Cote d'Ivoire

Pillars	Adopted	Comments
Health and safety measures		
Additional funding for health		Additional funding to support the health intervention plan: CFAF 95 billion.
Night Curfew and lockdown		(i) Curfew instituted between 9 pm to 5 am; (ii) ban on large public gatherings; (iii) closure of restaurants and bars; (iv) closure of schools and universities; (v) closure of non-essential retail outlets; (vi) restrictions on public transportation.
Quarantine/Self-quarantine		COVID-19 cases and suspected persons moved into quarantine.
Travel Restrictions/Border Closure		Air, land, & sea borders closed since March 16 except for trade in goods and exceptional travel (repatriation of foreigners, health emergencies). Suspension of access by travelers from countries with more than 100 cases.
Fiscal measures		
Liquidity support for enterprises		Accelerated payment of (1) public liabilities of less than 100 million FCFA and (2) VAT credit reimbursement in 15 days for low-risk enterprises
Tax relief for affected sectors		Exempt from duties and taxes on imports of equipment, materials, and other health inputs used in the fight against COVID-19.
Eased regulatory burden for businesses		Fast-track customs procedures for essential and medical goods.
Social and private sector recovery measures		
Increased social spending		Creation of Solidarity fund targeting the poor and most vulnerable, and deferred/subsidised utility bills.
Targeted support to businesses		Creation of 3 funds for credit to large enterprises, SMEs, and informal sector. Budget subsidies for deferred tax and social contributions payments.
Work retention programs		Public service initiated part-time work to provide essential services.
Support for laid off workers		Two-months support payment for workers in the formal sector having lost their jobs due to the pandemic
Monetary policy measures		
Lower policy rates		BCEAO lowered policy and refinancing interest rates to 2.5 percent and allocated CFAF 25 billion to BOAD to provide interest rate subsidy. A further decrease of its key rates by 50 basis points was recently announced.
Reopening strategy		
Strategy and timeline		On May 7, the Government announced a reopening plan
Support to reopening strategy		Handing out masks and gels to targeted groups (e.g., markets, schools)
Start reopening strategy		Reopening effective on May 8 for Rest of Country and May 15 for Abidjan

Sources: Ivorian authorities, World Bank staff based on ongoing COVID-19 Emergency Plans worldwide

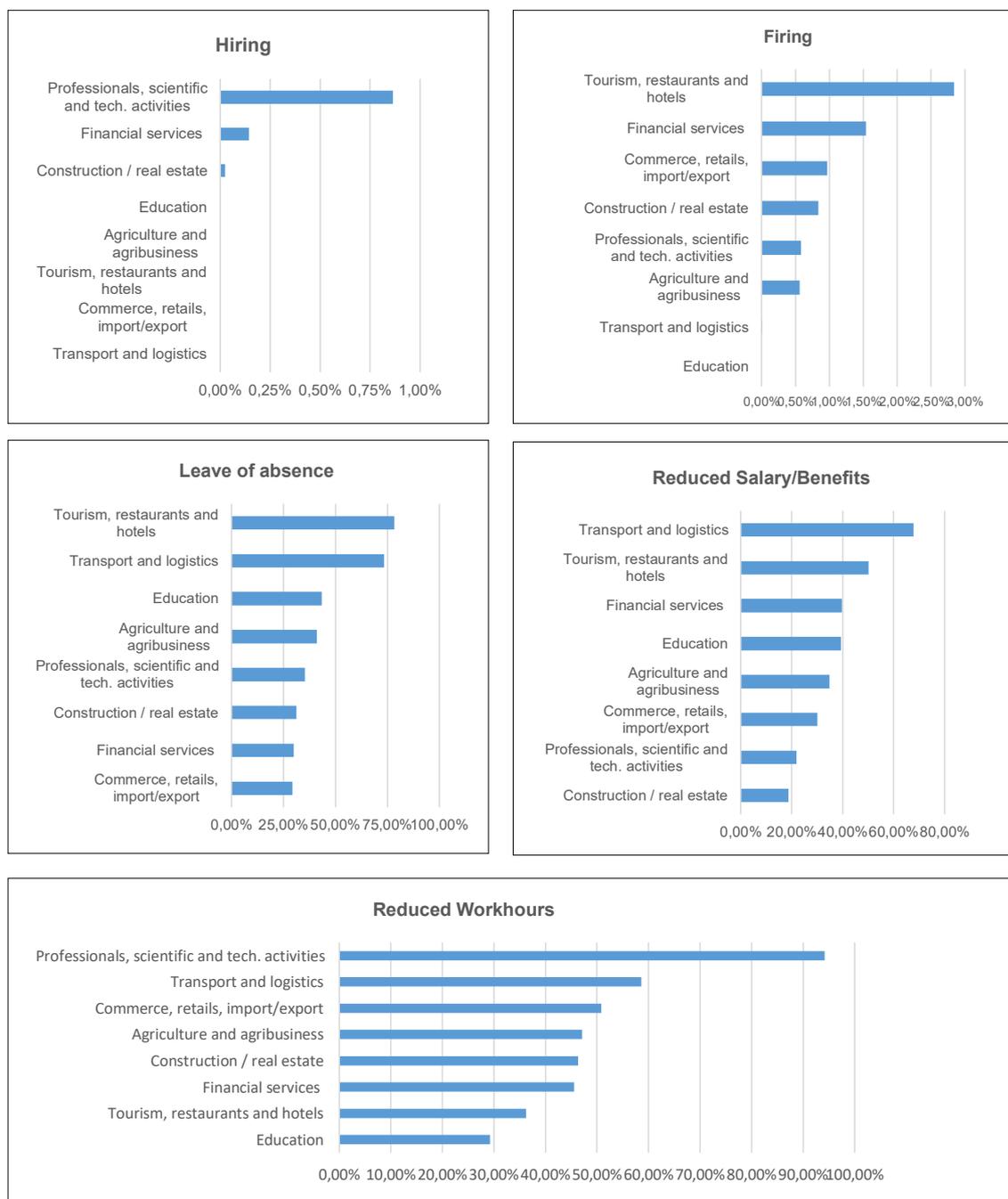
Table A.2: crisis responses around the world in comparison

Number of countries		South Asia	Sub-Saharan Africa	East Asia and Pacific	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	North America
Wage/employment support	51	1	6	11	15	8	6	4
Cash transfers	47	3	2	11	16	7	6	2
Credit schemes/ guarantees/ business support	42	3	7	7	14	4	5	2
Tax delays/deferrals	66	3	6	9	32	8	6	2
Tax cuts/ cancellations/ exemptions/credits	26	3	0	5	10	5	2	0
Interest rate cuts/ liquidity measures/ other monetary measures	67	5	21	10	14	10	7	0
Total number of countries captured in tracker	131	8	43	19	38	9	10	4

Source: The International Growth Centre, COVID-19 policy response tracker, last updated May 2020, downloaded July 2020.

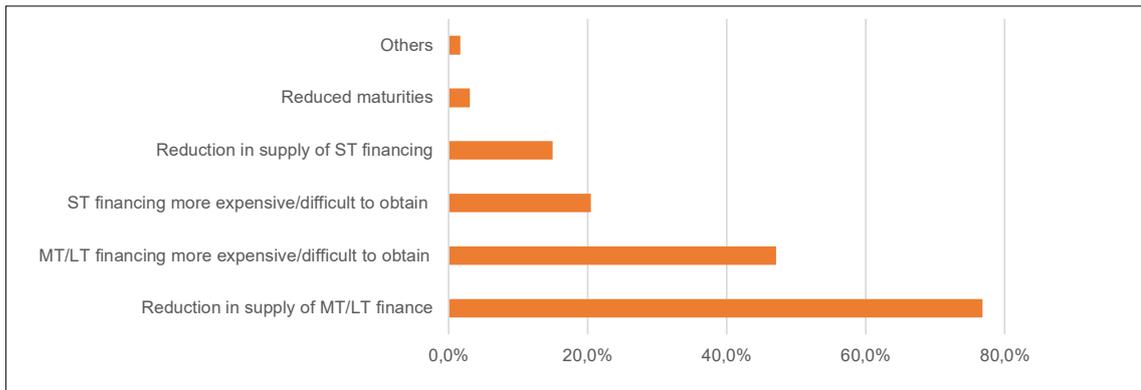
Annex 2: Additional Enterprise Survey data

Figure A. 1. Estimates of measures related to full-time workforce
(as Pct of Dec. 2019 full-time workforce).



Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates.

Figure A. 2. Financial services restrictions
(% of firms identifying restrictions in financial services)



Source: Staff calculations, based on 2020 Cote d'Ivoire Pulse Survey, World Bank Group. Note: Weighted data, sample frame estimates.

Annex 3: Statistical Tables

Table A1: Key Macroeconomic Indicators

	2017	2018	2019	2020 (p)	2021 (p)
National income and prices (%)	Annual percentage change, unless otherwise indicated				
Real GDP	7.4	6.8	6.9	1.8	5.0
Per capita GDP	5.0	4.1	4.2	-0.9	2.3
Imports of goods and services	6.4	6.4	1.8	-7.8	7.9
Exports of goods and services	6.8	-4.1	11.0	-7.6	7.7
GDP deflator	-1.8	0.2	0.5	1.2	1.4
Consumer price inflation	0.7	0.4	0.8	1.2	1.4
Fiscals accounts (% of GDP)	Percent of GDP, unless otherwise indicated				
Revenue and Grants	15.1	14.9	15.0	14.5	14.8
Expenditure	18.4	17.8	17.3	19.8	19.0
Overall Balance (cash basis) [1]	-4.0	-3.3	-2.3	-5.3	-4.2
Total Public debt (Excl C2D[2])	33.5	37.1	37.58	40.8	41.7
Selected Mon. Accounts (% GDP)	Annual percentage change, unless otherwise indicated				
Broad Money (M2)	8.8	13.5	10.5	3.9	11.1
Credit to private sector	10.0	11.3	13.2	6.1	12.7
Balance of Payments (% of GDP)	Percent of GDP, unless otherwise indicated				
Current Acc. Balance (incl. grants)	-2.7	-3.6	-2.7	-3.3	-2.7
Trade Balance	0.3	4.2	5.8	5.2	6.0
Imports (f.o.b.)	15.5	16.4	15.5	13.8	15.4
Exports (f.o.b.)	15.8	20.6	21.3	19.0	22.1
Foreign Direct Investment	0.6	0.8	1.0	0.2	0.7
Portfolio investment, net	2.6	2.8	3.7	1.0	1.5
Terms of Trade (%)	-0.8	-10.4	-2.3	1.9	-2.6
Other memo items					
GDP nominal (CFAF billions)	29,955	32,063	34,447	35,480	37,751

[1] Includes change in floating debt. [2] Debt Reduction-Development Contracts (C2D) are not included, in line with the approach followed by the WB/IMF Debt Sustainability Analysis.

Source: Ivorian authorities, World Bank staff calculations.

Table A2: Growth and Structure of the Economy

	2017	2018	2019 (e)	2020(p)	2021(p)
GDP Growth rate	7.4	6.8	6.9	1.8	5.0
Demand side					
Consumption					
Private Consumption	5.0	5.4	4.1	1.5	3.2
Government Consumption	1.4	0.2	0.4	0.5	0.4
Gross Fixed Investment					
Gross Fixed Investment	1.3	4.1	2.1	0.9	1.3
Government	0.3	1	0	0.2	0.3
Private	1	3.1	2.1	0.7	1.0
Net export	-0.3	0.8	0.3	-1.1	0.1
Exports, GNFS	2.4	1.4	0.4	-1.2	1.6
Imports, GNFS	2.7	0.6	0.7	-0.1	1.5
Inventories	-0.1	-3.7	0	0	0
Supply side					
Agriculture	0.5	0.8	0.2	0.2	0.2
Industry	3.0	2.2	2.2	0.7	1.5
Services	3.9	3.8	4.5	0.9	3.3

Source: Ivoirian authorities, World Bank staff calculations.

Table A3: Central Government Fiscal Framework (% of GDP)

	2017	2018	2019 (e)	2020 (p)	2021(p)
Overall Balance (cash basis) [1]	-4.0	-3.3	-2.3	-5.3	-4.2
Primary balance	-2.7	-1.9	-0.8	-3.3	-2.6
Total Revenue and Grants	15.1	14.9	15.0	14.5	14.8
Tax revenue	12.2	12.1	12.2	11.9	12.1
Non-tax revenue	2.0	2.0	2.0	1.7	1.9
Grants	0.9	0.8	0.8	0.9	0.8
Expenditure	18.4	17.8	17.3	19.8	19.0
Current expenditure	13.3	13.0	12.9	15.3	14.2
Wages and compensation	5.0	5.1	4.9	5.1	5.1
Goods and services	3.7	3.9	3.7	3.7	3.7
Transfers	3.3	2.6	2.8	4.4	3.8
Interest	1.3	1.4	1.5	2.0	1.6
Domestic	0.7	0.6	0.6	0.7	0.5
External	0.6	0.8	0.9	1.3	1.1
Capital expenditures	5.1	4.8	4.4	4.5	4.8
Domestic (net)	3.1	2.8	2.8	2.1	2.4
External (net)	2.0	2.0	1.6	2.4	2.4
Financing	4.0	3.3	2.0	5.3	4.2
Domestic (net)	0.2	0.4	0.5	-0.7	0
External (net)	3.8	2.9	1.5	2.6	4.2
COVID-19 Added Financing [2]				3.4	

[1] Includes change in floating debt; [2] Additional over external financing previously identified in pre-COVID-19 budget.
Source: Ivorian authorities, World Bank staff calculations.

Table A4 : Monetary indicators

	2017	2018	2019	2020 (p)	2021 (p)
Exchange Rates					
Nominal and Real Exchange Rates					
LCU per USD	-2.0	-4.5	5.5	-1.1	-0.6
LCU per Euro	0.0	-0.1	0.0	0.0	0.0
Nominal Effective Exchange Rate (incr = appr)	5.0	3.1	-0.9	3.0	2.4
Real Effective Exchange Rate (incr = appr)	1.1	0.0	-5.2	-1.6	-1.6
Monetary indicators					
Policy Interest Rate	2.5	2.6	2.7	2.8	2.8
Real Base Money	8.5	13.3	10.2	11.1	9.0
Broad Money (M2)	8.8	13.5	10.5	3.9	10.7
Credit to economy	9.7	11.3	13.2	6.1	12.7

Source: Ivorian authorities, World Bank staff calculations.

Annex 4: Policy Recommendations – good practice guidance

Policy field/ objective	Overview	Next steps for authorities
<p>The implementation of the emergency cash transfer program is an opportunity to accelerate the development of an adaptive social protection system.</p>	<p>Key building blocks for a strong system would include: (1) a dynamic Management information system (MIS) to facilitate regular updates, including foreseeable shocks and the impact of existing shocks; (2) appropriate coverage to build vulnerable households' resilience and support a rapid expansion in case of shocks; (3) sustainable financing strategies to ensure the viability of specific programs; and (4) rely on strong Institutional coordination across relevant ministries.</p>	<p>The emergency program's MIS could consider some of the future needs for developing the RSU: i) key information should be collected to enable a future contact to collect socio-economic related data; ii) all beneficiaries should be pre-registered in the RSU (while additional data is being collected) in order to be able to use this data in case of an additional shocks and if the RSU is not up to date; iii) supplementary data collection should be organized rapidly after the emergency phase is over to collect complete socio-economic data on emergency program beneficiaries.</p>
<p>The need to reinforce and upgrade food monitoring systems is more urgent than ever.</p>	<p>An adaptive and comprehensive food monitoring system would include real time information on:</p> <ul style="list-style-type: none"> • Key food crops from major producing zones – with wider and more comprehensive coverage • Market price data, in urban and rural markets, for key food commodities from animal and plant origins, • Transport of commodities to facilitate the flow of goods from producing regions and towards key markets throughout the country, • Data on imports and exports of these commodities • Nutrition indicators in terms of proxy indicators such as access to and consumption of diverse food items 	<p>Key steps for the authorities to move towards such a stronger monitoring system could include the following. (1) Consolidate the oversight and coordination of the harmonized food security and nutrition monitoring system under the aegis of the Prime Minister's Office. Placing the coordination under the Prime Minister's Office would enhance the convening power to mobilize the various sectors into action. (2) Move towards digitally enabled systems. The system should comprise key sentinel sites around the country, including urban areas, to systematically capture critical indicators across the sectors of agriculture, transport and commerce. (3) Strengthen the capacities of key ministries (MINADER, MIRAH, Transport, Commerce and subsidiaries) to manage data collection and analysis in coordination and partnership with the National Statistical Institute and the National School of Applied Statistics (ENSEA).</p>
<p>Each OHADA country may adopt additional regulations to operationalize the OHADA insolvency law as long as it does not contradict the primary provisions</p>	<p>Establish and implement a framework for enterprise insolvencies, including provisions for indebtedness and non-performing loans, in order to facilitate bankruptcy filings, avoid unnecessary liquidations and sales of assets and facilitate economic recovery.</p>	<p>Some interventions that could be examined further include (1) Enacting secondary legislation (decree) on the regulation of insolvency practitioners (including appointments, disciplinary measures, code of ethics, etc.); (2) Enacting a decree on the conciliation process, including the certification of conciliators; and (3) Establishing a "national authority" (i.e. the insolvency regulator) responsible for registering insolvency practitioners and for monitoring and supervision, including the establishment of a statutory remuneration scale.</p>

<p>Systematic support for the informal sector could help to strengthen the productivity and long-term formalization</p>	<p>Organizing effective support to the informal sector aims to increase the productivity of its actors:</p> <p>(1) International evaluations have shown that formalization programs only have effects on informal enterprises with a similar profile to formal enterprises;</p> <p>(2) Increasing the productivity of informal enterprises thus becomes a primary objective in order to bring informal enterprises towards the formalization threshold and to increase the income of informal workers;</p> <p>(3) The informal sector is highly heterogeneous. Profiling of actors in the informal sector makes it possible to define measures and services that meet the major constraints of different sub-groups;</p> <p>(4) For companies close to the formalization threshold, formalization incentives could be put in place.</p>	<p>The establishment of the Support Fund for actors in the informal sector is an opportunity to develop basic tools to provide systematic support to the informal sector:</p> <p>(1) conduct a profiling exercise of actors in the informal sector to assess their main constraints;</p> <p>(2) adapt measures and services aimed at increasing productivity of informal sector firms (access to information, access to finance, training, etc.);</p> <p>(3) set up social insurance systems adapted to workers in the informal sector, to increase their resilience in the face of economic shocks;</p> <p>(4) register informal sector actors in a sub-register of the RSU in order to allow efficient and transparent targeting and to provide rapid assistance in the event of an economic shock.</p>
<p>Review changes to customs procedures to increase the efficiency of cross-border trade</p>		<p>1) Reinforce the risk management to</p> <ul style="list-style-type: none"> • prioritize customs clearance of imports and exports of low risk goods • modernize and integrate customs valuation into the risk analysis, • establishment of a voluntary compliance framework; • implement the “approved economic operators” program. <p>2) Continue to improve cooperation of border agencies to facilitate imports of essential goods (including medical products and food products)</p> <p>3) Improving information technology to support trade (eg one-stop shops and trade information portals) without imposing fees on the private sector⁵¹.</p> <ul style="list-style-type: none"> • Improve coordination between the port system and the customs system so that information is shared. • Improve the electronic manifesto
<p>Relaunch and operationalize the credit guarantee fund for SMEs (FGCPME) to establish a strong access to finance instrument to support the economy’s recovery</p>	<p>The development, implementation and evaluation of the FGCPME should be based on good governance principles (World Bank: Principles for Public Credit Guarantee Schemes for SMEs)</p> <ul style="list-style-type: none"> • Legal and regulatory framework; • Governance; • Operational management: Individual / unit approach, portfolio or hybrid • credit risk management: Credit risk management tools (scoring and credit rating, credit register) <p>Capacity building: Assistance to participating financial institutions aimed at increasing their lending and risk management capacity</p>	<ul style="list-style-type: none"> • Operationalization of the Fund (recruitment of the management team and the board of directors; technical assistance to the management team; development of the operations manual, etc.) • Capitalization of the fund

51. To note: the provision relating to the current fees paid (% of imports) by economic operators at the one-stop shop for trade is in contradiction with the commitments of Côte d'Ivoire to the WTO as prescribed since 1947 by the GATT, Art. VIII. These fees should be limited to the cost of the services provided.



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