

Main Messages

1. 2015 has been a good year for Cote d'Ivoire. African champions of football, presidential elections in an appeased political context, and economic growth practically the strongest on the continent. Was it the result of efficient economic policies? Was it the talent of stakeholders amidst a dim international environment but particularly favorable for the country?
2. The success of the country is the combination of all these factors. At the economic level, it is true that the government continued to stimulate the expansion of the economy through an ambitious investment program while maintaining a prudent approach that has reassured the markets. The engagement of private actors is visible in the boom of the Construction sector and the revival of agriculture, in part though the partnership with public authorities. Nevertheless, it should be recognized that the Ivoirian economy has been spared from external chocks that have hit many African countries in the past months. Efficiency, commitment and luck has been the ingredients of the Ivoirian success.
3. This success remains though fragile. While growth has been fast, it has not yet contributed to reducing poverty in the country in a significant manner. Today, almost half of the Ivoirians continue to live in poverty (with a daily consumption of less than 737 FCFA). A rate that is almost five times that which existed in 1985 and only slightly lower than in 2008. In other words, the benefits of growth have not yet been shared equally since the creation of productive employment remains limited.
4. The requirement for success impose a contract of trust. This contract must ensure the translation of growth into job creation for the majority of Ivoirian citizens. This report provides some answers that can inform the debate and help build an action plan to respond optimally to the urgency of creating quality jobs.

PART 1: the Economic Situation in Cote d'Ivoire.

5. Cote d'Ivoire has continued its momentum in 2015. Growth maintained around 9% supported by investments both public and private, with the rapid developments in construction, transport and finances sectors. This revival is highly visible for those who visit Abidjan with its cranes, cars and banks.
6. The good news is that this growth seems to extend towards rural areas. In effect, since 2014, the performance of agriculture has notably improved. Spectacular growth has been observed in the production of rice, cassava and cashew. The cocoa sector, which remains highly important for the country, has seen an increase in the value of its sales not only driven by international prices and favorable climate, but also through a successful preventive treatment against whitefly. Moreover, Cote d'Ivoire became the largest producer of cashew nuts. This good overall performance in agriculture explains the increase in exports in 2015- for the first time over 10% since the end of the crisis, an unmistakable sign of the regain in competitiveness for the Ivoirian economy.

7. In conjunction, the government continued its proactive but prudent fiscal policy. The central government deficit has increased to 3.7% of GDP, driven by the ambitious investment program largely financed by external funds, including donors and a US\$1 billion Eurobond issuance (approximately 570 billion FCFA). Nevertheless, public debt has only risen by 3-4% of GDP given the simultaneous repayment of domestic debt as part of clearing a large portion of accumulated arrears from previous years. However, weaknesses remain particularly around the financial soundness of public enterprises in the energy and banking sectors, and the almost chronic collection of VAT that remains among the lowest rates in the world.

8. Monetary policy continues to be obviously anchored on regional policy, with a growth in money supply slightly higher than that of the economy. Other good news include the acceleration of private sector credit while those towards the central government decreased. This change, which reflects the growing interest of banks in private enterprises, should also expand towards young and dynamic entrepreneurs.

9. The international environment has also been favorable to Cote d'Ivoire with the persistence of higher prices for its main exports, the recovery in the European Union – the country's main trading partner, and the depreciation of the FCFA against the US\$. These events are in contrast with the situation in other African country, which suffered from the drop in commodity prices and the slowdown in emerging countries like China. Cote d'Ivoire remains though vulnerable to the slowdown in regional partners (Nigeria, Ghana, Burkina Faso) and the eventual rise in the cost of credit on the international capital markets as a result of the Federal Reserve's – the United States of America's Central Bank – tightening of monetary policy.

10. The outlook of the Ivoirian economy remains positives with growth that is expected around 8.5% over the next two years. Such growth will continue to be fueled by public investments, notably through public-private partnerships. The improvement in the business climate, after clearing the uncertainties linked with the elections, should reinforce confidence in private investments especially if the simplification of administrative procedures continues. The fiscal policy should remain under control notably with the improved tax collection, which remains critical for financing part of the increase in public spending and hence limit borrowing needs. The prudent monetary policy of the BCEAO allows to maintain inflation below the 3% target for the WAEMU zone. On the external side, exports will continue to grow while imports of equipment and capital goods should follow the increase in investments. Foreign capital flows are expected to finance the current account deficit, mainly through foreign direct investments (FDI) and official development assistance (ODA).

11. Risks to the Ivoirian economy exist but appear manageable. These include the persistence of political stability and the favorable international context notably those related to cacao prices and good climate conditions (for example the el Nino effect). These conditions remain essential for the proper functioning of the overall Ivoirian economy. Internally, the main risks are fiscal notably the management of costs-risks of public debt in a context where financing, both domestic and foreign, is likely to become more expensive. Moreover, particular attention is needed for the budgetary risks coming from the financial losses of state-owned enterprises (SOEs) such as the Ivoirian Refining Company (SIR), Petroci and several public banks. Other risks will come from undeclared contingent liabilities of SOEs with sovereign guarantees (explicit or implicit) arising

from borrowing or from private-public partnerships (PPP) that are projected to multiply in the coming years.

12. The main challenge, not least, for Cote d'Ivoire, is that of shared growth. International experience signals that it is not enough to grow fast, but to grow equal. Till now the high growth rates have not been translated into a significant decline in poverty in the country. The response of poverty towards economic recovery have been weak. Barely a drop of 0.3% in the poverty rate has been achieved for every 1% of growth since 2012. What is needed is pro-poor growth, which induces rising income for the population living below the poverty line and results in declining income disparities between the poor and the rest of the population.

13. The gap between the rapid growth rate of the economy and the marginal drop in poverty is explained by the characteristics of such growth. The latter was fueled by investments that do not necessarily have an immediate effect on household income. Improvement in human capital has also a lag, while the recent improvement in agriculture performance should mainly be reflected over the revenues of small producers starting 2016 (the rise in farm-gate prices is dated October 2015). Overall, it is clear that the rapid growth has not been accompanied by the creation of quality jobs in recent years.

PART 2: The challenge of quality employment

14. There are about 14 million Ivoirians in the labor market. The vast majority is working since the unemployment rate is below 7%. The major challenge is to ensure quality employment for all, especially as the number of new workers is projected to increase by 350 000 yearly to reach over 22 million in 2025.

15. Today, the labor market is highly segmented in Cote d'Ivoire. From one hand two-thirds of workers are in self-employment or family work in micro enterprises with an average income of around 65 000 FCFA per month. On the other hand, those who are in wage-employment or owners of firms in agriculture, industries and services manage to secure an average monthly income of 350 000 FCFA. Among them are some privileged workers in finance, extractives and civil servants that receive more than 2.3, 1.6 million or 500 thousand FCFA respectively per month.

16. There are two simple rules in the labor market that should be recalled as they are sometimes forgotten. The first is that almost all the job opportunities are in the private sector and that demand from firms must exist to create jobs. The second rule is that to work and earn a decent revenue, a worker must be productive and for him to be productive he must have skills. Unfortunately, these rules have not been met in Ivory Coast. In effect, the expansion of existing formal firms and the creation of new ones remains limited and is 5 to 10 times slower than that in Nigeria or Rwanda. The workforce skills are also limited, with about 40% of the population that have not been to school and only less than 10% who report having completed secondary education. Even a university degree does not guarantee that skills are suited to the job market as companies do not necessarily require them. This translates in turn by an unemployment rate that is relatively elevated for workers with diplomas.

17. The Ivorian economy is on good track. Its labor market is undergoing a structural transformation that has marked that of emerging countries. This transformation transcends the past decade and has accelerated since 2008. The share of agriculture employment has dropped by 12 points between 2002 and 2015, while that of self and wage employed (outside agriculture) have each rose by 8.8 and 3.7 points. Such transformation is a good news because it means that an increasing number of workers are moving from low-remunerated activities (in agriculture) towards activities with higher income such as self-employment and wage employment in industry and services.

18. The transformation of the labor market, even if happening at a fast pace, will not be sufficient to generate enough well remunerated productive employment for all the Ivorian population. In 2025, it is projected that between one-quarter and one-third of the workforce will continue to be employed in agriculture, while 40% will be in self-employment or family-owned microenterprises mainly in cities. The productivity of those workers will have to therefore increase so that revenues can rise. However, the trends seem to suggest otherwise in recent years.

19. This report proposes a strategy that builds on actions to promote productivity in the three following categories of jobs:

- Self-employment and independent employment: secure the professional space for simple contracts; promote support for young entrepreneurs, including women, through programs combining training and provision of micro-credits.
- Wage employment: encourage the creation of companies and the transition to formalization through the simplification of administrative procedures; encourage access to credit through further information and innovative instruments; promote continuous learning and training with partnerships between public authorities and businesses.
- Agriculture Employment: encourage the commercialization of agriculture by allowing small farmers to access economies of scale through facilitating the creation of community networks and partnerships all along the production value chain; promote access and use of new technologies by farmers to reduce their cost of production and transaction.

20. These non-exhaustive but promising actions in view of international experience seek to take into account the specificities of each employment category. However, it would be wrong to think that employment policies should not be comprehensive. If the country failed to generate productivity gains in all employment categories simultaneously, the risk will be of a two speed Cote d'Ivoire. If agricultural productivity did not take off in a sustained manner, such failure will not only keep many farmers in poverty, but it will also affect food security in cities along with the quality of inputs needed for the development transformative industries critical for the creation of urban employment in the coming years. This failure could also push a larger number of farmers to seek work in cities where labor markets are quickly becoming saturated. Here too, the risk is not negligible. If workers in the informal sector and in small jobs cannot aspire for a better future, their frustrations are bound to increase. A policy of hope is therefore needed to improve their revenues and cultivate social cohesion.