Research Paper

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Building Inclusivity in Côte d'Ivoire?
Promoting Sustainable Growth Through Infrastructure Development

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Summary

- The rapid recovery of Côte d'Ivoire's economy over the past half-decade brings with it an unprecedented opportunity to use massive flows of investment from abroad, particularly in infrastructural development, to achieve economic transformation. But the government must ensure that the benefits are sustainable and felt by all Ivorians. As part of this, enabling a vibrant, local private sector will be critical.

- Côte d'Ivoire's long tradition of economic openness is key to attracting the capital that the process of recovery demands. The government has largely avoided imposing formal 'local content' requirements on external investors – such as skills transfer and use of local labour and materials – preferring instead to negotiate and incentivize on a case-by-case basis. Investors have rushed back to the country since 2011. The result has been public-private partnerships (PPPs) with a combined value of more than $16 billion, mostly concentrating on large-scale civic infrastructure, alongside substantial commercial investment.

- There are a number of interlinked issues of concern. The first is that investment in infrastructure is balanced between high-profile, large-scale projects – such as transport bridges, power stations and ports – and the reconstruction of Côte d'Ivoire's basic civic infrastructure, notably its rural road network, schools and health facilities, between the booming economic hub of Abidjan and rural communities, and between wealthy and poor neighbourhoods.

- Externally driven growth must not be allowed to mask domestic economic stagnation, with local enterprise and ambition stifled by the weight of international competition. Care must be taken that Ivorian business is not squeezed out, notably in creating sustainable employment for the estimated 350,000 young people entering Côte d'Ivoire's labour market every year. While many businesses have rebounded, taking advantage of access to enhanced transport, facilities, communication and electrification, significant blockages to enterprise growth remain. Chief among these are difficulties in accessing domestic finance, and a skills deficit within the local workforce, as well as strong regional competition.

- Long-established networks of power and patronage – enabled by a lack of transparency, old-fashioned financing mechanisms and a highly complex bureaucracy – continue to serve vested interests rather than encouraging healthy, open competition. This could distort policy decisions, leading to resistance to reform and undermining local business growth. Once the 'easy wins' have been achieved, there is a risk that growth rates will drop, and few domestic businesses will have been created to ensure jobs lasting longer than a single landmark construction project.

- President Alassane Ouattara, in his second and final administration, has a clear opportunity to shape the future of Côte d'Ivoire. He has already taken some decisive steps in improving the business climate, in modernizing the banking sector and in bringing youth employment to the top of the agenda. PPP projects can help to foster sustainable local employment if they are well managed. But the persistence of the 'shadow state' risks undermining progress. Greater transparency, notably concerning contracts with external investors, would enable public scrutiny of the terms offered to external partners, and would better allow the effectiveness of local content provisions to be judged.

Introduction

After more than 10 years of civil conflict, Côte d'Ivoire's economy has made a swift and strong recovery over the past half decade, as evidenced by the current boom in infrastructure projects. This paper explores the context within which investors, donors and government might best collaborate in Côte d'Ivoire to promote civil infrastructure development in an integrated, strategic manner, with the aim of supporting local capacity development. The Ivorian government has committed to an extremely rapid rehabilitation and upgrading of its national infrastructure, through a multi-billion-dollar emergency programme and an extensive range of public-private partnerships (PPPs). It has attracted large-scale external investment,[1] and is the recipient of significant support from donors and the international financial institutions.[2] It is also experiencing strong year-on-year economic growth,[3] and has embarked on the wholesale reform of government structures and practices.

While impressive, the pace of this recovery brings significant challenges. There is a real risk that headline economic expansion does not translate into benefits for the majority, in a reduction of baseline poverty rates, or in the creation of jobs for the rapidly growing youth population.[4] Strong economic growth is projected to continue, at least in the short term; but this is, at least in part, fuelled by sharp increases in government spending on infrastructure,[5] backed by renewed access, post-conflict, to borrowing, external grants and a glut of foreign capital. None of these constitutes a firm foundation for long-term economic sustainability.

Generating lasting growth will demand the development of indigenous industries that are able to compete for market share, capturing value in-country and – critically – creating the well-paid jobs necessary to address Côte d'Ivoire's undoubted economic and regional inequalities. Without a firm base of domestic economic actors – notably small and medium-sized enterprises (SMEs) – Côte d'Ivoire runs the risk of becoming a two-speed state, with a small, skilled urban elite able to capture benefits from a globalized economy in a way that the majority of Ivorians cannot. In view of the country's recent history of political violence and deep social cleavages, such concerns are of more than purely economic importance.[6]

[1] IMF figures show that foreign direct investment into Côte d'Ivoire grew by more than 45 per cent between 2011 and 2014. Figures taken from World Bank Open Data, accessed at http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=CI.
[2] The return to Abidjan of the headquarters of African Development Bank (AfDB), which was formally completed in 2014, was regarded as symbolic of international confidence in Côte d'Ivoire's future. The AfDB had relocated to Tunis in 2003 because of the security situation in Côte d'Ivoire.
[3] According to the World Bank, real GDP growth averaged 8.5 per cent between 2012 and 2015; growth was forecast at 7.8 per cent for 2016, despite a slowdown in agricultural output in that year, and was projected at 8 per cent in 2017; see http://www.worldbank.org/en/country/cotedivoire/overview (accessed 17 Mar. 2017).
[4] The UN estimates that, of a projected total population of 25,566,000 (more than double the total in 1990), 61.9 per cent of the population (some 16 million) will be under 25 years of age in 2020. Data from United Nations Population Division, World Population Prospects: The 2015 Revision, via https://esa.un.org/unpd/wpp/DataQuery/.
[5] At mid-2016 the IMF projected real GDP averaging 7.6 per cent annually in 2016–20, based on continued infrastructure investment, particularly in the transport and energy sectors, as well as agro-business and housing, and strong private consumption. See IMF (2016), *Côte d'Ivoire: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Côte d'Ivoire*, Country Report No. 16/147, http://www.imf.org/external/pubs/cat/longres.aspx?sk=43953.0.
[6] As emphasized by the World Bank in a 2015 report on the Ivorian economy, 'L'expérience internationale rappelle qu'il ne suffit pas de croître vite, mais encore faut-il croître juste.' [International experience serves as a reminder that it's not enough to grow quickly; growth must also be fair.] See World Bank (2015), *La Force de l'Eléphant: pour que sa croissance génère plus d'emplois de qualité,* p. ix.

Historical context

In part, the current challenges of economic development are deeply rooted in Côte d'Ivoire's history and experience of colonialism.[7] Following independence from France in 1960, Côte d'Ivoire became one of sub-Saharan Africa's most powerful economies. Under the presidency of Félix Houphouët-Boigny, who held office from independence until his death in 1993, the country was widely characterized as both socially stable and free from sectarian tensions. The cost, however, was a long period of one-party rule, followed by the evolution of a flawed multiparty system during the 1990s, during which period the purist nationalist emphasis placed on *Ivoirité* by Houphouët-Boigny's successor, Henri Konan Bédié, allowed ethnic tensions to take hold. A coup in 1999 and a series of disputed elections ushered in a slow-burning civil conflict from 2002 onwards, resulting in a de facto partition of the country between an opposition-held north, and a south that remained under the control of then president Laurent Gbagbo.

Particularly under Houphouët-Boigny, Côte d'Ivoire's economic model was built on economic openness, both to migrant workers and foreign – notably French – investors. This environment fostered the development of an outward-looking, sophisticated business elite, but it also stimulated grievances among migrants and local populations over land ownership, citizenship and jobs. This was particularly the case in cocoa-producing areas of western Côte d'Ivoire in relation to immigrants from neighbouring Burkina Faso.

Such tensions were at the heart of the post-election crisis of 2010–11 and the protracted civil war that had effectively split the country in 2002–07. Gbagbo, a native of the west, ran for election in 2000 on a nationalist and socialist platform, promising to promote the rights of 'real' Ivorians.[8] This rhetoric notably targeted Houphouët-Boigny's former protégé (and eventual prime minister) Alassane Ouattara, a Muslim northerner of mixed Burkinabè parentage. It was Ouattara's exclusion from the elections in 2000, on grounds of disputed nationality, that – in part – triggered the descent into civil war and the partition of the country between the Gbagbo-controlled south and Ouattara-allied rebels in the north.[9]

Following a fractious peace process instituted by the 2007 Ouagadougou accord, it was hoped that the presidential election that eventually took place in late 2010 would reunite the country. Ouattara was declared a narrow victor after a second-round run-off, but Gbagbo's refusal to cede the presidency resulted in a sharp escalation of fighting, including widespread inter-ethnic violence, which ended in defeat for Gbagbo, and his arrest and eventual trial at the International Criminal Court.[10] Since then, the rivalries and tensions that were refuelled in the months following the election have been further brought into relief by what many perceive as unequal justice, as only Gbagbo supporters have hitherto been prosecuted or are awaiting trial in connection with violations

[7] The boundary between Côte d'Ivoire and the territory that is now Burkina Faso was moved several times by the colonial authorities, placing the nationality of large populations in question.
[8] The concept of *Ivoirité* became central to the conflict. It was first deployed in the mid-1990s by Henri Konan Bédié, who as president of the national assembly had succeeded Houphouët-Boigny as head of state, as a mechanism to block his rival Ouattara from running for the presidency, and quickly became adopted and ethnicized by some faction leaders during the civil conflict.
[9] Ouattara had already been barred from contesting the presidency in 1995, on grounds of both nationality and continuous residency – he had notably been based in the US while working for the IMF – under the terms of an electoral code adopted in 1994 that many assumed to be directly targeted at Ouattara. The 2000 constitution subsequently required that presidential candidates be of solely Ivorian nationality and parentage.
[10] The trial was ongoing in mid-2017.

of human rights in the period following the 2010 election; no member of the forces loyal to Ouattara has been prosecuted for human rights violations during the same period, despite the president's professed commitment to the equal application of justice.[11]

Ouattara was inaugurated as president in May 2011, and was re-elected outright at the first round of voting in late 2015, in the context of opposition calls for a boycott – and the continued salience of the grievances that fuelled much of Gbagbo's popularity, notably concerning unemployment and the penetration of Côte d'Ivoire's economy by foreign interests. Both for the incumbent president and his eventual successors, therefore, the question of how to balance the competing needs of small business development and local employment with encouraging investment from abroad and maintaining strong headline economic growth is far from a purely technical one.

Government on 'fast forward'

It is clear that the Ivorian government, led by a president who spent almost a decade working at the IMF, is aware of the need to create the conditions necessary to sustain rapid economic growth. The years after the post-election crisis saw the launch of wide range of infrastructure projects, including major new highways and road interchanges, three landmark road bridges, the upgrade of some 5,000 km of rural roads, nearly 13,000 new classrooms, 800 water pumps and 71 social housing projects. Although there has been something of a focus on Abidjan, as the main centre of economic activity – with construction and upgrade projects including a new bridge, an urban train system, airport, station, library and exhibition centre, and waterfront rehabilitation[12] – there are also plans to upgrade the port at San Pédro, in the west, and to extend infrastructure development schemes to the northern city of Korhogo, as well as numerous other projects.[13]

The government is also committed to changing patterns of governance. There are multiple institutional and governance reform processes in train, across a wide range of issues and areas. The national development plan (NDP) for 2016–20 sets the explicit goal of Côte d'Ivoire achieving emerging market status. Changes to procurement processes – including through amendments to the procurement code – have more than halved the rate of non-competitive tendering; an economic land registry has been instituted in an effort to speed up land transactions; a new transparency code has been adopted, whereby regional (Union Economique et Monétaire Ouest-Africaine – UEMOA) regulations have been written into domestic law; and the business climate has been enhanced by means of the creation, in 2012, of a new investment promotion centre (the Centre de Promotion des Investissements en Côte d'Ivoire – CEPICI); while other measures instituted have reduced the time necessary to set up a company, gain a construction permit, or get connected to the energy grid. As of

[11] See for example Amnesty International (2017), 'Côte d'Ivoire', in *Amnesty International Annual Report 2016/17: The State of the World's Human Rights*, London: Amnesty International, https://www.amnesty.org/en/documents/pol10/4800/2017/en/.
[12] Of these, the new bridge was completed in 2014; a new metro system is under construction, with completion anticipated in 2020; Abidjan's airport has undergone significant upgrades since 2012, which are ongoing; renovations to the city's Treichville railway station were completed in 2015, as part of a larger project to rehabilitate the line between Abidjan and Burkina Faso; a new African Renaissance Library and exhibition centre are planned; and the rehabilitation of the Cocody bay area was launched in mid-2015.
[13] This is set to continue: large capital projects with an estimated combined value of some $60 billion are planned under the 2016–20 NDP, with the budget minister reported in 2016 as saying that the private sector will fund some 68 per cent of spending on infrastructure. See Oxford Business Group (2016), 'Côte d'Ivoire steps up infrastructure drive', 28 February 2016, https://projects.zawya.com/Cte_dIvoire_steps_up_infrastructure_drive/story/ZAWYA20160301103325/?utm_source=zawya&utm_medium=web&utm_term=term&utm_campaign=story/; Guardian Development Network, 'Ivory Coast aims to entice investors with 'new vibe' of stability and growth', 7 March 2016, accessed at https://www.theguardian.com/global-development/2016/mar/07/ivory-coast-entice-investors-stability-growth-infrastructure.

May 2016, the Comité National de Pilotage des Partenariats Public-Privé (CNP-PPP) – the body, attached to the presidential cabinet, responsible for oversight of PPPs – listed 70 such projects, with a combined value of some $16.3 billion.[14]

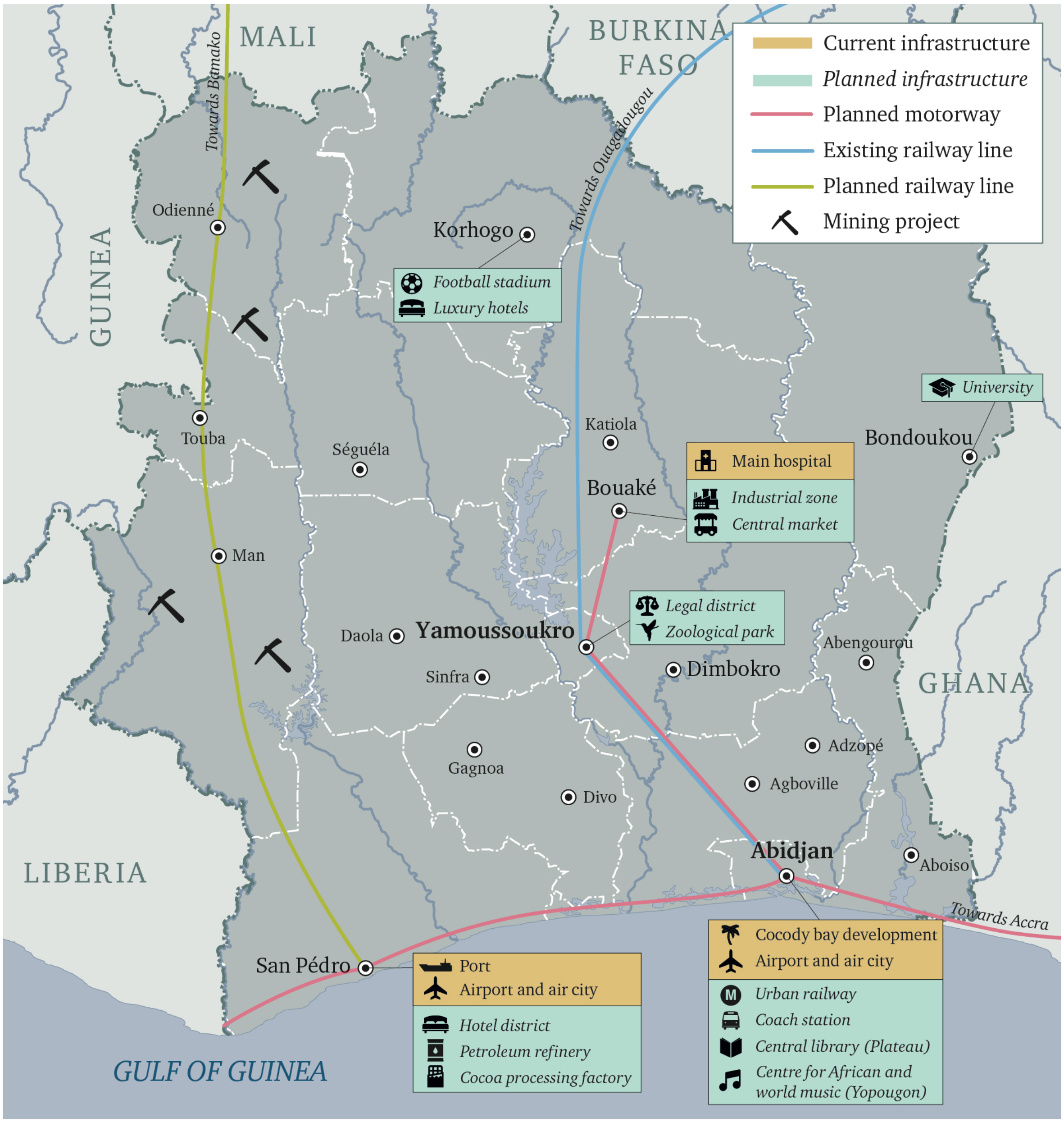
Côte d'Ivoire, as already noted, has a long tradition of economic liberalism, and has actively sought to engage external investors in its efforts to expedite post-conflict reconstruction and repair. According to the IMF, foreign direct investment increased from 161 billion francs CFA in 2012 to 397 billion francs CFA in 2015, and was projected to reach 602 billion francs CFA in 2016 – nearly a fourfold increase over this period.[15] The new investment code, adopted in 2012, offers very generous terms to inward investors, including the free repatriation of capital and wide-ranging tax breaks. French companies remain prominent in many large-scale projects, but the Ivorian government has sought to broaden its relationships with external partners, with considerable success: there are firms from South Korea, Morocco, Tunisia, China, Turkey and elsewhere operating in Côte d'Ivoire. In addition, Côte d'Ivoire has also raised significant amounts on local financial markets,[16] and was the recipient of almost $2 billion in external financing between 2012 and 2015 from the World Bank, the IMF, the African Development Bank (AfDB) and bilateral donors.[17]

Thus, with political 'normalization', Côte d'Ivoire has embarked on an ambitious programme of economic transformation, with impressive results to date. But the challenge for the Ouattara administration will be to ensure that externally driven growth does not in reality mask domestic economic stagnation, with local enterprise and ambition stifled by international competition. According to the government, investment from abroad allowed the creation of some 43,000 jobs in the formal sector in 2014.[18] However, this must be viewed in the context of the rapid growth of the working-age population: the World Bank estimates that 350,000 people enter the labour market every year. Current forecasts are that there will be around 14 million Ivorians of working age by 2020, mostly young people.[19] More than 79 per cent of the population are under 35 years of age, and the 14–35 age group makes up almost three-quarters of the total number of unemployed.[20] Headline investment has not yet delivered business development or local growth sufficient to create the number of jobs necessary to keep pace with a rapidly expanding working-age population. The IMF noted in 2016 that there had been a small reduction in poverty, with levels dropping from 51 to 46 per cent between 2011 and 2015, but that other human development indicators have been slow to improve and remain well below the sub-Saharan African average.[21] Another critical factor is the socio-economic reintegration of former fighters. More than 69,500 former combatants, including 6,105 women, entered the national programme for disarmament and demobilization between 2012

[14] Comité National de Pilotage des Partenariats Public-Privé, Advisory Group 2016, PPP Projects Sheets, May 2016, http://www.ppp.gouv.ci/groupeconsultatif/Fiches%20projets%20_English.pdf.
[15] IMF (2016), *Côte d'Ivoire: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Côte d'Ivoire*.
[16] For instance, the Ivorian government was reported by the IMF to have raised 1,101.6 billion francs CFA on sub-regional markets in 2014, and to have planned to raise 648.7 billion francs CFA in 2015. See IMF (2015), *Côte d'Ivoire: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding*, May 2015.
[17] Ibid.
[18] According to government figures, formal employment increased from 722,567 in 2012 to 756,597 in 2013, and to 799,890 in 2014, representing an increase of 10.7 per cent over the two-year period. Ibid.
[19] The UN projects that the population aged between 15 and 64 years will make up 55.4 per cent of the total population (forecast at 25,566,000) in 2020, implying a working-age population of some 14.2 million. Data from United Nations Population Division, World Population Prospects: The 2015 Revision.
[20] Agence emploi jeunes (2017), 'Les initiatives gouvernementales en faveur de l'emploi des jeunes', http://emploijeunes.ci/?p=img-text&cnt=historique.
[21] IMF (2016), *Côte d'Ivoire: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Côte d'Ivoire*.

and 2015,[22] and although they have received support to reintegrate into civilian communities, including some vocational training, they nonetheless represent a potential threat to Côte d'Ivoire's stability, particularly if they are unable to find work.

Map: Côte d'Ivoire: current and planned infrastructure projects



Source: Adapted from Freland, F.-X. (2016), 'À quoi ressemblera la Côte d'Ivoire en 2025?', *Jeune Afrique*, 13 January 2016, http://www.jeuneafrique.com/mag/289579/economie/a-quoi-ressemblera-cote-divoire-2025/.
Note that the boundaries and names shown and designations used on this map do not imply endorsement or acceptance by Chatham House or the author.

[22] UN Peacekeeping (2017), 'Final progress report of the Secretary-General on the United Nations Operation in Côte d'Ivoire', 31 January 2017, www.un.org/en/peacekeeping/missions/unoci/reports.shtml.

The government has recognized the challenges of fostering inclusive growth, and has established a new ministry responsible for youth promotion and youth employment, as well as an agency specifically tasked with driving jobs growth for young people.[23] New programmes have also been set up for the reform of the financial sector, including with the aim of improving access to financial services,[24] to promote employment,[25] and to restructure and upgrade industry.[26] A World Bank-funded project of labour-intensive small-scale construction – largely focused on community reconstruction – has taken place, as has a small-scale project of high-intensity manual labour,[27] both intended to create employment. But such initiatives have been part of post-conflict stabilization efforts, not long-term structural reform, and have been small in scale relative to both the nature of the challenge and the volume of private-sector investment into the country.

Given this context, the government of Côte d'Ivoire and its partners – institutional, bilateral and commercial – must ensure that investments in infrastructure are implemented in line with a strategic plan, and that these put in place the right foundations for sustainable growth and employment. The NDP for 2016–20 sets out a comprehensive and ambitious vision for the short to medium term, and makes provision for infrastructure projects nationwide, but the challenge will be in maintaining a clear strategic vision across multiple complex, large-scale projects. While many recent initiatives are aimed at addressing an acute backlog of maintenance and modernization of existing critical infrastructure arising from the protracted civil conflict – and are thus relatively uncontroversial – there is also a real risk that the current pace of development could result in new high-cost, underused or irrelevant construction projects.[28]

For instance, there is a risk that projects will be clustered in the economic capital of Abidjan – for a combination of factors including proximity to decision-makers, ease of access to finance, and the expectation of immediate returns – at the expense of the lower-profile work necessary to improve livelihoods across the country. This would particularly include the rehabilitation of long-neglected northern areas, which were extensively looted during the civil conflict, and reintegrating the western heartlands of Gbagbo's support base with the economic powerhouse of the centre. Although the successful rehabilitation of 5,000 km of rural roads is impressive, this work only covers some 13

[23] The Agence emploi jeunes was established in December 2015 under the auspices of the Ministry of Youth Promotion, Youth Employment and Civic Education; see www.emploijeunes.ci.
[24] A Financial Sector Development Programme (Programme de Développement du Secteur Financier – PDESFI) has been adopted to implement the 2014 financial sector development strategy; among its aims is to support financial inclusion, including around microfinance and access to insurance services. See IMF (2015), *Côte D'Ivoire: Seventh Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria*, Country Report 15/147, https://www.imf.org/external/pubs/cat/longres.aspx?sk=42989.0, p. 42; and further at IMF (2016), *Côte d'Ivoire: Selected Issues*, https://www.imf.org/external/pubs/cat/longres.aspx?sk=43954.0, pp. 39–47.
[25] A new National Employment Policy (Politique Nationale de l'Emploi) for 2016–20 was scheduled for approval in late 2016. See Cissé, A. (2016), 'Cote d'Ivoire: Politique nationale de l'emploi 2016-2020 - Le document sera adopté par le gouvernement le mois prochain', *Le Patriote*, 25 November 2016, http://fr.allafrica.com/stories/201611250997.html.
[26] The National Programme for the Restructuring and Upgrading of Industry (Programme national de restructuration et de mise à niveau des industries – PNRMN), covering the period to 2018, was launched in early 2014. See Abidjan.net (2014), 'Côte d'Ivoire: lancement d'un Programme national de restructuration et de mise à niveau des industries', 7 March 2014, http://news.abidjan.net/h/491087.html.
[27] These were administered under the umbrella of post-conflict reconstruction projects and for road building. See Oxford Policy Management and UNICEF for government of Côte d'Ivoire (2012), *Cadre de Développement de la Stratégie Nationale de Protection Sociale en Côte d'Ivoire, Tome 1, Etat des Lieux, Défis et Perspectives de Renforcement de la Protection Sociale*.
[28] The most notorious example of such 'white elephant' projects in Côte d'Ivoire has been the development of Yamoussoukro, in the centre of the country. Declared the new capital in 1983, Félix Houphouët-Boigny's birthplace saw the development of numerous prestige buildings and facilities, including universities, hotels, an international airport with a runway long enough to accommodate the now-decommissioned Concorde, and a Roman Catholic basilica that is recorded as the largest Christian church in the world. However, the former capital, Abidjan, remains the administrative, political and economic hub of the country, and, despite the 2013 opening of a motorway linking the two cities, much of the infrastructure in Yamoussoukro remains underused or is otherwise redundant.

per cent of the total in urgent need of repair.[29] The 'easy wins' of high-profile urban regeneration in and around Abidjan must not be allowed to divert attention from the deep needs of the rest of the country.

Moreover, the scale and ambition of the complex, multi-decade public-private financing deals currently in train or being pursued presents a highly specific management challenge for the Ivorian government. As noted above, the CNP-PPP lists more than 70 PPPs, ranging from four different power generation projects to the rehabilitation of six major hospitals, the construction of a hydrocarbon port and oil storage facility, and the supply of drinking water to Abidjan. PPPs are notoriously difficult to undertake well, and demand extensive, iterative and expert monitoring, quality control and negotiation. Contracts are byzantine, technical and extremely detailed, which means that, even when they are publicly accessible, effective scrutiny of PPP arrangements is very difficult for non-specialists. Financial liabilities need to be carefully monitored, not least to ensure that the economic benefits accruing from the investment will generate tax revenues sufficient to meet government liabilities.

Although the Ivorian civil service is historically relatively well developed, has been the recipient of some government-funded capacity building, and has some highly able officials, it is by no means certain that it will be able to fulfil the necessary scrutiny requirements to ensure that this very high volume of arrangements with the private sector delivers appreciably for the benefit of the people of Côte d'Ivoire. The alternative scenario is that projects are poorly implemented or maintained, that state liabilities spiral, and that performance is not maintained over time.

Developing Ivorian capacity

The long-term sustainability of Côte d'Ivoire's current infrastructural development programme – and perhaps also the durability of its post-conflict settlement – will depend on building local capacity both at individual and company level. Efforts to improve basic infrastructure and the business environment will of course in themselves boost Ivorian business activity, as companies take advantage of access to enhanced transport, facilities, communication and electrification. Already, according to the investment promotion agency CEPICI, more than 12,000 businesses were set up in Côte d'Ivoire in 2016, up from some 9,500 in 2015.[30] Although Côte d'Ivoire's ranking of 142 out of 190 economies assessed in the World Bank's 2017 *Doing Business* survey represents a slippage from its 139th ranking in 2016,[31] it has made significant progress in recent years. In *Doing Business 2010*, for example, Côte d'Ivoire was ranked 168 of 183 economies.[32]

Critically, however, the scale of current and forthcoming investments in infrastructure also creates opportunities to bring *direct* benefits to Côte d'Ivoire's entrepreneurs and workers, in terms of skills

[29] Côte d'Ivoire's roads management agency, the Agence de Gestion des Routes (AGEROUTE), estimates that some 35,000 km of roads are impassable or in urgent need of repair: http://www.ageroute.ci/gestion-du-reseau/reseau-routier/etat-evolution.
[30] Agence de Presse Africaine (2017), 'Over 12,000 businesses created in C/d'Ivoire in 2016 – CEPICI', 21 January 2017, http://apanews.net/en/news/over-12000-businesses-created-in-cdivoire-in-2016-cepici.
[31] World Bank (2017), *Doing Business 2017: Equal Opportunity for All*, Washington, DC: World Bank Group, www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/.../DB17-Report.pdf. For comparison among Côte d'Ivoire's neighbours, Ghana ranked 108 and Mali 141.
[32] World Bank (2009), *Doing Business 2010: Reforming through Difficult Times*, Washington, DC: International Bank for Reconstruction and Development and World Bank, www.doingbusiness.org/~/media/WBG/DoingBusiness/.../DB10-FullReport.pdf. Note that the criteria used for 2017 and 2010 may not be strictly comparable.

transfer, job creation and partnerships. Unlike many other states in sub-Saharan Africa, Côte d'Ivoire has few formal 'local content' provisions in construction and infrastructure,[33] for instance to compel external investors to offer training, skills transfer or employment. There is no law governing foreign ownership of Ivorian companies – many of which are already externally owned – and there is no mandatory percentage of Ivorian workers required to be employed by foreign firms; nor are there specific requirements for the provision of skills transfer or training. All profits can be moved back to a foreign operator's home country without penalty. Notably, many observers describe the investment code, which includes provision for generous tax breaks, as having been written for international investors.[34] The official approach is to make the country as attractive a proposition to external investors as possible.

There have been some limited efforts to encourage local content development, including via preferential treatment for community bids for small-scale public contracts, but such initiatives do not compare with the vast tenders being won by foreign firms.[35] Some strategically critical sectors are reserved for Ivorian investors, including public transport and forestry; and permits are needed for foreign companies to import bitumen, petrol and some other locally produced materials. Community bids are given up to a 15 per cent preference on the price of bids; and 30 per cent of public tenders for projects under 1 million francs CFA are reserved for local SMEs, with the deposit requirement reduced from 3 per cent to 1.5 per cent.[36] Tax breaks set out in the investment code are available to Ivorian as well as international firms.

The current preference of the Ivorian government is generally to incentivize local content rather than legislate for it. According to officials, local content provisions – such as what training a foreign company will offer, what level of locally produced materials they will use, or how many local people they will employ – are negotiated on a case-by-case basis, and agreed levels form part of the final contract for each project. It is important to note, however, that since the terms of such contracts remain private, it is impossible to assess the effectiveness of this approach. There is reported to be a 'strong recommendation'[37] on the part of the government that profits earned by foreign firms are reinvested, despite the legal provision for unrestricted repatriation of profits, and that foreign firms buy locally produced raw materials. Regulations specify that companies need to employ Ivorians if possible,[38] and the onus is placed on companies to prove that suitably qualified local workers are not available.

To give one example, Abidjan's new Henri Konan Bédié Bridge – also known as the Third Bridge – was constructed by the French firm Bouygues, employing 40 expatriate workers as against some

[33] There are formal 'local content' requirements written into the new mining code (2014), which mandates that companies must implement a mining local development fund and a community development fund, undertake training of both local people and government personnel, and give priority to local suppliers and staff.
[34] Author interviews, Abidjan.
[35] Senior government figures have indicated that a larger percentage of public contracts and sub-contracts will be reserved for Ivorian firms, although this has yet to translate into reality. In 2015 *Jeune Afrique* quoted the trade minister, Jean-Louis Billon, as saying that the government had committed to reserving a 'significant proportion' of sub-contracting projects to local firms. See Clémençot, J. (2015), 'Côte d'Ivoire : le long chemin de l'émergence', *Jeune Afrique*, 17 July 2015, http://www.jeuneafrique.com/mag/245638/economie/cote-divoire-le-long-chemin-de-lemergence/.
[36] Author interview, Ivorian official.
[37] Author interview, Ivorian official.
[38] This is in contrast to mandatory quotas for local employment that have been imposed elsewhere in sub-Saharan Africa. In Angola, for example, 70 per cent of a workforce is required to be Angolan nationals; and in Nigeria companies are required to employ nationals in junior and intermediate positions. See for instance Isabelle Ramdoo (2015), *Unpacking Local Content Requirements in the Extractive Sector: What Implications for the Global Trade and Investment Frameworks?*, Geneva: International Centre for Trade and Sustainable Development (ICTSD) and World Economic Forum.

1,400 locals, all of whom were trained and worked in an environment that met European Union health and safety standards. Most of the materials used were Ivorian, except for technical concrete, barriers, bitumen and tollbooths, partly as a result of a clause in the contract specifying that as many local resources as possible should be used in the delivery of the project. The consortium administering the 30-year contract to operate the bridge has 160 employees, of whom only three are expatriate workers.[39] This approach is consistent with long-established practice in Côte d'Ivoire, and the scope for flexibility has helped Côte d'Ivoire to attract international investors and thereby boost the economy.

Barriers to local growth

There are, however, identifiable factors that, if not addressed by the Ivorian government and its external partners, may impede the development of a vibrant and equitable local economy: lack of financing for SMEs; a skills deficit among Ivorian workers; unequal regional competition; and the persistence of patronage and corruption.

Access to finance for SMEs

Particularly as regards SMEs, Ivorian banks are reported to be slow, conservative and expensive, and to set highly demanding conditions for loans – including collateral requirements that local firms struggle to fulfil. As already noted, the government is in the process of enacting financial sector reforms, including the restructuring of state-owned banks, and the implementation of a financial sector development strategy aimed at promoting financial inclusion and transparency. Domestic credit to the private sector has improved steadily in recent years, increasing from just under 10 per cent of GDP in 2005 to 23 per cent in 2015.[40]

While there has thus been some progress in efforts to improve access to finance, this has been from a very low base and there is still a long way to go: more than 70 per cent of Ivorian SMEs have no access to financing; and some 60 per cent of loans that are made are on terms of less than a year.[41] A World Bank survey published in 2017 found that Ivorian businesses (particularly small businesses) cited lack of access to finance as the biggest barrier to doing business, ahead of political instability and practices in the informal sector.[42] This means that it is very difficult for local firms to make the capital purchases – notably of equipment – that are essential in order to engage in large-scale construction and other infrastructure projects in which returns are inevitably made over a much longer time frame. Local people who are able to accumulate capital reportedly move their wealth out of the country rather than investing in local business. The field is therefore left open to large foreign firms, with access to international financing and economies of scale.

[39] Author interview, Abidjan.
[40] World Bank data, accessed at http://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS?locations=CI.
[41] Author interviews, Abidjan. The World Bank noted in 2016 that around two-thirds of domestic private operators in Côte d'Ivoire complain of a lack of access to external financing, and that only one Ivorian in eight has a bank account at all. Morisette, J. (2016), *La Course vers l'emergence: pourquoi la Côte d'Ivoire doit ajuster son système financier*, Washington, DC: World Bank Group, http://documents.worldbank.org/curated/en/324141467904787703/La-Course-vers-lemergence-pourquoi-la-Côte-dIvoire-doit-ajuster-son-système-financier.
[42] World Bank Group (2017*), Côte d'Ivoire 2016 Country Profile*, World Bank Enterprise Survey, Washington, DC: World Bank Group, http://www.enterprisesurveys.org/~/media/GIAWB/EnterpriseSurveys/Documents/Profiles/English/C%C3%B4te-dIvoire-2016.pdf.

Developing human capital

There remains a substantial deficit in human capital, notably in the kind of skilled manual labour that is necessary for large-scale building and infrastructure projects, or the maintenance of modern infrastructure. Although there are many Ivorian workers with basic practical skills, there is a shortage of qualified personnel to work on larger-scale, formal schemes. For instance, while there are many electricians able to carry out small-scale work, there are few who can read an architectural plan.[43] For projects such as Abidjan's Henri Konan Bédié Bridge, specific strategic training was undertaken in advance, but it is by no means clear whether less high-profile projects have included such initiatives – and, as already noted, the precise commitments expected of foreign investors by the Ivorian authorities are negotiated on a case-by-case basis and are not open to public scrutiny.

The government has made efforts to improve access to education in recent years: according to official figures, almost 13,000 classrooms were built under the 2012–15 NDP (some 9,300 in primary schools, and 3,500 offering secondary education), along with 45 colleges. The gross primary enrolment ratio reached 97.8 per cent in 2014, up from 73.4 per cent in 2008.[44] A variety of projects have also been implemented with the aim of promoting employability and entrepreneurial opportunities for young people, including training and financing.[45] The 2016–20 NDP provides for an ambitious programme in this regard, including the rehabilitation or construction of some 40 training centres.[46] However, such schemes will need to be implemented very quickly if they are to feed into the current and imminent wave of infrastructure investment, and, moreover, will need to be of sufficient scale to make a material difference to the hundreds of thousands of young people entering the job market annually.

Regional competition

For the Ivorian government, increased regional integration is one of the key steps to achieving its national development goals. The regional economic community to which Côte d'Ivoire belongs – UEMOA – mandates free trade among its members,[47] but many Ivorians consulted as part of the research for this paper expressed the view that Côte d'Ivoire is the only country that respects the rules; interviewees stated that the other members act to some extent to protect their own industries. Ivorian firms thus report finding it hard to compete with those in neighbouring countries, with local businesses losing out to regional rivals that have benefited from protection at home.[48]

The National Programme for the Restructuring and Upgrading of Industry (PNRMN) was launched in 2014 with some $250 million in funding, with the goal of supporting upcoming businesses. Notably, this is being supported by the UN Industrial Development Organization (UNIDO), as part

[43] Author interviews, Abidjan.
[44] Groupe Consultatif Plan National de Développement 2016–2020, 'Résumé PND 2016–2020', http://www.gcpnd.gouv.ci/fichier/doc/ResumePND2016-2020_def.pdf, p. 6.
[45] These include the World Bank-funded Projet Emploi Jeune et Développement des Compétences (PEJEDEC), http://www.pejedec.org; and the Agence emploi jeunes; in December 2016 these two agencies, along with the national training agency (Agence nationale de la formation professionnelle – AGEFOP), signed an agreement for a World bank funded programme of training and apprenticeships for some 7,500 young people. See Bureau de Coordination des Programmes Emploi (2016), Signature de Convention Entre le BCP-Emploi et l'AEJ et l'AGEFOP, http://www.pejedec.org/?p=e1&i=90.
[46] The NDP details the rehabilitation of 17 professional training centres, the construction of 10 regional branches of the national training agency AGEFOP, as well as workshops and sector specific facilities. See National Development Plan, Strategic Outline, Book 2, p. 24.
[47] UEMOA instituted a free trade zone in 1996.
[48] Author interviews, Abidjan.

of a wider programme (PACIR) designed to enhance Ivorian economic competitiveness in the region and remove barriers to regional trade. That such initiatives are necessary is indicative of the challenge of ensuring free and fair regional competition.

Challenges within the political economy

Côte d'Ivoire's formal, public face of technocratic governance, free trade and openness stands in stark contrast to the hidden networks of patronage and power that in reality continue to shape events – one observer went as far as calling it a 'schizophrenic state'.[49] Despite reform efforts and the genuine political will of many in government, the culture of the 'shadow state' has nonetheless persisted through the upheavals of the civil conflict and its aftermath, notably in the tight interconnectedness of politics and business.

So while official policy promotes an unfettered market for investment from abroad, many investors report that there is in reality strong unofficial pressure to go into partnership with local businesses or individuals – often those with close political links to government[50] – and such pressure dominates the opportunities available to Ivorian firms. Contracts are not routinely published; habits of secrecy are deeply ingrained in both government and business; and there is a proliferation of government agencies and ministries with often complex and overlapping remits.[51] The risk is that this climate may deter new inward investors, distort the competition essential to effective PPP projects, and inhibit local entrepreneurs. It may also undermine the accumulation of capital: rather that invest in Ivorian businesses, many local people are said to invest any savings outside the country.[52]

Conclusion: the challenges to 2020

Alassane Ouattara's decisive victory in the 2015 presidential election, the adoption of a new constitution of the Third Republic of Côte d'Ivoire in late 2016,[53] and a clear majority for the presidential coalition in legislative elections in December of that year has given him a strong mandate to act to promote the interests of the country as a whole. Sustaining high levels of economic growth will be pivotal to consolidating progress, and the creation of employment opportunities will perhaps be the most important aspect of this – both to reassure communities that feel that they are being left behind by Abidjan-centred growth, and to provide jobs for former combatants. Meanwhile, there remain deep-seated issues of employment and equality that were at the heart of the serious inter-ethnic violence that formally came to an end a little over half a decade ago. Short-lived army mutinies in late 2014 and twice in the first half of 2017, nominally over pay

[49] Author interview, Abidjan.
[50] There are also widespread allegations of corruption and embezzlement. Côte d'Ivoire was placed 108 (jointly with Algeria and Egypt) out of 176 countries ranked in the 2016 Transparency International Corruption Perception index, more than 30 places below neighbouring Ghana. See http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table.
[51] The World Bank noted in 2015 that it remains extremely difficult to conduct a comprehensive assessment Côte d'Ivoire's national accounts. See World Bank (2015), *La Force de l'Eléphant*, p. 9. According to some of the subjects interviewed by the author as part of the research for this paper, this complexity is a deliberate tactic to obscure the real dynamics of politics and power shaping Côte d'Ivoire's economy.
[52] Author interview, businessman, Abidjan.
[53] Despite opposition calls for a boycott, the draft constitution was approved by 93.4 per cent of voters – on a turnout of 42.4 per cent – at a national referendum in October 2016. The new constitution created the post of vice-president, mandates the establishment of a senate, and eases nationality restrictions on presidential candidates – now only one parent of a candidate must be of Ivorian nationality – as well as removing the upper age limit for presidential candidates.

and conditions, may reflect deeper political wounds that remain unhealed after the civil conflict, and thus demonstrate the fragility of the post-war settlement. Although Côte d'Ivoire has made an impressive economic recovery since Ouattara first took office in 2011, it is critical that this success is both sustained and widely shared.

Ensuring that the benefits of the ongoing construction boom extend down to the grass roots – through skills transfer, local business development and job creation – is part of the answer. But it is likely that the imposition of significant local content regulations would be met with strong resistance. Such requirements would cut against the deeply held political convictions of Ouattara and large sections of the political class. They would also potentially threaten vested interests that benefit from the 'closed shop' nature of deal-making in construction and infrastructure, both Ivorian and international, many of which have close links to politics. Moreover, the significant capacity gaps in skilled labour and local SMEs – linked to shortfalls hitherto in technical education and in the Ivorian banking system – mean that local content regulations could introduce significant inefficiencies.

Instead, a more workable way forward is more likely to come from clear and simple processes for tendering, contracting and so on, and from enforced openness. It is all very well to negotiate local content provisions on a case-by-case basis, but the results must be open to public scrutiny: transparency, above all, is key. Critically, too, the window in which to act is restricted, and the governance challenge is acute. The 2016–20 NDP correctly identifies the key issues and sets out an ambitious plan of action, but this will need to be implemented quickly and effectively amid a welter of ongoing reforms, institutional changes and large-scale projects. Ouattara is constitutionally debarred from standing for a further term as president, and will need to devote significant political energy to managing an eventual transition. In this respect, Côte d'Ivoire's deep political fault lines may be increasingly exposed over the remainder of this second mandate, as potential successors begin to jockey for position. Ouattara thus has only a narrow time frame in which to address a set of highly complex challenges – including problems of human capital and lack of access to finance – that may in reality take a long time to resolve.

The Ivorian government is already considering options to promote Ivorian firms in public contracting, and is aware of the urgent need to put in place measures to provide youth employment opportunities. There is likely to be a clear preference for incentivizing firms to prefer local content (rather than putting in place binding obligations), and an instinctive aversion to language suggestive of protectionism or economic nationalism. In this context, it is incumbent on Côte d'Ivoire's government to work together with its diplomatic and commercial partners to embed a new tradition of transparency and thus ensure that the benefits of the current boom are sustained and are felt by all.

About the author

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Cover image: Pedestrians walking under the Henri Konan Bédié Bridge in Abidjan, Côte d'Ivoire, on 14 December 2014, ahead of its inauguration on 16 December.

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