Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 20-Feb-2020 | Report No: PIDA27449

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Cote d'Ivoire	P169828	CDI Sustainable and Inclusive Growth DPF1 (P169828)	
Region	**Estimated Board Date**	**Practice Area (Lead)**	**Financing Instrument**
AFRICA	31-Mar-2020	Macroeconomics, Trade and Investment	Development Policy Financing
Borrower(s)	**Implementing Agency**		
Ministry of Finance	Ministry of Finance		

Proposed Development Objective(s)

The Program Development Objective (PDO) of the proposed operation is to: (i) establish the policy and regulatory framework for environmentally sustainable investments in cocoa, agro-forestry, renewable energy, and energy efficiency; (ii) boost domestic resource mobilization and strengthen the targeting of pro-poor programs.

Financing (in US$, Millions)

SUMMARY

Total Financing	200.00

DETAILS

Total World Bank Group Financing	200.00
World Bank Lending	200.00

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

The Ivoirian economy has been one of the fastest growing in sub-Saharan Africa since 2012, but poverty remains high

and the country's natural capital has been depleted. Economic growth averaged 8 percent in 2011-2018 driven by service sector and a construction sector fueled by an ambitious investment program and rapid urbanization. Despite fast and sustained growth poverty declined only marginally, from 29.1 percent in 2008 to 25.2 percent in 2018 (international poverty line US$1.90 PPP). This can be explained by the concentration of the economic boom in capital-intensive sectors and the mixed performance of the agriculture sector, employing about 45 percent of the labor force, which suffered from climatic and price shocks over the last years. Environmentally unsustainable cocoa production led to the depletion of the country's natural capital, particularly in terms of deforestation as 60 percent of the country's forests disappeared over the last 30 years.

In this context, the Government is putting in place a series of reforms to sustain fast economic growth while making growth more sustainable and inclusive. To sustain economic growth while encouraging private sector participation, authorities put in place a series of reforms aimed at promoting private investments (Doing Business ranking improved from 139 in 2017 to 110 in 2019) while addressing the challenges associated with climate change. As a result, an increasing share of cocoa will be produced following standards for environmentally and socially sustainable standards, with positive economic impact on cocoa farmers which will be able to produce a more valuable product. In parallel, policy reforms in the power sector are expected to attract private investments in renewable energy and energy efficiency. To make growth more inclusive, the authorities are leveraging digital solutions to boost domestic resource mobilization (DRM) and create the fiscal space needed to address the country's development challenges. To use these resources efficiently and strengthen the social protection system, the authorities are pursuing policy actions to improve the targeting of pro-poor programs (by 2021, more than 800,000 households are expected to be registered in the Social Registry that will be used to identify beneficiaries of social programs).

Relationship to CPF

The proposed DPO series is an integral element of the World Bank Country Partnership Framework and closely aligned with the 2016-2020 National Development Plan. The proposed series is in line with the objectives of the FY16-FY19 Country Partnership Framework. Its design is based on the findings of the 2017 Systematic Country Diagnostic and the emerging challenges highlighted in the 2018 Performance and Learning Review (which extended the WBG's strategic engagement to FY20), including the country's vulnerability to climate change and the need to share economic growth dividends among a broader group of the population.

C. Proposed Development Objective(s)

The Program Development Objective (PDO) of the proposed operation is to: (i) establish the policy and regulatory framework for environmentally sustainable investments in cocoa, agro-forestry, renewable energy, and energy efficiency; (ii) boost domestic resource mobilization and strengthen the targeting of pro-poor programs.

Key Results

The achievement of the proposed development objective will be measured by a series of results indicators described in the Program Document. The reforms supported by the Sustainable Growth pillar are expected to reduce deforestation, promote private investments in renewable energies and energy efficiency. For the Fiscal Management pillar, the proposed measures are expected to boost domestic resource mobilization and strengthen the targeting of pro-poor programs.

D. Project Description

To support the Government's reforms, the Program is organized around two pillars:

- **Pillar 1 (Sustainable Growth) supports the establishment of the policy and regulatory framework for environmentally sustainable investments in cocoa, agro-forestry, renewable energy, and energy efficiency.** Under the Paris Agreement, Côte d'Ivoire submitted its Nationally Determined Contribution in October 2016. Based on this detailed plan of climate change mitigation and adaptation policies and targets, the bulk of greenhouse gas emissions (GHG) reductions should come from the agriculture and energy sectors. Pillar 1 supports policy reforms in these two sectors. In agriculture, the objective of the operation is to support the reduction of deforestation associated with cocoa production and encourage private investment into sustainable and formal supply chains for cocoa. In energy, the goal is facilitating the integration of renewable energy into the national grid and encouraging investments in renewable energies and energy efficiency. Pillar 1 has been prepared in close collaboration with the German Government (BMZ, KfW, GIZ) which approved a US$67 million loan in December 2019 to support the renewable energy and energy efficiency reforms in this operation.
- **Pillar 2 (Fiscal Management) supports measures to promote domestic resource mobilization and an efficient use of public resources to reduce poverty in Côte d'Ivoire.** Despite the efforts from authorities during the last years, tax revenues are still low and more resources are needed to strengthen public service delivery and the social protection system. Moreover, pro-poor programs have been inefficiently allocated based on categories (e.g. children, widows, disabled) or universal transfers (for instance, subsidies). The inefficiency of the social protection system leaves most households vulnerable to economic shocks. Considering the fiscal constraints and high poverty levels, strengthening targeting of pro-poor programs is key to ensure that available resources are allocated effectively.

E. Implementation

Institutional and Implementation Arrangements

As with the previous operations in the DPF series, the Ministry of Economy and Finance (MEF) will be responsible for managing the proposed operation. Day-to-day monitoring and evaluation of the program and all outcome indicators will be the responsibility of an inter-ministerial economic team appointed by the MEF and composed of the Directorate General of the Economy, the Directorate of the Budget and Finance, and the Directorate General of Planning. The team will be chaired by the MEF Cabinet Director and will coordinate the activities of all Government agencies involved in program implementation. This arrangement has proved satisfactory for previous DPFs. The Government will provide quarterly progress reports to the IDA based on the performance indicators in the results framework. The status of the overall reform program will be reviewed by the Government in coordination with regular IDA missions to ensure that the macroeconomic policy framework remains adequate.

Grievance Redress. Communities and individuals who believe that they are adversely affected by specific country policies supported as Prior Actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org."

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

The package of reforms supported by the proposed operation is expected to have positive poverty and social effects. Under the sustainable growth pillar (Pillar 1), Prior Actions 4 and 5 are expected to have a positive long-term impact by reducing energy costs for both businesses and households. Under the fiscal management pillar (Pillar 2), the establishment of an e-tax payment system at the local level (prior action 6) is expected to facilitate tax payments and boost local tax revenues without increasing tax rate whereas prior actions 7 and 8 will allow strengthening the targeting of pro-poor programs and the on-going WB support to build the Social Registry will help to promote the effectiveness of these measures.

Measures aiming at reducing deforestation and promoting sustainable cocoa production are expected to initially have a negative impact for some poor farmers before the poverty and social impact turns positive in the longer term. The implementation of the Forestry Code and the enforcement of standards for sustainable cocoa production could affect poor farmers and poor households whose income is related to cocoa production. Forbidding occupation and farming of protected forests could lead to a loss of income and physical displacement for some poor households, particularly in the shorter term. Any such displacement should be undertaken in line with good international industry practice. The World Bank promoted a fully consultative process with public sector, private sector, civil society and development partners to improve the quality of the operational texts for the Forest Code. The establishment of agro-forests and standards for sustainable cocoa production will have a positive impact on poor farmers in the longer term by contributing to address the issue of child labor and by reducing informality and increasing productivity associated with cocoa farming. By producing cocoa in a sustainable manner, Côte d'Ivoire could provide quality signals to consumer markets and sell cocoa at a higher price.

Environmental, Forests, and Other Natural Resource Aspects

The measures supported by the proposed DPF are associated with potential significant positive effects on the country's environment, forests, or other natural resources. This is particularly the case for the measures supported under Pillar 1, which aim at promoting green growth and slowing the depletion of natural capital. Through the support of activities aiming at reducing deforestation associated with cocoa production, forests and natural resources will be preserved in a better way. Besides the direct positive impact of cocoa related measures (Prior Actions 1, 2, and 3) on deforestation, energy-related measures are expected to have a positive impact on the environment by reducing tree-cutting associated to firewood production. Moreover, any activity supported by the proposed operation that might be associated with potential adverse impact on environment and/or communities will be assessed and mitigated through the environmental and social assessment process, based on national legislation and good international industry practice.

In Côte d'Ivoire, the Ministry of Environment, and Sustainable Development (MINEDD) is responsible for setting policy guidelines on environmental issues and ensuring compliance with national environmental standards. The Government has adopted several legal texts to strengthen environmental protection.[1] It has different departments among which the

[1] The main texts establishing the legal framework for environmental protection in Cote d'Ivoire include:
Law No. 96-766 of 3 October 1996 on the Environment Code;
Law No. 2014-138 of 24 March 2014 on the Mining Code;
Law No. 2014-390 of 20 June 2014 of orientation on sustainable development;
Law No. 2014- 427 of 14 July 2014 on the Forest Code;

National Agency of Environment (ANDE, Agence Nationale de l'Environnement) in charge of safeguards compliance of all projects in the country. ANDE's capacities are considered acceptable. However, ANDE faces some challenges in terms of number of qualified staff and shortage of resources to carry out the oversight of the Environmental and Social Management Plans (ESMP). To support the national entity to fully play its role, the World bank is assisting ANDE in a wide range of initiatives such as trainings for reinforcing its capacity, the revision of the environmental law, and the decentralization of the ANDE. Moreover, the World Bank has assisted Environmental specialists of Côte d'Ivoire to create a chamber of Environmental and social Experts named CIVEXES (*Chambre Ivoirienne des Experts-conseil en Evaluations Environnementales et Sociales*). That chamber accounts more than 64 Environmental firms accredited in Côte d'Ivoire. The validations by the ANDE of the environmental and social screening and the Terms of Reference (ToRs) are mandatory before moving to the preparation of the ESIA itself that is also approved by an inter-ministerial commitee and the ANDE. The MINEDD, through the ANDE, intervenes in the approval of forest management plans and renewable energy and energy efficiency plans. Environmental and social audits are also mandatory for each activity associated with adverse environmental impacts after 3 years of implementation.

G. Risks and Mitigation

The overall risk rating for the operation is moderate. The three most important categories for the operation are (i) political and governance risks, (ii) institutional capacity for implementation and sustainability risks, and (iii) social risks. A description of these risks and their respective mitigation measures is provided in the Program Document.

CONTACT POINT

World Bank

Andrea Coppola, Amina Coulibaly
Program Leader

Borrower/Client/Recipient

Ministry of Finance
Adama Coulibaly
Minister of Finance
adcoulibaly01@gmail.com

Implementing Agencies

Decree No 2014-397 of 25 June 2014 determining the terms of the law relating to the mining code;
Order No. 247 / MINAGRI / MPMEF / MPMB of 17 June 2014 fixing the scale of compensation for destroyed crops.

Ministry of Finance
Fanta Minafou Coulibaly
Director of Cabinet of the Minister of Finance
minafoufanta@gmail.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

Task Team Leader(s):	Andrea Coppola, Amina Coulibaly

Approved By

Country Director:	Coralie Gevers	04-Feb-2020