

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC18010

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I. BASIC INFORMATION

A. Basic Project Data

Country:	Cote d'Ivoire	Project ID:	P151507
Project Name:	Financial Sector Development (P151507)		
Task Team Leader(s):	Cedric Mousset, Caroline Marie C. Cerruti Hailey		
Estimated Appraisal Date:	11-Oct-2016	Estimated Board Date:	15-Dec-2016
Managing Unit:	GFM01	Lending Instrument:	Investment Project Financing
Sector(s):	Banking (30%), Microfinance (30%), General finance sector (20%), Payments, settlements, and remittance systems (15%), SME Finance (5 %)		
Theme(s):	Other Financial Sector Development (55%), Financial Consumer Protection and Financial Literacy (20%), Corporate governance (15%), State-owned enterprise restructuring and privatization (10%)		
Financing (In USD Million)			
Total Project Cost:	30.00	Total Bank Financing:	30.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			30.00
Total			30.00
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

B. Project Objectives

The Project Development Objective is to support the government of Cote d'Ivoire to foster sound financial inclusion.

C. Project Description

1. The proposed PDO supports the financial sector strategy of the government that involves restructuring public banks and the cooperative network as well as fostering sound financial inclusion. The project is expected to have two components:

Component 1: Sound financial intermediation for selected institutions

2. The project would support the restructuring of the Banque Nationale d'Investissement (BNI), the main public bank that is expected to remain state-owned, and of the UNACOOPEC. It does not have a broad financial stability objective but aims to address legacy issues that hinder financial inclusion. Currently, both institutions have serious governance problems and capital deficiencies if impaired assets were accounted for based on international standards. UNACOOPEC was placed under conservatorship in 2013 and has negative equity, yet little progress has been made to achieve financial soundness. BNI is the 8th largest bank in Cote d'Ivoire with over 100,000 clients but is plagued by high impaired loans and non-performing government exposures. The project is supported by a FIRST grant which provides technical assistance to frame the restructuring strategies.

3. A restructured BNI is expected to support funding to key economic sectors. Currently the mandate of the BNI is not clear. It is a former investment bank, which has moved recently to SME finance to fill a gap, without adequately managing the associated risks. The restructuring would entail strengthened governance, including through a clarification of its business model, to ensure viable operations going forward and a complementarity with the rest of the financial system.

4. The UNACOOPEC is a critical actor for financial inclusion. It uniquely covers the entire territory of Cote d'Ivoire, with 131 points of service and 650,000 members, reaching about 16 percent of the population. Yet its business model is not viable and focused on salaried workers and retirees. It is highly dependent on the implementation of public credit programs. The objective of the restructuring under the loan would be to restore financial soundness and improve governance so as to better serve the needs of populations that are excluded from the formal system, mainly in rural areas.

5. The funding for this component will be determined based on restructuring strategies chosen by the government. As the project is not expected to cover all the funding needs for restructuring, the team will agree a funding plan with the government by appraisal.

Component 2: Responsible financial access

6. The project would help increase responsible access to financial services. This would be achieved via the digitalization of government payments on a pilot basis, and the promotion of consumer protection and agent banking. As financial regulation is elaborated at the regional level, the project would not support regulatory reforms, however a FISF technical assistance is expected to support an enabling framework for consumer protection and for retail agents, which could be piloted in Cote d'Ivoire.

7. The digitalization of government payments would help unbanked beneficiaries of government payments / payers to access a transaction account (as well as improve the efficiency of tax collection). The Payment Aspects for Financial Inclusion (PAFI) taskforce highlights that large, recurrent payment streams such as Government payments, both disbursed and received, including

payments of taxes, have an impact on financial inclusion. The team has identified the Tax Authority as a suitable partner to pilot the digitalization. Taxes are only paid in cheques or cash, while most government payments to suppliers, civil servants and pensioners are made electronically. The project would finance the equipment required for the digitalization of tax payments, while FISF would provide advisory services. It is expected to particularly benefit micro and small enterprises which pay their taxes in cash at their municipalities.

8. The project would support measures to protect consumers of financial services. The legal and regulatory framework for consumer protection is narrow and focus on a usury rate, with no redress mechanisms. As the unbanked get access to financial services, they may fall prey to predatory practices and over-indebtedness. The project would support the creation of an institution to promote financial consumer protection according to international best practices, focused on transparency of financial services and complaint handling. This institution would provide redress to customers of financial services.

9. The project may also support the development of retail agents for financial services on a pilot basis. Evidence shows that retail agents can help enhance financial inclusion by reaching underserved populations. However, agent-related risks need to be correctly supervised and mitigated (consumer protection, anti-money laundering, risk management). Subject to an enabling regional framework for agents to be developed by the regional central bank (BCEAO), the project would support the implementation of a pilot program, building on the development of agents for mobile payment services.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

10. The project would be executed mainly in Abidjan; however its impact would be in the entire territory of the Republic of Cote d'Ivoire. Given the nature of the project its execution would be in Abidjan as all the relevant institutions involved are headquartered there and the institution for the promotion of financial consumer protection would be headquartered in Abidjan as well. Despite the fact that the execution of the project would take place only in Abidjan, given the nature of the institutions and activities involved, population living in rural areas would also be positively affected. In fact, both UNACOOPEC and BNI have a big presence in rural area, if they were to be strengthened people living in those areas would be positively affected. Similarly the digitalization of government payments and the agent banking pilot would positively affect rural population as they would be able to access financial services (in particular payment services) close to their residence.

E. Borrowers Institutional Capacity for Safeguard Policies

11. The Republic of Cote d'Ivoire has already undertaken several reforms in terms of governance and financial sector. Major financial sector reforms have already been undertaken by the authorities to avoid any financial sector failures which may undermine any recent and further progress in financial inclusion and have particular impact on the most vulnerable fringes of the population. The country has relatively high capacity, and the authorities are committed to advancing financial inclusion in a responsible manner. Hence, if the need arises to put in place specific mechanisms to protect the most vulnerable people the government would have adequate capacity. In fact, it may either establish rules imposing non-discriminatory practices or oversee the impact on the digitalization of government payments in certain communities.

F. Environmental and Social Safeguards Specialists on the Team

Benjamin Burckhart (GSU01)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	The project focuses on financial reforms and will not have a physical footprint. No direct or indirect negative environmental impacts are foreseen. The installation of physical IT equipment and minor refurbishment of existing buildings (for the establishment of the agency for consumer protection) will follow relevant national laws.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/ BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	None of the project activities involve international waterways.
Projects in Disputed Areas OP/ BP 7.60	No	There are no project activities in disputed areas.

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 30-Sep-2016

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

N/A. The project is a Category C project for EA purposes, no further environmental work is required. The installation of physical IT equipment and minor refurbishment of existing buildings will follow relevant national laws.

IV. APPROVALS

Task Team Leader(s):	Name: Cedric Mousset, Caroline Marie C. Cerruti Hailey	
Approved By:		
Safeguards Advisor:	Name: Maman-Sani Issa (SA)	Date: 11-May-2016
Practice Manager/ Manager:	Name: Alejandro Alvarez de la Campa (PMGR)	Date: 13-May-2016

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.