Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 18-Jun-2020 | Report No: PIDC28504

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Cote d'Ivoire	P172425		Cote d'Ivoire Jobs and Economic Transformation (P172425)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA	Aug 10, 2020	Nov 05, 2020	Finance, Competitiveness and Innovation
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Economy and Finance	FIRCA (Fonds Interprofessionel pour la Recherche et le Conseil Agricoles)	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to support economic transformation through more diversified and higher value exports in selected value chains, improved business enabling environment and increased access to finance for MSMEs.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	150.00
IDA Credit	150.00

Environmental and Social Risk Classification	Concept Review Decision
Substantial	Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

Following a period of civil strife between 1999 to 2011, Côte d'Ivoire has been one of the fastest growing economies in Sub-Saharan Africa since 2012. Economic growth averaged 8 percent from 2011 to 2018 driven by the service and construction sectors on the supply side and private consumption and public investments on the demand side. Growth has been concentrated in capital-intensive sectors (construction [private housing and public infrastructure projects], transportation, and telecommunication). Despite fast and sustained growth, extreme poverty has only declined moderately, from 29.1 percent in 2008 to 25.2 percent in 2018[1] and human development outcomes have not significantly improved.[2]

While the outlook for 2020 was favorable with growth projected to continue the trend of 2019, the outlook with COVID-19 is weaker. In Cote d'Ivoire, economic growth is expected to slow down from 6.9 percent to around 2.7 percent. The global crisis is expected to cause a recession in most industrialized countries with GDP contracting substantially in many. Economic growth in Sub-Saharan Africa is projected to decline from 2.4 percent in 2019 to -2.1 to -5.1 percent in 2020, the first recession in the region in 25 years[3]. In light of this, Cote d'Ivoire's exports and imports are affected by slowing global demand and disruptions in global value chains. Despite these negative demand shocks, in 2021 it is expected that Cote d'Ivoire would return to its original path of strong growth and fiscal consolidation, although downside risks remain.

Private sector-led growth, already an imperative pre-COVID19, will be even more essential post-COVID19, for short-term recovery and longer-term economic transformation. In 2018, tax revenue to GDP stagnated at 16.2%, below the WAEMU objective of 20% and public debt was 53.2% of GDP. Fiscal revenues were not adequate enough to finance the government's program – especially in social services and infrastructure - despite several reforms to increase tax collection, such as the new e-payment platform. Though private investment experienced an uptick in 2018, it remains below the regional average, averaging 12% of GDP from 2015-2018, compared to the Sub-Saharan Africa (SSA) average of 15.8%. Foreign Direct Investment (FDI) also remains below the SSA average, at 1.6% of GDP, with more than 80% in the telecommunications sector. The recently finalized Country Private Sector Diagnostic (CPSD) for Côte d'Ivoire proposes priority interventions to overcome constraints and seize opportunities for the private sector to lead economic transformation.

Agriculture contributes significantly to employment and livelihoods, is key for the country's export performance yet suffers from low productivity, low value added and a lack of diversification. Services account for around 46 percent of value added (VA), growing at 7.2 percent in 2019; industry (contributing 24 percent to VA) grew even faster at 10 percent. In contrast, the agriculture sector represents 19 percent of value addition and only represented 1.2% of growth per year between 2012 and 2018. The Agriculture sector, however, employs 46 percent of the population and contributes around 23.4 percent of GDP. As such, it is the largest source of employment and foreign exchange. The cocoa sector represented approximately 14% of GDP in 2018. There is a little over 1 million small cocoa producers and cocoa constitutes the principal income source for 5-6 million people (a fifth of the country's population). The manufacturing industry in Cote d'Ivoire remains under-developed and requires support to strengthen its competitiveness. The manufacturing sector still plays a

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[1] International poverty line US$1.90 PPP

[2] Banque mondiale (2018). "*Côte d'Ivoire Economic Update: Understanding the State of the Ivorian Economy in Five Charts and Five Minutes*".
https://www.worldbank.org/en/country/Côtedivoire/publication/Côte-divoire-economic-update-at-the-paradises-doors

[3] See also: Africa's Pulse, No. 21, Spring 2020: An Analysis of Issues Shaping Africa's Economic Future.

limited role in Côte d'Ivoire's economy, currently accounting for 5.9% of the country's real GDP (about 1,100 billion FCFA) and less than 5% of employment and has recorded annual growth of 8% between 2011 and 2017, albeit slowing to 5% over the past five years.

Côte d'Ivoire's exports remain dominated by raw commodities and lack complexity. Export diversification is relatively limited when compared to middle-income countries. The top six export items – representing 75 percent of exports - are cocoa, rubber, petroleum products, horticulture (bananas), gold and rubber. A high concentration of commodities in the export basket makes it vulnerable to climate risks and commodities price cycles.

The employment challenge in Côte d'Ivoire relates to the quality, inclusiveness and productivity of jobs.[4] In particular, the high concentration of employment in low-productivity occupations in agricultural and non-agricultural self-employment (47.5 percent and 29.7 percent of the labor force respectively) poses a challenge for structural transformation. Like other Sub-Saharan African countries, Côte d'Ivoire is undergoing rapid demographic changes. A significant youth bulge and rural-urban migration add pressure to increase the quality and productivity of employment, especially outside of the capital.

Women in Côte d'Ivoire have lower levels of literacy and education than men on average, are less likely to work than men, and when they do work, tend to earn substantially less than men and are less productive. These gender inequalities have an economic cost; if Ivorian women achieved parity in labor force participation and earnings with men, their economic contribution would exceed USD 6 billion. [5] Although hypothetical, this calculation demonstrates the cost of gender inequality. The Enterprise Survey for Côte d'Ivoire highlights gender gaps between male and female workers in terms of labor force participation, wages and managerial positions.[6] Recent research on the gender gap in business performance of entrepreneurs in Africa reveals that this gender gap is driven by the fact that women make or are obliged to make different decisions than men because they are constrained by gender-specific factors that hinder the growth of their businesses. These constraints range from the contexts in which women operate, their endowments, and household-related factors and influence the strategic decisions that female entrepreneurs make, which in turn lead to less productive outcomes.[7]

The COVID19 pandemic is likely to exacerbate existing gender inequalities in economic opportunities across Sub-Saharan Africa. Women-owned businesses are particularly vulnerable to shocks, as they are disproportionately informal and operate in less-profitable sectors. Evidence on mechanisms that can help protect the livelihoods of women-owned firms in crisis and COVDI19 pandemic, include: provision of liquidity through lines of credit and meso-finance in the emergency phase; boosting access to financial services (combining formalization with banking information sessions), business plan competitions to address capital constraints; personal initiative training; and counselling women on sector choice (especially traditionally male-dominated ones), can improve profits and business outcomes over the medium-term.[8]

[4] World Bank Group. "Jobs Diagnostic Côte d'Ivoire". 2017.

[5] World Bank. 2017a. *Rapport sur la situation économique en Côte d'Ivoire : « Et si l'Emergence était une femme »*, volume 5, July 2017. Washington DC: World Bank, http://documents.worldbank.org/curated/en/374581499668123584/pdf/117223-FRENCH-REVISED-CIVReportNumber.pdf.

[6] Enterprise Survey, Côte d'Ivoire 2016.

[7] World Bank. 2019. "Profiting from Parity: Unlocking the Potential of Women's Businesses in Africa". Washington, DC: World Bank. https://openknowledge.worldbank.org/bitstream/handle/10986/31421/135420-ProfitingfromParityFullReport.pdf?sequence=1&isAllowed=y

[8] "World Bank. 2020. Supporting Women Throughout the Coronavirus (COVID-19) Emergency Response and Economic Recovery. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/33612 License: CC BY 3.0 IGO."

Sectoral and Institutional Context

Overview of Ivoirian Private Sector

The Ivoirian private sector is characterized by a large informal sector and a relatively high number of large firms. Approximately 90 percent of firms are informal. The informal sector constitutes a large part of the economy (up to 70 percent of output, up to 90 percent of employment and contributes 30-40 percent of GDP (up from 20 percent in 2012 (IMF)). While the overwhelming majority of firms are small or micro-sized (90 percent), value addition of firms in the agribusiness, agro-industry, manufacturing and services sectors are dominated by large firms. Small and medium enterprises (SMEs)[9] account for 95% of formally registered firms, employ 23 percent of the country's working population and contribute 20% of GDP. Most formal private sector jobs are found in larger, older manufacturing firms around Abidjan. 75.6% of firms report competing against informal or unregistered firms (Enterprise Survey) and 77.2% of employed Ivorians are self-employed (ag + non-ag). Agricultural wage employment accounts for 2.9% of employment and 19.9% for nonagricultural self-employment.

Evidence collected from the Enterprise Survey[10] points to very low labor productivity among Ivoirian firms. In fact, Côte d'Ivoire has one of the lowest labor productivity levels in the region. The median firm produces output per worker of about $2331, lower than in many countries in its peer group. Although it is only slightly lower than in Niger ($2,328), Mali ($3,843) and Guinea ($4,048), it is about one-third of the level observed in Senegal and less than one quarter of the level observed in Togo or Benin. Moreover, a median firm in China produces nearly 10 times as much output for each worker ($22,471).

While trade facilitation has improved in the last years, the overall cost of trade remains high. The country ranks 163/190 in the ease of trading across borders (2020). It took 239 hours for export border compliance compared to 97.31 hours on average in SSA, and 108 in neighboring Ghana. Intra-regional trade costs (ad valorem) are slightly higher than extra-regional ones suggesting lower competitiveness of border crossings and road-related transport and logistics. Several trade agreements present opportunities for Côte d'Ivoire, including the Africa Continental Free Trade Agreement (ACFTA); the Africa Growth and Opportunity Act (AGOA) accords duty-free access for eligible products (e.g. footwear, textiles) to the United States; and the Economic Partnership Agreement (APE) between Côte d'Ivoire with the European Union, which entered into effectiveness in December 2019.

In March 2020, the Government of Cote d'Ivoire launched an economic response plan to support households and the private sector that is aligned with the objectives of the project. The government's COVID 19 response include several social and financial measures including targeted funds to financially support large enterprises, MSMEs and the informal sector that have been particularly hardly hit by the pandemic and associated economic fallout. The government's support is important to leverage the optimism and support enterprise through the crisis and during recovery.

Overview of Ivoirian Financial Sector

Côte d'Ivoire has one of the most developed financial sectors in the WAEMU region, with 27 active commercial banks (including four public banks), two specialized financial institutions, 62 licensed Microfinance Institutions (MFIs), three mobile money operators and 29 insurance companies. The sector has expanded rapidly in recent years with a credit growth on annual average growth of at 11 percent in 2018 and 7.4 percent as of August 2019, driven by an emerging middle class, public investment programs, foreign private investors and mobile money.

However, while improving, the depth of the Ivorian financial sector lags behind its peers. Notably, total financial sector assets represent just 52 percent of GDP in 2018 below the regional average for SSA of 63.9 percent. Côte d'Ivoire stands

[9] SME is defined in Côte d'Ivoire as any enterprise that employs less than 200 permanent employees and has an annual turnover less than 1,000,000,000 FCFA (equivalent to USD 1,653,350).
[10] Business owners and top managers in 361 manufacturing firms were interviewed from July 2016 through February 2017.

out for the low share of credit to private sector compared to peers with a private sector credit as a share of GDP among the lowest, at 27 percent of GDP, far below regional average (47 percent) and lower middle-income average (44 percent).

Ivoirian financial sector is dominated by banks, which are liquid but risk averse. Banking sector assets account for 81 percent of total financial sector assets, while nonbank deposit-taking and insurance companies represent 10 percent and 2 percent, respectively, and pension funds account for 7 percent. The banking sector is comprised of 10 foreign-owned banks, 7 subsidiaries of regional banking groups and 5 locally owned private banks. They operate as universal banks with strong links with large corporate clients. In addition, 4 public banks account for about 10 percent of the sector's assets, though their market share is shrinking as the state gradually disengages from the sector. Also, Côte d'Ivoire's insurance sector is the largest in the WAEMU region in term of asset size but covers only a small part of the population. The banking sector is also highly concentrated within three large banks accounting for 80 percent of the assets (top-5 borrowers relative to capital at 98.4 percent in 2018). Bank lending is also relatively concentrated in loans to a few large customers.

The overall financial sector is broadly sound but remains vulnerable to strong shocks. Recently enacted regulations aligned with Basel II/III principles have strengthened the banking sector and banks have improved their compliance to the key prudential ratios. The average capital adequacy ratio (CAR) increased to 9.8 percent in 2018 (above the regulatory threshold of 8.725 percent) from 8.0 percent in 2016. The average non-performing loan (NPL) ratio have decreased from 9.8% in 2017 to 9.1 percent in 2018. However, strong shocks could undermine progress and adversely impact banks' capital levels, especially for undercapitalized public banks.

Under these circumstances, CIV's financial sector is likely to experience negative spillover effects from the COVID19 crisis. The stronger impact for formal sector firms and more well-off households (constituting most of commercial banks' loan portfolios) will trigger a deterioration in banks' balance sheets. With average capital adequacy ratio of 9.55% as of June 2019, Ivorian banks have very little capacity to absorb a deterioration of their loan portfolios (the minimum regulatory requirement was set at 9.5 percent in 2019). This buffer is all the more insufficient than i) risk concentration is high across the banking system[11] and ii) asset quality is still poor (non-performing loans remained elevated although they declined from 9.9 percent in 2017 to 9.1 percent in 2018, with about three quarters of them covered by provisions). The BCEAO has allowed banks to suspend the repayment of loans of firms facing severe activity reduction without having to classify them in the non-performing loan category. However, in a scenario where the crisis lasts for several months, several banks would breach regulatory requirements and potentially need to be recapitalized.

While microcredit is playing a growing role in bringing credit to remote rural locations for formal and informal MSMEs, it would most likely need government support to remain viable during and after the COVID19 crisis. The Ivorian microfinance sector is comprised of 62 institutions which are divided as follows: 4 credit unions, 44 financial cooperatives and 14 private commercial companies operating as microfinance institutions (MFIs). The MFIs however face several challenges. First, the sector is highly concentrated within one cooperative institution (UNACOOPEC-CI) which accounts for 39 percent of the total microfinance sector loan portfolio that is being restructured through consolidation measures and recapitalization with members contributions. However, the greenfield MFIs (Advans and Microcred) focused on SMEs are growing very fast, outpacing the UNACOOPEC. Second, many MFIs face liquidity constraints and are thus limited in their ability to take risks and expand their branch network into rural areas, that will be exacerbated by the crisis. Third, many MFIs are exploring the use of digital technology to offer mobile financial services to their customers, which would broaden their appeal and reach.

Despite some recent progress, access to finance for MSME remains a serious constraint that hinders the economic transformation of the country. Côte d'Ivoire ranks at 110th place (out of 190 countries) in the 2020 World Bank Doing Business (DB) report ("Getting Credit" ranks 48th in 2020 compared to 70th in 2019). However, the percentage of firms

[11] Banks are exposed to a few large companies (several banks in CdI breach the regulation on large exposures), a limited number of export-oriented sectors (including cocoa) and the State (including SOEs).

identifying access to finance as a major constraint is noticeably higher in Côte d'Ivoire than in other peer groups (Figure 7). According to the most recent World Bank Group Enterprise Survey (2016), access to finance was ranked one of the most problematic factors for doing business in Côte d'Ivoire (after political instability and tax administration). Credit constraints are particularly acute for micro enterprises, women entrepreneurs and farmers. Lacking access to formal credit, many high-potential Ivoirian MSMEs cannot grow sufficiently to develop economies of scale and to create employment opportunities.

Access to finance is more of a problem for MSMEs compared to large corporates. Although banks are the principal source of external finance for SMEs, only 24 percent of bank lending goes to SMEs, compared to 35 percent in Morocco and 30 percent in Vietnam. When bank financing is available for SMEs, it is usually small, covering only about 16 percent of the total investment. Interest rates fell in 2015 and 2016 for large companies to around 7 to 7.5 percent due to increased competition.[12] However, for SMEs interest rates remain high, around 15 percent, and the guarantee requirements can be up to 120 percent of the loan value.

Digital financial services that have the potential to unlock SME access to finance have been lagging. While Côte d'Ivoire has made noticeable progress in financial inclusion through mobile money accounts, it lags high performing peers in East Africa such as Kenya, Uganda and Ghana. Moreover, almost 50 percent of all mobile money accounts in Côte d'Ivoire are inactive (vs 42 percent in Sub-Saharan Africa). The increased proliferation of mobile bank accounts has not translated into use of formal savings, credit and insurance products. It also hampers the digitization of agricultural value chain, which prevents smallholder farmers from building a credit history that could improve their access to the financial sector or innovative digital insurance products.

Low access to finance in the MSME sector can be attributed to multiple factors. The fundamental reason behind the thin supply of MSME finance is that credit to MSME remains a risky activity for lenders (banks, MFIs and leasing companies). Other aggravating factors that come in to play in Côte d'Ivoire include:

- the crowding out effect of Government bonds with commercial banks' investment in government bonds that have high profitability prevent banks to play their financial intermediation role;
- the inadequate financial sector infrastructure that undermines credit allocation by financial institutions: weak insolvency and debt resolution regimes[13], limited credit history resulting from a sub-optimal Regional Credit Bureau ("Bureau information sur le Credit")[14], cumbersome enforcement of basic contractual rights (creditors rights) makes credit allocation time consuming and costly, representing a significant disincentive when lending to SMEs;
- often undercapitalized firms (especially young ones);
- in terms of physical outreach, overall bank branches are highly concentrated in Abidjan (55 percent) while branches outside of Abidjan represented 45 percent of the total. On the demand side, the high rate of informality of MSMEs and lack of business skills and ability to provide quality business plans contribute to SMEs limited access to credit.

Access to credit is particularly limited for the agricultural sector. Access to credit by small farmers is limited due to the

[12] Financial Sector Review in Burkina Faso, World Bank, ASA.

[13] A World Bank project "Improved Investment Climate within the organization for the harmonization of business laws in Arica (OHADA) (P164728) supports the modernization of the OHAD Insolvency Law and the revision of the Uniform Act on organizing simplified debt recovery procedures.

[14] Supported by the WBG, the WAEMU Credit Bureau is a regional information sharing system operational across all eight WAEMU countries. Its implementation was made possible by the passage of a single harmonized, regional credit reporting law that governs all eight countries and allows for credit information to flow between them. Established in 2015, it started operations in mid-2016. In three years, the bureau collected over 10 million credit contracts representing 5.5 million individuals and firms across all eight countries. The credit bureau now covers 22% of the adult population in Côte d-Ivoire and XX of MSMEs. The regional DPO in preparation supports reforms to strengthen BIC coverage and use. (P171234)

lack of presence of financing structures such as rural microfinance institutions and rural banks. Agriculture employs 46 percent of the population and contributes around 23.4 percent of GDP but around 10 percent of bank lending. Private banks are reluctant to provide loans to rural small-scale farmers as they are deemed too risky on account of: low levels of capitalization, unstable revenue flows, lack of formal credit history, difficulty in evaluating small farmers' repayment capacity, lack of collateral such as titled land, the influence of exogenous factors such as weather conditions, and the limited legal avenues for enforcing contracts.[15] Available credit often has interest rates that are higher than the average rate of return on the investments and require large collaterals, which are prohibitive for most farmers and SMEs

While capital market activity remains limited, access to finance remains a key constraint for startups and young enterprises. Early-stage finance is poorly developed in Côte d'Ivoire. There are a couple of small venture capital funds operating in the country. There is also one small crowdfunding platform and a burgeoning business angel group currently operating in Abidjan. By contrast, there are about 22 pan-African regional private equity funds operating in Côte d'Ivoire and in the UEMOA zone. These private equity funds are generalist funds investing large tickets (from US$1 to 10 million) in established medium and large enterprises with strong growth potential in a broad array of sectors including consumer goods, financial services, agro-processing, manufacturing and tourism. Their investors include multilateral and bilateral financial institutions, insurance companies, pension funds and family offices. In the absence of an adequate legal and regulatory framework for the private equity and venture capital industry in the UEMOA, most funds are registered in Mauritius as limited partnerships in contractual form, with a local management company registered in Côte d'Ivoire or in another UEMOA country as a subsidiary of the Mauritius management company. The *Conseil Régional de l'Epargne Publique et des Marchés Financiers* (CREPMF) is developing a comprehensive legal and regulatory framework for private equity and venture capital in the UEMOA in partnership with the World Bank Group's Joint Capital Market Program (JCAP)[16]. The new UEMOA regulation provides a simplified regulatory regime for qualified venture capital fund managers below a certain threshold, and it introduces the limited partnership in contractual form, which is the most familiar fund structure for managers operating in the zone. The new regulation is expected to be adopted by the UEMOA Council of Ministers and to be in force in the zone before the end of 2020.

There is potential for growth of the MSME sector in Côte d'Ivoire. The recent estimates for IFC-led G20 Experts Group on SME Finance, estimated potential financing gap to be relatively wide at around US$ US$2.4 billion in 2017[17] in Côte d'Ivoire compared to US$ 915 million in Senegal, US$ 3.6 billion in Morocco, and US$ 4.9 billion in Ghana. The government of Cote d'Ivoire has undertaken a number of policy measures and initiatives aimed at supporting MSME's access to finance. Specifically, the government has been trying to establish an appropriate financing mechanism for MSME in a form of public guarantee fund (the legal framework exists since 1968 but has been amended several times in 2019 and 2020). The SME guarantee fund ("le Fonds de Garantie de credits aux PMEs") was created in January 2020, it's management board appointed in February 2020 and officially launched in May 2020.

Relationship to CPF

The Project is aligned with the Country Partnership Framework (CPF) FY16-FY19 (extended to FY20). The three areas of focus in the CPF are: (1) accelerating sustainable private sector-led growth; (2) building human capital for economic development and social cohesion; (3) strengthening public financial management and accountability. The Performance and Learning Review of the CPF (2018) found that the WBG had not obtained enough results for Focus Area 1: Accelerating Sustainable Private Sector-Led Growth. As such, there is a specific need for more support to private sector development, financial sector development. The PLR proposed further emphasis addressing inclusion and limited economic opportunities, particularly gender, productive jobs and governance, which remain the primary outstanding issues in the

[15] Côte d'Ivoire - E-Agriculture Project (WB Report No. PAD2633)
[16] JCAP WAEMU Project (IFC-603724-X0XX-TF0A6873)
[17] https://www.smefinanceforum.org/data-sites/msme-finance-gap

World Bank Group program. The JET project would respond also to these areas identified in the PLR, in particular productive jobs and economic opportunities.

In the spirit of Maximizing Finance for Development, this operation seeks to rectify market failures through a mix of policy and programmatic activities. For example, the identification of needed infrastructure or services will be based on maximizing the entry of private sector solutions, whether through guarantees, PPPs, and other tools available to the WBG.

There is alignment between the JET agenda, this proposed project and the Government's economic development strategies and higher-level objectives. The National Development Plan (2016-2020) consolidated pro-market reforms and reaffirmed the country's ambition to grow into the Upper Middle-Income category. The country is now embarking on a 10-year strategic plan – "Vision 2030" - to maintain 7 percent growth per year until 2030, and to boost inclusion. Vision 2030 also prioritizes the creation of value added in its agricultural value chains as well as the development of new value chains to diversify higher value-added exports.

Other government strategies feed into the JET agenda, including:

- The 2019-2024 National Financial Inclusion Strategy adopted in May 2019. It seeks to raise the financial inclusion rate from 41 percent in 2017 to 60 percent in 2024 by (i) improving access to financial services for vulnerable and excluded populations; (ii) promoting digital finance; (iii) providing financial education and client protection; (iv) ensuring adapted, evolving regulation and effective supervision; and (v) implementing an appropriate fiscal and policy framework. CIV's 2020-2024 National Strategy for Financial Inclusion was adopted in 2019.
- The Government has also developed a comprehensive national e-Agriculture strategy (updated in 2014), which aims to modernize the country's agricultural sector and enhance its productivity with an increase in the country's export of cocoa, coffee and other produce, and a decrease in food imports. The strategy requires suitable access to information services and data centers as part of an ICT package aiming to make real-time market information systems available via mobile phones and tablets.
- The 2014 National Strategy for Exports aims to reposition Ivorian exports in regional and international markets. The action plan aims to increase value added in exports and diversify markets. The Strategy identifies six priority sectors: cashew, rubber and plastics, cotton-textiles-apparel, tropical fruit, manioc and its by-products and new information and communication technologies.

C. Proposed Development Objective(s)

The Project Development Objective (PDO) is to support the Government of Cote d'Ivoire's effort in economic transformation through more diversified and higher value exports in selected value chains, improved business enabling environment and increased access to finance for MSMEs.

Key Results (From PCN)

	PDO level indicators	Intermediate-level indicators
More diversified and higher value-added exports	• Increase in export value in the sectors supported by the project (percentage)	• Number of MSMEs, producers, farmers benefited from common services supported by the project • Number of jobs created through common services and Technology Center

		• Number of workers obtained higher skills through Technology Center • Number of MSMEs utilizing Technology Center
Improved business enabling environment	• Reduction in compliance cost and time (Doing Business) OR Improvement in the trading across border ranking (DB)	• Number of reforms implemented (e.g., regulation streamlined)
Increased access to finance for MSMEs and entrepreneurship	• Number of MSMEs with access to finance – of which owned or led by women • Number of startups and young firms with access to seed capital and funding facilitated by the Fund of Fund – of which owned or led by women	• Number of beneficiary FIs offering Digital Financial Services

D. Concept Description

The Côte d'Ivoire (CIV) Jobs and Economic Transformation (JET) project falls under the World Bank Group's JET agenda, one of the special themes of IDA19. The key elements of the JET agenda are more and better jobs; increasing productivity through diversification, international integration, upgrading, etc.; export-orientation; connecting to markets; and, building workers capabilities. JET sets forth an organizing principle for policies, principles and investments that the WBG already promotes or finances and brings them together in a framework for the specific country context of a client country. In particular, the policy mix tailored to the client country needs to take into account endowments, geography, institutions, stage of transition and gaps in the enabling environment. The development challenges that the Côte d'Ivoire JET project intends to address are the lack of competitiveness of firms and sectors; the heavy concentration in low-value commodity exports; a lack diversity in its export basket; low firm productivity; and, a lack of access to finance for MSMEs.

Although the COVID19 pandemic may present risks of protectionism, disrupted value chains and lower demand for some goods and services, the risk for Cote d'Ivoire remains mitigated as the shocks are temporary and recovery is expected. As previously mentioned, while external current account deficit will rise in 2020, but is expected to recover in 2021, due to higher productivity in agriculture and manufacturing which should boost exports. This overall context presents a favorable environment for the Government of Cote d'Ivoire to continue its Vision 2030 strategic plan to prioritize creation of value added in its agricultural value chains as well as the development of new value chains to diversify higher value-added exports

The JET Project builds on the recently completed Country Private Sector Diagnostic (CPSD) for Côte d'Ivoire. The main recommendations of the CPSD are to close gaps in five areas: business environment, finance, transport and logistics, digital connectivity and skills. The CPSD also identifies sectors for diversification and value addition with high potential for growth using five criteria: 1) revealed comparative advantage; 2) evolution of global demand; 3) employment elasticity of the sector; 4) prospects for greater domestic value-addition, such as through diversification into related manufacturing sectors and 5) private sector track-record and interest. Based on these criteria, agriculture, agro-processing and manufacturing were identified as sectors with high potential. More specifically, the priority sectors which could lead to diversification and greater domestic value addition were identified as: cashew, cotton, horticulture, rubber and palm oil.

Côte d'Ivoire's favorable endowments – natural, demographic, geographic position, macroeconomic and political

stability, and the current stage of transition from lower-middle income to middle income country, are central considerations in the JET framework. At the same time, as highlighted in the CPSD, gaps in the enabling environment and other areas hinder a potential economic take-off led by the private sector. The project would focus on key drivers of economic transformation – also sources of productivity gains – including spatial integration (value chains, trade facilitation), diversification (business environment, access to markets), and upgrading (capital deepening, technology adoption) as well as cross-cutting policies to expand private investment.

The Project will support the government in resolving government and market failures that hinder competitiveness in higher value-added segments within selected sectors; undertake policy formulation and reforms that can unlock investment or market opportunities; fill in the gaps along higher-value added value chains; and, address the financing gap for SMEs. Market constraints can increase the cost and risks due to an unfavorable business environment, limited access to markets, limited access to land, limited access to technology and skills and access to finance. Constraints can also be caused by government failures or market failures. The conceptual framework for the project is presented below, using examples.

The project would be structured around five components: (1) Support for Sector Competitiveness; (2) Improving access to Finance for Micro, Small and Medium Enterprises; (3) Reforms; (4) Project Management and Coordination; and (5) Contingency Emergency Response. The project would be financed by an IDA credit for an estimated amount of $150,000,000 for a duration of six years. The table below summarizes the interventions followed by detailed description by component.

Table 2. Summary of Project components and budget

Component	Description	Amount
1. Support for sector competitiveness 1.1 Common services	Support for approximately five sectors, by financing "common services" for activities in value chains that require economies of scale (e.g. logistics, packaging, digital platforms, traceability systems, testing facilities, technology center). Common services delivered through service contracts; users benefit from vouchers.	$70 million
2. Improving Access to Finance for Micro, Small and Medium Enterprises 2.1 Promoting sustainable microfinance and digital financial services 2.2 Increase supply of funding to MSMEs	Promoting sustainable microfinance and digital financial services through: 2.1.1 Strengthening microfinance as key provider of financial services for targeted population 2.1.2 Digitalizing Financial Institutions' activities 2.2.1 Increase supply of funding to MSMEs (credit and equity)	$60 million
3. Reforms	Reforms to remove bottlenecks in sectors, with broader benefits to other sectors	$10 million
3. Project Coordination and Management 3.1 Project Coordination Unit 3.2 Cluster Specialists 3.3 Cluster Initiatives 3.3 Fiduciary Management	This component finances the PCU and the expenses related to project coordination, analysis and execution. The PCU will ensure technical, operational, administrative, M&E, Safeguards and Communications functions for the Project, while a separate pre-existing Project Implementation Unit (PIU) would undertake the Fiduciary management role.	$10 million
4. Contingent Emergency Response Sub-Component	Contingency Emergency Response Component (CERC) aims to provide flexibility to re-focus the scope of the activities, in case of a natural disaster, security, emergency and/or catastrophic events which would be triggered following proclamation of a state of emergency or declaration of disaster.	$0
Total		**$150 million**

This project will be an Investment Project Financing (IPF) operation that will also disburse against eligible expenditures upon achievement of Performance-Based Conditions (IPF-PBC).[18] The PBC instrument will be used for two reasons: (1) to motivate investment project expenditures; and (2) to motivate the reforms that will improve the business environment through economy-wide and sector-specific reforms which would generate

[18] IPF-PBCs were formerly referred to as IPF with Disbursement-Linked Indicators (IPF-DLI). This policy change became effective on January 29, 2020.

broader benefits to other sectors. Some PBCs may fit both purposes.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

-Occupational Health and Safety issues
-Gender Based Violence risks
-pollutions

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