

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA19966

Project Name	Youth Employment and Skills Development - Additional Financing (P151844)
Parent Project Name	Emergency Youth Employment and Skills Development Project (P122546)
Region	AFRICA
Country	Cote d'Ivoire
Sector(s)	Vocational training (100%)
Theme(s)	Education for the knowledge economy (100%)
Lending Instrument	Investment Project Financing
Project ID	P151844
Parent Project ID	P122546
Borrower(s)	Ministry to the Premier Minister in charge of Economy and Finance
Implementing Agency	Ministry of Employment, Social Affairs and Solidarity
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	28-Jan-2015
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Estimated Date of Appraisal Completion	
Estimated Date of Board Approval	26-Mar-2015
Decision	

I. Project Context

Country Context

1. After decades of strong economic growth, from 1999 to 2011 Côte d'Ivoire experienced a series of violent political and economic crises which culminated in the post-election crisis of November 2010. The crises combined with poor governance led to a widespread deterioration of living standards. Economic growth has been among the lowest in Sub-Saharan Africa (SSA) (on average -1.6 percent between 1999 and 2003; 1.3 percent between 2004 and 2008, and -0.8 percent from 2009 to 2011). The Gross Domestic Product (GDP) growth rate declined sharply (-4.7 percent in 2011). The most recent crisis followed the presidential election of November 2010 and lasted until April 2011. It took a heavy toll on lives and on the domestic economy. Although comparable micro-data on employment are lacking, there are indications that the informal sector has gained increased prominence with the share of the modern wage sector in the economy decreasing in the last decade. However, since mid-2011, the country has regained political stability and is now taking the opportunity to tap its considerable social and economic potential.

2. Economic recovery is proceeding at a rapid and sustained speed and Côte d'Ivoire is now transitioning away from a post-conflict environment to one in which political and economic stability appear increasingly possible. The country has embarked on an ambitious and comprehensive program of reforms and investments aimed at leveraging its considerable endowments of human capital, natural resources, and infrastructure to spur robust, broad-based and sustainable economic growth with the active engagement of the international donor community. Major reform efforts including key policy and institutional changes in the cocoa sector boosted producers' incomes and enabled the country to attain Heavily Indebted Poor Countries (HIPC) Completion Point and as a result obtain significant debt relief in June 2012. Since the end of the post-election crisis in 2011, economic growth has resumed through sound macroeconomic management combined with public and private investments. The GDP growth rate was 10.7 percent in 2012 and decreased to 8.7 percent and 8.0 percent, respectively, in 2013 and 2014. Public investment in infrastructure (transport, energy, health, and education) and private investment in mining, agriculture, energy and housing have boosted domestic demand. The agricultural sector which accounts for 22 percent of the GDP remains one of the key drivers of the economic recovery. Inflation has remained low, stable and resilient to global price volatility. Now, consumer price inflation stands at 1.6 percent, below the West African Economic and Monetary Union (WAEMU) target of 3 percent. Fiscal outcomes have continually improved since 2011 as a result of sustained improvements in revenue collection and tight expenditure control. The overall fiscal deficit remained at 2.3 percent of GDP in 2014 and 2013, down from 3.2 percent of GDP in 2012 and 5.6 percent of GDP in 2011.

3. Reforms are also improving overall governance and the business environment for attracting private investments. In 2014, Côte d'Ivoire was among the top 10 reformers in the world in this area according to "Doing Business". Macroeconomic prospects for 2015 are considered positive and real GDP growth is expected to again reach 8.0 percent in 2015 and in the medium-term. However, transforming its strong growth rates into widespread income generation, poverty reduction, improvements in social indicators and reduction in the high levels of unemployment, especially among the youth, remain the most pressing challenges.

4. Côte d'Ivoire has a rapidly growing and young population. According to the National Institute of Statistics (Institut National de Statistiques – INS), the annual population growth rate was estimated to be 2.6 percent per year in 2013, down from 3.1 percent in 2009, but still among the highest in the world. This high growth rate is due to the combined effect of a lower mortality rate, high fertility rate (4.6 children per woman) and high level of international migration (in 1998 26 percent of the population was not Ivorian). According to the 2009 INS estimates 57.9 percent of the population was between 15 and 59 years of age and only 2.4 percent was older than 60 years of age. The lack of improvement in education over the past decade, the politicization of higher education, high unemployment and poverty rates have heavily impacted the youth population leaving the youth particularly susceptible to ongoing political tensions.

5. Continued economic development and inclusive growth require sustained revitalization of the economy and the provision of opportunities for young people. Although economic performance over the last three years has been impressive, this growth has been concentrated in the infrastructure/public works and mining sectors. While these areas will continue to be important, future growth will also need to spread wider to other more labor-intensive sectors such as light manufacturing, services, and agriculture sectors to translate into strong and sustained employment

creation necessary for providing jobs to the country's young and fast-growing population. In addition, more productive employment will be needed across the board for all, including the vast majority of individuals self-employed in informal occupations in agriculture or services.

6. In turn, developing a skilled and competitive stock of human capital needs to be at the center of the country's strategy to sustain growth in the long run and in order for the country to become a globally competitive emerging economy. It is, therefore, critical to bridge the current gap between the needs of the labor market and the skills currently available in the existing labor force. Failure to do so would both threaten future economic growth and represent a clear risk of social unrest.

Sectoral and institutional Context

7. Enormous challenges arise from the high concentration of employment in informal, low-productivity occupations such as agricultural and non-agricultural self-employment, particularly among the poor, women and those living in rural areas. An estimated 400,000 new persons are entering the job market every year. Since the 2011 crisis ended, strong growth has led to higher employment and lower unemployment. Early analysis suggests that the formal unemployment rate fell from 8.7 percent to 6.7 percent between November 2012 and February 2014. However, only about 190,000 jobs were created during the 2011-13 period in the formal sector (70 percent of which were in the private sector). Table 1 below summarizes the composition of employment in the country as of February 2013. Agricultural and non-agricultural self-employment currently represents nearly 80 percent of all employment. The table also shows that only 17.4 percent of employed individuals hold wage jobs and that they are concentrated among the more educated living in urban areas. By contrast, 76.2 percent of the employed population is self-employed (46.9 percent in agriculture and 29.3 percent in non-agricultural activities). The employment challenge in Côte d'Ivoire is similar to that faced by many countries in SSA, in line with evidence from the 2013 World Development Report on Jobs and the Regional Report on Youth Employment in Sub-Saharan Africa (SSA), a challenge substantially different from that faced by developed economies with more formalized labor-markets.

8. While most individuals are engaged in low-productivity jobs, and as such can be considered underemployed, labor-force participation is relatively high and unemployment remains relatively low. In February 2014, more than three-quarters (76.8 percent) of the adult population was in the labor force with rates in rural areas higher than those observed in urban areas (85 percent in rural areas compared to 68 percent in urban areas). Inactive individuals (those who are outside the labor force) are mostly composed of youth who have not yet left school or entered the labor force and the elderly (age 65+, see Table 2). Unemployment only affects a small share of adults in the labor force (6.7 percent). However, unemployment as formally defined by the International Labor Organization (ILO) -- the share of individuals in the labor force who are not working, looking for work and available to work -- is a concept that mostly relates to a formal labor market where labor demand meets labor supply, while the vast majority of adults in the labor force are engaged in some type of work, although mostly in low-productivity and precarious occupations.

9. Education remains a strong determinant of access to employment opportunities. Access to non-agricultural wage jobs is concentrated among individuals who have completed secondary education or more. Most individuals with low education achievement are concentrated in agricultural and non-agricultural self-employment. Research shows, as in most other settings, higher education leads to higher earnings across various types of employment, including self-employment.

10. Unemployment rates are, however, relatively higher among the more educated, even though the

majority of the unemployed still have low levels of education. Unemployment rates increase steadily along the wealth distribution, and are the highest among wealthier, better educated groups. They are particularly high for youth who have completed upper secondary education or tertiary education as these individuals are generally looking for a job in the formal sector and tend to come from families in the top quintiles of the wealth distribution, and thus may be able to afford longer job searches (as a result, unemployment tends to be persistent for this population, with an estimated 70 percent of unemployed individuals looking for work for a year or longer). Unemployment rates are the lowest among the poor, affecting less than three percent of the poor in the bottom quintile, who live primarily in rural areas and are engaged in some type of work. Most cannot afford to be unemployed, and the concept of “looking for work” which underpins the definition of unemployment is thus not relevant in a context where self-employment is predominant.

11. Employment policies have traditionally focused on increasing wage employment and reducing formal unemployment, with less focus on increasing productivity in agricultural and non-agricultural self-employment where most of the poor work. The most recent national employment policy in Côte d’Ivoire, as the previous ones, seeks to expand employment opportunities for “decent work” to contribute to poverty reduction. It is based on three pillars: (i) supporting formal private enterprises to foster growth and job creation; (ii) investing in human capital and labor productivity; and (iii) rationalizing governance in employment policy. While the strategy acknowledges the wide variety of employment challenges among different sectors, its thrust is still focused on job creation in the formal sector. However, the growth of the formal sector is confronted with major constraints including an unsupportive business climate which hinders its development. While the Government is now addressing some of these constraints, these actions will take time to have an impact on private sector confidence and investments, and thus on the creation of formal wage jobs. In the meantime, most employment creation will continue to take place outside the formal labor market and most individuals will continue to be self-employed. Thus, policies to promote growth and reduce unemployment in the formal sector are not sufficient. While a growing modern wage sector is necessary to achieve inclusive growth and poverty-reduction in the medium-to-long term, it is also necessary to raise productivity in those sectors where the poor, who have less education and often live in rural areas, have particularly limited opportunities to access wage jobs.

12. The main employment challenge in Côte d’Ivoire is a high concentration of employment in low-productivity occupations, such as agricultural and non-agricultural self-employment, particularly among the poor and those living in rural areas. Rural areas are characterized by high levels of poverty with 4 out of 5 poor people living in rural areas. Among these, farmers are usually the poorest with poverty rates at about 60 percent, compared to 25 percent among craft traders and people in services and sales, and 10 percent among professionals. The agricultural/rural economy is de-capitalized and a large share of the population has little or no education (an estimated 55 percent of those residing in rural areas have never been to school). Agricultural households are also highly vulnerable to adverse market and weather conditions and a drop in their income has an immediate impact on the entire surrounding rural economy, particularly when they are specialized in subsistence agriculture with limited livelihood diversification. Given the sheer size and vulnerability of the poor in agricultural/rural areas, support to more productive self-employment opportunities and livelihood diversification in rural areas as well as in and around the smaller urban centers of the country should be a priority from a poverty-reduction stand-point. Evidence from the broader region has shown that productive interventions targeted to vulnerable youth can have very substantial returns.

13. Furthermore, technical and vocational education and training (TVET) which is a pathway toward potentially bridging the skills gap between those possessed by individuals looking for jobs and those sought by employers has suffered from weak governance, lack of clearly defined mission

and poor engagement with private sector stakeholders. The sub-sector has yet to clearly define its mission and its relationship to private sector stakeholders. There are a large number of agencies with similar mandates and multiple funding agencies which creates confusion in developing and providing guidance towards a coherent response for policy making and operational interventions. Focus needs to be placed on: (i) accelerating the process of TVET reform through the introduction of results-based management and performance contracts; and (ii) laying the foundations for an effective framework for public-private partnerships (PPPs) to enhance relevance and employability including in the non-wage formal sector.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The proposed Project Development Objective (PDO) is to improve access to temporary employment and skills development opportunities for young men and women in Cote d'Ivoire's territory.

III. Project Description

Component Name

Component 1: Temporary Employment Opportunities for Youth

Comments (optional)

Component Name

Component 2: Skills Development and Employment Support for Youth

Comments (optional)

Component Name

Component 3: Strengthening Institutional Capacity

Comments (optional)

IV. Financing (in USD Million)

Total Project Cost:	50.00	Total Bank Financing:	50.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			50.00
Total			50.00

V. Implementation

The implementation arrangements under the AF, including those for FM and procurement, are expected to remain largely the same as those under the original financing. However, in order to

support the adjusted targeting under component 1 which includes a partial refocus towards rural and peri-urban areas would be done in collaboration with the National Association of Regional Councils (Association des Districts et Regions de Cote d'Ivoire) according to agreed-upon criteria including the commitment of beneficiary local governments to take over the activities at the end of the project. The geographical targeting approach will be linked to targeting approaches under the Productive Social Safety Net operation currently under preparation (P143332). Beneficiary Regional Councils (RCs) or smaller urban centers/rural communes would be responsible ("maîtres d'ouvrage") for components' activities selected out of their local development plans, in collaboration with the technical staff of relevant technical ministries (i.e. Infrastructure, Agriculture). This would promote local governments' ownership of activities and building their capacity to plan and manage such activities at the end of the project, thus creating the basis for long term sustainability at the local level.

The AF would continue to be administered by the current project implementation unit (PIU) established in the Ministry of State, Minister of Labor, Social Affairs and Solidarity (ME-MEASS). The performance of the PIU in implementing the original project has been positive. It is well staffed and has acquired strong experience in both employment programs and Bank-funded operations. The Ministry's Director of the cabinet would continue to oversee the work of the PIU, but the Project Coordinator would continue to have full responsibility for project management and implementation. The Technical Steering Committee (TSC) would remain in place and continue to be chaired by the Minister of State, Ministry of Employment, Social Affairs and Solidarity.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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