PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE

May 21, 2015
Report No.: 97235

Operation Name	Côte d'Ivoire PRSC-3
Region	AFRICA
Country	Côte d'Ivoire
Sector	Central government administration (40%); Public administration- Industry and trade (20%); General energy sector (15%); Crops (15%); General agriculture, fishing and forestry sector (10%)
Operation ID	P155259
Lending Instrument	Development Policy Lending
Borrower(s)	Republic of Côte d'Ivoire
Implementing Agency	
Date PID Prepared	May 21, 2015
Estimated Date of Appraisal	
Estimated Date of Board Approval	September 10, 2015
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

Côte d'Ivoire has experienced a robust economic recovery in the wake of its recent governance crisis, with GDP growth reaching 7.9 percent in 2014, one of the highest rates in Sub-Saharan Africa (SSA). A strong macroeconomic foundation prior to the crisis and sustained progress on structural reforms facilitated the country's impressive performance. Nevertheless, unstable governance and periodic conflicts continue to threaten economic growth, with the most recent disruption occurring after the presidential election of November 2010 and continuing until April 2011. In the wake of the crisis the country has embarked on an extensive reform program aimed at leveraging its considerable endowments of human capital, natural resources, and infrastructure to generate robust, broad-based and sustainable economic growth supported by the active engagement of the donor community. Like previous operations, the proposed PRSC-3 supports this reform program and builds upon the government's recent progress a number of key policy areas.

The proposed PRSC-3 has been prepared in line with good-practice principles for budget support operations in fragile situations, and the actions supported under each of its three pillars will significantly advance the government's development goals. Like the PRSC-1 and PRSC-2, the proposed third operation focuses on reform areas that reflect the country's current context and advance its development priorities. These include (i) strengthening public confidence in government by improving budgetary transparency and the accountability of public officials; (ii) building investor confidence through rapid, highly visible improvements in the business climate;

and (iii) boosting economic opportunity by focusing on potential sources of growth and employment, particularly labor-intensive exports.

II. Proposed Objective(s)

The proposed operation's program development objectives (PDOs) are to strengthen governance, improve public administration and facilitate private-sector-led growth. The reforms supported by this operation are in line with the findings of the 2014 Systematic Country Diagnostic (SCD) and reflect the government's priorities under the National Development Plan (NDP). The proposed operation is structured around three pillars. Pillar 1 of the PRSC-3 encompasses improved governance, increased financial transparency among public institutions, and more effective public financial management (PFM). Pillar 2 includes measures to reform the regulatory structure for the private sector and improve the business environment. Pillar 3 focuses on strengthening economic sectors with high growth potential, including governance reforms in the agriculture sector and improved technical and financial efficiency in the energy sector.

III. Preliminary Description

The proposed operation will be the third and final in a programmatic series of three development policy operations (DPOs), launched in April 2012, which is designed to support the implementation of the 2012-2015 NDP. The PRSC series supports a balanced reform program focused on strengthening public administration and facilitating private-sector growth. Strengthening governance and improving the business climate are viewed as critical to reducing extreme poverty and promoting shared prosperity.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

None of the prior actions supported by PRSC-3 are expected to have adverse poverty or social impacts. Indeed, the reform measures supported by the proposed operation are expected to have positive direct impacts both poor and non-poor households by accelerating economic growth and expanding employment and income opportunities. Several prior actions will also have positive indirect effects on poverty by enhancing the government's ability to execute pro-poor spending and implement socially beneficial policies.

The new framework for the cocoa sector, including the use of the forward-sales mechanism to determine farm-gate prices, should have a direct positive impact on household incomes among poor farmers. A recent study indicates that the poverty rate among cocoa farmers is 60 percent, significantly above the national headcount rate of 43 percent recorded in 2008, and cocoa-farming households account for about 28 percent of the nation's poor. By creating a direct link between international market prices and the farm-gate price received by farmers, the forward-sales mechanism will not only increase farmer incomes, but should also tend to smooth farm-gate prices over time, reducing income volatility among the rural poor. The target increase in farm-gate prices to 60 percent of world prices would, *ceteris paribus*, increase coca farmers' main source of household income by approximately 20 percentage points, with significant positive implications for poverty and inequality.

Prior actions related to good governance and PFM reform are expected to have positive indirect effects on poverty over the medium term. The poor tend to be among the most vulnerable to corruption and the most dependent on essential public services. The recent operationalization of the High Authority for Good Governance (HAGG) and the implementation of new asset-declaration rules will mark a major advance in the government's anticorruption agenda. A more reliable, less corrupt public administration will greatly benefit the poor, and increased PFM efficiency could free up additional resources for pro-poor spending. The implementation of the new public procurement code will further increase PFM efficiency and reduce the scope for misuse of public resources.

Improvements in the business climate and increased rates of private investment will have positive indirect economic and social impacts. All prior actions in this area, including the modernization of the commercial courts, the restructuring of industrial-zone policy and the facilitation of PPP projects, are designed to boost private-sector growth and promote greater stability and predictability in economic relationships. More robust, broad-based and sustainable growth will support higher income levels improved living standards.

The rural development measures supported by the proposed operation will have positive impacts on the poor and vulnerable. Cocoa, cashew and cotton production are major sources of household income in rural Côte d'Ivoire. Measures to promote domestic cashew processing will provide much-needed employment opportunities in the country's northern region; it may also contribute to reducing gender imbalances, as most workers in the cashew-processing industry are women.

Environment Aspects

The reforms supported by the proposed operation are not likely to have significant negative effects on the country's environment, forests or other natural resources. The supported reforms aim primarily to strengthen economic governance at the national level. Any adverse environmental effects are expected to be minor and manageable through the existing Bank framework. Measures to improve PFM and enhance the business climate are not expected to have any environmental effects. Supported reforms in the agricultural sector, particularly regarding cocoa production, may have modest and mixed implications for the rural environment. Some increase in cultivation intensity may occur, but its impact should be mitigated by efforts to promote sustainable farming practices. For the cocoa sector to thrive over the medium term it will be necessary to increase productivity per hectare, and as less efficient producers exit the sector the total area under cocoa cultivation is projected to decline. In addition, the new sectoral governance framework is expected to improve the management of environmental resources.

The government has established strict guidelines for Public-Private Partnerships (PPPs) to ensure that all planned projects comply with environmental regulations. All bidders submitting technical or financial proposals, including for planned industrial zones, are also obliged to prepare an environmental impact assessment for review by the government's environmental protection agency.

The Bank has revised the 2010 Country Environmental Analysis (CEA) and produced a new 2014 CEA, which examines issues in the forestry, mining, urban development and environmental governance sectors. The study concluded that: (i) in the face of climate change and anthropic pressures on the country's ecosystems, sustainable natural resource management is key to ending extreme poverty and promoting shared prosperity; (ii) the existing mechanisms for collecting environmental information are weak and are not effectively used in the formulation of sectoral policies; (iii) there is limited collaboration between the Ministry of Environment, Urban Environment and Sustainable Development and the ministries responsible for forestry, water-resource management, fisheries, agriculture, mining and energy; and (iv) environmental and natural-resource management lacks sufficient funding, both on the part of the government and its development partners, and the CEA estimates that environmental management accounts for just 0.2 percent of the national budget. Its recommendations include: (i) assisting the government to develop a green-growth strategy within which financial resources can be allocated across sectors; (ii) establishing a national environmental information system; and (iii) strengthening collaboration between sector ministries through coordinated programs.

V. Tentative financing

Source:	($m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	100
Borrower/Recipient	
IBRD	
Others (specify)	
Total	

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