PROGRAM INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

April 22, 2015
Report No.: 95668-AFR AB7721

Operation Name	Regional Trade Facilitation and Competitiveness DPO
Region	AFRICA
Country	Africa
Sector	General industry and trade sector (100%)
Operation ID	P129282
Lending Instrument	Development Policy Lending
Borrower(s)	Republic of Burkina Faso Republic of Cote d'Ivoire
Implementing Agency	Mr. Lassané KABORE, Directeur Général de la Coopération, Ministère de l'Economie et des Finances Tel: +226 50 31 25 50 Email: lassane.kabore@finances.gov.bf Mr. Albert BALLE, Conseiller Technique, Ministère auprès du Premier Ministre, chargé de l'Economie et des Finances Tel: +225 20 20 81 69 Email: albert.balle@egouv.ci
Date PID Prepared	April 1, 2015
Estimated Date of Appraisal	May 1, 2015
Estimated Date of Board Approval	July 8, 2015
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.
Other Decision *{Optional}*	*Teams can add more if they wish or delete this row if no other decisions are added*

I. Country and Sector Background

Notwithstanding a strong growth performance and a strong record in implementing structural reforms, poverty reduction has remained elusive in both Cote d'Ivoire and Burkina Faso. Partly due to the impact of Cote d'Ivoire's political crises since the late 1990s, the country's poverty rate has risen from a mere 18 percent in 1985 to over 50 percent in 2008, and may have deepened further due to the socio-political crisis. For Burkina, the evidence suggests that the poverty rate, while slightly reduced in recent years, has stagnated at around 48 percent over the past 10 years. Both countries have recorded persistently high underemployment, in particular among youth and women.

The failure to reduce poverty and improve living standards may be partly attributable to slow progress in diversification and structural transformation, partly on account of a poor business environment, notably high transport costs. Case studies have shown the importance of high transport costs. In particular, available evidence suggests that the Abidjan-Ouagadougou corridor is expensive, even by African standards.

II. Operation Objectives

Highlighting their commitment to reform the transport sector and reduce trade transaction costs, Cote d'Ivoire and Burkina Faso have requested support from the Bank through a regional Development Policy Operation (DPO). Motivating this request is the fact that many of the supported trade facilitation and transport reforms will only become effective if also implemented by both countries, and that authorities strongly value the convening power of the Bank and its expertise in the trade facilitation and transport sector. The Regional DPO offers appropriate incentives to overcome coordination failures and create positive externalities from collaboration.

The objective of the proposed Regional Trade Facilitation and Competitiveness Credit (RTFCC) is to reduce trade transaction costs along the Ouagadougou-Abidjan corridor by supporting the implementation of the two countries' reform programs for the transport and customs sectors. The proposed operation will be the first in a series of two DPOs, to be implemented from June 2015 and possibly followed by a second programmatic series, depending on the results and the overall context.

The first operation (RTFCC-1) encompasses the following intermediate goals linked to achieving these broad objectives: (i) reform of access to the profession and reorganization of the transport market with a view to supporting professionalization of the industry; (ii) improve competitiveness of the Abidjan port by improving competition in the stevedoring market in Abidjan; (iii) improve the transit regime by reaching agreement among both countries between customs, chambers of commerce and industry on guarantees, and (iv) implement a reform program for border agencies to improve control and clearance times.

This innovative operation addresses previously unsolved issues affecting trade and transport by offering a common framework for coordinating reforms in the two countries. The operation supports policy measures that Burkina Faso and Cote d'Ivoire intend to implement either in parallel individually or as joint actions, as some reforms (such as bilateral road agreements and transit measures) require strong bilateral cooperation and are inscribed in the context of regional commitments. The regional DPO offers in this respect a powerful commitment and coordination mechanism that will enable the common ownership and delivery of an important set of reforms by each country.

III. Rationale for Bank Involvement

The transport sector reform programs of the Governments of Cote d'Ivoire and Burkina Faso were adopted in the context of their respective poverty reduction strategies. Cote d'Ivoire's National Development Plan focuses on good governance; better distribution of wealth; improved service delivery; a sustainable environment; and the repositioning of Cote d'Ivoire at the national and international levels. Burkina Faso's Strategy for Accelerated Growth and Sustainable Development (SCADD) emphasizes (i) promotion of growth and reduction of economic vulnerability; (ii) investment in human capital and social protection to increase resilience; (iii) good governance that makes the public sector more effective and efficient; and (iv) incorporation of cross-cutting priorities, such as gender, demography, planning and building capacity to implement development policies.

The macroeconomic frameworks of the two countries are appropriate. Both Cote d'Ivoire and Burkina Faso have benefited in recent years from solid economic growth above the average for sub-Saharan Africa. Both also have a good track record of maintaining macroeconomic stability, which is expected to continue through prudent fiscal policies and strong financial assistance from donors. *Côte d'Ivoire* successfully emerged from a period of extreme economic uncertainty, which has allowed the resumption of long-term strategic planning; however, given continuing domestic and international uncertainties, responsible macroeconomic management will continue to require exploiting opportunities while hedging against risks, including the prospect of further disruptions in the global economy. *Burkina Faso* will continue to face growth and employment challenges stemming from its landlocked geography, its small domestic market, and its reliance on commodity exports. Furthermore, both countries' limited progress in employment creation and poverty reduction during a period of fairly robust economic growth underscores the need for further reforms to promote private sector-led job creation.

IV. Tentative financing

Source:		($m.)
BORROWER/RECIPIENT		
International Development Association (IDA)		
- Burkina Faso		50
- Cote d'Ivoire		50
Borrower/Recipient		
IBRD		
Others (specify)		
	Total	100

V. Tranches *(if applicable)*

VI. Institutional and Implementation Arrangements

An institutional structure for the coordination and monitoring of reforms will be established by both countries. In each country, focal points in the Ministry of Transport and Customs administration will follow reforms under each of the two main pillars of the RTFCC (transport and customs), and coordinate the actions of the different institutions concerned. The two pillars are brought together through national committees that will hold frequent coordination meetings and be overseen by coordinators from each Ministry of Finance. The national committees of the two countries will periodically meet to manage the overall program of reforms, including joint actions. The Friendship and Cooperation Treaty (TAC) signed by the countries in 2008, which includes provisions on transport and trade facilitation as well as institutional arrangements for joint monitoring of transport issues, is an appropriate framework under which this coordination could take place. This structure will play a major role, notably sectoral focal points, to ensure that a close dialogue can be maintained between the countries and with the Bank.

VII. Risks and Risk Mitigation

This operation is expected to have an overall high level risk. Even though both Cote d'Ivoire and Burkina Faso have a good track record of implementing reforms, the complexity and diversity of the reforms considered, some of which have a challenging political economy; the innovative nature of the operation; as well as the uncertainty surrounding the political dynamics in the two countries in the run-up to the 2015 elections, all contribute to the risk of reform slippage. The alignment of the operation with national reform priorities, the involvement of all stakeholders in consultations to elaborate the operation's program, and strong political commitment expressed at the highest level in the two countries, all contribute to the expectation that the reform momentum will be maintained.

This innovative operation, with the need for two countries to coordinate reforms in different areas, is challenging. The proposed approach to mitigate this risk relies on the following: (a) limitation of the first series to a two-year program, possibly followed by a second series, depending on results; (b) establishment of an effective joint mechanism for the two countries to monitor reforms; and (c) regular consultations with the authorities and transparent communication concerning all aspects of the operation.

As discussed above, the potential adverse impact of some reforms on specific groups (e.g., reform of access to the trucking profession) are high. These will be addressed through remedial measures designed in light of the results of a Poverty and Social Impact Analysis. Environmental impact is not expected to be negative overall and possible consequences will be addressed by working with the national environmental agencies in the two countries

VIII. Poverty and Social Impacts and Environment Aspects

While the economic benefits of the reforms supported by the proposed operation are clear, several of the measures will also have significant poverty and social impacts on vulnerable segments of the population. The reforms supported by the RTFCC series are designed to facilitate transport and trade, and are thus expected to generate broadly positive welfare effects at the national level in the two countries. To the extent that these reforms will reduce the costs of importing and exporting goods, they should also have a positive impact on poverty reduction. However, given that the trucking industry in West Africa is comprised largely of an over-supply of small independent truckers who operate on relatively thin profit margins, the poverty and social impact of reform of access to the profession of road freight transporter is expected to have significant impact for these operators.

Potential negative impacts of the reforms on particular groups will have to be carefully mitigated through appropriate measures. Such measures are being considered for the reform of access to the profession and modernization of the trucking sector. Importantly, a transition period is planned in both countries to leave operators enough time to adapt to the new framework or find a viable alternative. For operators who will be able to comply with the new regulatory framework, accompanying measures would include support to acquire new trucks, promotion of small operator groupings, training and capacity building. For operators who will not be able or willing to adapt, support could include reconversion with a focus on local or passenger transport, professional retraining in other fields, or vehicle scrappage scheme that could provide startup capital for another activity. Other measures could include capacity building for the Ministries of Transport and professional associations, and support for the establishment of virtual freight exchanges.

The reforms supported by the RTFCC series are not expected to have a negative impact on the environment, forests, wildlife, or other natural resources. To the contrary, an analysis of activities under all pillars suggest that several measures should have positive environmental impacts. DPO-supported actions to promote the sustainable development of the transport sector should notably help to reduce the greenhouse gas emissions that are mainly responsible for climate warming and the occurrence/aggravation of diseases such as asthma, bronchitis, heart diseases and respiratory allergies. The impacts of the reforms supported by the RTFCC will be monitored and addressed through the national procedures in place in each country. The National Environment Agency (ANDE) in Cote d'Ivoire and with the National Bureau of Environmental Assessment (*BUNEE*) in Burkina Faso will be involved in the national monitoring committees for the operation and will prepare environmental assessments as needed.

IX. Contact point

World Bank
Contact: Volker TREICHEL
Title: Program Leader, AFCF2
Tel: (202) 473-8011
Fax:
Email: vtreichel@worldbank.org

Borrower – Burkina Faso
Contact: Lassané KABORE
Title: Directeur Général de la Coopération, Ministère de l'Economie et des Finances
Tel: +226 50 31 25 50
Email: lassane.kabore@finances.gov.bf

Borrower – Cote d'Ivoire
Contact: Albert BALLE
Title: Conseiller Technique, Ministère auprès du Premier Ministre, chargé de l'Economie et des Finances
Tel: +225 20 20 81 69
Email: albert.balle@egouv.ci

X. For more information contact

The InfoShop
The World Bank

1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop