I. Introduction and Context

Country Context

1. For two decades after its independence in 1960, Côte d'Ivoire stood as an island of prosperity, peace and stability on a continent ravaged by conflicts and poverty. A fairly rich natural resources endowment, political stability, a bold open door policy to attract a productive labor force and favorable terms of trade for its main agricultural exports helped the country achieve a strong economic performance which, by the end of the 1970s made Côte d'Ivoire the major player of the West African Monetary and Economic Union. Real Gross Domestic Product (GDP) per capita grew strongly during that period at 6% on average. A sharp reversal began in 1980 as terms of trade deteriorated precipitously and the CFAF became increasingly overvalued. From 1981 to 1992, annual GDP growth averaged -0.2% and Côte d'Ivoire slipped from the rank of middle income countries into the low income group. The devaluation of the CFAF in 1994 triggered an economic rebound, but this was soon undermined by the political crisis which began in 1999.

2. Since the coup d'Etat of December 1998, Côte d'Ivoire has been politically unstable. A second, failed, coup d'état in September 19, 2002 turned into a long-standing rebellion which split the country along a North-South divide until mid-2011. The conflict brought economic activity to a standstill, severely affected basic social service delivery and further damaged the country's social fabric. The conflict aggravated an already high unemployment, especially among youth, and unemployed youth have been an easily mobilized force for political gain. Poverty surveys have indicated that the number of people living below the poverty line more than quadrupled between 1985 and 2008, from 10% to 50%. Poverty in rural areas increased at an even greater magnitude from 49% in 2002 to 63% in 2006. The Central, Northern and Western Côte d'Ivoire (know as zones CNO, which are also the cotton and cashew producing areas) have been particularly affected, underlining regional dimension of rural poverty. Côte d'Ivoire now ranks 166 out of 171 countries on the UNDP Human Development Index, and will be far from achieving the MDGs in 2015.

3. The political and military crisis however ended in April 2011 and the new Government has made very rapid progress in restoring security, reinstating public and social services and launching the rehabilitation of critical infrastructure. Government is strongly committed to tackle various reforms (coffee/cocoa sector, electricity sector the judicial system, business climate, public sector governance) that should offer opportunities to strengthen the economy and its growth potential. The real GDP, after a sharp fall (5.8%) in 2011 following the post-election crisis appears likely to grow by 8-9% in 2012. However, while Côte d'Ivoire is on a promising path of recovery, the situation remains fragile and sustained efforts will be necessary over the medium-term to consolidate peace and attract the investments that are necessary to restore economic competitiveness, boost growth and create the large number of jobs necessary to reduce poverty and ensure social peace. The economy has shown resilience throughout the crisis, in large part due to its agricultural sector (and also to the petroleum and mining sectors) and appears to be recovering strongly from the shock it suffered from the post-electoral crisis.

Sectoral and Institutional Context

4. The agriculture-based economic development of Côte d'Ivoire has proven to be a successful strategy. The country has become the world’s largest exporter, and is playing a leading role in a less known other crops in which it has excelled too. Indeed, Côte d’Ivoire has become the largest exporter of raw cashew nuts in the world and remains the largest exporter of rubber, oil palm, bananas, pineapples and copra in Africa. At some point in the past, it was the largest sub-Saharan exporter of coffee and cotton as well, and both these crops remain significant, as does sugar. The country is self-sufficient in a variety of staple foods – maize, sorghum, millet, yam, cassava, plantain banana – with some small exports to the sub-region. Côte d’Ivoire used to be self-sufficient
in rice, though it now imports two-thirds of its needs.

5. The agricultural sector accounts for 22% of GDP, over three-quarters of non-oil exports, and provides income to two-thirds of all households. In addition, much of the manufacturing and transport sectors also depends on agriculture. The domestic trade and transport industry (trucking, rail, port) depends on this sector for a large part of its business - 1.3 million metric tons (mT) of cocoa, 350,000 tons of cashew, 1.8 million mT of oil palm bunches, plus fertilizer, pesticide inputs, etc.

6. This success is the result of favorable agro-climatic conditions and enlightened policy. However, the agriculture sector has grown slowly over the last 20 years. Plant production grew by an annual average of 1.6% between 1996 and 2003, before declining by 0.7% per year from 2004 to 2008. The livestock sector was stagnant. Declining world prices played a role, notably in coffee, cocoa, cotton and palm oil. The political crisis which erupted in 2000, and the subsequent division of the country, is partly to blame, especially for the decline in the cotton sector, though it had remarkably little effect on the booming cashew sector in the northern part of the country. This crisis also undermined the implementation of liberalization policies introduced in the late 1990s, and weakened governance at various levels. Cooperatives and other producer organizations succumbed to personal interests, and the cocoa sector in particular became rife with corruption.

7. This slowdown in agricultural growth also reflects the challenge of moving from an extensive production model to a more intensive one. Whereas past growth depended primarily on absorbing a growing labor force through expansion into new land, leaving previously cultivated land idle for many years, there is a need to focus more on increasing productivity on land already under cultivation, and with little or no increase in labor inputs.

8. Nonetheless, the agriculture sector can regain its role as a driver of growth, as only 40% of arable land is currently being exploited, and the average farm size is fairly reasonable at 10 ha. Sharp increase in commodity prices in the last few years is particularly significant for the all-exports subsectors -notably cocoa, but also for the lagging cotton – and presents an important opportunity for domestic production of rice for export-substitution. Some sub-sectors (notably cashew and rubber) have boomed in spite of the political crisis, and major private foreign investors are already engaged and willing to invest further, for example in oil palm, rubber and cocoa. The food and livestock sectors also have potential for expansion given the rapid urbanization under way across the sub-region, and the prospect of rising meat consumption as incomes improve.

9. However agriculture value chains face a number of constraints, spanning from institutional and governance issues, to access to markets, access to finance, access to land, and access to technologies, that hinder the full expression of their growth and employment potential. The nature of those constraints varies however for each given subsector, and their magnitude is also different along the various segments of the value chains within a given subsector. While project intervention will be delivered a value chain approach, activities will be sub-sector specific and tailored to address constraints that are the most critical for unlocking the value chains.

10. The project aims at jump starting agricultural production through public private partnerships, boost and sustain incomes as well as agricultural institutions so as to bring them back in shape, build recovery and strengthen value chains coordination that favor small producers.

Relationship to CAS

11. The CPS anticipated an Agribusiness operation along with a Community-Driven Development (CDD) program to follow up on the Rural Land Management and Community Infrastructure Development Project (PNGTER). The proposed project responds to the sector urgent need for institutional and physical rehabilitation, and falls squarely under the 5 pillars of the CPS (institutions, agricultural performance, private sector development, infrastructure renewal and jobs/gender). Indeed, by providing support small farmers through their cooperatives and strengthening technical and financial capacities and governance of selected inter-professions, the project will contribute to sustainable development of export-oriented supply chains through strong and inclusive markets linkages, benefiting primarily to small farmers and rural households. The CAS echoes the Bank’s Agricultural Action Plan 2010-2012 which inter alia focuses on raising agricultural productivity and linking farmers to market and strengthening value addition.

II. Proposed Development Objective(s)

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12. The project development objective (PDO) is to improve productivity and access to markets for smallholder export crop farmers and strengthen the governance structure and institutional framework for the management of selected supply chains.

13. This would be achieved through focusing on smallholder-industry interaction jointly aiming at competitiveness (value-added creation) on selected value chains and on geographic areas of concentration.

Key Results

14. PDO level indicators are as follows:
   i. Increased volume and value of production on selected commodities by project supported small farmers exported or delivered to the agro-industries;
   ii. Number of functioning Inter-Professions (Corporate guilds established and licensed by the Government with adequate
operational and regulation procedures, and relevant services to their members); 

15. Key intermediate indicators are as follows:
   i. Number of direct and indirect beneficiaries disaggregated by gender
   ii. Increase in volume of certified cocoa beans (doubling);
   iii. Share of smallholders in total planted areas in rubber and palm oil;
   iv. Improved share of processed cashew nuts in total exports of cashews
   v. Number of jobs created (and % of women) in cashew processing;
   vi. Total amount of funding from the Value Chains Investments Funds established or strengthened with project support;
   vii. Kilometers of feeder roads, created, rehabilitated or maintained.

III. Preliminary Description

Concept Description

Proposed Project Component Names:

- Component 1: Promotion of public-private partnership for sustainable cocoa development in the Nawa Region (South-West): will support the newly established Coffee and Cocoa Council (CCC) to implement the Coffee/Cocoa Public-Private Partnership Platform (PPPP)

- Component 2: Support to smallholder rubber and oil palm extension in South-East Cote d’Ivoire: will support the rubber and oil palm inter-professions (APROMAC and AIPH) for extension of village plantations through technical and commercial linkages with the agro-industries.

- Component 3: Revamping of the cotton sector and Promotion of Cashew processing in Central and Northern Cote d’Ivoire: will focus on strengthening institutional capacity of the cotton inter-profession (INERCOTON) to develop funding mechanisms for access to technologies and more effective extension services, supporting GoCI through the cashew regulatory body (ARECA) and nascent inter-profession (INTERCAJOU) and establishing a feeder roads rehabilitation and maintenance program and funding mechanism in the area involving both the cashew and the cotton inter-professions

- Component 4: Project coordination and Support to the coordination of the National Agricultural Investment Plan (PNIA): will cover costs associated with the staffing, equipment and functioning of the PCU and contribute to the coordination and supervision of overall PNIA for the first two fiscal years.

IV. Safeguard Policies that might apply

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VI. Contact point

World Bank

Contact: El Hadj Adama Toure
Title: Senior Agriculture Economist
Tel: 5331+3478
Email: etoure@worldbank.org

Borrower/Client/Recipient
Name: Ministry of Agriculture
Contact:
Title:
Tel:
Email:

Implementing Agencies
Name: Ministry of Agriculture
Contact: Nouhoun Coulibaly
Title: Directeur General- DPPS
Tel: 22520218526
Email: couln@yahoo.com

VII. 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