PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE

September 19, 2016
Report No.: 110972

Operation Name	Fiscal management, education and energy reforms Development Policy Financing (DPF)
Region	AFRICA
Country	Côte d'Ivoire
Sector	Central government administration (40%); Public administration-Industry and trade (15%); Education (10%); General energy sector (20%); Private sector (15%)
Operation ID	P158463
Lending Instrument	Development Policy Lending
Borrower(s)	Republic of Côte d'Ivoire
Implementing Agency	
Date PID Prepared	September 19 2016
Estimated Date of Appraisal	
Estimated Date of Board Approval	December 9, 2016
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

1. There has been a robust recovery of Côte d'Ivoire's economy in the wake of its 2010 post-elections crisis, with the average real growth rate reaching 8.5 percent annually between 2012 and 2015. This has been one of the highest rates in Sub-Saharan Africa (SSA). Economic growth has been driven by agriculture, services and industry, and supported by increased domestic demand and rising investment. Main drivers of economic were a combination of catch up effects (after a decade of political crisis), favorable external environment (rising terms of trade and good rainfalls), and solid fiscal as well as monetary policies. Indeed, after the 2010 post-elections crisis the country embarked on a reform program which aimed at generating robust, broad-based and sustainable economic growth facilitated by an active engagement of the donor community. Despite a slowdown in agricultural production in 2016, the strong economic growth rate reported in previous years should be sustained in 2016 and 2017, as real GDP growth is projected to reach 7.8 percent and 8.0 respectively. The Government has also taken steps toward political reconciliation and reduce social tensions.

2. While economic growth has been rapid, poverty remains high, with approximately 46 percent of poor at the end of 2015. The poverty incidence in Côte d'Ivoire slightly diminished from 48.9 percent1 in 2008 to 46.3 percent in 2015 as a result of the recent rebound of economic growth. Indeed, poverty declined by 5 percent compared to the highest peak of 2011 during the post-election crisis. However, this 5 percent decline is low when compared to the impressive annual growth outcome of 8.5 percent.

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[1] The overall poverty rate is based on the national poverty line of FCFA 615 per day at 2008 prices, while the extreme poverty rate is based on US$1.25 per day in purchasing power parity terms. The national poverty line refers to the cost of the basic food and non-food requirements and is viewed as the minimum income required to meet the food requirements and other non-food basic needs.

The findings of the 2015 Living Standards Monitoring Survey (LSMS – Enquête sur les Conditions de Vie 2015 'ENV2015') suggest that the recent decline may indicate a reversal of the long-term trend, as both moderate and extreme poverty rates have now fallen below their 2008 levels. Poverty continues to be overwhelmingly concentrated in rural areas, which are home to 70 percent of poor households, but recent increases in both farm-gate prices for cocoa and cashew and minimum wages in the public sector have reduced monetary poverty. Despite this improvement, inequality and poverty in Côte d'Ivoire remain critical issues.

Both external and internal risks have also risen in recent times. On the external front, the country remains exposed to volatile commodity prices and the slowdown in trading partners. Higher borrowing costs on international financial markets is also a source of concern. While encouraging progress has been made in restoring peace and stability, recent terrorist attacks, in March 2016, at a beach resort in Grand Bassam, near Abidjan could jeopardize this progress. Also, many of the root causes of the country's recent conflicts have yet to be fully addressed, including important issues involving the security of land tenure and high levels of unemployment2 especially among the country's youth. Domestically, fiscal space have narrowed, with the fiscal deficit expected to reach about 4 percent of GDP in 2016 (up from 2 percent in 2013) and rising non-concessional public debt. Fiscal risks remain in the energy sector (fragile financial conditions of State owned enterprises - SOEs) and the extensive recourse to PPPs in the government's investment strategy.

The proposed DPO series aims at supporting the Government in its effort to implement the NDP. The main focus is on fiscal management, which will be critical for the authorities to implement their ambitious plans in infrastructure and social sectors and to maintain fiscal sustainability in face of growing internal and external risks. There is a need to manage the government's current fiscal deficit in order to preserve space for countercyclical policy in the case of negative shocks to the economy from slower growth in emerging markets, to contain a potential accumulation of debt in the event of fiscal risks from the electricity sector and PPPs projects occur, and avoid cuts in social spending. The proposed operation aims at supporting the Government in its effort to address these emerging challenges.

II. Proposed Objective(s)

The Program Development Objectives (PDOs) are to support the Government's ability to: (i) strengthen domestic resource mobilization and efficiency; (ii) enhance allocative efficiency of public spending in the education sector and; (iii) improve the management of fiscal risk stemming from the electricity sector and from Public and Private Partnerships (PPP). There are mutually reinforcing complementarities among the three pillars of the proposed DPO series.

III. Preliminary Description

The proposed operation will be the first in a programmatic series of two development policy operations (DPOs), which is designed to help advance the Government's priorities under the National Development Plan. It focuses on reform areas that reflect the country's current context and challenges and advance its development priorities. These include: (i) strengthening domestic resource mobilization and transparency in public resource management, (ii) enhancing allocative efficiency of public spending, in particular, in the education sector and, (iii) improving the management of fiscal risks

[2] The World Bank is helping to reinforce social stability through the Côte d'Ivoire Emergency Youth Employment and Skills Development Projects (P122546 and P151844) and Support to Côte d'Ivoire Land Tenure Technical Assistance (P148791).

stemming from public companies in the Energy sector and from Public and Private Partnership (PPP) projects.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

None of the prior actions or expected results supported by the proposed DPO series are expected to have adverse poverty or social impacts.

Prior actions related to domestic resource mobilization and public procurement are expected to have positive indirect effects on poverty by increasing the Government's fiscal space and its ability to implement socially beneficial programs. The broadening of the tax base may contribute to enhancing domestic revenue mobilization. Successful implementation of actions related to the public procurement system will lead to efficiency gains in revenue spent which may ultimately be used for poverty reduction or the improvement of social indicators.

Better alignment of budgets allocated to schools to results achieved in annual exams is considered as an important incentive to improve quality in the education sector. The authorities of schools would be enticed to make sure that at the end of the year, the performance of their schools are good enough to deserve greater budgetary allocations. This is also good for the country as a whole as it may reduce the repetition rate which has been evaluated to be very costly to Côte d'Ivoire (about CFAF 50 billion or 0.27 percent of GDP per year).

Prior action on the assignment criteria of pupils to public and private schools should have a direct effect on the poor. The revision of the assignment criteria intends to make sure that pupils from poor households are maintained in public schools instead of paying additional costs required for their effective transfer to private establishments. This may lift a whole load of burden on poor households. For example, it has been reported that during the transfer of some pupils from public to private schools, parents are sometimes compelled to complete the school fees.

Reducing fiscal risk from the electricity sector could have significant positive poverty and social effects over the medium to long term. Indeed, the proposed reforms would benefit the businesses and households who would be able to improve their access to energy. Consumers will benefit from better quality and more reliable electricity supply, enabling productive uses of electricity for both women and men to improve the quality of their lives.

Prior actions #6 and #7 aim at mitigating contingent liabilities from the large recourse to PPPs foreseen in the NDP by improving transparency in related contracts and by conducting robust fiscal risk analysis of these projects. Reducing the downside risks associated with these PPPs, over the medium term, could lead to improvements in resources allocations and increase the Government's financial capacity for delivering better public services to the poor.

The proposed DPO series is also expected to have a positive impact on gender equality. In Côte d'Ivoire, some gender issues are partially driven by an insufficient allocation of resources to key services. Reforms which promote an enhanced public finance management will contribute to correct gender disparities through a better resource allocation in basic and secondary education in order to facilitate girls' and women's access to social services.

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 are not expected to have any environmental impact. The government has established strict guidelines for PPPs to ensure that all planned projects comply with environmental regulations. All bidders submitting technical or financial proposals, are also obliged to prepare an environmental impact assessment for review by the government's environmental protection agency.

V. Tentative financing

Source:		($m.)
BORROWER/RECIPIENT		0
International Development Association (IDA)		75
Borrower/Recipient		
IBRD		
Others (specify)		
	Total	75

VI. Contact point

World Bank:
Contact: Samba Ba
Title: Senior Economist
Tel: +1 202 473 7561 / 5220+37561
Email: sba3@worldbank.org
Location: Washington, DC (IBRD)

Borrower
Contact: Mr. Daniel Kablan Duncan
Title: Prime Minister, Minister of Economy, Finance and Budget
Tel: +225 20 31 50 08
Email: ahouatheophile@yahoo.fr

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
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop