Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 15-Apr-2022| Report No: PIDC33298

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Cote d'Ivoire	P178064	Cote d'Ivoire First Investment for Growth DPO (P178064)	
Region	**Estimated Board Date**	**Practice Area (Lead)**	**Financing Instrument**
Western and Central Africa	Nov 29, 2022	Macroeconomics, Trade and Investment	Development Policy Financing
Borrower(s)	**Implementing Agency**		
Republic of Cote d'Ivoire	Ministry of Economy and Finance		

Proposed Development Objective(s)

The Program Development Objective (PDO) of the proposed operation is : (1) strengthening fundamentals for private and public investment; (2) improving the quality of investment in human capital; and (3) promoting investment for resilience in face of climate change

Financing (in US$, Millions)

SUMMARY

Total Financing	200.00

DETAILS

Total World Bank Group Financing	200.00
World Bank Lending	200.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1.1 **The First Investment for Growth Development Policy Financing supports reforms to strengthen private and public investment, human capital accumulation and environmental sustainability for growth**. The operation is the first in a programmatic series of three (2022-25), in close alignment with the National Development Plan 2021-25 (PND) adopted in December 2021. It is thus supporting Côte d'Ivoire (CIV)'s medium term inclusive growth objective of becoming an upper middle-income economy by 2030, which entails doubling GDP per capita and halving poverty to 20 percent from

39.5 percent in 2018.[1]

1.2 **To sustain high economic growth, Côte d'Ivoire needs to address key constraints to efficient structural transformation and human capital accumulation.** One of the fastest-growing economies in sub-Saharan Africa (SSA) for almost a decade - with real Gross Domestic Product (GDP) growth averaging 8.2 percent annually over 2012–19 (5.7 percent in per capita terms) -, CIV exits the global COVID-19 crisis facing a renewed imperative: addressing structural bottlenecks to enable efficient allocation of resources and sustain inclusive growth. Total factor productivity (TFP) has remained flat since 2017, and economic complexity has stalled, below the level expected for its income level.[2] Low quality of service delivery and spatial disparities prevent human capital accumulation and weaken the social contract.[3] The informal sector, although shrinking, still accounts for up to 40 percent of GDP, posing challenges for domestic revenue mobilization and further productivity gains.

1.3 **Total investment contributions to growth need to increasingly drive economic development and job creation.** Sustainable physical and human capital accumulation remain central in the short to medium term as Côte d'Ivoire converges towards higher income levels. Complementary policies that enhance the use of these production factors, and thus increase productivity, will be needed to sustain high and inclusive growth. Gross investment has significantly increased since 2012, but it remains below the averages for SSA, lower middle-income economies and levels needed to sustain high growth into the longer run.[4] In particular, Côte d'Ivoire stands out for its relatively low private investment rate. Limited competition in key sectors, including transport and telecoms, continues to create an uneven playing field and constrain private sector growth. In a post-COVID-19 context with limited fiscal space and rising debt levels, sustaining rapid growth requires to accelerate the transition towards a private sector led-growth model while ensuring public sector capacity for public service delivery and productive capital spending.

1.4 **Investing into quality human capital will be crucial for empowering a young and rapidly growing population to fill productive jobs.** Côte d'Ivoire's human capital is insufficient for its per capita GDP level. It is estimated that the next generation will be less than 40 percent as productive as they would have been if they had enjoyed full health and education (Human Capital Index, HCI 2020). While levels are improving for the younger generations, many children still lack proficiency in basic skills. Côte d'Ivoire has consistently been in the bottom quartile of the Human Development Index. It ranked 162 out of 189 countries on the HDI index in 2019 compared to 167 out of 187 countries in 2010. Increasing the quality of Côte d'Ivoire's Human Capital is especially important given a young and rapidly growing population is pressing towards the L-market. According to the National Institute of Statistics (Institut National de Statistique, INS), the annual population growth rate in 2020 was estimated at 2.5 percent, one of the highest in the world. Strengthening the basic education system, as well as higher and professional education - Technical, Vocational Education and Training (TVET) - and access to healthcare remain at the core of the human capital agenda.

1.5 **Investment into sustainability of natural resource utilization and economic resilience in face of climate change will be at the center of long-term economic growth and wealth accumulation.** Sustained economic growth requires building and managing a broad portfolio of assets: physical, human, and natural capital (renewable and non-renewable). Lower income economies often rely more heavily on depleting natural capital for total wealth creation as human and

[1] Over the last decade, GDP per capita has doubled, to reach US$ 2,313 in 2020, and poverty as measured by the national poverty line has declined sharply, from 55.4 percent in 2011 to 39.5 percent in 2018.
[2] World Bank 2022, Côte d'Ivoire Country Economic Memorandum.
[3] Systematic Country Diagnostic Update (forthcoming), World Bank.
[4] Once past the initial stages of structural transformation, returns to investment are diminishing and larger volumes of capital are needed to further develop the urban-industrial-services economy. In this context, to sustain growth, CIV will need to bring gross domestic investment at a permanently higher level. Based on the experience of advanced economies, the Commission on Growth and Development suggests that "total investment rates of 25 percent of GDP or more are required for strong and sustainable growth". Notable examples of countries that could achieve sustained high investment led growth (with investment above 30 percent of GDP) are Korea (1970s and 80s), Japan (1960s), and China (1990s). Absent these high and rising rates of investment, no country has been able to grow at high single digit or double-digit rates for a sustained period.

physical capital remains relatively unproductive.[5] [6] However, degrading the value of renewable natural capital has been associated with lower or declining total wealth per capita. In the period 1995-2018, CIV's growth has almost entirely come through capital accumulation and the extensive use of natural capital, rather than through sustained productivity growth. Declining renewable capital has been the main cause of stagnant wealth per capita (as in Nigeria, Burkina Faso, and Benin). Agriculture is the sector most directly associated with the depletion of natural capital through aggressive deforestation for cacao production. Supporting sustainable production of this export crop has become more important as importing partners, notably the EU, have put in place norms and standards for imports. Increasing resilience to climate change shocks would further support long-term economic growth

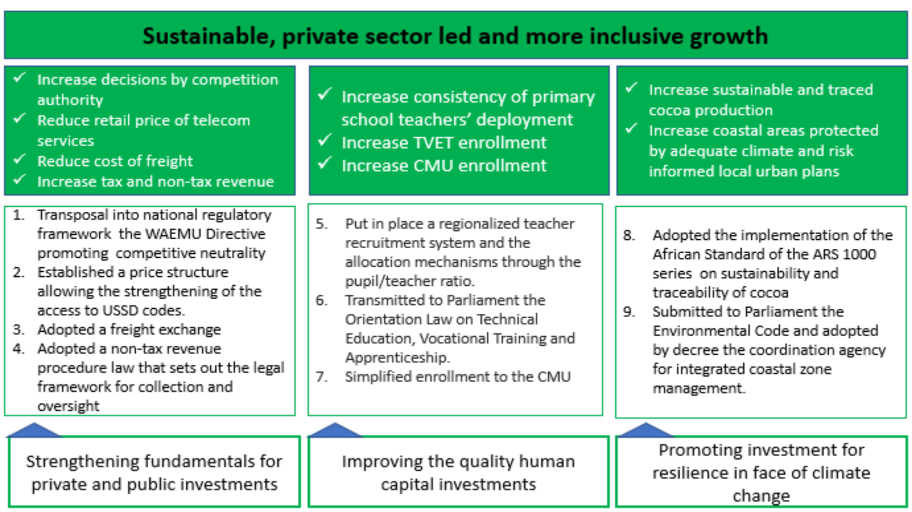
Relationship to CPF

1.6 **These areas are aligned with the pathways identified in the SCD update and the CPF under preparation.** The SCD update[7] identified three main development pathways: (1) improving agricultural productivity and rural incomes; (2) Job creation through private sector-led growth; (3) Human capital Development through improved service delivery and better social spending. Building on these, the CPF under finalization is now focusing on three High-Level Outcomes (HLO): (1) Strengthen public service delivery for improved human capital; (2) Promote inclusive, green, and resilient infrastructure and natural capital; (3) Promote job creation through private sector-led growth.

C. Proposed Development Objective(s)

The Program Development Objective (PDO) of the proposed operation is : (1) strengthening fundamentals for private and public investment; (2) improving the quality of investment in human capital; and (3) promoting investment for resilience in face of climate change

Key Results



[5] World Bank. 2021. The Changing Wealth of Nations 2021: Managing Assets for the Future.
[6] Nonetheless, the per capita level of natural capital could increase. Ghana's share of human capital in total wealth has increased, while its natural capital share has decreased. However, its natural capital per capita rose from US$6,000 to a peak of US$9,000 during the 2004–14 commodity boom and dropped again to US$6,000 in 2018.
[7] Report number (to be updated).

D. Concept Description

1. To strengthen fundamentals for investment, key reforms will improve the economy wide and sectoral competition policy and regulatory framework, notably in network sectors such as transport and telecom as vital inputs across the economy and for consumers. At the same time, to structurally and sustainably create fiscal space needed for public investment, to ensure debt sustainability and to maximize crowding in of private investment, reforms will focus on mobilization of tax and non-tax revenues.
2. To enable and improve human capital accumulation and create the necessary labor supply for investment driven growth, reforms aim at strengthening the quality of basic education across regions, alleviating skills mismatch in labor markets through more effective professional skills systems, and promoting a more robust, sustainable, and inclusive health insurance to ensure equitable access to healthcare.
3. To maintain and improve investment in key sectors in face of sustainability and climate change challenges, reforms are focusing on supporting traceable, sustainable cocoa production assuring continued market access of exports (EU) and ensuring rural livelihoods, as well as a robust environmental regulatory framework economy wide and with a special attention to climate vulnerable coastal areas.

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

1.7 Reforms under Pillar 1 will induce competition and empower key private sector markets, with positive albeit indirect welfare impacts through fostering well-functioning competitive markets. The distributional impact of a strong competition institutional framework would be favorable and complementing direct positive effects in terms of aggregate economic growth or firm creation, since competitive markets also have indirect effects in welfare aggregates, shared prosperity, and poverty reduction. Reduced costs of freight and telecommunication services should also have a positive incidence on welfare. Reforms under Pillar 2 are expected to improve human capital by improving the quality of basic education, strengthening vocational training, and inducing effective health coverage across Côte d'Ivoire. Reforms under Pillar 3 are expected to improve the sustainability of investments, by strengthening the resilience and adaptation capacity to climate change of key sectors of the economy, such as cocoa, through established legal frameworks.

Environmental, Forests, and Other Natural Resource Aspects

1.8 Côte d'Ivoire is among the most vulnerable countries in face of climate change, including rising temperatures, rainfall variation and volatility, flooding and the rise of sea levels. The 2018 Economic Update report recommended the country should consider its natural capital more explicitly in growth strategies, develop analytical frameworks to evaluate the impact of climate change and reorient strategic policy choices, including safeguards and measures to protect the poorest and most vulnerable populations. Although most actions will have positive environmental and social effects, two measures supported by the proposed DPF may potentially be associated with potential significant adverse effects on the country's environment or other natural resources as well as some targeted communities (*Prior Action 7* and *Prior Action 8*). In response, the Government has prepared a national Medical Waste Management Plan (2020-2025) supported by the IDA-funded SPARK Health Project (P167959) and currently under implementation. Any activity related to the production of sustainable cocoa beans that meet the appropriate production, traceability, and certification requirements that could have adverse impacts on the environment or communities will be assessed and mitigated through the Environmental and Social Management Plans (ESMP) and appropriate Resettlement Action Plan (RAP) based on national legislation, good international industry practice, and eventually support from the World Bank project (P168499).

CONTACT POINT

World Bank

Markus Kitzmuller, Andrea Coppola, Nathalie Picarelli
Lead Economist

Borrower/Client/Recipient

Republic of Cote d'Ivoire

Implementing Agencies

Ministry of Economy and Finance
Fanta Minafou Coulibaly
Director of Cabinet of the Ministry of Economy and Finance
minafoufanta@gmail.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

Task Team Leader(s):	Markus Kitzmuller, Andrea Coppola, Nathalie Picarelli

Approved By

Country Director:	Coralie Gevers	05-May-2022