



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 29-Mar-2021 | Report No: PIDA30003

**BASIC INFORMATION****A. Basic Project Data**

Country Cote d'Ivoire	Project ID P172425	Project Name Competitive Value Chains for Jobs and Economic Transformation	Parent Project ID (if any)
Region AFRICA WEST	Estimated Appraisal Date 26-Mar-2021	Estimated Board Date 25-May-2021	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Economy and Finance	Implementing Agency Prime Minister's Office	

## Proposed Development Objective(s)

The PDO is to improve the competitiveness of supported value chains, increase access to finance for underserved farmers and firms and, in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

## Components

- Component 1: Improving Competitiveness of Supported Value Chains
- Component 2: Improving access to finance for value chains
- Component 3: Policy Reforms and Institutional Reinforcement
- Component 4: Project Management and Coordination
- Component 5: Contingent Emergency Response Component (CERC)

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	200.00
<b>Total Financing</b>	200.00
<b>of which IBRD/IDA</b>	200.00
<b>Financing Gap</b>	0.00

**DETAILS****World Bank Group Financing**



International Development Association (IDA)	200.00
IDA Credit	200.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

## B. Introduction and Context

### Country Context

- Côte d'Ivoire's growth has been impressive over the past decade, although the outlook has been weakened by COVID-19.** Between 2012 and 2019, real gross domestic product (GDP) growth averaged 8.2 percent per year (5.7 percent in per capita terms), driven by an expansion of services and industry on the supply side and private consumption and public investments on the demand side. Growth has been concentrated in capital-intensive sectors, namely construction, transportation, and telecommunications. This growth contributed to significant poverty reduction from 44.4 percent of the population in 2015 to 39.4 percent in 2018, particularly in urban areas. With the COVID-19 pandemic, economic growth is projected to slow to 1.8 percent in 2020 and to recover its growth trajectory in 2021, though at a slower pace due to the global recession.
- Côte d'Ivoire faces challenges to create opportunities for better quality, more inclusive and more productive jobs.** The high concentration of employment in low-productivity occupations in agricultural and non-agricultural self-employment (47.5 percent and 29.7 percent of the labor force respectively) poses a challenge for structural transformation. Like other Sub-Saharan African countries, Côte d'Ivoire is undergoing rapid demographic changes. A significant youth bulge and rural-urban migration add pressure to increase the quality and productivity of employment, especially outside of the capital. The employment challenge is worse for women, who consistently fall below their male counterparts in terms of labor force participation, wages and managerial positions.
- Côte d'Ivoire is integrated into the global economy primarily through the export of raw commodities.** Total goods exports from Côte d'Ivoire have more than doubled in recent years, rising from under US\$8 billion in 2008 to more than US\$17 billion in 2017 before declining in 2018. The top six export items – representing over 80 percent of exports - are cocoa beans, petroleum products, cashew nuts, rubber, gold and cotton. A high concentration of commodities in the export basket makes it vulnerable to climate risks and volatility in commodity prices. Export diversification is relatively limited when compared to other middle-income countries. Diversification and increased value addition are essential to achieve structural transformation. Global value chain participation is important for export and output diversification, productivity gains, and the reallocation of labor to better jobs. Fostering further integration into regional and global value chains (GVCs) will require Ivorian firms to increase



their exports, which includes, inter alia, improving compliance with ever more stringent criteria and standards required to compete in international markets.

4. **The agriculture sector contributes significantly to employment and the share of exports, but suffers from low productivity, low value added and a lack of diversification.** While agriculture employs 50.4 percent of the population and accounts for 22 percent of GDP, the sector is dominated by smallholders and informal employment. The cocoa sector alone represented approximately 14 percent of GDP in 2018. The agriculture sector grew by only 1.9 percent between 2012 and 2019. This is below services, which grew on average at 4.1 percent between 2012 and 2019; and industry, which grew at 2.6 percent between 2012 and 2019.

5. **The manufacturing sector could contribute more to jobs and growth in Côte d'Ivoire but requires support to expand exports.** The manufacturing sector creates forwards and backwards linkages to the global economy, could accelerate technology transfer and generate employment. However, the sector remains under its full potential, with manufacturing share of GDP averaging 20 percent between 2015 and 2018. The share of manufacturing exports in total merchandise averaged 14 percent, which is 3.5 times lower than the average for lower-middle income countries. Although Côte d'Ivoire has the largest manufacturing sector relative to its GDP in West Africa, this is concentrated in low technology industries.

6. **The Competitive Value Chains for Jobs and Economic Transformation (CVJET) Project will support the IDA19 Special Theme of Jobs and Economic Transformation (JET),** notably by: increasing productivity through diversification (access to markets; business environment), international integration (value chains, trade facilitation), and upgrading (capital deepening and technology adoption). The project also builds on the Country Private Sector Diagnostic (CPSD) for Côte d'Ivoire (2020) which identifies both gaps and opportunities for private sector growth. The CPSD highlights 5 key gaps and reforms areas which need to be filled to enable private sector led growth. These gaps are found in the business environment, finance, transport and logistics, digital connectivity and skills. The CPSD also identifies sectors for diversification and value addition.

7. **While the COVID-19 crisis has introduced uncertainty and disrupted the usual drivers of productivity due to risks of protectionism, disrupted value chains and lower demand for some goods and services, it also offers opportunities to build a more resilient economy.** On the external front, the global crisis has reduced external demand for Ivorian exports and is negatively affecting remittances and tourism. Disruptions to global supply chains have also delayed FDI inflows. In this context, the CVJET project will support recovery and structural change over the medium to long term by focusing on diversification of value chains, reforms to support an attractive business environment, and facilitating access to finance for private sector firms.

## B. Sectoral and Institutional Context

8. **Côte d'Ivoire's structural transformation is still in a nascent stage.** While labor has been moving out of agriculture, the share of employment and self-employment in informal services has increased and there have been only limited changes in the country's structure of output. In order to make the most of structural transformation, it should bring about reallocation from low to high productivity sectors, but also reallocation from low to high productivity activities within sectors, i.e. quality upgrading and innovation. The CPSD for Côte d'Ivoire found that the country's comparative advantage lies in agriculture, agro-processing and manufacturing. With significant natural endowments such as arable land, water and other factors such as relatively good logistics and proximity to the European market, Côte d'Ivoire has several advantages to compete with other countries in these sectors.

9. **The country's trade profile suggests that its export basket is neither diversified nor complex, but there are opportunities for upgrading.** No country has sustained growth and significant poverty reduction without



integrating into the global economy. Côte d'Ivoire is integrated into the global trading system, but mainly through exports of an increasingly limited basket of commodities: Côte d'Ivoire ranks 110<sup>th</sup> out of 133 countries on the Economic Complexity Index (ECI), placing it in the bottom quartile.

10. **Accelerating economic transformation by increasing productivity and competitiveness, promoting economic diversification, and stimulating private sector investment as well as supporting jobs, are at the heart of the government's development agenda.** The National Development Plan (2016-2020), the forthcoming National Development Plan (2021-2025) and the Government's Vision 2030 10-year strategic plan focus on accelerating structural transformation of the economy through industrialization, diversification, and increased value addition in agricultural value chains. The Vision 2030 Strategic Plan is comprised of 37 priority projects, including projects related to increasing exports, investments, job creation and improving the investment climate.

11. **The Government is implementing reforms to sustain high growth rates while making the economy more sustainable and inclusive.** To sustain private sector-led growth, the authorities have been steadily improving the business environment (Doing Business ranking improved from 139 in 2017 to 110 in 2019). Maximizing benefits of these reforms and investments, however, necessitates further improvements in access to finance for farmers and SMEs, enhancing competition to ensure a level playing field for businesses, and upgrading skills through quality training and education. Reforms and public investments have been Abidjan-centric to date and improvements are still needed in regard to access to land, the fiscal regime, intellectual property, and governance.

12. **Though private investment experienced an uptick in 2018, it remains below the regional average, averaging 12 percent of GDP from 2015-2018, compared to the Sub-Saharan Africa (SSA) average of 15.8 percent.** Foreign Direct Investment (FDI) also remains below the SSA average, at 1.6 percent of GDP, with more than 80 percent in the telecommunications sector. While trade facilitation has improved in recent years, the overall cost of trade remains high. The country ranks 163/190 in the Ease of Trading Across Borders indicator (2020). This indicator notes an average time period of 239 hours for export border compliance in Côte d'Ivoire relative to the SSA average of 97 hours, and 108 hours in neighboring Ghana. Intra-regional trade costs are slightly higher than extra-regional ones suggesting lower competitiveness of border crossings and road-related transport and logistics.

13. **Improving quality standards and logistics services are essential parts of sectoral transformation, especially for perishable agricultural products.** The 'first mile', the time and handling between harvest and cooling, is important in the quality preservation of most horticultural products. However, in Côte d'Ivoire, the infrastructure to cool and pack at a short distance from the production area and the ability to handle the produce within a limited time after harvest, is often absent. Côte d'Ivoire has a small temperature-controlled logistics (TCL) market. These companies have temperature-controlled transportation (long- and short-haul), cold storage/controlled atmospheric storage, value-added services and integrated end-to-end TCL to varying degrees.

14. **Women face higher barriers to entrepreneurial activities and job opportunities in Côte d'Ivoire.** Despite policy and legislative efforts to improve the situation, women are paid on average half of what their male counterparts are paid and spend 3-4 more hours than men per week on domestic chores, limiting the amount of time they can dedicate to business activities and leading to a higher share of women in self-employment. In particular, the care of young children is an enormous constraint for mothers in the conduct of their professional activities. Without a functioning public childcare service and sufficient coverage of pre-school classes, childcare options in an adequate and stimulating environment for the child are limited. Many women stop work to care for their children or reduce the number of hours they spend at work to accommodate their childcare options. There



is also a persistent gap in education and skills levels between men and women, particularly at the secondary level and beyond. A female Ivorian adolescent is two times less likely to finish secondary education than a male.

15. **Before the COVID-19 crisis, access to finance was a major constraint for Ivorian firms hindering overall economic transformation.** Côte d'Ivoire ranked 110 (out of 190 countries) in the 2020 Doing Business (DB) report ("Getting Credit" ranks 48 in 2020 compared to 70 in 2019). The percentage of firms identifying access to finance as a major constraint is noticeably higher in Côte d'Ivoire than in peer countries. According to the most recent World Bank Group Enterprise Survey (2016), access to finance was one of the most problematic factors for doing business in Côte d'Ivoire. Credit constraints are particularly acute for micro-enterprises, women entrepreneurs and farmers. Lacking access to formal credit, many high-potential Ivorian MSMEs cannot grow sufficiently to develop economies of scale and create employment opportunities. On the supply side, only 24 percent of bank lending goes to SMEs, compared to 35 percent in Morocco and 30 percent in Vietnam (2016). When bank financing is available for SMEs, it is usually small, covering only about 16 percent of the total investment. Interest rates for large companies in contrast fell to 7-7.5 percent in 2015 and 2016 due to increased competition. However, SME interest rates remained high at approximately 15 percent, with guarantee requirements up to 120 percent of the loan value. According to the IFC-led G20 Experts Group on SME Finance, the MSME financing gap is relatively wide, estimated at US\$2.4 billion in 2017 compared to US\$915 million in Senegal, US\$ 3.6 billion in Morocco, and US\$ 4.9 billion in Ghana.

16. **While microcredit is playing a growing role in bringing credit to remote rural locations, it needs government support to remain viable.** The Ivorian microfinance sector is comprised of 45 institutions: 3 credit unions, 25 financial cooperatives and 17 private commercial companies operating as microfinance institutions (MFIs) accounting for approximately 2 percent of financial sector assets. Microfinance activities have continued to grow from a low base at a rapid pace in line with the rest of the financial sector. The microfinance sector faces several challenges including: (i) high concentration around one cooperative (which accounts for 25 percent of the total microfinance sector loan portfolio) which has a large number of members (more than 50 percent of the microfinance clientele) and an extensive network across the country; (ii) low and uneven profitability of the sector; (iii) MFIs face liquidity constraints and are thus limited in their ability to take risks and expand their branch network into rural area; (iv) oversight of the sector is constrained by the lack of capacity and resources.

17. **Digital financial services and digital financial infrastructure, that have the potential to unlock SME access to finance, are lagging.** While Côte d'Ivoire has made noticeable progress in financial inclusion through mobile money accounts, it lags behind high performing peers such as Kenya, Uganda and Ghana. Moreover, almost 50 percent of all mobile money accounts in Côte d'Ivoire are inactive (vs 42 percent in SSA). The increased proliferation of mobile bank accounts has not translated into use of formal savings, credit and insurance products. The lack of a solid digital financial infrastructure also hampers the digitization of the agricultural value chains, preventing smallholders from building a credit history that could improve their access to the financial sector or innovative digital insurance products. The digital transformation of traditional microfinance could also unlock access to finance for individuals and enterprises who would benefit from significantly lower transaction costs by eliminating or reducing travel time and expenses, while making payments safer, notably for farmers in the supported value chains in rural areas.

18. **Underdeveloped capital markets activity limits access to finance Ivorian firms, especially for startups and young enterprises.** Banks dominate the financial system. While the Ivorian entrepreneurship ecosystem is nascent, it has significantly grown in the past few years since the Government of Côte d'Ivoire's has undertaken policy measures and initiatives to support start-ups and young SMEs. Private sector players in the ecosystem



include 1 business angel network, 1 hybrid start-ups studio/business angel and 16 incubators and accelerators. Only one small venture capital fund currently operates in the country with tickets below US\$ 1 million. By contrast, there are about 22 pan-African regional private equity funds operating in Côte d'Ivoire and in the UEMOA zone. These private equity funds are generalist funds investing large tickets (from US\$1 to 10 million) in established medium-sized enterprises with strong growth potential in a broad array of sectors including consumer goods, financial services, agro-processing, manufacturing and tourism. Also, there is no long-term investment vehicle aiming at crowding-in patient private capital in large enterprises engaged in green investments<sup>1</sup>, in priority sectors for the development of the economy.

19. **The pipeline of investible projects by startups and young SMEs is weak.** This is largely due to the fragmentation of the entrepreneurship ecosystem that is relatively young, with a limited link with the research and innovation ecosystem - a potential pipeline for innovative startups and SMEs, and few public and private programs limited in number and reach. The main constraint is the poor funding for incubators and accelerators, that are heavily dependent on programs run by international organizations, which constrain them to dedicate substantial resources to fund raising, limiting their activity in their core business.

20. **The COVID-19 crisis has further reinforced the risk aversion of banks, which has led them to reduce their private sector lending activity to favor lending to government, further exacerbating the lack of access to finance for Ivorian enterprises (start-ups, SMEs and large corporates), especially for long-term financing.** The crisis has also highlighted the need and role for market-based public interventions to crowd-in private capital in Ivorian enterprises to advance the development of priority sectors to economic transformation. Based on global experience, a well-designed public facility with private management and governance would enhance the access of startups and young SMEs, in particular women-led, to seed, early-stage and venture capital finance, thus overcoming banks' reluctance to lend to these enterprises due to their high risk profile and lack of collateral.

21. **In light of the country and sectoral contexts, the CVJET Project will support the Government of Côte d'Ivoire to accelerate economic transformation by improving the competitiveness of supported value chains that would create more and better jobs and to increase access to finance for underserved farmers and firms.** The Project would increase the competitiveness of supported export-oriented agricultural and manufacturing value chains through initiatives to provide necessary common services and productive assets; it will support the expansion of digital financial services, especially in more rural areas, in order to support farmers and unlock the potential of SMEs in supported value chains and improve access to long-term finance for private sector firms; and finally, it will support reforms to improve the business environment as well as sector-specific reforms for the supported value chains.

### C. Relevance to Higher Level Objectives

22. **The Project aligns with the World Bank's Africa Regional Strategy, which specifically lays out economic transformation as a mechanism for creating sustainable and inclusive growth in the region.** In light of COVID19, the Project also aligns with the Africa Region "Framework for Operational Response to the COVID19 Pandemic and Global Crisis, in particular the pillar "Protecting the Future" and its focus on investing in recovery and faster growth. At the country level, the Project is aligned with the Country Partnership Framework (CPF) FY16-FY19 (extended to FY20). The three areas of focus in the CPF are: (1) accelerating sustainable private sector-led growth;

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<sup>1</sup> A green investment is an investment aimed at maximizing the long-term economic return subject to a minimum financial return and maximizing climate co-benefits that are assigned to an activity that promotes efforts towards the reduction, limitation or sequestration of greenhouse gas (GHG) emissions as well as environmental protection, pollution prevention and control, waste management, and biodiversity conservation as defined by the World Bank.



(2) building human capital for economic development and social cohesion; (3) strengthening public financial management and accountability. The Performance and Learning Review of the CPF (2018) found that the WBG had not obtained enough results for Focus Area 1: Accelerating Sustainable Private Sector-Led Growth. As such, this Project is able to support this focus area by supporting private sector and financial sector development. The PLR proposed further emphasis addressing inclusion and limited economic opportunities, particularly gender, productive jobs and governance, which remain the primary outstanding issues in the World Bank Group program. The CVJET project would respond also to these areas identified in the PLR, in particular productive jobs and economic opportunities.

23. **Adherence to Scale-Up Window (SUW) criteria.** The project meets the criteria for eligibility for funding under the SUW. SUW financing has been mobilized for the project in view of its strong transformative development impact in terms of improving value chains' competitiveness, promoting increased private sector investment, increasing access to finance and fostering an enabling environment. Project interventions are expected to have strong returns on investment while also contributing to more and better jobs, poverty reduction and private sector-led growth. SUW financing will be consistent with the recommendations of the joint WB/IMF Debt Sustainability Assessment (DSA) under the Low-Income Country (LIC) Debt Sustainability Framework, which confirmed that Cote d'Ivoire remains at medium debt-carrying capacity.

24. **The project will help mitigate the effects of climate change.** The project will contribute to the corporate target for Climate Co-Benefits, primarily through the green investment window of the Long-Term Investment Facility (LTIF) under Component 2.2, which will finance firms (startups, young SMEs and large enterprises engaged in green investments), including climate mitigation investment projects, in accordance with the World Bank Climate Co-Benefit Guidance (World Bank 2017b).

25. **The project will contribute to reducing gender gaps that are hampering female productivity and entrepreneurship** by supporting: (i) the provision of childcare services, including mobile childcare services, in order to alleviate time constraints of women to increase their labor force participation, and (ii) personal initiative training, which focuses on developing non-cognitive skills and successful entrepreneurial behavior and has been demonstrated to be an effective psychology-based training for entrepreneurs, particularly women.

### C. Proposed Development Objective(s)

The PDO is to improve the competitiveness of supported value chains, to increase access to finance for underserved farmers and firms and, in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

#### Key Results

26. The following indicators are proposed to monitor progress towards achieving the Project Development Objectives:

#### *Competitiveness*

- Increase in average value of exports by project beneficiaries (farmers and firms) in value chains supported by the project;
- Increase in average value of gross sales (domestic and foreign) by farmers and firms in value chains supported by the project;

#### *Access to finance*





- Increase in percentage of average value of private financing mobilized for SME lending (start-ups and young SMEs) and large enterprises engaged in green investments (catalytic effects);
- Increase in number of new active accounts opened (physical and digital) at MFIs supported by the Project, including farmers and firms supported by the project.

#### D. Project Description

##### Component 1: Improving the Competitiveness of Supported Value Chains (\$83 million equivalent)

##### Sub-component 1.1 Competitive Reinforcement Initiatives

27. **This sub-component will finance Competitive Reinforcement Initiatives (CRI) for export-oriented agricultural and manufacturing clusters<sup>2</sup>.** A CRI is a highly structured process that intertwines industry analysis with sector-specific public-private dialogue (PPD) and may include capacity building when forming a team to undertake the CRIs. The Project will set up and train a team of Competitiveness Specialists to carry out the CRIs. The Competitiveness Specialists will be supervised by the PCU and mostly based in the regions. In the CRI process, the industry analysis: (i) identifies how participating private sector firms/farms can compete in more attractive markets, in particular which new skills and activities are needed to compete; (ii) is market-oriented and provides timely market intelligence which can inform investment decisions; and (iii) aims to find solutions that are the least distortive as possible. Furthermore, it identifies the potential market failures that constrain the private sector's competitiveness and evolution and corollary government reforms required to overcome them. The PPD process motivates value chain actors to be agents of change within the value chain. Building capacity of the government to undertake CRIs ensures ownership of its competitiveness agenda.

28. **The project will undertake up to ten CRIs over the life of the project, starting with mango, plastics, rubber, pineapple, and palm oil.** The project will also undertake CRIs for cocoa and cashew but will not finance investments for these two value chains as CRI recommendations will be shared with the ongoing and planned IBRD- and IDA-funded programs focused on developing the cashew and cocoa global value chains for potential investments. The identification of the initial CRIs is based on the priority sectors identified in the CPSD, the Manufacturing Sector Scan (IFC, 2018) and the government's Vision 2030 Strategy. The CPSD identified five sectors with high potential for growth - cashew, rubber, cotton, palm oil and horticulture (mango, pineapple, and banana) - based on five criteria: 1) Revealed Comparative Advantage; 2) evolution of global demand; 3) employment elasticity of the sector; 4) prospects for greater domestic value-addition, such as through diversification into related manufacturing sectors and 5) private sector track-record and interest. The Manufacturing Sector Scan identified rubber, plastics, cosmetics, iron and steel, pharmaceuticals, and textiles and apparel. This selection process also takes into account sectors identified in the Vision 2030 strategic plan, including new high value-added, export-oriented value chains (e.g. mango and pineapple). The selection of the remaining CRIs will occur no later than 12 months following effectiveness.

29. **The geographic focus of the project will be based on the location of the supported clusters.** Based on current cluster locations, the CRIs will be primarily carried out in the North, South, Southeast and Southwest of

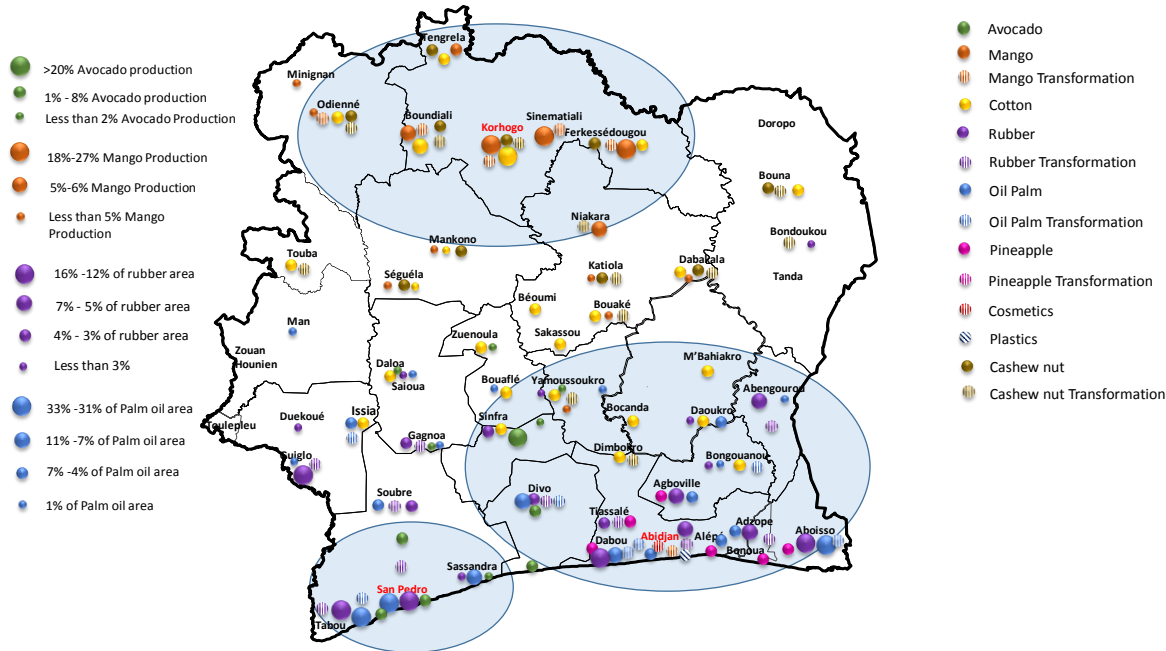
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<sup>2</sup> A "cluster" can be simply defined as a value chain in one location. A "value chain" is defined as "the full range of activities that firms and workers perform to bring a product from conception to end use and beyond". A "global value chain" is when the value chain activities are carried out on a global scale and can be undertaken by one or more firms (Gereffi and Fernandez-Stark, 2011)



the country. Exact locations will be determined during the first phase of the CRIs. The approximate location of the first five CRIs is presented in Figure 5.

Figure 5. Location of clusters and CRIs



Source: Author’s calculations.

30. **Action Plans produced at the end of the CRI process will include detailed recommendations on the policy reforms and investments needed to improve the competitiveness of the value chain.** The Action Plans will recommend the common services and common productive assets needed to fill gaps along the value chain and that are required to reach more attractive markets. This sub-component will also finance the studies needed to design the common services and productive assets.

### Sub-component 1.2: Investment mechanisms for Competitive Value Chains

31. **This sub-component will finance two investment mechanisms and digital solutions.** The investment mechanisms are: (1) Matching Grants for Common Services and (2) Provision of Common Productive Assets, with Matching Grants. In this operation, common services and common productive assets differ based on whether service providers are currently able to provide the services proposed by the CRIs, or not. The Matching Grants for Common Services are for common services where service providers already exist in the market. Mechanisms 2 is designed to provide (i.e. construct, buy) new, common productive assets for which there are no private operators capable of providing the service due to high upfront costs of setting up the assets or services. The investment mechanisms will use digital solutions (e.g. blockchain) for all supported value chains, for traceability, quality control and accounting purposes. Some value chains may require the use of both investment mechanisms.

#### 1.2.1 Investment Mechanism 1 – Matching Grants for Common Services



32. **The economic rationale of these matching grants is to support eligible beneficiaries (farmers and firms) to meet new quality standards, primarily for the EU or US markets, through common services required to compete in more attractive markets.** In particular, these Matching Grants are designed to correct coordination failures faced by farmers and firms in supported value chains by providing the common services that are currently missing (and for which service providers already exist in the market but are not providing the service to a particular area or group due to coordination failures). The Matching Grants for Common Services are an innovative instrument which would finance advance payments of eligible expenses. Examples of eligible expenses include the following types of services: Postharvest temperature-controlled or other specialized logistics service, collection points, brokerage services, packaging facilities, precision agriculture services, international shipping/export, technical assistance and training, and/or a combination of these services. A set of eligibility conditions must be met in order to activate the mechanism.

### ***1.2.2 Investment Mechanism 2 – Provision or Construction of Common Productive Assets (\$28 million equivalent)***

33. **This mechanism will finance Common Productive Assets in cases where significant physical assets are needed and there are no private operators able to provide the assets or service due to high upfront investments in infrastructure or goods.** Examples of these types of assets includes: Specialized equipment and technology related to post-harvest handling and cold chain logistics, Pilot Production and Product Testing Facilities (e.g. optimize the set-up of the machines, molds or the product before final industrialization; rapid prototyping; physical laboratory testing and specialized equipment and machinery required to meeting international standards and specialized training. This Investment Mechanism will also use a digital solution (e.g. blockchain solution) to support traceability and accounting.

34. **Pilot Production and Product Testing Facilities (PPPTF) would provide services that require specialized equipment and know-how, not available in the local market.** Amongst the possible services to be offered by the PPPTFs are prototyping and realization of pilots; tests and certification; specialized training; and, production of short series. For prototyping and piloting, the aim is to support the beneficiary firms to develop and test innovative, replicable, scalable and financially viable models of future products. Testing and certification will require equipment, technological infrastructure and laboratories to support firms in their technological development processes, test and certification of materials, devices, products and processes.

35. **Given the importance of quality upgrading for both the agri-business and manufacturing sectors for sectoral transformation, the Project will support up to three PPPTFs.** The design and governance of each PPPTF will differ according to the level of development of the supported clusters. Depending on the design of PPPTF required, the Project may finance the works to build the facilities, the procurement of equipment, and the recruitment of managers, technicians, or trainers. However, renting a location to house the PPPTF is also a viable option. Under the Project, two types of governance models of the PPPTF are possible: (1) government-owned with a concession for a private operator to manage and operate the facility; and (2) transfer to the private sector (i.e. cluster actors).

### ***Matching Grants for Common Productive Assets***

36. This MG mechanism will support eligible beneficiaries to access and use common productive assets financed under Mechanism 2. The Matching Grants for the Common Productive Assets are comprised of two windows. The beneficiaries of the MG will be eligible farmers and/or firms participating along the supported value



chains. The MG Manual will define the eligibility criteria and matching levels based on actual income and /or number of employees. Window A will allow for access and use of government-owned Common Productive Assets. Window B will allow for the transfer of Government-owned Common Productive Assets (procured through the Project) to the cluster members.

### **1.2.3 Digital solutions for supported value chains**

37. **All of the value chains supported by the project will use a digital solution (e.g. Distributed Ledger Technology (DLT), or blockchain) to track products and financial flows along the value chain.** As such, sub-component 1.2 will finance the development and hosting of such a digital platform for tracking products and financing flows in supported value chains. A blockchain platform would allow the supply chain to be digitized, by creating “smart contracts” between all the actors along the value chain and tracking the products and payments. Furthermore, the blockchain will allow the Service Provider to consolidate smaller lots into larger batches for export and to be able to trace each lot back to the producer. For example, a logistics service provider could create automatic smart contracts in a blockchain system for each shipment. A blockchain system would also bring transparency to the value chain.

38. **The digital solutions would be customized and piloted for each value chain that requires it.** The digital solution(s) would connect all parties in the value chain and be used by the service provider, the identity manager and the financial intermediaries. This activity would establish the proof of concept for supply chain financing along value chains using the product as collateral. This activity would be implemented in connection with Investment Mechanism 1 Matching Grants for Common Services, which would provide the working capital funds to be held in escrow and replenished with payment by buyers.

### **Sub-component 1.3 Support to women in value chains**

39. **In an effort to promote gender equality and reduce gender gaps along the supported value chains, the Project will support two interventions focused on increasing women’s labor force participation and promoting women’s entrepreneurship.** The objective is to improve the quantity and quality of the women’s labor in the geographical areas of the supported value chains. These interventions are: (i) the provision of childcare services, including mobile childcare services, in order to alleviate time constraints of women to increase their labor force participation, and (ii) Personal initiative training, which focuses on developing non-cognitive skills and successful entrepreneurial behavior and has been demonstrated to be an effective psychology-based training for entrepreneurs, particularly women.

### **Component 2 – Improving access to finance in value chains (\$77 million equivalent)**

40. **This component will support access to finance, including for smallholder farmers and firms (start-ups, young SMEs and large enterprises engaged in green investments) in value chains.** The activities financed under this component include: (i) expanding access to financial services (e-payments; etc.) in rural or remote areas through microfinance institutions improving their traditional business model based on physical branches that generates important transaction costs both for the institution (e.g. physical infrastructure, operating costs) and for the customer (e.g. transport costs, waiting time in the agencies); and (ii) setting-up a Long-Term Investment Facility (LTIF) with two objectives: (a) to improve the access of startups and young SMEs to seed, early-stage and venture capital finance, in particular women-led, including those in priority value chains; and (b) to improve the



access of large enterprises engaged in green investments in priority value chains to long-term equity and quasi-equity finance.

## 2.1 Promoting sustainable microfinance and digital financial infrastructure (\$7 million)

### *Subcomponent 2.1.1 Strengthening microfinance institutions as key providers of financial services for targeted beneficiaries*

41. The objective of this sub-component is to strengthen the institutional capacity of both the national supervisory authority (Direction de la Règlementation et Supervision des Systèmes Financiers Décentralisées (DRSSFD)), and some eligible MFIs' capacities, especially in regions where the project is supporting value chains. Technical assistance could include equipment, IT systems, training, etc.

### *Subcomponent 2.1.2 Strengthening digital financial infrastructure by financing a modern Digital Core Banking System (DCBS) for eligible Microfinance Institutions*

42. **The objective of this activity is to finance a key building block of the digital financial infrastructure to support eligible MFIs acquiring a DCBS allowing them to expand into underserved areas by deploying a network of agents (instead of branches), launch digital financial services and use modern reporting systems.** The project will select MFIs using obsolete or inefficient MIS but ready to or capable of making a technology leap. Selection criteria would be size of customers base, capacity building needs and location in rural or remoted areas where the project is supporting value chains. This sub-component will finance the following activities: (i) a feasibility study to assess DCBS needs; (ii) the preparation of the TOR for the procurement of modern DCBS solutions, and (iii) partially fund the acquisition of the system by the MFIs (including the training of their staff and the cost of data transfer).

## Sub-component 2.2 Setting-up a Long-Term Investment Facility (LTIF) (\$ 70 million equivalent)

43. **This sub-component will provide equity and quasi-equity financing to viable seed and early stage start-ups and young SMEs (\$15 million); and large firms engaged in green investments (notably those in supported value chains (\$55 million)).** Investments will be made based on a broad investment strategy made alongside private investors who will have the majority shares. Investments can be made directly into startups and young SMEs or indirectly through investments in funds and investment companies who will subsequently invest in the project target companies.

44. **The LTIF will be managed by the Caisse des Depots et Consignation de la Côte d'Ivoire (CDC-CI) General Manager (CDC-CI GM).** The CDC-CI is an independent public investment entity established by the Government of Cote d'Ivoire in January 2018 with the main objective to ensure the safe custody and secure management of public and private funds and to contribute to the financing of the economy through the mobilization of long-term resources. The CDC-CI leverages state funds to support economic development (and job creation), by providing support to SMEs and investments in lagging and/or underserved regions.

45. **The CDC-CI GM will report to and be part of an Advisory Committee (AC) which will have an arms-length monitoring role of this sub-component.** The AC will have overall responsibility for the oversight of the LTIF, including conflict of interest and anti-corruption measures, external auditing, and annual reporting. The AC will put in place an Investment Committee (IC). The IC will have exclusive responsibility for all investments and exit transactions. The criteria of the IC will be clearly stated in the LTIF Operation Manual and the appointment of its



members is subject to non-objection by the World Bank. To support the management of the LTIF, the CDC-CI GM will put in place a Technical Secretariat (TS) to support implementation of the project and ensure safeguards, FM and M&E are undertaken in accordance to the LTIF OM. The TS team will be hired competitively from the private sector; they will deal with the day-to-day management/follow-up of the activities, prepare the IC and AC meetings and liaise with the Funds managers and Investee companies.

### **Component 3 – Policy Reforms and Institutional Reinforcement (US\$30 million equivalent)**

46. **The objective of this component is to support the Government of Côte d’Ivoire to undertake policy reforms to promote private investment and private sector development, including reforms to improve the business environment, trade facilitation, spatial development and reforms specific to the value chains supported by the project.** This component consists of four subcomponents: (3.1) Reforms to improve the business environment, (3.2) Reforms to facilitate trade, (3.3) Reforms to improve access to industrial land and (3.4) sector-specific reforms. Eligible expenses for all activities in this component include consulting services, non-consulting services, equipment (office equipment and IT equipment), and training. Each of the subcomponents is discussed in turn below.

#### *Sub-component 3.1: Reforms to improve the business environment*

47. **The objective of this sub-component is to support important business environment reforms selected from the country’s Reform Agenda (2020-2022).** The 2020-2022 Reform Agenda, led by the Investment Promotion Agency (CEPICI) and validated by the Council of Ministers, builds on 6 years of lessons learned and includes 14 priority projects. These reforms are cross-cutting and will benefit all private firms in Côte d’Ivoire, including in the value chains supported by the project (Component 1). The Project will initially support the following four business environment improvement Projects: (a) Generalization of the unique identifier of companies in the interior of the country; (b) Rationalization and digitization of business permits and licenses; (c) Implementation of the collaborative platform for building control and removal of the requirement for proof of ownership, topographic extract visa and urban planning certificate; (d) Operationalization of the unique plot identifier and implementation of a unified geographic information system.

#### *Sub-component 3.2: Reforms to facilitate trade*

48. **This sub-component will support trade facilitation reforms** which will improve the risk management system the Government has implemented and a regulatory compliance plan at Customs as well as improving the digitalization and implementation of the SPS system at the Ministry of Agriculture and Rural Development. This component will complement the IFC Trade Facilitation West Africa (TFWA) program for Côte d’Ivoire. Ultimately the reforms supported by this sub-component will contribute to reducing the cost and time associated with trade.

#### *Sub-component 3.3: Reforms to improve access to industrial land*

49. **This sub-component will support reforms to provide clearer and more flexible access to industrial land as well as technical assistance to the Agency responsible for the Management and Development of Industrial Infrastructure (AGEDI) and the Industrial Infrastructure Development Fund (FODI), the institutions looking after industrial zones.** The sub-component will finance: (a) the implementation of an Integrated Industrial Land Management System (SIGETI) based on a common and unique database in order to better manage the industrial parks and areas under their responsibility. This database will include a Geographic Information System and will be



fed with data by AGEDI and FODI as well as the various partners; (b) Support for AGEDI and FODI’s economic and financial models; (c) Technical studies to upgrade or improve connectivity to existing zones and develop new ones, whenever possible in partnership with the private sector; (d) Support for the institutional capacity of AGEDI and FODI.

*Sub-component 3.4: Sector specific reforms*

50. **The project will finance technical assistance to address sector specific regulatory/policy issues identified by the CRIs as well as related to the financial sector.** This could include technical assistance to advise the actors and reform champions to revise product standards and price regulations, reforms of the public sector led R&D and extension services, policies on inputs (e.g. import regulations and subsidies) as well as competition issues around the provision of critical services or permit unlevel playing field. The project will finance the necessary studies, equipment, training and communications to support reform champions and stakeholder dialogue.

**Component 4. Project Management (US\$ 10 million equivalent)**

51. **The Prime Minister’s Office is responsible for the preparation of the CVJET project.** The Fonds Inter-professionnel pour la Recherche et le Conseil Agricoles (FIRCA) will act as Fiduciary Agent for twelve months following effectiveness or as soon as the fiduciary capacity of the PCU has been assessed by IDA. The objective of this component is to support the planning and implementation of activities required to effectively manage the project. Accordingly, the component would strengthen the capacity of the PCU to coordinate and execute project activities in all project locations, including complying with World Bank fiduciary procedures and safeguards while improving their capacity to engage in dialogue with the actors along the targeted value chains. It will also contribute to the acquisition of equipment (office equipment, IT equipment, software, cars), financing of operating costs, as well as: (a) carrying out the monitoring and evaluation of project activities; (b) the carrying out of audits of project financial statements; and (c) supporting sound environmental and social project management, including the preparation of safeguard documents and their monitoring.

**Component 5. Contingency Emergency Response Component (CERC) (US\$ 0 million)**

52. This component will finance a CERC, with the aim of providing flexibility to re-focus the scope of the activities, in case of a natural disaster, security, emergency and/or catastrophic events which would be triggered following proclamation of a state of emergency or declaration of disaster.

Legal Operational Policies	
	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

53. Environmental and social risk classification (ESRC) conducted at the concept stage under the



Environmental and Social Framework (ESF) rated the project overall risk as Substantial. In order to prevent and mitigate any negative impacts that may result from the implementation of the project, the Bank's Environmental and Social Standards (ESSs) relevant to the project are the following: ESS1 "Assessment and Management of Environmental and Social Risks and Impacts"; ESS2 "Labor and Working Conditions"; ESS3 "Resource Efficiency and Pollution Prevention and Management"; ESS4 "Community Health and Safety"; ESS5 "Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; ESS6 "Biodiversity Conservation and Sustainable Management of Living Natural Resources"; ESS8 "Cultural Heritage"; ESS9 "Financial Intermediaries"; and ESS10 "Stakeholder Engagement and Information Disclosure".

54. Gender Based violence (GBV): GBV risks were assessed through a GBV Screening Tool. The total risk is assessed to be low. SEA/SH risks has been assessed in particular and mitigation measures will be put in place to prevent and respond to those risks- including specific consultations with women and girls, awareness raising for community members on SEA/SH risks and measures, code of conducts with clauses against SEA/SH and potential sanctions will be signed by all personnel and workers (including consultants) associated with the project and the GM will be sensitive to SEA/SH complaints with safe and accessible to women entry points, referral to GBV services and procedures that are confidential and survivor centered. An additional assessment will be undertaken with the Social Protection and Jobs Tool.

55. Based on Environmental and Social Standards applicable to the Project, the Borrower prepared the appropriate safeguards instruments including (a) an ESMF integrating a PMP, and (b) an RPF. In addition to the two mentioned documents, three others required ESF instruments have also been prepared: The Environmental and Social Commitment Plan (ESCP), the Stakeholder Engagement Plan (SEP), and the Labor Management Procedures (LMP).

56. Environmental safeguards. The ESMF has been prepared, in full accordance with national legislation and regulatory framework and World Bank ESSs, in a participatory manner involving all relevant and key stakeholder groups, both public and private, as well as civil society organizations. The ESMF describes the procedures and processes to be followed in preparing and disclosing site-specific safeguard instruments, namely, the ESIA, including an Environmental and Social Management Plan (ESMP), as may be required, as soon as the exact locations and scope of a specific activity are known. Any specific ESIA, including the corresponding ESMP, prepared in line with the screening result, will be approved in consultation with all the stakeholders before the corresponding activity starts.

## E. Implementation

### Institutional and Implementation Arrangements

57. **The institutional arrangements for the project will be comprised of the following functions: oversight and orientation by a Project Steering Committee (PSC) and project coordination and management by the PCU.** FIRCA will serve as fiduciary agent until the fiduciary capacity of the PCU has been assessed and transfer of fiduciary responsibility authorized by IDA, no later than 12 months following effectiveness. A Project Implementation Manual (PIM) will be prepared during preparation and presented to the World Bank for review.

58. **The PSC will provide high level directional oversight to the project.** The PSC will comprise representatives of relevant Ministries as well as representatives from the private sector. Amongst other functions, they will approve the Annual Work Plan and Budget (AWPB).





59. **The PCU will be responsible for planning and budgeting of project activities and responsible for the execution of the AWPB.** The PCU will be supported by dedicated staff, including a Project Coordinator, fiduciary specialists (FM and Procurement), Safeguards Specialists (Environmental and Social), Technical specialists, and specialists to cover other PCU functions such as Monitoring and Evaluation (M&E), Communications, etc. The Project Coordinator will work directly with Project beneficiaries to ensure that each is provided with the technical, financial, procurement, and political support required to achieve desired outcomes for the project.

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**APPROVAL**

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