Public Disclosure Authorized

Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 15-Mar-2019 | Report No: PIDC26668

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BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Cote d'Ivoire	P168499		Cocoa Integrated Value Chain Development Project (P168499)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA	Oct 21, 2019	Feb 27, 2020	Agriculture
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Conseil du Cafe-Cacao	Conseil du Cafe-Cacao	

Proposed Development Objective(s)

The project development objectives are to Increase the value added in the cocoa value chain and its distribution, in particular to small producers, and support the long-term sustainable economic, social and environmental development of the cocoa sector.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	350.00
Total Financing	350.00
of which IBRD/IDA	300.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	300.00

Non-World Bank Group Financing

Counterpart Funding	50.00
Borrowing Agency	50.00

Environmental and Social Risk Classification	Concept Review Decision
Substantial	Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

Since 2012, with the return of political stability and peace after a period of civil conflict that lasted from 2000 to 2011, Côte d'Ivoire has experienced a strong economic revival. From 2012 to 2018, the average real annual GDP growth has been about 8 percent, in sharp contrast with the performance (1 percent/year) registered during the 2002–11 period. With population increasing at about 2.5% per annum, the GDP per-capita growth increased by 34% between 2012 and 2017, while it had decreased by 23% between 1998 and 2011. With GDP growth projected at over 7% in the medium-term, Côte d'Ivoire is and will continues to be one of the fastest growing economies in Sub-Saharan Africa.

Cote d'Ivoire future economic growth path will however depend on the country able to address critical strategic issues: will it accelerate the structural transformation necessary if it is to become an emerging, middle income country? Will it be able to sustainably manage its rich natural resources (the basis for its past development)? And will the dividends of its strong economic growth be more equitably shared in the future? Indeed, Cote d'Ivoire still lag in terms of human development, with a Human Development Indicator (HDI) of 0.492 in 2017, below the average for countries in the low human development group (0.504) and below the average for countries in Sub-Saharan Africa (0.537). In 2017, about 46% of the population lived under the poverty level, with poverty is much higher in rural areas than in urban areas (57% against 36%). Today, 4 out of 5 poor live in rural areas, with farmers by far the poorest with poverty rates at about 60 percent.

The peaceful presidential elections of October 2015 diminished political uncertainty, paving the way for continued economic progress. The medium-term outlook is favorable, with economic activity projected at no less than 7% growth through 2021, witnessing a slight slowdown from 8% in 2016. The Government of Côte d'Ivoire (GoCI) is pursuing the implementation of its 2016–20 National Development Plan (NDP), aimed at achieving strong and inclusive growth, halving poverty, and fostering structural transformation. To support structural transformation, the government undertook important reforms in the business investment climate, deploying efforts to strengthen private sector contribution to the economy. It seeks now to create new opportunities for diversification based on the country's comparative advantages, foster sustainable integration into regional and global value chains, and lend greater impetus to industrial production through the local transformation of a larger share of agricultural products, especially cocoa and cashew. The GoCI has set a target of processing domestically at least 50 percent of cacao beans by 2020 and an even higher percentage of raw cashew nuts. The government seeks to increase the participation of domestic enterprises in cacao and cashew processing, particularly encouraging growth of small and medium enterprises (SMEs) in both sectors. Successful implementation of the NDP will depend on the pace at which the main structural barriers are removed, and productivity-enhancing reforms are carried out, as well as on financing conditions and on how domestic and external risks are addressed.

Despite being one of the fastest growing economies in Africa, Cote d' Ivoire lags significantly in women's economic empowerment. Indeed, Cote d'Ivoire maintains its position as one of the countries with the highest gender inequality rates, ranking worse than other Fragile and Conflict-Affected States like Sudan, Afghanistan and Haiti (155 out of 189) in the UNDP gender inequality index and 133 out of 144 countries in the WEF Gender Gap Report (2017). Quantitatively, if women worked outside of their home with the same level of salaries as their male counterparts, it is estimated that they would be able to contribute US$6 billion to the national economy. As such, the economic empowerment of women could help Cote d'Ivoire more quickly reach its ambition of upper middle-income status.

Sectoral and Institutional Context

Côte d'Ivoire's economic development has largely been built on agriculture. The remarkable performance of its agriculture is the result of favorable agro-climatic conditions, the immigration of labor from the countries to the north (Burkina Faso, Mali) and relatively liberal economic policies. Its exceptional performance in cocoa production, for which the country is the world's largest producer (40% of world output), is well-known. Less appreciated is the large number of other crops which the country has excelled in. Indeed, Côte d'Ivoire has become world leading producer and exporter of raw cashew nuts, and remains the largest exporter of rubber, palm oil, bananas, pineapples and copra in Africa, as well as the second ranked African producer of Robusta (7th in the world). The country is also self-sufficient in a variety of staple foods – e.g. maize, sorghum, millet, yam, cassava, plantain – with growing exports to the sub-region, the only exception being rice for which it imports about 50% of its needs.

Actually, the agricultural sector accounts for about 25 percent of Cote d'Ivoire's GDP and 60% of its exports (with cocoa products representing around 40%). About 45% of the working population is employed in agriculture. In addition, a considerable share of the manufacturing and transport sectors depends on agriculture. The agricultural sector is dominated both in area and in number of productive units by about 1.6 million of small individual/family farms which account for 95% of all cultivated land, against 5% for industrial and large estates. Most family farms are diversified, producing a combination of food crops and cash crops largely for own consumption, and one or more cash crops such as cocoa, rubber, oil palm, or cotton. Although there are signs of intensification, cropping systems are still mostly extensive, largely manual and using little modern agricultural inputs except for some cash crops. Productivity and yields are low. Several factors can explain this slow intensification including the country's large (but declining) "forest rent". Other reasons are low product prices and revenues -- depressed by a poor transport infrastructure, excessive taxation and monopsonic rents – the lack of access to financial services and ageing farming population with low level of education and a limited capacity to adopt new technologies: more than a third of farmers are over 50 years old and only 10% are less than 30 years old (the new generation of producers). More than half (58%) have never been to school.

Although women are economically active participants in agriculture, they are overwhelmingly present as smallholder farmers, rather than commercial farmers. Women-owned small or medium-sized enterprise in agribusiness in Cote d'Ivoire is limited and generally in the business of small-scale agro-processing (e.g. attieke, jams, juices, chocolate, etc.) versus the commercialization of high value crops. In the more rural and informal agriculture sector, women are often organized in cooperatives. This is likely due to the gender-specific barriers women face, including access to finance, access to land, access to information as well as other cultural barriers to economic empowerment. Cooperatives allow the women to reach some economies of scale otherwise unreachable alone, however, there is a need for improved cooperative governance, including developing the capacity to have them operate more as a business.

The cocoa sector has been the main driver of Cote d'Ivoire's past economic growth. It currently represents about 10% of the country's total GDP (40% of the agricultural GDP) and is by far the most important foreign exchange earner (40% of the country's exports revenues). The cocoa sector is also the main source of income for about 1 million households (about 5 million people or 20% of Cote d'Ivoire total population of 25 million). Cocoa production has been multiplied by 5 over the last four decades, from 420,000 tons in 1980 to about 2.0 million tons today (an average growth of 4% per year over the period). After a decade of moderate growth in the 2000s, due to institutional and policy disorder associated with the country's civil strife, the cocoa sector has rebounded strongly with the implementation of the cocoa sector reforms approved by government in November 2011 in the context of the Heavily Indebted Poor Countries Initiative (HIPC) Completion Point. The reforms encompassed: (i) the conversion of all cocoa taxes (export tax and other taxes and levies) to ad valorem taxes capped at a maximum of 22 percent of the CIF price, to ensure that the price risk would be more equitably shared between government and producers; (ii) the setting of farm-gate prices to at least 60% of cocoa CIF price, on the basis of a transparent program of competitive and market-based forward sales of cocoa export rights (*Programme de ventes à la moyenne* -- PVAM); and (iii) the establishment of a new institutional and regulatory framework for the sector – the Conseil Cacao-Café (CCC) – co-managed by Government, producers and other actors of the value chain, to ensure a satisfactory governance, efficiency and accountability in the sector management.

The 2011 reform was completed by an investment program -- the *Qualite-Quantité-Croissance* 2014-23 (2QC) -- for addressing an array of issues in the development of the sector. Its specific objectives are to: (i) improve cacao farm productivity by sustainable intensification, respectful of the environment and improved work conditions and well-being for cacao farmers and their communities; (ii) improve cocoa quality through strengthening farmer training and improved quality control; (iii) improve value added through increased domestic processing, the development of the domestic consumption of cocoa products and the valorization of cacao by-products; and (iv) professionalize cacao farming and strengthen cacao farmer organizations. To ensure coordination and collaboration with the private sector in implementing the 2QC and strengthen the overall management of the sector, a Public-private partnership platform (PPPP) has been established co-led by CCC's Director general and designated representative from the private sector, with CCC hosting the Permanent Secretariat.

The new policy and institutional environment has had visible positive impacts: farm-gate prices have been set at the required level (60% of the average international prices); stricter controls have significantly improved cocoa; domestic processing capacity has expanded through additional private investments (to 730,000 mt/year currently); and exporters of beans and cocoa products are increasingly partnering with farmer cooperatives, through capacity-building and certification programs, to increase the production of beans meeting certification standards on quality, environmental and social standards characteristics.

Despite these achievements, the collapse of world cocoa prices during the second half of 2016 and mounting concerns over environmental and social issues have brought forward a series of deficiencies and risks, both internal and external, for the development of the sector that the Government has decided to address urgently including the need to (i) reduce the volatility of international prices; (iii) capture a higher share of the global value chain for the Ivorian economy; (iii) ensure the environmental and social sustainability of cocoa production; and (iv) improve the efficiency and inclusiveness of the sector's institutional management framework. Of particular concern was the slow progress in implementing the central institutional issues of the 2011 institutional reform, aimed at promoting the collective management of the value chain by all its actors. These issues are being analyzed in detail under a Sector Policy Assessment currently under preparation and summarized in the paras below.

The 2017 cocoa price crisis surfaced important challenges and issues hindering the sustainable development of Cote d'Ivoire's cocoa sector (discussed in detail in Appendices 1). Those include (i) uncontrolled increase in cocoa production over the last decade and lack of efficient supply management instruments by the institutions in charge of the cocoa sector management. Paradoxically, while total output is consistently increasing, farm productivity remains stagnant with low yields per hectare and the orchards become overaged and knocked by diseases, including the spreading Cocoa Swollen Shoot Virus Disease (CSSVD); (ii) slow progress in moving up the value chain despite some progress in primary processing ; (iii) rising concerns on the sustainability of cocoa production with child labor and deforestation plaguing the global image of the origin, with a serious threat to access to markets if not increased cost of compliance in the short to longer term. A recent survey in Cote d'Ivoire confirms that cocoa is by far the main direct driver of deforestation in the country (80% of total deforestation, against 6% for rubber), and according to various sources up to 40% of Ivorian total cocoa crop (800 000 tons/year) comes from plantations inside classified forests or protected areas

While cocoa production is a major factor driving climate change, the reverse is also true, as climate change is resulting in a gradual reduction in the areas suitable for cocoa cultivation. The loss of moist tropical forests is of concern because of its impact on biodiversity and on the climate, both at the local level and globally. Predicted impact of climatic change and an increasing demand for land for food crop production underline the necessity for Cote d'Ivoire to grow more cocoa on less land (and with less labor, the rural-urban migration being likely to create a shortage of farm labor). Therefore, in the long run, either small holders must move to a more intensive and diversified cultivation system (using high-quality planting material, fertilizers and effective methods to control of pests and diseases) or exit cocoa production and shift to other agricultural or non-agricultural activities (and programs should be implemented to support their transition alternative income generating activities). There is thus an urgent need to establish more sustainable production practices and the governments, together with producer and the private actors of the cocoa value chain are striving to find solutions.

The Government of Cote d'Ivoire and Ghana decided to join forces to address the mounting challenges facing their cocoa sectors. A request was made by the two Governments to the World Bank Group (WBG) and the African Development Bank (ADB) for assistance in developing a strategic action plan to ensure the sustainability of their cocoa sectors and increase their contribution to the economic and social development of their respective countries. The WBG agreed to support this initiative in both Ghana and Cote d'Ivoire, coordinating with a possible support from AfDB through (i) a detailed assessment of the sector in each country, to identify avenues for the two countries to influence world market prices through coordinated action, and optimal strategies to enhance the value added created by their cocoa sectors; and (ii) providing funding for helping to launch and implement this strategy through a Cocoa IBRD enclave operation (similar to the Cashew IBRD-Enclave operation recently approved for Cote d'Ivoire). The private sector, including the global cocoa industry through the World Cocoa foundation and member companies, the domestic traders, manufacturers and farmers through their respective professional associations, has also demonstrated strong interest in partnering with the Ghana and Cote d'Ivoire, and development partners in addressing key challenges in the cocoa sector. The project will support this momentum, providing critical resources to accelerate implementation of joint Government/Private sector/ actions plans, including the Cocoa Forest Initiative, to take on those challenges, in collaboration with IFC, and synergizing with relevant operations in the portfolio and sister donor-funded operations

Relationship to CPF

The WBG has been traditionally very engaged in cocoa sector in Cote d' Ivoire, which is top priority in the Ivorian economic development agenda. It played a major role in supporting the cocoa sector's 2011 reform under the Heavily Indebted Poor Countries (HIPC) initiative. A series of Development Policy Operations (DPOs) is supporting the Government in its effort to improve the governance of the cocoa sector. The proposed project is central to Côte d'Ivoire's National Development Plans (NDP 2016-2020 and NAIP 2017-2025) in supporting the twin goals of reducing extreme poverty and boosting shared prosperity. It also contributes to Côte d'Ivoire's FY16–19 Country Partnership Framework (CPF) which focuses on issues related to low productivity and job creation in agricultural value chains. The proposed project supports CPF Focus Area 1 (*Accelerating sustainable private sector-led growth in Côte d'Ivoire*) and its Strategic Objective 1 (*Improve productivity in agriculture/agribusiness value chains*) to achieve inclusive growth and reduce poverty.

The proposed project reflects also the agribusiness priorities of the WBG which supports agriculture and agribusiness competitiveness in critical value chains. It would enhance the "Cascade" approach (Maximizing Finance for Development -MFD) by helping to mobilize private sector participation and investments in support of the development/improvement of activities at all level of the domestic value chain, from production to processing and marketing, through improved business environment and public-private partnerships as well as critical public interventions. In addition to the IBRD loan, the WBG could deploy other financing instruments to Maximize Finance for Development and to finance and/or de-risk private investment. Finally, it would also contribute to Côte d'Ivoire climate change policies, particularly for the agricultural sector, both towards its adaptation as well as mitigation goals as stated in its Intended Nationally Determined Contribution

(INDC). In this regard strong coordination is being exercised with the new DPO series and the proposed Carbon Finance Transaction for the Tai Park Emission Reduction Payments Project.

C. Proposed Development Objective(s)

The project development objectives are to improve cocoa productivity, quality and value addition, sustainably benefiting smallholder farmers in Cote d' Ivoire.

Key Results (From PCN)

The preliminary PDO-level indicators (to be finalized during project preparation) are the followings: (i) Increase in volumes of cocoa bean processed project supported SMIs; (ii) Increase in share of certified and traceable cocoa production (% of total production fully traceable and certified); (iii) reduction in volume of cocoa produced in protected areas (tons and/or%); and (iv) number of beneficiaries with enhanced skills along the value chains.

Key Intermediate performance indicators linked to project components include: (a) adoption of agroforestry and other climate smart agriculture practices in targeted cocoa producing areas (nb of ha); (b) strengthening of producer cooperatives (nb of members and nb in contractual arrangements with exporters); (c) improved governance of the sector (quality of annual audits of CCC managed Funds); (d) mobilization of private financing of the sector (US$ million). Increased cocoa productivity (kg per hectare); elimination of overaged and diseased plantations (nb of ha up-rooted/rehabilitated or reconverted); and (e) number of SME supported for access to technologies, markets and services.

D. Concept Description

The proposed project will support over a period of five years the implementation of the government and private sector efforts to ensure long term sustainability the cocoa sector development. Its design will be based on the wealth of knowledge generated recently on the cocoa sector in cote d'Ivoire and globally, specifically on cocoa processing, marketing, quality and certification, as well as cocoa production and deforestation. Those will be complemented by a soon-to-be launched the in-depth assessment of the implementation of the 2011 cocoa sector reforms, and specific detailed studies focusing on the critical opportunities and risks that will shape the future long-term development of the sector.

The project total cost is estimated at US$300million, with a contribution of USD$300 million from The WBG IBRD. This cost does not include the funding mobilized from CCC managed Funds or from the private sector. The total cost of the project and the financing plan between IBRD, CCC and the private sector will be determined during project preparation and appraisal. The IBRD funding will support activities directly contributing to the long-term sustainability of the sector (economic, social, environmental, institutional). In line with the Maximizing Finance for Development (MFD) approach, the project aims at mobilizing well-coordinated private sector funding (by individual companies or through programs implemented by or under the coordination of WCF). It will also coordinate tightly with projects/programs supporting the Cocoa Forest Initiative (CFI), and/or under Cote d'Ivoire REDD+ program (such as the IDA-financed FIP and Land Policy Improvement and Implementation Project, the forthcoming Carbon Fund-financed Tai National Park Emission Reduction Program and other donor-financed projects), as well as with similar operations in Ghana as far as the joint/mutual benefits are evidenced.

The project's primary beneficiaries would be poor smallholders with cocoa farms of 2–3 hectares who would benefit from project interventions to eradicate pests and diseases, improve productivity (access to improved technologies and services) and market access (feeder roads and storage/drying facilities), and strengthen the voice, effectiveness and market power of producer associations. Other important project beneficiaries would be cocoa exporters and processors that would benefit from a better structuration of the domestic value chain (through the strengthening of producer associations and the development of contractual relationships) and a more secure access to consumer countries for their products. The project would also key public institutions involved in cocoa development, from the Ministry of Agriculture and Rural Development (MINADER) such as the Conseil du Café-Caca and, the agricultural research and extension agencies (CNRA and ANADER), as well as relevant departments and in the ministries in charge of trade, industry and SMEs, water & forests, environment, etc.

The project will be structured around the following components: (i) Improvement of the sector productivity and sustainability; (ii) Cocoa processing and value addition; (iii) Institutional development and (iv) project coordination. They are briefly described below, with indicative cost allocation of the IBRD proceeds.

Component 1: Improving cocoa productivity and production sustainability (USD 190 million). This component will include the following inter-related sets of activities supporting the sector's long-term economic, environmental and social sustainability: (i) Improving productivity. uprooting and rehabilitation/reconversion of about 200 00 ha of overaged plantations or affected by diseases, with full compensation paid to producers; improving cocoa research system through partnership with Ghana, relevant international centers and the private sector ; facilitating farmers access to improve and climate friendly cocoa production technologies and farming systems;: (ii) ensuring environmental sustainability through) sub-projects promoting the development of agro-forestry systems (including the Payment for Environmental Services in collaboration with CFI and REDD+ supporting programs; and the development of full traceability of cocoa production and marketing, from plantations to export points; (iii) ensuring social sustainability and improving livelihoods cocoa-farming communities through activities and sub-projects targeted at the eradication of the Worst Forms of Child Labor ; establishment and maintenance of critical rural infrastructure (rural roads, access to electricity and water) ; and vocational training programs to provide opportunities to cocoa producers children (focusing on women and youth) to develop skills for migrating toward other agricultural or non-agricultural activities; and (iv) strengthening the overall cocoa production performance and sustainability monitoring and evaluation systems, including a Grievance Redress Mechanism (GRM) to monitor development and compliance with environmental and social safeguards.

Component 2: Cocoa processing and value addition (USD 70 million). To assist the Government in capturing a higher share of the global cocoa value chain through in-country value addition by improving quality and developing competitive downstream activities to produce intermediate or consumer products. Activities to be supported include inter alia : (i) development of credible certification programs and promotion of cocoa production for niche markets through the development of specific geographically-based production; (ii) establishment of cocoa dedicated logistics platforms at the Abidjan and San Pedro ports to improve export operations; (iii) preparation and implementation of strategy identifying current and future opportunities offered by the domestic and regional markets, as well as emerging markets such as those of China and India, for intermediate and finished products ; (iv) research on innovative processing technologies and support to promising small-scale entrepreneurs for the development and production of innovative finished products; and (v) specific training programs to develop the technical and managerial skills necessary to support the promotion of competitive processing by small and medium-scale entrepreneurs (including cooperatives) .

Component 3: Institutional development and project management (USD 30 million) . The component will strengthen the capacity of all actors of the cocoa value chain and the integration of this value chain to improve its overall efficiency and support the effective coordination of project implementation. Specifically, activities will consist of the followings: (i) Strengthening of cocoa cooperatives and support to the establishing the Cocoa Inter-profession, with a genuine public-private partnership that will ensure producers, private sector and the civil society participation in the management of the sector; (ii) Improvement t of CCC management, including strengthening its capacity to manage the sector, including an efficient monitoring and early warning system of production, disease and environmental threat and world market conditions for cocoa and cocoa-based products; (ii) improving the efficiency and transparency of CCC management of the Cocoa Funds (Fond d'Investissement en Milieu Rural- FIMR, Fond 'Investissement Agricole-FIA, Sacherie) ; and ((iii) Project

Management and coordination, including support to administrative, technical, and financial management of the project by CCC under the oversight of a Steering Committee under the Prime Minister Office, and external M&E scheme led by MINADER.; coordination among all institutional partners to ensure the efficient flow of information among all value-chain actors; (iii) establishment of the project M&E system of the project's performance on procurement, financial management, environmental, and social impacts, as well communication activities.

Component 4 Project Management (US$10 million). under this component the project would support : (i) the administrative, technical, and financial management of the project by CCC under the oversight of a Steering Committee; (ii) the coordination among all institutional partners to ensure the efficient flow of information among all value-chain actors (through the PPPP); (iii) the establishment of monitoring and evaluation of the project's performance on procurement, financial management, environmental, and social impact; (iv) the development of communication activities to publicize and disseminate project results, best practices, and success stories; and (v) the design and implementation of a Grievance Redress Mechanism (GRM) to monitor development and compliance with environmental and social safeguards

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

Summary of Screening of Environmental and Social Risks and Impacts

Potential environmental and social risks and impacts associated with the project are inter-alia: trees cutting ; water, soils and air pollutions; noise and risks of accidents both for workers and communities dues to the use of machinery; spread of diseases; child labor, gender based violence, impacts on natural habitats, fauna and biodiversity, etc.

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document**.**

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APPROVAL

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