

PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA109589

Project Name	CI-Infrastructure for Urban Development and Competitiveness of second cities (P151324)
Region	AFRICA
Country	Cote d'Ivoire
Lending Instrument	Investment Project Financing
Project ID	P151324
Borrower(s)	Ministry of Economy
Implementing Agency	PRICI (PCU)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	16-Mar-2017
Date PID Approved/Disclosed	14-Apr-2017
Estimated Date of Board Approval	30-May-2017
Appraisal Review Decision (from Decision Note)	
Other Decision	

I. Project Context

Country Context

1. Cote d'Ivoire, with a surface area of 322,463 sq km is a lower middle income country located on the coast of West Africa, surrounded by five countries. The country has a young population of about 22 million, and an average age of just over 20 years old. More than half (54%) of the population live in urban centers. Abidjan, the country's main economic hub and previous capital located on the Atlantic coast, is the biggest urban agglomeration with approximately 3.7 million inhabitants. Eleven cities have more than 100,000 inhabitants; the major five are Adobo (900,000), Bouake (568,000), Daloa (216,000), San Pedro (197,000), and Yamoussoukro (the administrative capital, 195,000).

2. Following a decade of political crisis, Cote d'Ivoire is at a turning point, transforming from a fragile state to an emerging economy. It has made progress on its reconciliation agenda, with the establishment of a Dialogue, Truth, and Reconciliation Commission. On the economic front, the country has recorded strong growth performance since 2012, with gross domestic product (GDP) growth averaging 9.3 percent between 2012 and 2015, and an estimated 7.8 percent in 2016. GDP is projected to grow at about 7.7 percent per year from 2017 to 2019, reflecting buoyant domestic demand and continued public spending on transport, communication, and energy infrastructure. The budget deficit is estimated at 4 percent of GDP in 2016, reflecting higher spending, while inflation is projected to remain below 3 percent, reflecting investment-driven imports. But the economy remains vulnerable to external shocks, including the variations in international prices of cocoa, cashew nuts,

oil, and cotton – Cote d’Ivoire’s major trading commodities.

3. Non-inclusive growth and spatial disparities highlight the need for regional balance. The systematic country diagnostic shows that poverty is overwhelmingly concentrated in rural areas and in the northern and western parts of the country (69 percent in the north versus 25 percent in the south). In addition, Cote d’Ivoire ranked only 172 out of 188 countries on the United Nations Development Programme 2015 Human Development Index, indicating that the rapid growth registered in recent years has yet to benefit the poor. Such unbalanced and non-inclusive development, largely in Abidjan, is unsustainable and a source of fragility. The country’s National Development Plan 2016–2020 emphasizes the development of new economic growth poles outside Abidjan to address spatial disparities.

Sectoral and Institutional Context

4. A new, inclusive growth model for Cote d’Ivoire will require the development of competitive secondary cities as new sites of regional growth. Beyond the north-south divide, Cote d’Ivoire’s Urbanization Review calls for strategic development of three types of cities: global connectors, regional connectors and domestic connectors. According to the review, San Pedro is one of three global connector cities in Cote d’Ivoire (together with Abidjan and Yamoussoukro), while Bouaké is considered a leading regional connector. The strategic importance of the development of the cities outside Abidjan (secondary cities) for poverty reduction is supported by empirical research. Christiaensen and Todo (2014) found a higher rate of poverty reduction when people move into secondary towns out of agriculture. Datt, Gibson, Murgai, and Ravallion (2016) found that growth of secondary cities in India had larger direct and indirect effects on rural poverty than main city growth. The Ivorian government aims to develop secondary cities – starting with the cities of San Pedro and Bouaké, respectively representing the fourth and second largest cities in the country. According to a government study, these cities’ districts ranked second and third most competitive respectively among the country’s 14 districts.

5. Cote d’Ivoire’s second largest city, Bouaké, is a key regional trade hub at the junction of the main north-south and east-west economic corridors. Its location on the Abidjan-Ouagadougou rail and road routes, as well as on the main east-west axis, makes it uniquely positioned to be a trade and logistics hub. As such, the economic activities in the city is highly concentrated on agriculture and trade, according to the Jobs Study. Bouaké’s wholesale market (Marché de Gros de Bouaké [MGB]) today trades about 50,000 tons of staple foods per year. The adjacent main retail market (Marché central) trades a similar quantity and hosts between 8,000 and 10,000 registered traders engaged in retail commerce. There are 12 retail markets in the city. The recent boom in cashew processing has attracted several investments in Bouaké’s surrounding area.

6. San Pedro’s highly competitive potential lies in its economic and social infrastructure, along with its location, livability, and access. Historically, it has been a regional gateway for the western parts of the country, deriving most of its economic activities from its deep-water port (Port Autonome de San Pedro), through which transit plays an important role in the country’s cocoa exports. The Jobs Study confirms this, demonstrating that the highest concentration of economic activities is found in trade, followed by agriculture. Industrial activity centers on large cocoa and palm oil transformation plants and, more recently, the city has grown its mining-related service activities.

7. The competitive potential of the two cities should be harnessed to enable faster economic growth and higher levels of investment and job creation. To do this, four key elements driving the competitiveness of cities have been identified under the World Bank Competitive Cities Framework and summarized in the following box.

Box 1: World Bank Group Competitive Cities Framework – what makes a city competitive?

In *Competitive Cities for Jobs and Growth* (World Bank 2015), the authors identified the following four pillars for the development of competitive cities:

Enterprise support and finance

Direct support to enterprises: access to capital, subsidies, incentives, export assistance, and capacity development for operational activities (legal, financial, administrative) are commonly found in this category.

Infrastructure and land

The availability of suitable land for specific business purposes, as well as a wide range of economic infrastructure, such as roads, electricity, water, sanitation, transportation, communications, and land (including co-location arrangements for similar firms).

Institutions and regulations

A wide range of enabling environmental policy and regulatory issues, as well as the ability of institutions to effectively implement policies and actions. Examples are issues related to taxes, licenses and other business regulations, duties, promotion, and branding.

Skills and innovation

The provision of basic education, vocational training, and workforce development on the one hand, and innovation networks on the other. For the purpose of the project, the analytical framework groups enterprise support, finance, and skills.

Enterprise Support, Finance, and Skills

8. The private sector landscape in Bouake and San Pedro indicates a strong missing “middle”. Bouaké and San Pedro have 265 and 316 formal firms compared to over 20,000 in Abidjan, with one or two employees each. Most of these firms operating in San Pedro and Bouake are very small in terms of sales and employment with an average size of two workers per firm. Approximately 75 percent of firms have less than 15 employees in both cities. Most of the formal jobs are concentrated in old (over 20 years) and large firms. In fact, only two firms account for 40 percent and 65 percent of formal employment in Bouake and San Pedro respectively. According to a recent jobs assessment by the World Bank Group, 70 percent of new jobs created in Cote d’Ivoire between 2012 and 2014 were in self-employment, and non-agricultural self-employment in micro enterprises is likely to become the largest employment category by 2025 (already representing close to 30 percent of jobs in 2014). The future economic growth of secondary cities will thus require special attention to boost the growth of micro, small and young firms which are likely to create the larger number of job and bring higher value added to key economic activities.

9. The private sector in Bouake and San Pedro is large informal, driven by a multitude of reasons: the ability to evade taxes and to circumvent regulations and licensing requirements, lack of information, etc. However, for some, the informality comes at the cost of the lack of welfare protection or access to economic opportunities such as financing in general, public procurement, and contracts with large well-established companies. To address the challenge, the Government of Cote d’Ivoire is in the process of preparing a plan to support those informal entrepreneurs who want to formalize in order to capture economic opportunities and grow.

10. The economic and employment potential for the two cities are largely found in agriculture and its

transformation as well as trade logistics services, and many are women. According to the WBG Jobs Study, most jobs created in Bouake between 2003 and 2012 were in the agribusiness sector and in San Pedro in primary and trade sectors. To increase the economic density of these cities, there needs to be further growth of tradable activities. Even the agricultural transformation is faced with the challenge of low productivity in most part, and requires improved professionalization and skills to increase value added. The same survey found that about a quarter of entrepreneurs in these cities are women engaged in agriculture, commerce, and artisanal activities. Furthermore, although there are more male entrepreneurs in absolute terms, there are proportionately more “high potential” entrepreneurs among women.

11. The top three constraints to growth for these entrepreneurs, according to a survey, include lack of access to capital, technical assistance, and information. Survey respondents stressed the lack of access to finance as the main constraint. Currently, there is no funding available to new firms and early stage companies and the existence of medium to long term financing is scarce. The local financial institutions tend to focus on low-risk borrowers, which does not align with the profile of the entrepreneurs identified as priority in the Jobs Study. Several donors, including IFC, have set up risk sharing facilities with commercial banks to help de-risk lending to higher-risk (but possibly high-potential) borrowers but the utilization rate of such facilities has been relatively low due to the lack of capacity on the part of the potential borrowers. In fact, many entrepreneurs surveyed recognize the lack of capacity in the areas of finance, sales, marketing, human resource management, and business development.

12. The ecosystem for entrepreneurship development is nascent and is not yet sufficient to meet actual private sector demand. Only few programs financed by donors are focused on entrepreneurship and access to finance targeting pre-seed and start-up firms, with only one of them specifically covering San Pedro. While all in all there is good presence of local business services providers. Cote d'Ivoire appears to be also lacking medium-term support to help SMEs grow after they have been established, as well as sufficient capacity building so that they are considered bankable in the eyes of commercial banks, which have access to donor guarantee funds that are currently underused. There is also very little training on leadership, despite the fact that recent research by the World Bank Group shows that a return on investment is higher on leadership training than technical training.

Infrastructure and Land

13. Land use in Bouaké and San Pedro is not optimal or conducive to economic density. Density in both cities is relatively low, with large central spaces where the land value is high being used for unproductive activities, or non-housing, non-taxable purposes. At this relatively low density, there are also many under-occupied housing estates, tracts of abandoned land, or underused plants in small industrial areas that call for a broader reflection on the land value of the city and land market liquidity. Such complex issues need to be addressed in a holistic manner, through integrating the cities' urban master plans (defining future land-use patterns) with transport infrastructure and services (determining mobility in and around the cities). The latter lays the foundation for greater density in the two cities.

14. Access to basic economic infrastructure is another important component for competitiveness. The Cote d'Ivoire Urbanization Review highlighted the importance of improved access to key infrastructure, as well as amenities, housing, and a pleasant living environment (greening) for attracting qualified workers and investors. Substantial investments have been made over the past five years to redeploy basic economic infrastructure in both cities and enable the delivery of basic public services to residents, thanks to the strong engagement of various financial and technical partners (see Table 1). But more needs to be done. Of particular relevance to both cities is the need for a waste

management scheme for waste collection and treatment.

Bouaké

15. Low usage of the existing industrial estates is of particular concern in Bouaké. The three industrial zones have many shortcomings, both in their servicing and management. The level of activity has declined and only a few small food processing units remain as tenants. The buildings and land were abandoned, with no re-evaluation taking place. Within the framework of the urban master plan, it is important to decide how to better use all these plots to maximize their value and achieve the economic density needed for growth.

16. Traffic congestion is another obstacle to Bouaké becoming a logistics hub. The main road axis (A3) in Bouaké is already heavily congested. Heavy truck traffic through the city is not regulated – trucks can enter the city at any time and park illegally along the city's main artery, causing traffic congestion, road accidents, and deterioration of the main urban roads. These can become major obstacles to Bouaké's aim of becoming a logistics platform. To avoid the experience of Abidjan, Bouaké needs a smart city plan that ensures an efficient flow of goods and people.

17. Bouaké lacks the logistics infrastructure needed for it to serve as a key regional connector city. The lack of adequate storage and transportation of agricultural goods was one of the most commonly highlighted challenges in the World Bank's study of 17 agricultural value chains. The MGB, the key infrastructure built by the government to position Bouaké as a regional connector, has not lived up to expectations. A recent assessment report on the MGB raised the following issues:

- Lack of a clear strategy to position the MGB as a key economic infrastructure serving the economic development of Bouaké.
- No clear governance structure to implement the strategy.
- Insolvent status of the current management company and outstanding actions on the expired concession agreement.
- Lack of capacity of all the stakeholders involved in the functioning of the MGB.

18. MGB needs a new vision in today's economic context. To make the infrastructure worthwhile, it needs to address the flows of produce from the producers all the way to the market. Aforementioned study also pointed out the importance of the broader supporting system around MGB, namely the enhancement of collection points near farms and the soft support to cooperatives to improve their access to markets. Currently, there is an initiative to organize cooperatives in the surrounding area, bringing 8460 producers (of which 5563 are women) to be grouped in seven cooperatives. The initiative had an early modest success of connecting producers and buyers with the support an NGO, but the support ended prematurely.

San Pedro

19. As a global connector city, San Pedro needs to invest in its gateway infrastructure. The recent Urbanization Review emphasizes the importance of gateway infrastructure like ports and airports to connect San Pedro to the rest of the world. The deteriorated roads around this infrastructure negatively affect the city's competitiveness, and the lack of truck parking facilities leads to congestion and accidents. Like Bouaké, San Pedro should be putting in place measures to ensure an efficient flow of goods and people.

Institutions and Regulations

20. Bouaké and San Pedro lack business promotion and facilitation services that are critical for attracting businesses and residents. Business registration facilities are not well developed, making it difficult for investors to take advantage of the two cities' investment code provisions. Lack of information dissemination and platforms for public-private dialogues limits their chances of being considered as investment destinations.

21. The local governments have limited means and capacity to deliver in the areas of urban planning, land management, and promotion of the local economy. According to the Decentralization Law, cities and communes are responsible for key city management, such as the construction and maintenance of roads and drainage, urban planning, markets, solid waste management, and land management. However, in reality, the cities and communes play a very limited role. City budgets are typically between \$3 and \$7 per capita, which is insufficient to run even the most basic services. The cities lack the capacity to address the issues related to social and economic development and execute investment plans.

22. The consultation with the stakeholders identified some priority areas in which the municipalities need to improve their performance: optimization and management of the land use to capture land value as well as to make certain underutilized industrial land available to potential investors, street addressing to facilitate orientation and displacements, provision and maintenance of certain basic infrastructure and social services, including waste management.

23. The proposed project is designed to fill the gaps left by the World Bank Group and other donors in making the secondary cities more competitive. The project will provide SMEs with appropriate capacity building, financial support, access to information, and technology. It will also support national and local government to provide businesses and city residents with critical infrastructure and services, with the goal of generating growth and creating jobs.

Table 1: Strategies and intervention gaps

Challenges Response Project

Mobility and connectivity (Source: Urbanization Review) The DPO focused on the implementation of trucking sector and customs reforms. The DPO supported the reforms to improve inter-city connectivity Regional Trade Facilitation Competitiveness Credit P129282

Second Regional Trade Facilitation Competitiveness Credit P158333

Support the implementation of reforms addressed in the DPO above CI-Transport Sector Reform Project P156900

Urban mobility This project

Logistics infrastructure to support trade This project

Land market fluidity (Source: Urbanization Review) Plan to develop serviced land (industrial zone) in Bouaké International Bank for Reconstruction and Development – Cashew Project

Plan to improve land use This project

Increase coverage of basic services (Source: Urbanization Review) Water Cote d'Ivoire Urban Water Supply Project P156739

Other infrastructure, emphasis on social infrastructure Infrastructure Renewal and Urban Management Project P124715

Energy Electricity Transmission and Access Project P157055

Rehabilitation and construction of central market in Bouaké Agence Française de Développement

Waste management This project

Institutions (Source: Urbanization Review) Capacity building of city government This project

SME development (Source: Jobs study) Increase the number of start-up firms in San Pedro United

Nations Development Program
 Improve the ecosystem for entrepreneurs This project
 Provide medium-term support to firms to grow further This project

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II. Proposed Development Objective(s)

The proposed PDO is to create conditions for improved competitiveness in targeted secondary cities.

III. Project Description

Component Name

Enhancing the performance of economic infrastructure

Comments (optional)

Component Name

Supporting private sector development

Comments (optional)

Component Name

Improving the enabling environment of cities

Comments (optional)

Component Name

Project Management

Comments (optional)

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IV. Financing (in USD Million)

Total Project Cost:	125.00	Total Bank Financing:	100.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			25.00
International Development Association (IDA)			100.00
Total			125.00

V. Implementation

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	X	

Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09	X	
Physical Cultural Resources OP/BP 4.11	X	
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12	X	
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

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