Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 16-Jun-2020 | Report No: PIDA29696
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cote d'Ivoire</td>
<td>P174110</td>
<td>Cote D'Ivoire COVID-19 Emergency DPO 2021 (P174110)</td>
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<tr>
<td>Region</td>
<td>Estimated Board Date</td>
<td>Practice Area (Lead)</td>
<td>Financing Instrument</td>
</tr>
<tr>
<td>AFRICA</td>
<td>05-Aug-2020</td>
<td>Macroeconomics, Trade and Investment</td>
<td>Development Policy Financing</td>
</tr>
</tbody>
</table>

Borrower(s)  | Implementing Agency |
<table>
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<tbody>
<tr>
<td>REPUBLIC OF CÔTE D'IVOIRE</td>
<td>Ministry of Finance</td>
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Proposed Development Objective(s)

The Program Development Objectives and Pillars of the proposed operation are to: (1) strengthen the COVID-19 emergency response and (2) promote economic recovery.

Financing (in US$, Millions)

<table>
<thead>
<tr>
<th>SUMMARY</th>
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<tbody>
<tr>
<td>Total Financing</td>
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DETAILS

| Total World Bank Group Financing | 300.00 |
| World Bank Lending              | 300.00 |

Decision
The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

The proposed COVID-19 Emergency Response and Recovery Development Policy to the Government of Cote d'Ivoire (CIV) seeks to cushion the impact of the COVID-19 crisis on the economy and lay the foundations for recovery. This support is both urgent and critical, given the magnitude of the economic crisis in Cote d'Ivoire caused by the pandemic, further exacerbated by the global recession. The Program Development Objectives and Pillars of the proposed operation are to: (1) strengthen the COVID-19 emergency response and (2) promote economic recovery.
The country is experiencing a significant economic growth slowdown linked to the COVID-19 global pandemic. The crisis affects the country through domestic and external transmission channels. On the domestic front, stringent social distancing measures are causing a sharp deceleration in economic activity, particularly in the hospitality, construction, transportation, and retail sectors, which account for almost half of GDP and employment. On the external front, the global crisis has reduced external demand for Ivorian exports and is also negatively affecting remittances and tourism. Furthermore, declining international commodity prices are hurting exports, mainly cocoa, cashew and cotton. Disruptions to global supply chains have also delayed FDI inflows. As a result, the economy is projected to contract by at least 4 percent in 2020 with respect to pre-COVID-19 estimates, worsening the external position and opening a substantial unanticipated financing gap of about US$2 billion (3.3 percent of GDP). The IMF has provided significant financing under the Rapid Credit Facility (RCF) and the remainder is expected to be covered by concessional donor support (including this proposed operation).

The Government of CIV has acted swiftly to mitigate and contain the health impact of the COVID-19 pandemic. Since the first COVID-19 case on March 11th, the Government has put in place unprecedented health, mitigation and containment measures. The authorities closed all schools and universities, stopped all commercial flights, quarantined all travelers and closed land and sea border crossing points while strengthening health surveillance systems at these points. They imposed an effective lockdown of Abidjan to limit the spread to other cities and rural areas where the health system is weaker. To ensure social distancing, the Government banned all public gathering, larger than 50 people were banned. Non-essential retail outlets as well as bars, restaurants and recreational places also had to shut down. Physical distancing is in effect: no handshakes, maintain at least one-meter distance from other persons. Up to May 20th, the Ministry of Health and Public Hygiene (MSPH) had confirmed 2,119 cases and 28 deaths. In terms of number of detected cases per capita, CIV has registered 102 cases per million individuals, almost double when compared to 53 in Sub-Saharan Africa (SSA). Supported by a health emergency plan, the capacity of healthcare facilities and medical services has been increased to deal with community transmission.

The Government’s economic response has been two-pronged: Besides containment and mitigation measures, it provides an emergency fiscal support package for the economy. These measures, coupled with the effects of the external shock, have negatively impacted the economic activity and strained the budget and financing needs. Hence, on March 31st, 2020, an economic response package was announced. It includes various measures of direct support to the private sector (tax deferrals and suspensions, several support funds, easing of regulatory burdens). The package includes the creation of four dedicated funds for (1) Large enterprises (2) Small and Medium-sized enterprises (3) the Informal sector and (4) a Solidarity Fund to support poor and vulnerable populations affected by the pandemic. Further allocations are envisaged for the agricultural and service sectors. Thus, the Government’s decision to accommodate the fiscal costs associated with the projected growth slowdown and health and economic emergency plans has led them to seek substantial financial assistance to be disbursed over 2020-2021. The Government’s expectation is to return to the pre-crisis high growth path from 2021 onwards once the crisis abates to preserve poverty gains.

The proposed development policy operation (DPO) is well aligned with the Government’s Emergency Response Plan (ERP), while selectively underscoring policy measures to support rapid and sustained recovery. In line with the World Bank approach to COVID-19 support, the PDO’s objectives are to (i) strengthen COVID-19 emergency response, and (ii) promote economic recovery.

Cote d’Ivoire’s macroeconomic policy framework is adequate for the proposed operation. While the economy will remain vulnerable to a range of shocks which might further decelerate growth in 2020, the country should gradually return to a positive path of economic expansion over the medium term. The government has taken swift and largely adequate
measures to counteract the impact of COVID-19 for the healthcare sector and the economy. Prudent fiscal and monetary policies in recent years, coupled with positive private investment in key sectors should support medium term growth. The government is committed to reverting to meet the WAEMU fiscal deficit target of 3 percent of GDP by 2021. The policy framework is anchored in the solid performance of the ongoing 4-years IMF-ECF program, whose 7\textsuperscript{th} and 8\textsuperscript{th} reviews will be combined in the fall 2020. Public debt is sustainable, and the risk of overall and external debt distress is moderate.

Relationship to CPF

The two Project Development Objectives are also well aligned with key objectives of the National Development Plan (NDP) and the Bank's Country Partnership Framework (CPF). In a cross cutting perspective and with medium-term perspective, the operation also supports achievement of strong governance standards in dealing with the COVID-19 crisis. Prior Actions were carefully selected with Authorities and discussed with other partners and stakeholders, and it complements interventions by the World Bank Group (WBG) and other partners.

While contributing to the response to the COVID-19 outbreak, the DPO selectively addresses three constraints to growth of the Systematic Country Diagnostic (SCD) and CPF: a difficult business environment impeding the development of small and medium enterprises (SME), the insecurity of land tenure considered as the most problematic concern for holding assets, and weak governance leading to inefficient social service delivery.

C. Proposed Development Objective(s)

The Program Development Objectives and Pillars of the proposed operation are to: (1) strengthen the COVID-19 emergency response and (2) promote economic recovery.

Key Results

The following are key results of this DPF.

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Baseline (year)</th>
<th>Target (year)</th>
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<tbody>
<tr>
<td><strong>Pillar 1: Strengthen the COVID-19 Emergency Response</strong></td>
<td></td>
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<tr>
<td>RI 1 : Average VAT refund payment period including those on medical supplies (number of days)</td>
<td>30</td>
<td>15</td>
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<tr>
<td>RI 2 : Number of household beneficiaries from the Solidarity emergency fund</td>
<td>0</td>
<td>1,000,000</td>
</tr>
<tr>
<td>RI 3 : Number of households temporarily benefiting from a budget subsidy on the electricity bill at the social tariff.</td>
<td>0</td>
<td>1,600,000</td>
</tr>
<tr>
<td><strong>Pillar 2: Promote Economic Recovery</strong></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>RI 4 : Publication of the results of the Audits of the 4 emergency funds.</td>
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| RI 5 : Number of guarantees to SME granted by the partial credit guarantee fund. | 0 | 500 |
| RI 6 : Average time to obtain land titles (number of days). | 160 | 90 |
| RI 7 : Publication of monthly reports on the four emergency funds on the MEF website | No | Yes |

D. Project Description

The operation has also two pillars as indicated above.

- **Pillar 1** aims to strengthen the emergency response to COVID-19 by (i) streamlining procedures for medical imports and VAT refunds, (ii) allowing tax deferrals; (iii) strengthening the safety net system with rapid and well targeted cash transfers to households affected by COVID-19, while setting the basis for a unique social registry; and (v) protecting low-income households with a temporary subsidy for their electricity bill.

- **Pillar 2** aims to promote a rapid recovery with (i) solid fiduciary governance of the four dedicated funds created; (ii) the timely and critical creation of a partial credit guarantees for PMEs; (iii) the implementation of a unique identifier for land properties; and (iv) improved debt-management and transparency procedures.

E. Implementation

Institutional and Implementation Arrangements

The Ministry of Economy and Finance (MEF) is the designated implementing agency and has the responsibility for monitoring the overall execution of the measures outlined in the DPO. Day-to-day monitoring and evaluation of the program and all outcome indicators will be the responsibility of an inter-ministerial economic team appointed by the MEF and composed of the Directorate General of the Economy, the Directorate of the Budget and Finance, and the Directorate General of Planning. The team will be chaired by the MEF Cabinet Director and will coordinate the activities of all Government agencies involved in program implementation. This arrangement has proved satisfactory for previous DPFs. The Government will provide quarterly progress reports to the IDA based on the performance indicators in the results framework. The status of the overall reform program will be reviewed by the Government in coordination with regular IDA missions to ensure that the macroeconomic policy framework remains adequate.

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

Poverty and Social Impacts

The containment and prevention measures taken by the Government affect the living conditions of households through both employment and non-employment income shocks. COVID-19 will impoverish already poor households by between 1 and 10 percentage points depending on the duration of the crisis, but in the near six months, the depth of poverty will increase by up to 3 percentage points. The ability of proposed cash transfers to mitigate the effects of the crisis on poor and vulnerable households will depend on several factors. These are (i) the effectiveness of the identification mechanism, (ii) the selection criteria for beneficiary households, and (iii) the amounts, frequency and number of transfers.
The COVID-19 pandemic and the containment and mitigation measures taken by the government to contain the spread of the virus have also particularly affected formal and informal enterprises and households. In these regards, the Government’s initiative to set up preferential credit schemes for informal and formal small and medium enterprises (SME) is positive. In the same vein, the Government’s adoption of a temporary budget subsidy for the consumption of electricity for the most vulnerable households will also support the poorest household in an expenditure item that may represent up to 6 percent of its monthly expenses. The support on the social tariff is a good illustration of the importance of an effective safety net in Cote d’Ivoire.

Environmental, Forests, and Other Natural Resource Aspects

Three measures supported by the proposed DPF may (or may not) be associated with potential negative effects on the country’s environment or other natural resources. They include (i) Land titling reforms; (ii) simplify availability of health supplies; and (iii) procedures to provide credit guarantees to SMEs. All other measures do not imply any damage in any way. Energy-related measures are not expected to have a negative impact on the environment by reducing tree-cutting associated with firewood production. Eventually, any activity supported by the proposed operation that might be associated with potential adverse impact on environment and/or communities will be assessed and mitigated through the environmental and social assessment process, based on national legislation and good international industry practice.

In Côte d’Ivoire, the Ministry of Environment, and Sustainable Development (MINEDD) is responsible for setting policy guidelines on environmental issues and ensuring compliance with national environmental standards.

G. Risks and Mitigation

The overall risk rating for the operation is substantial. Macroeconomic risks are “substantial” as the extend and depth of the COVID-19 pandemic and its associated impact remain uncertain. The continued and successful implementation of the ECF-IMF program is expected to be another important macroeconomic mitigation measure. Risks involving the technical design of the program are substantial. This risk will be mitigated by the strong package of intensive technical assistance offered by the Bank’s projects, IFC and other development partners in the social protection sector and the Fund for supporting SMEs. Political and governance risks are substantial. Close monitoring of the political situation, in close collaboration with other development partners will help assess those risks and their subsequent impact on the fiscal program. Finally, fiduciary risks are also substantial. While the reforms supported by the DPF can bring substantial shield to Côte d’Ivoire’s Authorities to mitigate the risks, they will also require strong commitment to careful monitoring, control, audit and transparency by the Authorities, supported by regular reporting on beneficiaries and permanent participation of civil society in their overwatching.
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Implementing Agencies

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APPROVAL

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Approved By

Country Director: Coralie Gevers 01-Jun-2020