Report Number : ICRR0021314

1. Project Data

Country
Africa

Practice Area(Lead)
Macroeconomics, Trade and Investment

Programmatic DPL

Planned Operations: 2

Approved Operations: 2

Operation ID
P129282

Operation Name
Regional Trade Facilitation & Competitiv

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-56710,IDA-56720	31-Dec-2015	95,597,655.00

Bank Approval Date	Closing Date (Actual)
16-Jun-2015	31-Dec-2015

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	100,000,000.00	0.00
Revised Commitment	100,000,000.00	0.00
Actual	95,597,655.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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Country
Africa

Practice Area(Lead)
Finance, Competitiveness and Innovation

Operation ID
P158333

Operation Name
Second Regl Trade Facilit. Compet. Credi (P158333)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-56710,IDA-56720,IDA-59250,IDA-59260	31-Dec-2017	96,513,830.00
Bank Approval Date	**Closing Date (Actual)**	
13-Dec-2016	31-Dec-2017	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	100,000,000.00	0.00
Revised Commitment	100,000,000.00	0.00
Actual	96,513,830.00	0.00

2. Program Objectives and Policy Areas

a. Objectives

The program documents for the two operations define the program development objectives (PDO) as “to reduce trade transaction costs along the Abidjan-Ouagadougou corridor” (par. 54 of DPL1, par. 38 of DPL2). The financing agreements do not define the PDO.

b. Pillars/Policy Areas

The program had five policy areas that covered issues on border crossing and on the operation of the road transport sector, ports, terminals, and customs. On border crossing the program sought to improve the transit regime between Burkina Faso and Ivory Coast. On road transport the program sought to increase access to the trucking profession and reorganize the road transport market; that is, it sought to increase competition in the road transport service. On ports the program sought to improve the competitiveness of the Abidjan port. On customs the program sought to facilitate clearance of merchandise. The five policy areas were:

Transport
Policy Area 1 (Pillar A in the Program Document, PD): Professionalizing and formalizing the trucking industry:

- Business enabling environment promoting professionalization and formalization of the trucking industry;
- Professional organization representing the trucking industry;
- Implementation of axle load regulations.

Policy Area 2 (Pillar B): Modernizing the organization of the trucking market:

- Efficiency of road transport operations through better contractual relations between shippers and trucking companies;
- Efficiency of road transport operations through a more efficient truck fleet.

Ports and terminals
Policy Area 3 (Pillar C): Enhancing the competitiveness of maritime and inland gateways:

- Port and terminals operational efficiency and prices.

Customs
Policy Area 4 (Pillar D): Improving customs clearance:

- Availability of information on trade procedures and regulations;
- Customs clearance procedures and reward of compliance;
- Professional standards for customs and logistics service providers.

Border crossing
Policy Area 5 (Pillar E): Facilitating transit:

- Border crossing procedures;
- Transit regime.

The program had 12 prior actions in DPO1 and 15 prior actions in DPO2. The prior actions were met before the Board approved each operation, a significant achievement given the political instability in Burkina Faso and the difficulties of coordinating the reforms between the two countries.

c. Comments on Program Cost, Financing, and Dates

Total commitments for each operation were US$100 million (Euro 90.4 million each). The amounts disbursed were US$95.6 million for the first operation and US$96.51 million for the second operation, as a result of changes in the exchange rate. The first operation was approved on June 16, 2015, and it became effective on September 30, 2015 for Ivory Coast and November 6 for Burkina Faso; it closed on December 31, 2015. The second operation was approved on December 13, 2016, became effective on December 22, 2016, and closed on December 31, 2017.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The program objectives had substantial relevance. They were aligned with the Country Partnership Strategies (CPS) for Burkina Faso and Côte d’Ivoire and with their Government’s National Development Plans.

For Côte d’Ivoire the program was linked with the Government’s National Development Plan goal of turning the country into an emerging market in 2030, and with its first Poverty Reduction Strategy Paper 2009-2015. The program was also aligned with the World Bank Group's (WBG's) CPS for FY10-14 goals of expanding economic activity and expanding opportunities for income generation, and the Country Partnership Framework (CPF) of 2016-2019, especially its focus area I, Accelerating Sustainable Private Sector-Led Growth.

For Burkina Faso the program was aligned with the Government’s Strategy for Accelerated Growth and Sustained Development and with two of the three CPF FY13-16 strategic objectives of enhancing governance and accelerated inclusive and sustained economic growth. The expected gains from lower transport and trade costs were to contribute to inclusive growth, and replacing old trucks with new ones would improve the environment, even if by a small amount.

Besides aligning with the countries’ development plans and the WBG’s CPFs, the program sought to reduce transport costs along the corridor Abidjan-Ouagadougou. The corridor has the highest cost of transit to Burkina Faso when compared with from Lomé-Burkina and Tema-Burkina. A study by Nathan Associates for the WBG (Logistics Cost Study of Transport Corridors in Central and West Africa, 2013, p. 144) estimated total logistics costs at US$369 per ton, or 0.5 percent of the US$70,000 value of household appliances carried by a 40-foot container. As reported by the PD (p. 42), the cost of transit to Burkina Faso from Abidjan is about US$5000 (using an exchange rate of 600 FCFA per US dollar and 3 million FCFA), about 7 percent of the value of the merchandise in the container; road transport and charges represent around 50 percent of that cost, and handling, forwarding, and customs brokerage account for 30 percent of the cost. These costs are high because of distortions and monopolistic practices along different segments of the chain in the transport corridor.

Rating
Substantial

b. Relevance of Design

The program sought to reduce trade and transport costs, mainly through regulations and cooperation agreements between the countries. Incentives played a smaller role in the program's results framework, except for those for fleet renewal through import duty exemptions and access to credit. Because the program neglected the role of incentives in bringing about the desired change, its design failed to identify losers and winners from the reforms, take the necessary precautions to compensate the potential losers and ensure the potential winners would have the clout to support the reform of the system. Before the program, it could be argued, the system was in economic and political equilibrium in the sense that the institutions and rules of the game generated the observed economic and distributional outcomes the operations intended to change. Which economic and political incentives made that equilibrium possible? The PD did not answer this question. In the same vein, it could be asked, what changes in economic and political incentives were necessary to generate a different economic and distributional outcome, acceptable to all parties, and which, at the same time, would lead to reducing costs and providing services in an efficient and competitive manner? The PD answered this question implicitly. Its response was a results framework not informed by answers to the first question.

The program innovated by trying to provide budget support for two neighboring countries with similar transport problems in exchange for reforms. The two countries were selected because of their close relationship. Nevertheless, transit trade is important for Burkina Faso but less so for Côte d'Ivoire, as opposed to Togo, which could have been an alternative partner for the two countries' DPLs. Togo's macroeconomic situation precluded budget support through a DPL.

The program needed more than two years for its implementation and for overcoming opposition from the potential losers from the reforms. The design did not consider that political opposition was an obstacle to the program, as it did not provide options to compensate the losers from the reforms.

The macroeconomic framework of the two countries was appropriate for the period 2013-2014. Both countries were growing fast (about 5.5 percent Burkina Faso and above 8 percent Côte d'Ivoire), had low inflation (less than 0.5 percent Burkina Faso and 1.5 percent Côte d'Ivoire), fiscal deficits of about 2.5 percent and public debts of about 30 percent of GDP (Burkina Faso) and 45 percent of GDP (Côte d'Ivoire). Both countries also had good macroeconomic management over the recent past and have kept it. Their economies continue growing rapidly, and inflation has been kept low.

The program had a design of modest relevance.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

Objective: to reduce trade transaction costs along the Abidjan-Ouagadougou corridor

Rationale

The DPOs supported measures aimed at improving the performance of the transport sector, ports and terminals, and customs, and at facilitating border crossings. Policy areas A, B, C supported reforms in the transport sector. These reforms covered regulations that sought to improve entry into the trucking industry, professionalizing it, defining who was responsible for regulating truck weight and axle load, simplifying transport documents, promoting the use of more containers, and promoting agreement on a protocol for road transport between the two countries. Policy area D supported reforms in customs to improve its clearance processes. These reforms covered aspects of information on trade procedures and regulations, customs procedures, rewards for compliance, and standards for customs and logistics service providers. Policy area E supported reforms to improve border crossing between Burkina Faso and Côte d’Ivoire. The reforms covered interconnecting the customs information systems of the two countries, single payment of guarantee for the Interstate Road Transit Convention, and suspending collection of the guarantee at the Niangoloko border post in Burkina Faso.

Transport

Three policy areas supported improvements in transport.

Professionalizing and formalizing the trucking industry. The program sought to create a business-enabling environment by making the trucking industry more formal and professional, having it represented by an independent umbrella professional organization, and regulating axle loads. This was to be achieved by redefining the criteria for becoming a freight transport operator (both countries–BF&IC), setting rules to be met by an independent umbrella professional organization of the trucking industry (IC), defining responsibilities for regulating weight and axle load (IC), strengthening training system for road transport operators (BF&IC), and adopting measures for the acquisition of truck weighing equipment and notification of sanctions in case of non-compliance (BF&IC). The expected results were to increase the number of formally registered transport operators under the new criteria and to reduce the proportion of non-compliance trucks controlled at weighing stations. For registered operators, the baseline value was zero for both countries; the result was not achieved: only 5 operators registered in Burkina Faso out of a target of 300, and none in Côte d’Ivoire out of a target of 3000. For trucks complying with weight and axle regulations, at the end of the program in (a) Côte d’Ivoire, 46 percent failed to do so, higher than the target value of 35 percent but lower than its base value of 85 percent; (b) Burkina Faso, the information was not collected; its base value was 80 percent.

Modernizing the organization of the trucking market. The program sought to increase the efficiency of road transport operations through better contractual relations between shippers and trucking companies and through a more efficient truck fleet.

Better contractual relation was to be achieved as follows:

- BF would introduce a virtual freight exchange,
- IC would issue a single transport document instead of consignment notes;
- The two countries would:
  - establish a technical committee to renegotiate a protocol on road transport matters between their Ministries of Foreign Affairs;
  - recognize interstate consignment notes issued by the other country;
  - sign a revised bilateral road transport agreement (BF&IC).

The expected and actual results from better contractual relations were:

- In Côte d'Ivoire, increase in the volume of trade carried under a consignment note to 5 million tons from 3.9 million. There is no information on the volume of trade. Not achieved.
- In Burkina Faso, increase to 25 the number of shippers registered in the virtual exchange and to 30 the registered number of transporters or trucking companies controlling a fleet of 150 trucks (whichever is higher). At program closing, the virtual exchange was not being used for registration, but 25 transporters and 35 shippers were registered with the authorities.

More efficient truck fleet was to be achieved as follows:

- Fleet renewal for compliant road transporters. To achieve this:
  - Burkina Faso would adopt measures (notably tax and customs duty exemptions) to reduce the cost of vehicles;
  - Côte d'Ivoire would adopt measures to facilitate their access to credit.

Technical inspections. Both countries would issue regulations, procedures or strategies to strengthen their technical inspections.

The expected result from these measures was to reduce the prices of vehicles under the fleet renewal mechanism by 30 percent in Burkina Faso and by 20 percent in Côte d'Ivoire. The actual results were: prices fell 17 percent in Burkina Faso and remained unchanged in Côte d'Ivoire.

<u>Enhancing the competitiveness of maritime and inland gateways</u>. The program sought to increase the efficiency of ports and terminal operations. In Côte d'Ivoire this was to be achieved by (a) the Ministry of Transport setting objective and open eligibility criteria for transporters and adopting an order liberalizing the delivery of containers in the country, and (b) the government ordering the activation of the Commission on Competitiveness of Ivorian Ports. The expected results were to reduce by 25 percent the delivery price of

containers in Abidjan and to increase from 30 to 50 the number of transport operators authorized to deliver containers in Abidjan. The results were not achieved. The delivery of containers is not liberalized yet, and one company still controls that market.

Customs

The program sought to improve customs clearance by improving the availability of information on trade procedures and regulations, improving customs clearance procedures and regulations, and defining professional standards for customs and logistics service providers. The actions to bring these changes were:

Information. Both countries would develop a trade information web portal. Côte d’Ivoire would establish a pilot portal, and Burkina Faso would develop and launch an electronic-based trade single window system.

Procedures and regulations. In each country, the customs administrations would establish a database on traders’ risk profiles, introduce automated selectivity for customs controls, and modernize post-clearance audit procedures. Côte d’Ivoire would issue regulations defining the criteria and functioning of an authorized economic operator.

Professional standards. In each country, the customs administration would strengthen its internal procedures for customs control and would have oversight over licensed customs brokers. In Côte d’Ivoire, its customs administration would adopt a code of ethics and good governance for customs agents.

The expected result was to reduce the proportion of transactions routed though customs’ red channel (i.e., for full scrutiny) from 56 to 30 percent in Côte d’Ivoire and from 25 to 10 percent in Burkina Faso. The target was achieved in Côte d’Ivoire (26 percent) but not in Burkina Faso (70 percent). If the baseline value for Burkina Faso is correct, the 70 percent would indicate that the use of the red channel increased.

Facilitating Transit (Border Crossing)

The program sought to facilitate transit by improving border crossing procedures and the transit regime. The actions on border crossing procedures were to lead to a pilot interconnection system between the two countries that would permit to have a single transit declaration at the point of departure for the transit trade between the two countries. The actions for the transit regime consisted of (a) the chambers of commerce in the two countries signing an agreement allowing for a single payment of the interstate road transit guarantee and (b) Burkina Faso to stop collecting that guarantee at the Niangoloko border with Côte d’Ivoire.

The expected result was to reduce from 140 to 100 hours the average transit time between Abidjan and Ouagadougou. There is no information about this indicator.

Summarizing:

- Five transport operators were registered in Burkina Faso (target 300), none in Côte d’Ivoire.

- In Côte d'Ivoire, 46 six percent of trucks weighed more than 20 percent of the authorized level; this is less than the baseline value of 85 percent. There is no information for trucks with overload below 20 percent.
- In Burkina Faso, new vehicle prices under the fleet renewal mechanism fell by 17 percent, below the target; prices remained unchanged in Côte d'Ivoire.
- Delivery prices for containers in Abidjan did not change.
- One company still dominates container traffic in Abidjan.
- In Côte d'Ivoire, customs reduced the number of transactions routed through its red channel from 56 to 26 percent ; in Burkina Faso the percentage of these transactions increased from 25 to 70 percent.
- There is no information on the average transit time between Abidjan and Ouagadougou

Rating
Negligible

5. Outcome

The program had objectives of substantial relevance, negligible relevance of design, and negligible efficacy.

There is no information that could support the conclusion that trade transaction costs were reduced in the Abidjan-Ouagadougou corridor. First, the program document did not define a baseline or a target value for this cost. Second, neither the Bank nor the government collected information on how trade transaction costs changed during the time the program was active. It is unclear whether the results listed under efficacy reduced or could have reduced trade transaction costs.

These ratings indicate significant shortcomings in the operation, producing an Unsatisfactory Outcome rating.

a. Outcome Rating
Unsatisfactory

6. Rationale for Risk to Development Outcome Rating

The two operations affect the interests of powerful groups that imperil the limited achievements made in improving the quality of the customs and road transport services. As was to be expected, these groups have opposed the changes the operations supported and are likely to keep opposing them. The opposition has come from the expected places: the monopolist that handles containers in the port of Abidjan and the trucking industry, where many truckers would have to exit if the new criteria for modernizing the market are applied. Reforms in customs and border crossings also threaten to reduce or eliminate the rents that are generated through control over what enters and leaves the countries; those in charge of implementing the reforms are unlikely to welcome them, to put them in place, and/or to ensure that new systems and regulations are applied. In addition, the Burkina Faso customs agency lacks sufficient capacity to carry out the reforms and is likely to settle for what it knows rather than what it promises to be better for the users of its service but is is difficult to implement. Last, the threat of extremists in Burkina Faso calls for more border controls from Côte dʼIvoire, thereby strengthening the case for keeping things as they are from those opposing the reforms.

a. Risk to Development Outcome Rating

High

7. Assessment of Bank Performance

a. Quality-at-Entry

a. Quality-at-Entry

Substantial and substantive analytical work supported this program. The countries and IDA knew the problems and potential obstacles to the program. Some technical assistance was provided but overall seems to have been limited. The program did not contemplate actions or measures to compensate losers from the reform; the program could have facilitated such measures or sped some of the changes sought. The program was ambitious in its scope for reforms and the time frame for carrying them out, reflecting an optimistic assessment of what could be achieved and when. Such optimism was not tempered by the knowledge gained from the analytical work done on transport and trade over the years.

Two parallel loans funded infrastructure investments and capacity building for Abidjan-Lagos and Tema-Ouagadougou-Bamako. It was expected that these operations would support the implementation of key measures under the two DPLs, and that the reforms supported by the DPLs would enable transport sector reforms under the two projects. In addition, the DPL series was to be supported by technical assistance projects in Burkina Faso and Côte dʼIvoire.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

The Bank had a strong presence in the field to make it possible to supervise the operation well. However, a key player, the senior transport specialist in Abidjan, departed and was not replaced soon enough to ensure smooth supervision and implementation over the life of the program. That absence prevented the Bank from knowing better how program implementation advanced and what adjustments were necessary to make in the second DPO to increase the chances of success of the program and to come closer to achieving its objectives. The Bank missed the opportunity to adjust the results framework to better reflect the reality of what was likely to be achieved given the conditions in the two countries.

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

8. Assessment of Borrower Performance

a. Government Performance

a **. Government Performance**

Cote d'Ivoire. The government carried out the proposed reforms in customs but not in the other areas of the program. In customs, the authorities have introduced and applied risk management techniques to process merchandise trade in customs. There was little change in the other areas the program covered. In trucks, there was no truck renewal, in part because of a weak design that may have affected the government's commitment to implement it. On container delivery in the port of Abidjan, the decree aimed at liberalization has been contested in court, and the committee responsible for authorizing new entrants into this business suspended activities until the legal impasse is solved. Implementing the agreement on adopting the single consignment note has stalled, in part because of Ivorian intransigence.
Rating**:** Moderately Unsatisfactory

Burkina Faso. The government seems committed to proceeding with trucking reform, but implementation is behind schedule. Nonetheless, forgoing taxes and duties on imported trucks has produced some advances in the truck renewal scheme. On overloading, the authorities imposed significant fines for *extreme* overloading, but did not try to control overloading and collect data about it; the imbalance in incentives may stop overloading and lead to generalized overloading of trucks without any significant impact on total overloading. The virtual freight exchange was created but has not been used.

Rating: Moderately Unsatisfactory

Government Performance Rating

Moderately Unsatisfactory

b. Implementing Agency Performance

Not applicable

Implementing Agency Performance Rating

Not Rated

Overall Borrower Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The objective of the operation was "to reduce trade transaction costs along the Abidjan-Ouagadougou corridor." The objective was clearly spelled out but the indicators (e.g., reduction in vehicle prices, trucks not complying with weight regulations) reflected weakly on the objective. For example, lower prices of vehicles increase profits of a truck monopoly but do not reduce the price of the service to users; complying with weight regulations may increase the cost of transport to final users because the same truck carries less freight. If the size of the total cost had been measured and used in the results framework, it is likely that the results indicators might have been more related to costs. The program documents did not define the total size of the transaction costs, or the expected reduction in total cost or in the cost of the components the operation affected. Measuring the costs would have served as a frame of reference for how much the operation covered and left out, and how much was the expected reduction in costs given the actions taken. Missing that opportunity is puzzling. The World Bank has done good, extensive, and in-depth analysis of the transport and logistic industry in West Africa (e.g., Bank Report # 98465, June 2015; Arvis et al. 2011; Nathan, 2011, 2012, 2013; Raballand et al. 2009; World Bank, 2014, all quoted in Report #98465), a summary of which is presented in Annex E of the PD for the first operation (pp. 142-152, Annex E).

Some of the selected indicators were easy to measure, but most of them provided limited information, if any, on how much the reforms changed transaction costs.

b. M&E Implementation

a . M&E Implementation

The Bank and the governments collected evidence on most of the indicators defined in the PD. The evidence was not used to correct weaknesses in the design and specification of the indicators during program implementation. Nonetheless, three indicators were dropped, simplifying the results framework but not making it more useful to assessing program performance. An indicator was added: the number of transporters and shippers registered in the virtual freight exchange in Burkina Faso; this seems irrelevant, as paper registries are perhaps as good as virtual registries and do not add a lot to costs of registration and information keeping.

c. M&E Utilization

The M&E activities did not impact the direction of the program, its duration (e.g., four years instead of two), or the results framework.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

The ICR did not report on this matter.

b. Fiduciary Compliance

The ICR did not report on this matter.

c. Unintended impacts (Positive or Negative)

In Côte d’Ivoire, an umbrella organization federating 350 trucking unions appears to have the potential to become an independent voice that could facilitate dialogue with policy makers.

d. Other

The ICR did not report other impacts.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Unsatisfactory	Few targets were achieved. The few that were achieved cannot support the conjecture that transaction costs fell.
Risk to Development Outcome	High	High	---
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Borrower Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Quality of ICR		Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The ICR has the following lessons with which this review agrees.

- Regional programs in which two countries are involved in reforms are more likely to succeed if the two countries have more similar economic strengths or attach equal importance to the proposed reform agenda. For example, transit trade is more important for Togo than for Côte d’Ivoire, and Togo's economic relationship with Burkina Faso is more equal;
- Policy operations like the two reviewed usually need technical assistance for carrying out many of the changes the operations support. Accompanying technical assistance is essential for implementing the reforms;
- Difficult reforms require more than two years to work through the various stages to ensure implementation;
- Greater attention needs to be paid to prior analysis when designing a program. Both the poverty and social impact analysis and the political economy study identified potential losers and the risk of vested interests obstructing the reforms. These studies do not seem to have been adequately taken into consideration;
- Greater care in defining results indicators and targets eases program monitoring and assessment of results.

IEG adds the following lesson, related to the penultimate bullet point above:

Reforms carry with them changes in incentives. For reforms to succeed, it is necessary that the implicit incentives the reforms create are aligned with the true incentives that are required to generate the expected results of the program.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR presented a comprehensive analysis of the program, its achievements and shortcomings. It was evidence-based and followed established guidelines. Its lessons section could have been more concise.

a. Quality of ICR Rating
Substantial