Report Number : ICRR0020817

1. Project Data

Country	Practice Area(Lead)
Cote d'Ivoire	Macroeconomics, Trade and Investment

Programmatic DPL

Planned Operations: 3 **Approved Operations:** 3

Operation ID	Operation Name
P127449	CI-PRSG 1

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-53000	31-Dec-2013	50,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
30-Aug-2013	31-Dec-2013	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	50,000,000.00	0.00
Revised Commitment	50,000,000.00	0.00
Actual	51,831,394.75	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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Operation ID	Operation Name
P155259	CI -DPO-Poverty Reduct. Support Credit 3 (P155259)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-53000,IDA-57250	30-Jun-2016	100,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
29-Sep-2015	30-Jun-2016	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	100,000,000.00	0.00
Revised Commitment	100,000,000.00	0.00
Actual	97,998,025.00	0.00

Operation ID	Operation Name
P143781	CI -DPO-Poverty Reduct. Support Credit 2 (P143781)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-53000,IDA-55580	30-Jun-2015	70,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
04-Dec-2014	30-Jun-2015	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	70,000,000.00	0.00
Revised Commitment	69,999,845.42	0.00
Actual	68,518,298.86	0.00

2. Program Objectives and Policy Areas

a. Objectives

The overall development objective of the development policy operation (DPO) for the poverty reduction support credit (PRSC) series was to support a balanced reform program strengthening public-sector governance and administration and facilitating private-sector led growth - Program Document 1 (PD1, p. vi-

vii). The development objective did not change in the second and third operations.

b. Pillars/Policy Areas

The Program had three pillars/policy areas:
Pillar 1. Good governance, transparency, and enhanced public financial management (PFM), supported (i) improvements to governance and financial transparency in public institutions, and (ii) improvements to public financial management (PD1, p. 16).

Pillar 2. Improvements to the business climate and higher private investment, supported reforms to clarify the judicial framework for private enterprises (PD1, p. 16).

Pillar 3. Strengthening potential economic growth sectors, supported reforms to (i) catalyze employment creation and income generation in rural areas, and (ii) increase the rate of investment in the energy sector (PD1, p. 16).

c. Comments on Program Cost, Financing, and Dates

DPO1, for US$50 million, was approved on August 30, 2013 and became effective December 12, 2013. It closed on December 31, 2013 fully disbursed.

DPO2, for US$100 million, was approved on December 4, 2014 and became effective on December 15, 2014. It closed on June 30th, 2015 fully disbursed.

DPO3, for US$70 million, was approved on September 29, 2015 and became effective on November 19, 2015. It closed on June 30th, 2016, fully disbursed.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The 3 development policy operations reflected closely three of the four priorities of the World Bank Country Partnership Strategy (CPS) for FY2010-FY2013. The pillars of the CPS that were incorporated in the DPOs were:

- Strengthening of governance and institutions: This was part of pillar 1 of the DPO series, which focused on improving governance and financial transparency in public institutions and in public financial management;
- Strengthening the private sector: This was part of pillar II that sought to improve the business climate and

increase private investment by supporting reforms to clarify the judicial framework for private enterprises; and

- Improving the performance of the agricultural sector: This was part of pillar III, that sought to strengthen high economic potential growth sectors, the creation of employment and higher income in rural areas and raise investment in the energy sector.

The DPOs also broadly reflected the first and second objectives of the government's Poverty Reduction Strategy Paper, which were:

- Restoring the foundations of the nation; and
- Transforming Côte d'Ivoire into an emerging economy.

This was incorporated through the first and third pillar in terms of which the DPO series aimed to help rebuild institutions and strengthen economic governance, and in PFM in the first pillar and support the cocoa, energy and financial services sectors in the third pillar (CPS, p. 22 and ICR, p. 26).
The objectives of the 3 DPOs are also consistent with the *World Bank Group Country Partnership Framework for the period FY2016-FY2019*. The country partnership framework has 3 focus areas and 10 objectives. The objectives of the DPO series that are consistent with these are:
Focus area 1: Accelerating sustainable private sector led growth:

- Objective 1: Improve productivity in agriculture/business value chains;
- Objective 3: Improve the business regulatory framework and access to finance.

Focus area 3: Strengthen public financial management and accountability:

- Objective 10: Increase accountability and transparency in public expenditures.

Rating
High

b. Relevance of Design

Against a historical background of institutional breakdown, due to the civil war and disputed election results, the program design was complex. In the first DPO there were 9 prior actions. In DPO 2, the number of prior actions increased to 10, with one prior action having 3 parts, for a total of 12, with 11 of the original 14 triggers changing. In DPO 3, there were 11 prior actions, but with the sub-actions they totaled 14. Therefore (ICR, p. 21-3), the usual limit of 10 prior actions was exceeded in 2 of the 3 operations).

Prior actions varied widely in type and across sectors. Some were process oriented, such as developing strategies, action plans or institutional frameworks, which were not in accord with the requirement that prior actions be critical to achieving outcomes. In addition, triggers changed substantially over the three DPOs, thereby affecting the continuity of the reform program and complicating the ability of the government to comply because of the confusion that the changes created.

The links between prior actions and desired outcomes was often unclear and changes in the program obscured links between intermediate and final outcomes. The pressure to disburse before the end of fiscal years resulted in some triggers being cancelled in favor of those that could be completed within the necessary period. The government therefore often had substantially less than a full year in which to achieve reforms. The ICR (p. 24) notes that the government expressed concern that it did not have sufficient time to comply with design changes to the triggers. For some years, this did not allow the incorporation of the cost implications of design changes into the national budget.

The doing business indicators, which featured heavily in the design of business environment reform, are suspect measures of exactly where problems exist, and they are essentially inputs, or intermediate indicators even if accurate (which is questionable). Centering business environment reform around improvements in these indicators provides no measure of whether more businesses were created, properties registered or building permits issued, which should have been the measure of success of these reforms. A further design weakness was the inclusion of an indicator of the number of days required to start a business without any reform measures to achieve this (PD1, p. 62). A reform of this type requires at the very least a reform of the legislation regarding the formation of companies and a review of business registry procedures.

Program design included reforms that are hard to achieve. For example, improvements in business contracting is difficult because isolating reasons for settling contracting disputes could involve contract law, court decisions, corruption or other factors that are involved in business to business relationships. There is no evidence in the PDs that this analysis was undertaken.

The link between encouraging the development of the agricultural sector and the design of reforms was not always clear. For example, one intermediate indicator in DPO1 was an increase in the percentage of accredited farm cooperatives conforming with the Cooperatives Law. However, how this linked to higher output and productivity in the sector was not explained. Furthermore, in DPO2 (PD2, p. 25) this was modified to focusing on the extent to which professional associations and cooperatives in the cashew and cotton sectors conformed to the standards of the Organization to Harmonize Business Law in Africa (OHAD). In DPO3 this was modified to developing an action plan to increase the number of cashew and cotton cooperatives established in accordance with the standards of OHAD, again without explaining convincingly how this linked to development objectives. Also, the introduction of an action plan in the last operation of the series was problematic since there wasn’t sufficient time for high quality implementation (ICR, p. 27).

Furthermore, the design of some prior actions involved reforms in politically sensitive sectors (ICR, p. 24), especially in the cocoa sector and in electricity pricing. The ICR notes (p. 14) that the cocoa sector was known to be corrupt, with farmers receiving only a small portion of the substantial total revenue being generated because those managing the sector were diverting most of the profits. Their opposition to reform revealed that the reform design was not robust and failed at the critical moment when world cocoa prices began to decline. The design of electricity reforms also led to strong political opposition and a partial reversal of tariff increases.

The ICR notes that prior actions in the agricultural sector were not well designed. The oversight by the Ministry of Agriculture of the Cocoa-Coffee Council was weak. As a result, the Council performed poorly, especially in the monitoring of forward sales by coffee exporters that led to export contracts being dishonored. The ICR (p. 27) notes that World Bank staff should have been more involved in reform design in the electricity and agricultural sectors. In this way it could have anticipated the opposition to the reforms. However, the ICR points out that World Bank involvement in design would not have been acceptable to authorities. The lack of World Bank input into the design of these reforms raises the question of whether they should have been included in prior actions. Even more broadly, given the criticality of the sectors in the Cote d'Ivoire economy, it also raises questions regarding whether the DPOs should have gone ahead at all.

The design of the objective to achieve domestic cashew nut processing was questionable, given the uncertainty regarding whether Cote d'Ivoire had any comparative advantage in this area.

A further deficiency in program design was the failure to coordinate the budget support series with the availability of IDA funds, which resulted in a one year delay in the commencement of the DPO1, upset the Côte d'Ivoire Government and got the program off to a poor start.

The macroeconomic framework was reviewed in PD1 (p. 6), and was judged to be sustainable, striking a balance between fiscal probity and the ongoing substantial need for public investment to keep growth momentum and maintain economic stability. In particular, aggregate saving was viewed as being adequate to finance a significant increase in investment.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1
Objective
Promoting good governance, transparency and enhanced PFM

Rationale
After years of maladministration, low growth and conflict, the economy was close to devastation. Reestablishing institutions of governance that were functional and which could reduce the incidence of corruption was an urgent priority.

The series initially required that Cote d'Ivoire improve its ranking in the Transparency International Corruption Perception Index, but this was modified to the index score itself to measure progress that was independent of what was happening in other countries. The ICR (p. 10) notes that the indicator did improve but not necessarily because of actions by Cote d'Ivoire governance institutions.

The series initially required that the number of corruption cases prosecuted increase from a baseline of 2 to a target of 30. This was subsequently dropped because of data gathering difficulties and concerns that it would not reflect actual corruption. Nevertheless, the ICR notes (p. 10) that the number of case rose from 2 to 7, well short of the initial target.

The series required that the number of procurement audits increase from 10 to 100. This was surpassed substantially, with the actual number of audits achieved reaching 150 by 2016.

The series required that there would be a reduction in the number of sole sourced contracts as a share of the total from 37% to less than 15%. This was not achieved, with the actual number declining to only 31% of the total.

The series required that there be an increase in the number of local governments producing quarterly computerized budget reports increasing from zero to 10 by completion of the series. This was achieved, with the number rising to more than 10 by the end of the series.

Overall, of the five indicators, one was dropped. On corruption, the indicator was dropped but the number of cases prosecuted increased marginally. This was also the case under the number of sole sourced contracts; achievements fell far below the targets. On two indicators (number of quarterly reports produced and procurement audits) the targets were exceeded. Achievements in promoting good governance, transparency and enhanced PFM are therefore rated modest.

Rating

Modest

Objective 2

Objective

Improving the business climate and revising the legal framework for private enterprise

Rationale

The Government of Côte d'Ivoire accorded a priority to reviving the private sector. The series targeted the clarification and improvement in the judicial framework for private enterprise and in reducing regulations for the issuing of permits and the registration of property.

The series required that the number of days to settle commercial disputes decline from a base of 770 days to a target of 450 days. By the end of the series it had fallen to an average of 525 days.

The target was to reduce the number of days to receive a construction permit from 475 days to 175 days. By the end of the series it had fallen to 347 days and the ICR (p. 11) notes that because of the opening of a single window for construction permits, the target might be achieved in 2017.

The series required that the number of days to start a business decline from 40 days to 5 days. By the end of the series this had fallen to 7 days.

The series required that the cost of property registration as a percentage of the value of the property fall from 13% of the value of a property to 6%. By the end of the series, this had declined to 7.6%.

The series required an increase in the number of public private partnerships rise from a base of 0 at the commencement of the series to 3 by the end of the series. This was substantially surpassed, with 13 having been deemed to have the relevant requirements. However, the International Monetary Fund staff report (2016) expressed concern regarding the quality of several of them, particularly with respect to the contingent liabilities that the government might be incurring.

Of the five indicators, two were not achieved, i.e. the number of days to settle commercial disputes and the number of days to obtain a construction permit. There was progress in two others--reducing the number of days to start a business and lowering the cost of property registration, but achievements fell short of the targets. On increasing the number of PPPs, the target was surpassed. Overall, there were modest achievements in improving the business climate and revising the legal framework for private enterprises.

Rating
Modest

Objective 3
Objective
Strengthening economic sectors with high growth potential

Rationale
The series required that there be an increase in the farm-gate price as a percentage of the CIF export prices from less than 50% to 60%. The ICR (p. 11) points out that this applied only to cocoa because no policy was established explicitly for cashew export prices. It also points out that by 2012/2013 the farm gate price for cocoa was already 60% of the CIF export price. While this price ratio was maintained throughout the series, a forward sales policy was not maintained nor implemented in 2016, with some exporters speculating on rising prices rather than using forward contracts. As a result, when world prices fell they reneged on their contracts, leaving farmers without buyers for their crop, or being forced to sell at distressed prices.

The series required that the number of restructured cashew and cotton cooperatives established according to Organization to Harmonize Business Law standards increase from a base of zero to 20. This was surpassed by a large margin, with the number reaching 273 in the cotton sector alone by the end of the series. However, the ICR (p, 12) points out that many were not effective and had been marginalized by the cotton ginning company.

□

The initial target was to increase the share of cashew production processed domestically from less than 5% to 25%. This was subsequently revised downwards to 8%. The actual percentage achieved was 6.2%. However, the production of raw cashews rose dramatically over the period as private sector investment in cashew production increased substantially as world demand rose. The ICR notes (p, 12) that it is unclear how the reforms that the PDOs supported influenced the results achieved. Furthermore, the ICR (p, 30) notes that cashew processors have difficulty competing with buyers of raw nuts and may not be competitive without additional protection, raising the question of whether this was a viable sub-objective.

□

the number of women's cooperatives were targeted to increase to 10 from a base of zero. This was not achieved – none were established. However, the ICR (p. 12) indicates that none of the reforms supported this outcome and its inclusion was probably just pro-forma means of including a gender related target.

□

The series initially required an increase in the production of paddy rice from 650,000 tons annually to 1 million tons but was subsequently revised upwards to 2 million tons. By 2015 2.15 million tons of paddy rice (or 1.4 million tons of rice) was produced. However, the ICR (p. 12) points out that the choice of the base year exaggerated the gains.

□

The series required that the remaining government arrears to the national refinery decline for CFAF92.4 billion to CFAF35 billion. This was surpassed, with the arrears falling to CFAF30 billion. However, the arrears of the refinery to suppliers and creditors exceeded CFAF350 billion, indicating the continued dire financial straits of the refinery.

□

The series originally required that the deficit of the electricity sector fall from CFAF137 billion to zero. This was revised upwards to CFAF25 billion.

□

In 2016 the electricity sector registered a surplus of CFAF5.3 billion. However, the ICR (p. 12) indicates that this number is misleading. The electricity sector had payments arrears of FCAF200 billion in 2016, was not paying interest on its debt, nor was covering the depreciation of its assets. Furthermore, in terms of the measure adopted, there was no sector deficit by 2013, yet the performance of the sector did not improve over the series, despite the emphasis on its importance indicated in the PDs.

Overall, although the first two targets were met, there were issues in these subsectors (i.e. CIF export prices and cadju and cotton).On indicators 3, 4 and 5, achievements were modest. Not one of the women's cooperatives was established. One indicator was met, however, others had several problems as stated above. Efficacy under the third objective is rated modest.

Rating
Modest

5. Outcome

The objectives of the series were highly relevant to restoring the economy of Cote d'Ivoire that had languished following the breakdown of democracy and civil war. The improvement in governance, the support for improving the business environment and the assistance to selected sectors were all important for the country. However, the design of the series had significant shortcomings and at times appeared to be more directed at allowing triggers to be achieved to allow disbursement, rather than promoting the achievement of fundamental development objectives. The instability of triggers compromised the long-term outcomes of the reforms. Design is therefore rated modest.

While there was an improvement in the business environment as measured by the indicators, it is questionable whether they will lead to more investment and enhanced productivity.

In the agricultural sector, there is little evidence that the reforms targeted resulted in improved outcomes and the electricity and refinery SOEs remain in precarious financial positions.

a. **Outcome Rating**
Moderately Unsatisfactory

6. Rationale for Risk to Development Outcome Rating

Significant political tensions remain, and reconciliation has proceeded only slowly. If reconciliation does not continue to improve, progress on the reform agenda could be threatened. Corruption remains high and the Procurement Authority and the Authority for Good Governance are at risk and their effectiveness (ICR, p. 30) is so far unproven. Both these factors could compromise the progress on business environment reform – investment would be far more affected by them than by a reduction in the time to register a business or the other indicators of business environment improvement.

Furthermore, cashew processing is at risk because of inefficiencies of cashew processors. In addition, the cocoa marketing system has been in crisis and the energy sector faces severe financial problems. Going forward, there appears to be a high risk that the modest achievements to date are at risk and that the risks identified in the PDs remain high.

a. Risk to Development Outcome Rating

High

7. Assessment of Bank Performance

a. Quality-at-Entry

While the selection of a three year, three program series reflected the ongoing development needs of Côte d’Ivoire (ICR, p. 30), there were inconsistencies in the approach and selection of triggers and indicators that compromised the successful outcome of the program. There were various design deficiencies and the delay in the availability of IDA funds led to a one-year delay in the start of the program. Changes in the policy matrix and triggers at times did not provide the government with sufficient time to incorporate them in the national budget. World Bank Group staff were not involved in the design of critical reforms in the cocoa and electricity sectors.

Quality-at-Entry Rating

Unsatisfactory

b. Quality of supervision

The ICR (p. 30) notes that there was strong World Bank Group presence throughout the series. Both the World Bank and the International Finance Corporation had field offices in the capital, Abidjan. However, this did not translate into coherence in reform program implementation, with changes in indicators and in triggers, even after the program had been negotiated. This caused uncertainty and lack of enough time to ensure implementation. The ICR (p. 30) also notes that the choice of triggers at times appeared to be directed at ensuring disbursement rather than program needs.

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Unsatisfactory

8. Assessment of Borrower Performance

a. Government Performance

Some government ministries and agencies demonstrated reform commitment, but in key areas this was weak. The Ministry of Economy and Finance did not provide strong leadership (ICR, p. 31, 32) because it saw its role as being primarily that of a coordinator rather than the ministry leading the reform agenda. Following the year-long delay caused by the lack of IDA funds, the sectors and the sector ministries showed more readiness to commence the program than did the Ministry of Economy and Finance.

Government Performance Rating

Moderately Unsatisfactory

b. Implementing Agency Performance

Several ministries and other institutions were involved in implementing the reform series. The ICR (p. 31) points out that some bodies demonstrated reform commitment, particularly those involved with business environment reform. In other areas, while the design assumed a continuation of the track record of reforms by counterpart ministries (PD1, p. 38), this commitment did not materialize.

The management of the electricity tariff increases by the Ministry of Energy was poorly handled and resulted in a partial reversal after widespread opposition (ICR, p. 31). Furthermore, the electricity sector continues to experience significant payment delays because of slow payments by public sector bodies and foreign clients. The ICR (p. 32) notes that neither the Ministry of Energy, nor the Ministry of Finance, have developed measures to address the payment backlog.

Regarding reducing corruption, the ICR (p. 32) points out that the Ministry of Justice failed to follow up on corruption cases that had been referred to it. The Procurement Authority required the support of the Prime Minister's Office when it faced opposition from the Ministry of Budget, which resisted procurement reforms. As a result, procurement rules were often not followed and sole source contracting remained common. The government is going ahead with public private partnerships, but a number appear to be poorly prepared and the International Monetary Fund has warned of the danger of an increase in contingent liabilities of the government.

Implementing Agency Performance Rating

Moderately Unsatisfactory

Overall Borrower Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The design of the results indicators was weak in several aspects. The use of the doing business Indicators as outcomes, rather than intermediate indicators (PD1,p. 61) provided no measure of whether the reforms led to the creation of more businesses, the issuing of additional construction permits, or improved resolution of contract disputes. The inclusion of the number of procurement audits as a target (ICR, p. 25) gave no indication of the results of the audits. For example, the ICR notes (footnote, 25) that the 2015 audit found that only 32% of the cases followed the required procedures and that these only accounted for 25% of the value of procurement cases audited. Similarly, the indicator on cooperatives did not measure how effective they were. The ICR (p.

25) points out that the indicator on the electricity sector deficit was no more than partially useful because it did not conform to generally accepted accounting practices. Depreciation and interest payments were excluded from estimates of the deficit and there was incomplete accounting for arrears in both receivable and payables.

b. M&E Implementation

The implementation of the M&E framework was also weak. It changed substantially over the DPO series, but as the ICR notes (p. 25), did not improve. Of the 17 indicators in DPO1, 7 were dropped and 3 were redefined. Dropping the electricity indicator was unfortunate given the importance of the sector in the program. DPO2 and DPO3 added 4 new indicators but 2 of them were not related to prior actions and a third – the number of local government producing quarterly reports gave no indication of their quality of effectiveness.

c. M&E Utilization

The ICR (p. 25) notes that there was no indication that the results framework was used to monitor progress or modify the series in response to challenges.

M&E Quality Rating

Negligible

10. Other Issues

a. Environmental and Social Effects

The series did not involve any environmental or social effects

b. Fiduciary Compliance

The ICR provided no information on fiduciary compliance

c. Unintended impacts (Positive or Negative)

There were no unintended impacts

d. Other

N/A

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Risk to Development Outcome	High	High	---
Bank Performance	Moderately Unsatisfactory	Unsatisfactory	Deficiencies in design and implementation, with emphasis on ensuring disbursement rather than achieving program objectives.
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 following lessons are adapted from the ICR:

When the disbursement objective of a DPO predominates, program design should be less ambitious. The tradeoff between budget support and reform implementation in this series led to instability in the triggers and the policy matrix. More importantly, it compromised some potential achievements because of the failure to delay disbursement until key reforms were made (ICR, p. 32). In such contexts there should be explicit mention in the PD of the primacy of the disbursement objective.

The effective implementation of reform programs requires effective sequencing. The lesson from reform program in Cote d'Ivoire illustrates the need to allow adequate time for their completion.

Politically sensitive reforms central to the performance of the economy require the participation of Bank staff in their design. Outcomes in Cote d'Ivoire demonstrate that if appropriate measures are not adopted by government authorities, the reforms should be excluded, and the viability of the entire program should be reviewed in depth.

IEG adds the following lesson:

Reform programs with large numbers of prior actions are difficult to implement. The Cote d'Ivoire DPO series illustrates that reducing the number of prior actions would provide the program with more focus

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well written and explains clearly the issues faced by both the World Bank Group and the government in formulating the reform program. It provides good explanations of the nature of the problems that arose during implementation and highlights the challenges and tradeoffs of DPOs. It appropriately highlights the compromises that must be made when disbursement is the primary motivation. However, the ratings for outcome and Bank performance are higher than justified by the evidence presented.

a. Quality of ICR Rating
Substantial