Report Number: ICRR14911

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted: 05/31/2016		
Country:	Cote d'Ivoire			
Project ID:	P115398		Appraisal	Actual
Project Name:	Cote D'ivoire - Sme Revitalization And Governance Project	Project Costs (US$M):	18.7	19.7
L/C Number:		Loan/Credit (US$M):	15.0	14.2
Sector Board:	Financial and Private Sector Development	Cofinancing (US$M):		
Cofinanciers:		Board Approval Date:		10/20/2009
		Closing Date:	01/31/2014	10/31/2014
Sector(s):	SME Finance (54%); Public administration- Financial Sector (46%)			
Theme(s):	Micro; Small and Medium Enterprise support (55%); Other Private Sector Development (15%); Regulation and competition policy (10%); Legal institutions for a market economy (10%); Other accountability/anti-corruption (10%)			

Prepared by:	Reviewed by:	ICR Review Coordinator:	Group:
Katharina Ferl	George T. K. Pitman	Christopher David Nelson	IEGPS1

2. Project Objectives and Components:

a. Objectives:

The Project Appraisal Document (PAD, p. 15) states that the objectives of the project were:

"to help improve the performance of the small -medium enterprise sector in Cote d 'Ivoire and the investment climate that affects it ."

According to the Financing Agreement (p.5) of November 26, 2009, the objectives of the project were:

"to assist in improving the performance of and the investment climate for small and medium enterprises in Cote d'Ivoire."

The objectives stated in the Financing Agreement are used for this validation.

b.Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components:

The project included three components:

1: Direct support to small -medium enterprises (SMEs) *(appraisal estimate was US$11.30 million; actual cost was US$11.34 million.)* This component was to finance:

(i) Provision of technical assistance and training to help SME's to improve productivity and competitiveness and to obtain needed knowledge; and

(ii) Contributions to reducing the financial constraints faced by SMEs association members (FIPME- *Federation Ivoirienne des Petites et Moyennes Entreprises)* through the purchase of the audited debt

obligations of the Government owed to members of FIPME. The proceeds of this purchase were planned to be used to capitalize the SME mutual fund (*Mutuelle de Financement et de Credit des PME* (MFC/PME), created by FIPME, whose mandate was to provide working capital to its members.

2: Investment Climate and Governance Reform *(appraisal estimate was US$5.00 million; actual cost US$5.02 million.)*
Activities under this component were to support the introduction of reforms which could be easy to implement and have a quick impact on the business environment and thus assist the Government in meeting its objective of promoting competitiveness and encouraging private investment. Activities were:

(i) The establishment of a pilot Commercial Court in Abidjan, its associated business registry and training, by finalizing and implementing action, in consultation with all stakeholder, a draft legislation and action plan prepared by the Ministry of Justice in 2008;
(ii) Improvements in the regulatory framework for business including the establishment of a one-stop shop for business creation (*guichet* unique), assistance to the formulation of investment climate reforms and support to the public-private dialogue.
(iii) The implementation of a program to curb racketeering, based on the recommendations of the World Bank-funded study on the subject. The *Comité Technique de Contrôle de la Fluidité Routièr* (CTCFR) was to be established to implement the recommendations under a pilot phase in the Abidjan district, while other technical and financial partners have agreed to finance subsequent phases of the program. This subcomponent was to support the following activities using Technical Assistance, goods and services, and minor civil works (no significant or new civil works were to be undertaken):

- Designing and carrying out a communication campaign against racketeering;
- Creating a complaint center for victims of racketeering harassment;
- Purchasing equipment for the technical committee to conduct inspection missions to official check points; and
- Training and capacity-building for the technical committee.

3: Institutional Support and Project Implementation *(appraisal estimate US$2.3 million, actual cost US$3.3 million or 143% of appraisal estimate.)* This component was to finance studies to assist the formulation of a private sector strategy, improve competitiveness, support the defining of modalities to implement the Public Private Partnership and provide support for project implementation.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project Cost: The project was estimated to cost US$18.68 million, actual cost was US$19.66 million. Implementation of components 2 and 3 required reallocation between components. The ICR does not explain how the additional cost of US$1.02 million was financed.

Financing: The project was financed by an IDA Credit for US$15.00 million of which US$14.18 million was disbursed and US$0.33 million was cancelled. The reduction in the US$ amount was due to despeciation of the US$ against Special Drawing Rights, the currency of the Credit.

Borrower Contribution: The borrower's planned contribution was US$0.43 million. Also, it was planned that the private sector would contribute US$3.30 million under the matching grant scheme. The ICR does not state what the actual contributions by the government and private sector were.

Dates: The project was restructured twice:

- On November 2, 2011, after the 2010-2011 political crisis, the project was restructured to re-engage following the formal resumption of World Bank operations in the country. Two Adjustments were made: i) First, the budget was reallocated to provide more resources to the unit in charge of fighting racketeering. The budget for this activity was initially US$1.10 million but the government asked the Bank to increase the allocation by US$1.20 due to magnitude of this challenge; ii) a full-time project manager was recruited to ensure supervision and focus on high impact activities.
- On December 27, 2013, the project was restructured to: i) extend the loan closing date by 9 months from January 31 2014 to October 31, 2014 in order to enable the project to consolidate key institutions (including the one-stop shop, the commercial court, and the SME mutual fund *Mutuelle de Financement et de Crédit des PME* - MCFPME) and complete activities such as matching grant operations; ii) simplify disbursement categories to exercise greater flexibility in allocating remaining project funds to well performing components until project closing and restructure Grant proceeds under a single category: SME support, investment climate reform and project management (reflecting current categories of expenditure); iii) reallocate some funds from component 1 to component 2 and 3 due to the slower uptake of component 1; and iv) change institutional arrangements such as the composition of the steering committee and denomination of some beneficiaries.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

Substantial

Over the last two decades Côte d'Ivoire had experienced weak private sector performance due to the volatile political and security situation. Cote d'Ivoire ranked 161 out of 181 countries in the overall business environment indicator in the 2009 Doing Business Report and 167th out of 181 in the business creation indicator. Business creation involve 10 steps; an average of 40 days and an average cost of FCFA 626 thousand or 135 percent of the gross national income per capita at the time of appraisal.

The private sector faced several challenges including weak institutions, public infrastructure, laws, and business regulations. Racketeering was an important feature of the country's investment climate and governance situation.Racketeering consisting of harassment, extortion, bribery and, in some cases, assault, at roadside checkpoints, which were set up during the conflict and are manned by police and military personnel, had become an issue. At the time of appraisal this had increased throughout the country and is taking a toll not only on the quality of life and security of citizens but also on commerce. A Bank-funded study, completed in January 2009 by a consultant in coordination with C6te d'Ivoire's armed forces,estimates that the additional costs of transport caused by roadblocks and informal levies could averaged CFAF20 per metric ton per kilometer and can reach up to CFAF34 per metric ton per kilometer across the country. The same study found that all products and means of transport were subject to the informal levies. Transaction costs due mostly to the racketeering of private entities hds led to increased fraud and created a disincentive for formalizing businesses. Also, government accumulation of arrears to small medium enterprises (SMEs) coupled with an erosion of private working capital, and lack of skills were challenges the government was facing. The Government requested the Bank's assistance to revive the private sector, with a focus on SMEs.

The objectives were in line with the government's current National Development Plan (2012-2015), which emphasizes strong SME and private sector participation and an improved business environment as critical areas for economic recovery and industrialization. Also, the objectives were in line with two pillars of the Bank's Country Partnership Strategy (FY10-13) which aimed to strengthen the private sector, and governance and institutions. The current Bank Country Partnership is under preparation.

b. Relevance of Design:

Substantial

The results chain and the planned activities were relevant to the achievement of the project's objectives. Providing technical assistance to SME for improving productivity and competitiveness, obtaining needed technical expertise since Cote d'Ivoire had lost international exposure and experience on modern management methods and standards during the decade of conflict, and supporting SMEs to overcome financial constraints would all contribute to improving their performance. Also, establishing a pilot commercial court and its business registry and improving the regulatory framework for business, including the establishment of a one-stop shop for business creation, were relevant activities contributing to improving the investment climate in Côte d'Ivoire.

The project design also included an innovative and matching grant scheme subsidizing 50% of the cost of services for training and other business development services, which provided SMEs with access to finance, and capacity building in management and organization, production processes and technologies, and marketing and commercial activities. This was relevant because compared to other West African Economic Monetary Union (WAEMU) countries, Cote d'Ivoire's micro-finance sector lagged behind not only in terms of overall size, but also in terms of portfolio quality and financial performance. The sector's relative size *-4.9* percent of banking sector deposits in 2006 - remained below the WAEMU average of 6.1 percent. In 2006, and Cote d'Ivoire's micro-finance sector was the only one in the region to record losses and has negative net worth, mostly due to the political crisis.

4. Achievement of Objectives (Efficacy):

Objectives: To assist in improving the performance of and the investment climate for small and medium

enterprises in Cote d'Ivoire

Given the close collaboration with the International Finance Cooperation (IFC), the achieved outcomes of this project cannot entirely be attributed to this project. Activities under component 1 and 2 benefited from joint supervision, activities and client dialogue.

The absence of a functioning M&E system at project design meant that baseline data were not available for many activities. Thus baseline data from secondary sources—including international benchmarking from Doing Business reports and other studies, such as the racketeering study—provided useful baselines for the investment climate and governance reform—were utilized by the ICR.

(a) Improving the performance of SMEs : Substantial

Outputs:

- The matching grant scheme subsidized 50 percent of the costs of training and other business development services needed by SMEs.
- Fund for the Revitalization of SMEs built capacity in different areas: management and organization, production processes and technologies, and marketing and commercial activities.
- 25,468 new jobs were generated by registered SMEs during the period of project implementation, surpassing the target of 10,000 new jobs. This indicator did not have a baseline.

Outcomes:

- The financial burden on SME's was reduced. A mutual fund, MCF-PME *(Mutuelle de Financement et de Credit des PME),* was established and this facilitated the repurchase of the loans of 90 SMEs in the total amount of CFAF 1.82 billion only just missing the target of CFAF 1.88 billion.
- Micro-finance became more readily available. Loans extended by the SME mutual fund increased by 63% between 2012 and 2013 and by 14.3% between 2013 and 2014. These achievements surpass the target of 10% per year on average over the project life even when the hiatus in project implementation due to exogenous events is taken into account. This indicator did not have a baseline.
- Investments made by SME beneficiaries of the matching grant were US$3.3 million, not achieving the revised target of US$4.2 million and the original target of US$6 million. This indicator did not have a baseline. It should be noted that the the US$1.20 million reduction in the finance available for matching grants (caused by the reallocation to the anti-racketeering activities) may have contributed to missing the targets.

(b) Improving the investment climate of SMEs : Substantial

Outputs:

- A commercial court was established and the credit registry was strengthened.
- A one-stop shop for business formalities within the Investment Promotion Agency was established to simplify processes and reduce costs related to business creation.
- A “doing business” reform unit was set up within the Investment Promotion Agency to provide consultations on competitiveness and development of industrial zones.
- An anti-racketeering unit was established, communication campaigns and trainings were performed.
- The Government- Private sector Consultation Committee (*Comitè de Concertation Gouvernement Secteur Privè),* a mechanism for discussions between the government and the private sector on government policies, was strengthened.

Outcomes:

- The number of days it takes to establish a business was decreased from 40 days in 2009 to seven days in 2015, surpassing the target of eight days.
- 7,447 new enterprises were registered at the one-stop shop, surpassing the target of 1,000 new enterprises. This indicator did not have a baseline.
- The number of days it takes to settle a commercial dispute decreased from 770 days in 2009 to 525 days in 2015, not achieving the target of 450 days.
- 95.4% of Abidjan’s Commercial Court decisions were published on the website, just achieving the target of 95%. This indicator did not have a baseline.
- The additional transportation cost caused by racketeering decreased from CFAF 20 per metric ton per kilometer in 2008 to CFAF 10.2 per metric ton per kilometer in 2014, surpassing the target of CFAF 15 per metric ton per kilometer.

5. Efficiency:

Substantial

Economic and Financial Efficiency

At appraisal a cost-benefit analysis for component 1 was estimated. A quantitative economic analysis refers only to the matching grant component and not the entire project. The analysis assumes that a minimum of 100 firms would use the matching grant scheme either for consulting services or training with the average grant being US$30,000 to individual firms. The SMEs supported were expected to create 10 jobs on average per SME. Applying a discount rate of 12% over a 10-year investment frame, the Net Present Value (NPV) is US$15 million and the Economic Rate of Return was 46.6%.

The same methodology was applied using data at project closing. 101 firms benefited from the matching grant, with the average grant being US$35,000 and 15.8 jobs created per SME. This resulted in a NPV of US$27 million and an ERR of 61%. Project impacts that were positive but not included in the analysis include the reduction in racketeering, the creation of new jobs from SMEs registered in the one-stop shop, the reduction of costs related to business formalities and settlement of disputes. Also, as of February 2014, costs in the amount of US$8.8 million, representing a 78% savings from 2012, were saved in four reform areas: i) starting a business; ii) construction permits; iii) registering property, and iv) enforcing contracts.

This project, in cooperation with the Bank's Small and Medium Enterprise Revitalization and Governance Project (PARE-PME), implemented reforms in regards to starting business and enforcing contracts that improved cost compliance savings through reforms by 41% and 99% from the 2012 baseline values. The direct cost for achieving these cost savings was US$3.55 million, resulting in a benefit-cost ratio of 2.4. This indicates that the benefits from cost compliance savings outweigh the costs and that the objective in the investment climate and governance reform was achieved efficiently.

Overall, these analyses imply that the investment was economically and financially worthwhile.

Administrative and Organizational Efficiency :

The delay of project implementation between mid-2010 and mid-2011 due to the political crisis and implementation remaining slow afterwards might have been indicative of inefficiencies in the use of the project's resources. Even though this was beyond the control of the project, the project also faced the challenge of weak project management and an ineffective steering committee.

However, despite shortcomings in the administrative and organizational efficiency, overall efficiency is rated Substantial.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	45.6%	60.7%
ICR estimate	Yes	61%	42.3%

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

Relevance of objectives and design is substantial. Both objectives were substantially achieved and their efficacy is rated substantial. Efficiency is rated substantial. Therefore, the outcome rating is Satisfactory

a. Outcome Rating: Satisfactory

7. Rationale for Risk to Development Outcome Rating:

Cote d'Ivoire has gone through periods of political instability which had a negative impact on different areas of the economy including private sector development. The political environment may continue to remain volatile

especially before the upcoming presidential and legislative elections. Even though the project helped to increase access to finance, a large number of SMEs still remain without access to financial services. This poses a risk to some of the outcomes the project achieved and will also have a negative impact on future private sector growth. Also, the lack of a timeline and an action plan for next steps to institutionalize key project achievements in areas such as the commercial court, the one-stop shot, and the mutual fund, in addition to resource allocation by the government, pose a risk that development outcomes will not be sustainable.

a. Risk to Development Outcome Rating : High

8. Assessment of Bank Performance:

a. Quality at entry:

The project's design was built on experience and lessons learned from Bank operations in fragile and post-conflict countries and from a previous Bank project, the Côte d'Ivoire private sector capacity building project, which supported the private sector.

The Bank identified relevant risk factors during project preparation. Those risks included an unstable political situation or the possibility of conflict resuming due to the lack of progress on elections and the security sector, an unstable world economy which could adversely affect foreign direct investment and other capital flows into the country, the government's significant arrears and debt servicing pressures while also aiming to finance the country's recovery and stability, and a weak procurement system. The Bank's mitigation efforts were not sufficient and once the risks materialized the project encountered implementation delays, required two level-2 restructurings, and an improvement of the management structure.

The Bank did not ensure that the private sector implementing agency, *Association pour la Promotion des Exportations de Côte d'Ivoire*- APEX-CI, would have sufficient and qualified staff to manage the project successfully.

The M&E had several shortcomings such as a clear plan for implementing an M&E system and dedicated M&E staff within the Project Implementation Unit to perform M&E activities (see section 10a for more details).

Quality-at-Entry Rating: Moderately Unsatisfactory

b. Quality of supervision:

The Bank team conducted regular supervision missions and provided recommendations to improve project performance which led to the hiring of a full-time project manager, more private sector involvement in the steering committee, and strengthening of the M&E framework. The Bank established partnership with IFC which greatly improved the effectiveness of supervision. The Bank restructured the project twice to adapt it to changing circumstances.

After the mid-term review the project governance arrangements were overhauled. The project steering committee was revamped to ensure appropriate level of representation and more regular activity. This ensured greater ownership by stakeholders, improved planning, oversight and strategic guidance to the Project Implementing Unit. In addition, following Bank recommendations, the project unit within APEX-CI was strengthened in its internal structure (appointment of a chief project officer reporting to the national coordinator) and composition to improve its proactivity and coordination of the overall components and stakeholders.

Quality of Supervision Rating : Satisfactory

Overall Bank Performance Rating : Moderately Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The project experienced a nine month delay during the initial phase of the project due to the government's challenge of meeting all effectiveness conditions. These effectiveness conditions included signing the subsidiary agreement between the government and APEX-CI, that the steering committee becomes effective, the financial and accounting procedures manual be updated, and an internal auditor and a procurement specialist be recruited. Also, the government went through a political crisis after the 2010 elections which resulted in a one-year hiatus in implementation.

The ICR states (p. 21) that the current government, which took office in July 2012, was strongly committed to the project and that the project was part of its post-crisis strategy for private sector-led growth.

Government Performance Rating	Moderately Satisfactory

b. Implementing Agency Performance:

The project was implemented by APEX-CI, a private organization which had already implemented a Bank project before. APEX-CI was responsible for project coordination, management of the matching grant component, procurement, disbursement, accounting, financial reporting, auditing of project accounts and M&E. However, APEX-CI lacked capacity in management and did not have sufficient staff to perform M&E activities adequately, which led to implementation delays during the first year. Due to these challenges M&E, data was not used to inform decision-making. Communication among project stakeholders was not adequate and project coordination was weak until the mid-term review in 2012. Also, APEX-CI had limited financial resources to implement activities related to the racketeering sub-component. However, the government allocated additional funds for the management of these activities during the restructuring in November 2011.

After the mid-term review the project unit within APEX-CI was strengthened in its internal structure (appointment of a chief project officer reporting to the national coordinator and full time M&E staff) and composition to improve its pro-activity and coordination with stakeholders. These actions improved project management, accelerated disbursement and allowed the project to achieve its objectives.

Implementing Agency Performance Rating :	Moderately Unsatisfactory
Overall Borrower Performance Rating :	Moderately Satisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The project objectives were clearly specified and well reflected in most indicators. The indicators were quantifiable. There were two main outcome indicators and seven intermediate outcome indicators. The Datasheet in the ICR only includes six intermediate outcome indicators. Three intermediate outcome indicators did not have any baseline data. It was also intended that the project indicators would be complemented by international benchmarking by the World Bank (Doing Business) and other studies (such as the Investment Climate Assessment planned in FY11 or other by the Bank and other sources.

However, there was no clear plan for M&E and the Project Implementation Unit (PIU) did not have designated staff to conduct M&E activities. Therefore, the M&E was not well embedded in the project.

b. M&E Implementation:

The project did not have a functioning M&E framework during the first two years of project implementation. The lack of baseline data made tracking of progress of all components challenging throughout project implementation. Baseline data from secondary sources such as from "Doing Business" reports were used to track progress of the investment climate and governance reforms. It is not clear when the seventh ("timely production of project

reports") was dropped.

During the mid-term review in 2012, staff to perform M&E functions was recruited. Also, a data collection system was developed to monitor progress towards the objectives of the project.

c. M&E Utilization:

In September 2013, the government requested from the Bank to extend the closing date by nine months to continue achieving objectives. This indicates, that indicators were used to inform decision-making.

M&E Quality Rating: Modest

11. Other Issues

a. Safeguards:

The project was classified as Category 'C" under OP/BP 4.01 Environmental Assessment and did not trigger any safeguard policies.

b. Fiduciary Compliance:

Financial Management:
During the early phase of the project one of the external auditor's opinion was qualified, due to some unjustified expenses and pending reimbursements. The Bank discussed these issues with the Project Implementation Unit and the financial management team and the auditor's opinion was then cleared. The Bank's recommendations from the mid-term review were taken into account and the accounting software was updated, thus facilitating systematic processing for invoices and reconciliation of accounts. According to the ICR (page 12) the project's fiduciary management was, in general, acceptable throughout project implementation and financial management was rated satisfactory.

Procurement:
Due to the post-conflict environment and the volatile sociopolitical situation, the functioning of the procurement system was seen as a risk. The Bank largely mitigated this risk through supervision missions, post-procurement and statement of expenses reviews and audits. The Bank's recommendations from the mid-term review were addressed. Procurement capacity was strengthened in the project implementation unit and the procurement plan was updated. The ICR (page 9) states that procurement arrangements were well managed by the project, although some equipment valued at about US$169,000 was not delivered on time at project closing.

c. Unintended Impacts (positive or negative):

d. Other:

12. Ratings:	ICR	IEG Review	Reason for Disagreement/Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Moderate	High	Political environment continues to be volatile and a large number of SMEs still remain without access to financial services. Also, the lack of a timeline and an action plan for next steps to institutionalize key project achievements in areas such as the commercial court, the one-stop shot,

			and the mutual fund, in addition to resource allocation by the government pose a risk that development outcomes will not be sustainable.
Bank Performance:	Satisfactory	Moderately Satisfactory	Results Framework had several shortcomings and weak M&E tracking.
Borrower Performance:	Satisfactory	Moderately Satisfactory	Initial delays due to government's not meeting all effectiveness conditions, weak Implementing Agency capacity, poor project communication and weak project coordination.
Quality of ICR:		Satisfactory	

NOTES:
- 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.

13. Lessons:

The ICR drew four lessons and the two most relevant (with editing) are:

- ***Even experienced implementing agencies may have capacity problems*** . In this project, the implementing agency, a private sector firm, had previously implemented another Bank project. However, lack of capacity in key areas such as project management and M&E led to implementation delays.
- ***Fostering public-private dialogue can be beneficial for re-building trust in a post-conflict environment***. In this project, strengthening the Government- Private sector Consultation Committee built a basis for future engagement between the government and the private sector.

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR provides a good overview of project preparation and implementation and is concise. However, the ICR does not report information on critical areas such as financial management and procurement. In the Relevance of Design section it does not discuss the design of the project but rather describes project preparation/quality at entry. The output per component section in Annex 2 is a repetition of indicators included in the data sheet rather than a list of outputs produced by the project. Also, for example on page 12, the ICR mentions a recommendation agenda to deal with the management issues noted during the Bank mission but does not define how these issues were addressed and by whom. The overall rating is Satisfactory but only marginally so.

a.Quality of ICR Rating: Satisfactory