B. Template for Funding Proposals Related to Policy Analysis Activities

I. Overall mitigation strategy and (Intended) Nationally Determined Contribution (INDC/NDC)

The purpose of this section is to provide an overview of the overall mitigation strategy and commitments of the Implementing Country Participant (ICP), as put forward in its INDC/NDC, including the expected role of carbon pricing instruments toward meeting them.

ICPs are invited to provide the following information:

<table>
<thead>
<tr>
<th>i. Brief status of INDC/NDC preparation and implementation, including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The table below presents Côte d’Ivoire GHG emissions by sector in 2012.</td>
</tr>
</tbody>
</table>

*Table 1: Overview of Côte d’Ivoire's GHG emissions in 2012*

<table>
<thead>
<tr>
<th>Sub-sectors</th>
<th>Emissions (ktCO2e), 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity production</td>
<td>3,442.63</td>
</tr>
<tr>
<td>Transport</td>
<td>2,389.36</td>
</tr>
<tr>
<td>Industry</td>
<td>1,000.81</td>
</tr>
<tr>
<td>Electricity supply</td>
<td>781.64</td>
</tr>
<tr>
<td>Buildings</td>
<td>627.03</td>
</tr>
<tr>
<td>Agriculture</td>
<td>6,140.80</td>
</tr>
<tr>
<td>Waste</td>
<td>1,582.08</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,964.35</strong></td>
</tr>
</tbody>
</table>

*Source: INDC of Côte d’Ivoire*

*Remarks: GHG emissions accounting and reporting only started in Côte d’Ivoire after the country ratified the UNFCCC in 1994. The country implemented recommendations to develop national inventory and prepare national communications in 2001 and 2010. The next national communication is expected to be published in 2017. The country ratified the Kyoto Protocol in 2007 and has hosted eight CDM projects.*

The sectors with the highest GHG emissions in Côte d’Ivoire are: energy/transport (around 50%), agriculture/forest (around 40%) and waste (around 10%).

The energy sector relies fully on fossil fuel sources for transportation (100%) and on hydropower and thermal energy for electricity (20% and 80% respectively). Pollution from the transport sector is particularly
high, given that the country’s fleet consists mainly of imported second-hand vehicles. The use of renewable energies such as solar, wind, and biomass energy is almost negligible (1%), but the country has the objective of increasing the proportion of renewables in the energy mix to 16% by 2030 (excluding large hydropower)\(^1\). In the context of working towards a diversified energy mix ensuring sufficient, reliable, and affordable energy supply, the government considers coal will still be needed to respond to consumers’ demand and to support the government’s effort to reduce the dependence on traditional thermal (natural gas and heavy fuel oil) and hydropower sources. Estimates forecast that coal-fired power will account for 9% of energy produced in 2020. The development of a carbon tax should help to support the development of renewable energy, whose investments costs are currently still higher.

Côte d'Ivoire’s economy is dominated by the **agricultural sector** (including forestry, hunting, fishing and animal production), which is the main driver of its economic growth. It contributes 22.3% to GDP (2013, BM) and represents 47% of the country's total exports in 2013 (62% excluding oil). 46% of the country's total labor force works in the agricultural sector, and agricultural activities represent the main source of income for two-thirds of the rural population. However, it is also a key sector to target for GHG emission mitigation efforts. For example, livestock, burning of savannas, and forests are the main source of direct GHG emissions, 44.23% and 24.10% respectively, followed by agricultural soils (15.93%), rice (8.01%), manure (6.53%) and burning of agricultural residues (1.20%).

**Municipal waste management** and related GHG emissions are another major issue for Côte d'Ivoire. This challenge is particularly linked with the insalubrity in the major cities, which also causes major impacts on health. Daily production of waste of all kinds, including municipal garbage production, has been constantly increasing in the past years.

<table>
<thead>
<tr>
<th>Emission reductions objectives and targets set in the INDC/NDC:</th>
<th>In its NDC(^2), submitted on October 25, 2016, Côte d’Ivoire has committed to a 28% reduction in GHG emissions target by 2030 (compared to a BAU scenario), which will require international support, including financing, technology development and transfer and capacity building. As shown in the table below, specific targets have also been established for the energy sector: By 2030, 42% of the national electricity mix should consist of renewable energy sources, and 32% of natural gas combined cycle plants. The NDC mentions a list of sources for financing its mitigation and adaptations actions, including its national budgets, private investments, development banks, the Green Climate Fund and carbon markets.</th>
</tr>
</thead>
</table>

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2 Côte d’Ivoire NDC is available at http://www4.unfccc.int/ndcregistry/PublishedDocuments/C%C3%B4te%20d%27Ivoire%20First/INDC_CI_22092015.pdf
### Table 2: Overview of Côte d'Ivoire's GHG emissions scenarios from the country's NDC (p.3)

<table>
<thead>
<tr>
<th>Sub-sectors</th>
<th>2012 Emissions (ktCO2e)</th>
<th>BAU (2030) Emissions (ktCO2e)</th>
<th>Percentage increase to 2012</th>
<th>Low-carbon scenario (2030) Emissions (ktCO2e)</th>
<th>Percentage increase to BAU scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricit y production</td>
<td>3,442.63</td>
<td>11,892.00</td>
<td>52.93</td>
<td>9,216.56</td>
<td>-7.81</td>
</tr>
<tr>
<td>Transport</td>
<td>2,389.36</td>
<td>6,441.27</td>
<td>25.38</td>
<td>4,477.55</td>
<td>-5.7</td>
</tr>
<tr>
<td>Industry</td>
<td>1,000.81</td>
<td>2,698.01</td>
<td>10.63</td>
<td>1,875.48</td>
<td>-2.40</td>
</tr>
<tr>
<td>Electricit y supply</td>
<td>781.64</td>
<td>2,136.39</td>
<td>8.49</td>
<td>1,485.08</td>
<td>-1.90</td>
</tr>
<tr>
<td>Buildings</td>
<td>627.03</td>
<td>1,690.34</td>
<td>6.66</td>
<td>1,175.02</td>
<td>-1.50</td>
</tr>
<tr>
<td>Agriculture</td>
<td>6,140.80</td>
<td>7,059.16</td>
<td>5.75</td>
<td>4,722.57</td>
<td>-6.82</td>
</tr>
<tr>
<td>Waste</td>
<td>1,582.08</td>
<td>2,336.09</td>
<td>4.72</td>
<td>1,623.98</td>
<td>-2.08</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,964.35</strong></td>
<td><strong>34,253.25</strong></td>
<td><strong>114.56</strong></td>
<td><strong>24,576.16</strong></td>
<td><strong>-28.25</strong></td>
</tr>
</tbody>
</table>

In its NDC, Côte d’Ivoire presents the objectives of its low-carbon development, compared to a BAU approach, focusing on key sectors (as presented in Table 2). The **BAU scenario** (also used in its Third National Communication to the UNFCCC), with 2012 as the base year, is based on the National Prospective Study Côte d’Ivoire 2040, the National Development Plan 2016-2020, the Master Plan Production and Distribution of Electric Energy 2014-2030, the National Plan for Agricultural Investment 2010-2015 and the Industrial Policy 2013. The BAU scenario took into consideration, amongst others, annual growth rates of each sector, evolution of the population, evolution of the electricity mix, and efficiency trends in key sectors\(^3\). This scenario

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\(^3\) Energy sector estimates are based on an assumption of an economic growth averaging 9% per year. This would induce an increase of energy demand averaging 10% per year and an additional requirement of about 150 MW in production capacity each year.
describes GHG emissions evolution by activity sector, based on current development strategies.

The elaboration of Côte d’Ivoire’s NDC started with a national consultative phase (including stakeholders from the scientific community, private sector and civil society). The INDC was then presented to the President by the Minister of Environment Rémi Allah-Kouadio through a Communication during the Government Council. This Communication 4 was adopted by the Ministers on September 9th, 2015, under the leadership of President Alassane Ouattara.

The INDCs document was then forwarded to the UNFCCC Secretariat on September 11th, 2015, and solemnly handed over to the President of the Republic of Côte d’Ivoire on September 25th, 2015.

Indeed, while Côte d’Ivoire’s climate policy is mainly coordinated by the Ministry of Environment, the ministry has made strong efforts to closely work together with other key ministries such as the Ministry of Economy and Finance, the Ministry of Budget and the Ministry of Energy.

Roadmap/action plan:

In order to implement its NDC, Côte d’Ivoire developed a roadmap in April 2016. 5 It is organized around three priorities with the overall objective of developing a portfolio of projects and strengthening the country’s ability and readiness to receive climate finance:

- Identification and preparation of strategic projects to implement the NDC
- Improved environmental and climate governance; and
- Implementation of a national measurement, reporting and verification (MRV) system.

In its NDC, Côte d’Ivoire also conducted a financial analysis of its climate finance mobilization needs, and estimates that mitigation needs amount to about 18 billion dollars, and adaptation to about 3 billion dollars.

The roadmap for implementation of the Paris Agreement includes seven key steps (of which the first two have already been completed):

- **Stocktaking** of Côte d’Ivoire’s participation in COP 21 and presentation of the roadmap to the government (completed April 08, 2016)
- **Ratification** of the Paris Agreement (complete October 25, 2016)
- Identification and formulation of strategic projects (Since March 2016, about 150 projects have been received, primarily from the private sector. A first selection has been made and a dozen projects were submitted to receive climate finance.)

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4 Communiqué du Conseil des Ministres du 9 septembre 2015, Côte d’Ivoire
- **Environmental and climate governance** (creation of Climate Change Control Department⁶)
- **Capacity building**
  - Preparation of Côte d'Ivoire's participation in the *Conferences of the Parties* (COP)
- **Monitoring and evaluation of the roadmap** (An ad hoc committee for the implementation of the roadmap has been established. It will eventually be replaced by a National Commission for the Implementation of NDCs, gathering all stakeholders.)

### ii. Overview of the additional analysis needed to support the design/implementation of the policies, including:

**Assessment of critical readiness gaps:**

To date, Côte d’Ivoire does not have an explicit domestic carbon pricing instrument in place (such as a carbon tax or an ETS), but it has been considering these options in recent years and has been active in the development of CDM projects.

The country’s current environmental fiscal framework is rather weak and incomplete. Environmental taxes are sparse, rather unstructured and relatively varied with regard to their tax bases. The Ivorian tax system related to the environment can be divided into three categories:

- the **taxes** themselves, which are compulsory and whose base is a source of pollution;
- **fees** that cover costs for environmental services, mainly in the areas of water and waste;
- **tax incentives** (exemptions, deductions, rate cuts) that also seek to incentivize environmental behavior.

According to an assessment by the Ministry of Environment, there are about twenty taxes related to the environment (including taxes on the consumption of resources, fuel dispensing pumps, water pollution and waste relating on board ships, and VAT exemption for solar energy material). But, there is a very low coverage of most environmental areas and generally low tax rates (e.g. low taxation at the level of energy from air pollution, water resources, etc.).

### iii. The role of carbon pricing instruments in achieving the country’s mitigation strategy, as identified in its INDC/NDC, including:

**Planned/existing carbon pricing instrument(s):**

In its NDC, Côte d’Ivoire envisions to study opportunities for a regional and domestic carbon price and market. It also identifies international carbon markets, and CDM-type mechanisms, as well as the development of tools to price carbon (carbon tax or ETS) as potential sources of financing to implement its NDC. Beyond carbon pricing per se, the NDC refers to a general framework to contribute to “encouraging firms to invest in higher-performing energy equipment” (p.8), through an “incitation for the purchase of low-polluting vehicles”

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⁶Décret 2016-595 du 03 Août 2016 portant organisation du Ministère de l’environnement et du Développement Durable
(p.9), and an “incentive framework for the development of renewable energies” (p.9) to help implement the NDC’s objectives.

The main motivation for the country to explore carbon pricing mechanisms is due to the high instability and fall of the price of carbon in international markets, which has already discouraged many promoters of CDM projects from continuing their work. Therefore, the adoption of a carbon pricing mechanism could offer greater predictability, provide finance to support the development of "clean" projects, and support the government in the implementation of its NDC. It would also be a way of mobilizing internal resources for climate finance, while the country has historically depended mostly on external funding.

Côte d’Ivoire’s National Designated Authority for the CDM, the AN-MDP (Autorité Nationale pour le Mécanisme pour un Développement Propre – National Authority in charge of CDM), under the Ministry of Environment, and in close collaboration with all key ministries, has been discussing the idea of introducing a carbon pricing instrument at the domestic level since fall 2015:

- A first brainstorming workshop was organized in Abidjan in November 2015 to discuss the idea of a national carbon pricing scheme with key stakeholders. The Government of Côte d’Ivoire officially joined the Carbon Pricing Leadership Coalition (CPLC) in April 2016.
- In summer 2016, using its own financial resources, the AN-MDP commissioned a feasibility study to assess initial design options for the carbon pricing policy applicable to its national economy. Both major policy options – either a carbon tax or an emissions trading system – were considered in the study.
- This draft study was then validated during a national validation workshop in December 2016 in Abidjan.
- The study was then revised and finalized in December 2016.
- From March to July 2017, preliminary stakeholder consultations were conducted to collect input from a wide range of stakeholders on a possible carbon tax scheme in Côte d’Ivoire.
- The results of these preliminary stakeholder consultations were shared with the public in a stocktaking workshop in September 2017.
- In October 2017, Côte d’Ivoire was accepted as a new technical partner to the PMR.

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8 Carbon Pricing Leadership Coalition. Coalition. [https://www.carbonpricingleadership.org/leadership-coalition/](https://www.carbonpricingleadership.org/leadership-coalition/)
9 Étude de Faisabilité de L’Initiative “Instauration d’un Prix du Carbone en Côte d’Ivoire”, commissioned by the Ministry of Environment and presented in Abidjan in December 2016. This study represents the analytical basis of the Ivoirian government’s request for support from Partnership for Market Readiness.
The feasibility study suggests the following approach to introducing a carbon pricing instrument in Côte d’Ivoire:10

- **Policy instrument:** In the short- to medium-term perspective, a carbon tax is favored for its simplicity over an ETS. It was also considered that given the country’s readiness, lack of reliable data, and MRV system, it would be extremely difficult to develop an ETS. In the long-run, an ETS could follow, subject to a common approach at the regional level.

- **Sector coverage:** In a short- to mid-term perspective, the study suggests a carbon tax which covers the energy and transport sectors (both energy production and transport based on petroleum products) as well as the forestry sector (exported wood, fire wood and charcoal). With such an extensive coverage, the carbon tax would impact a wide range of mitigation and adaptation measures stated in the NDC. The strongest effect would be on the energy and transport sector, which are identified as having some of the biggest abatement potential in the NDC.

- **Tax base:** In the energy and transportation sectors, the carbon tax would be based on the consumption of any petroleum-related products such as natural gas, gas, diesel or heavy fuel oil (p.71ff). In the forestry sector, it would apply to exported wood, fire wood or charcoal (p.73ff).

- **Tax rate:** The tax rate currently under discussion would be of CFA 1,000 (USD 1.67) in a low-case scenario and CFA 2,500 (USD 4.17) high-case scenario (p.72). These rates have been suggested based on a review of carbon prices in other jurisdictions worldwide and on a subjective estimate of “psychologically acceptable” price for consumers (p.70ff).

- **Application level:** It has been recommended to apply the tax upstream in the value chain (p.81ff).

In a long-term perspective, the study proposes an emission trading scheme at the regional level, preferably in the context of the Economic Community of West African States (ECOWAS). The national validation workshop in December 2016 discussed this recommendation and considers that it could be an option for the long term, but it has not been discussed yet with the countries of the ECOWAS sub-region. Informal discussions and exchanges with ECOWAS countries representatives during international meetings showed their interest in the matter and Senegal is already exploring the topic since a related workshop was organized in October 2017. It could be important to adopt a regional approach to mitigate issues related to competitiveness and risks of carbon leakage.

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As part of its on-going work to advance a carbon tax and to apply for funding to support its related needs, the AN-MDP prepared a draft **program of activities** to outline key elements in the preparatory phase **leading to a carbon tax in Côte d’Ivoire**. This program of activities foresees the introduction of a carbon tax in six steps: 1) Continued stakeholder consultations, 2) Enhanced socio-economic study based on the feasibility study from 2016, 3) Organization of a validation workshop of the socio-economic study, 4) Development of the legal and institutional texts, 5) Organization of a validation workshop of the legal and institutional texts, and 6) Capacity building for the institutional entities involved in the implementation, application and enforcement of the carbon tax. The original timeline envisaged has been revised and currently aims to implement a carbon tax by the end of 2019.

The study estimates the **potential fiscal revenues** from such a tax as follows (calculations based on customs data on fuels imports, pondered by their GHG emission potential):

**Table 3: Estimate of fiscal revenues from Côte d’Ivoire potential carbon tax (p.79)**

<table>
<thead>
<tr>
<th>GHG emissions avoided annually (MtCO2e)</th>
<th>Annual revenues if carbon tax is 1’000 CFA/tCO2e (in bn FCFA) [in USD]</th>
<th>Annual revenues if carbon tax is 2’500 CFA/tCO2 (in bn FCFA) [in USD]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax on petroleum products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>11.1 [20 m]</td>
<td>27.7 [50 m]</td>
</tr>
<tr>
<td>482</td>
<td>482.4 [850 m]</td>
<td>1,206 [2,150 m]</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>493.5 [900 m]</strong></td>
<td><strong>1,233.7 [2,200 m]</strong></td>
</tr>
</tbody>
</table>

*Source: Feasibility study of the Carbon pricing options in Côte d’Ivoire (2016)*

Beyond estimating these fiscal revenues, **further economic modeling** in the context of the feasibility study **has not been done yet**. Due to the lack of sufficient data, no detailed impact assessment studies were conducted in the initial feasibility study. Price level estimates were based on a “psychologically acceptable” price estimate only, and this is why it will be important to conduct more in-depth studies in the next phases of the project.

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11Programme d’activités “Phase de la préparation à la mise en place de la taxe carbone en Côte d’Ivoire”, developed by the Ministry of Environment in July 2017
Future plan for developing and submitting the country’s NDC:
The NDC indicates that the contribution will be revised every five years, and the revision process will be aligned with COP negotiations outcomes. The next NDC will be submitted in 2020, as Côte d’Ivoire has aligned the revision process with the timeline of its National Development Plan, which runs from 2016 to 2020.

II. Level of political commitment to carbon pricing within the country and clarity on the institutional arrangement for implementation

The purpose of this section is to demonstrate the country’s political commitment to carbon pricing, along with the existing political support for the proposed activities

ICPs are invited to provide the following information:

<table>
<thead>
<tr>
<th>Existing/planned laws and directives:</th>
<th>Please provide an overview of existing and planned laws and directives in support of the ongoing or future implementation of the carbon pricing instrument(s).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional arrangements:</td>
<td>Please provide an overview of institutional arrangements (e.g. responsible agencies/ministries) for the implementation of the carbon pricing instrument(s).</td>
</tr>
</tbody>
</table>

ii. Assessment of in-country political support for the implementation of the carbon pricing instrument(s) and the proposed activities, including:

Côte d’Ivoire’s NDC was endorsed by the country’s president and government in September 2015 and it clearly indicates that carbon pricing is part of its action plan. The commitment to promote the introduction of a domestic carbon pricing instrument as a key policy to implement its NDC has been reiterated in various occasions, at the highest level, as the evidence below illustrates:

- In April 2016, both Prime Minister Duncan and the Environment Minister Allah-Kouadio highlighted at the CPLC’s first High-Level Assembly during the World Bank’s Spring Meetings that they regard carbon pricing not as an individual small policy reform measure, but as instrumental for the overall green growth strategy of the country.  

- In October 2016, the Environment Minister Allah-Kouadio pointed out that the carbon price is an integral part of the government’s roadmap for NDC implementation. The government furthermore declared that it counts on the World Bank to provide support for implementing the carbon price.  

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12 April 15, 2016: in the Prime Minister’s speech at the 1st High Level Assembly of the Carbon Pricing Leadership Coalition and the Environment Minister Allah Kouadio’s meeting with Mr. Roome, Mr. Close and Mr. Hammer;  
October 7, 2016: in the meeting Environment Minister Allah Kouadio’s with Mr. Roome, Mr. Close and Mr. Laporte and since then, in several emails which the government sent to the CPLC requesting in-depth support.  
14 Meeting between Environment Minister Rémi Allah Kouadio, Côte d’Ivoire, and Senior Director John Roome and Director James Close, World Bank, on October 7, 2016, during the Annual Meetings in Washington D.C.
In November 2017, at COP22 in Marrakech, Environment Minister Allah-Kouadio met with a World Bank representative in order to discuss, amongst other things, the CPLC’s support for the national carbon pricing workshop in Abidjan in December 2016.15

In April 2017, new Prime Minister Coulibaly, as well as Minister of Environment Ouloto reconfirmed their commitment to carbon pricing by participating again in the CPLC’s High-Level Assembly in Washington, D.C.16 During the same Spring Meetings 2016, Environment Minister Ouloto specifically asked for support with the policy design process (How could a carbon pricing instrument be developed?), the impact assessment (What would it mean for the national economy?) and capacity building (How can local staff be trained on carbon pricing?).17 Similar requests were made at the national carbon pricing workshop in Abidjan in December 2016, inaugurated by the World Bank’s Country Director.

In June 2017, the Environment Minister Ouloto publicly declared at the Africa Carbon Forum 2017 in Cotonou, Benin, that carbon pricing will be in the policy package which will enable Côte d’Ivoire to honor its commitments under the Paris Agreement.

In addition to this support, the Ministry of Finance declared its support for a carbon tax by co-signing a joint letter with the Ministry of Environment to request external funding for the necessary analytical work earlier in May 2017 after the participation of the Minister of Finance at the CPLC Assembly in April 2017, in Washington.

Meanwhile, the consultations held with the General Directorate of Taxes on March 16, 2017 highlighted how the procedure for imposing a carbon tax could be conducted in Côte d’Ivoire. Even though there is already a polluter-pays decree n° 2012-1047 of 24 October 2012, the imposition of a related tax like the carbon tax falls within the scope of the Law. Indeed, all the matters related to taxes and fiscal issues are under the legislative power (National Assembly), except special exemptions granted to the Executive power. The carbon tax, should therefore be included in the fiscal schedule which is a document annexed to the finance law. Once established, the carbon tax could be used to create a specific fund for the exclusive funding of identified low carbon projects. The allocation of the carbon tax revenues may be mentioned in the fiscal schedule by decree based on the in-depth study recommendations to be conducted before.

In order to implement that carbon pricing instrument in the future, a multi-stakeholder committee will be established, with representatives from all Ministries, particularly the Ministries of Finance and Budget in charge of the carbon tax collection.

Public statements and official documents:

See Côte d’Ivoire’s NDC and the public statements referred to above.

Other evidence:

iii. Summary of stakeholder engagement and consultations with relevant ministries and other stakeholders regarding the development of the proposal, including:

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15 Meeting between Environment Minister Rémi Allah Kouadio, Côte d’Ivoire, and Director James Close, World Bank, in November 2016, during COP22 in Marrakech
17 Meeting between Environment Minister Désirée Ouloto, Côte d’Ivoire, and Director James Close, World Bank, on April 22, 2017, during the Spring Meetings in Washington, D.C.
Key government ministries/agencies involved:

The following key stakeholders for Côte d’Ivoire’s climate fiscal policy and carbon pricing can be identified in Côte d’Ivoire. At the national level, these include the Ministry of Finance, the Ministry of Budget, the Ministry of Environment, the Prime Minister’s Office, the Ministry of Petroleum and Energy, the Ministry of Economy, the Ministry of Planning and Development, and the Ministry of Transport.

Côte d’Ivoire has a proven track record in effectively leading and managing stakeholder consultation processes on new policies. These consultations intend to reach out beyond governmental bodies, to include representatives from the private sector and civil society. For example, the workshop organized in Abidjan in December 2016 to discuss and validate the results of a feasibility study was well attended by representatives from the key ministries including the Ministries of Economy and Finance, Budget, Planning and Development, Energy, and Environment. However, stakeholders from the private sector were mostly absent due to the political context during this time, mainly due to legislative elections in the country coupled with the new year celebration preparation in December. Since it is important to secure private sector engagement early on to ensure that concerns and suggestions from key industries are taken into consideration in the design of any final policy option, a programme of consultations with stakeholders was conducted from March 2017 to May 2017 with a stocktaking workshop held in September 2017. The consultation is a continuous process and another round of consultation with other stakeholders will take place during 2018 and will certainly be extended when needed until 2020.

Table 4: First round of stakeholders consulted in 2017

<table>
<thead>
<tr>
<th>STAKEHOLDERS</th>
<th>DATE OF MEETING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direction Générale du Trésor (General Directorate of Treasury)</td>
<td>07 March 2017</td>
</tr>
<tr>
<td>Direction Générale des Impôts (General Directorate of taxes)</td>
<td>16 March 2017</td>
</tr>
<tr>
<td>Direction Générale du Plan (General Directorate of Planning)</td>
<td>05 April 2017</td>
</tr>
<tr>
<td>Direction Générale des hydrocarbures (General Directorate of Hydrocarbons)</td>
<td>06 April 2017 (20 April 2017)</td>
</tr>
<tr>
<td>Union des Grandes Entreprises de Côte d’Ivoire (Union of large companies of Côte d’Ivoire)</td>
<td>04 May 2017</td>
</tr>
<tr>
<td>Chambre de Commerce et d’Industrie de Côte d’Ivoire (Chamber of Trading and Industry)</td>
<td>27 April 2017</td>
</tr>
</tbody>
</table>

Source: DNA of Côte d’Ivoire

Other stakeholders involved:

III. Scope of work and additionality of proposed activities
The purpose of this section is to provide details on the scope of the proposed activities, as well as to demonstrate ways in which they are expected to result in analytical and modeling outputs that are additional and/or complementary to activities already planned or undertaken with PMR support, while avoiding duplication with other work outside the scope of the PMR.

ICPs are invited to provide the following information:

<table>
<thead>
<tr>
<th>i. Outline of the proposed activities and related deliverable(s) and timeline:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The proposed activities are intended to support the policy design of a carbon tax in Côte d’Ivoire. The following sets of activities are proposed:</td>
</tr>
<tr>
<td>1) Selecting potential tax options for further analysis, based on a clear determination of policy objectives and national circumstances,</td>
</tr>
<tr>
<td>2) Analyzing the performance and impacts of the tax options selected,</td>
</tr>
<tr>
<td>3) Designing the main elements of the carbon tax by identifying optimal tax bases, rate sand risk-abatement measures,</td>
</tr>
<tr>
<td>4) Preparing the implementation of the carbon tax design.</td>
</tr>
</tbody>
</table>

In parallel, the technical work program of the PMR is developing a training on carbon tax design, with the objective of supporting relevant ministries’ staff to build capacity and expertise on issues related to the design and implementation of a carbon tax. When this training becomes available in French, likely after the summer 2018, it could be offered to support Côte d’Ivoire as part of this process. Finally, depending on the interest and activities UNFCCC West African Alliance on Carbon Markets and Climate Finance, it would be important to closely cooperate to strengthen a regional approach on carbon pricing.

**ACTIVITY 1: SELECTING POTENTIAL TAX OPTIONS FOR FURTHER ANALYSIS**

**TASK 1.1: Organization of an inter-ministerial dialogue on policy objectives of a carbon tax and preparation of a background paper to frame this dialogue**

Beyond the existing NDC and the Ivorian government’s self-funded feasibility study, additional efforts are needed to explore the policy design options for a carbon tax in more detail. This will imply technical discussions among experts from the governmental climate, fiscal, industry, social, energy and health policy departments (i.e. facilitating a wide inter-ministerial dialogue) as well as selected key stakeholders from the private sector and civil society in the light of Côte d’Ivoire’s specific national circumstances. The dialogue will aim to identify a limited set of options for a carbon tax, which will then be analyzed further.

It is proposed to focus these technical discussions on the design choices identified in Côte d’Ivoire’s feasibility study. A background paper will be prepared by the team and lay out these design choices to inform and frame the discussion, i.e. taxing the carbon embedded in fossil fuels at the upstream level, when the fuels enter the economy, to maximize the width of the coverage. It will also be important to discuss the range of fossil fuels to be taxed. The feasibility study suggests to tax petroleum-based products only. However, given Côte d’Ivoire’s recent interest in coal-fired power generation (two plants of 350 MW each in San Pedro), the role of coal in a future carbon tax should be at the heart of these technical discussions among the key ministries. Coal-fired electricity generation is seen as one option to double the current power generation capacity by adding 2,000 MW by 2020.

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Finally, all carbon tax options identified for further analysis should maximize development co-benefits, as emphasized throughout the NDC, which includes the impacts on:

- Reducing inequality and poverty on a national scale;
- Improving fiscal resilience through better public revenue management, targeted use of the carbon pricing revenues for investment opportunities that support the NDC implementation process and a clear understanding of trade-offs to be made regarding alternative revenue uses;
- Developing low-carbon energy generation and increasing energy efficiency to lower emissions growth;
- Strengthening the enabling environment and improving the investment climate for mobilizing financial resources from private investors;
- Fostering innovation through the development and deployment of clean technologies;
- Developing low-carbon industries and the creation of qualified jobs in these sectors;
- Creating incentives for the informal sector to become part of the formal economy;
- Stopping and reversing deforestation and forest degradation;\(^{19}\)
- Enhancing public transportation and increasing the use of low-emissions private vehicles;
- Improving general public health levels and lowering public health costs.

**ADD-ON to complement TASK 1.1: official launch of the PMR project**

Ahead of the dialogue, the project team will organize an official launch of the project. This will gather relevant officials as well as key stakeholders to officially launch the project and inform about the project.

**ADD-ON to complement TASK 1.1: Enhanced private sector engagement**

A specific effort could be conducted to more actively and widely engage the private sector in carbon pricing discussions. Such a workshop will be organized and funded by the Carbon Pricing Leadership Coalition (CPLC). It would focus on collecting extended feedback, concerns and suggestions from the Ivorian business community and contribute to informing the selection of a limited set of carbon pricing options.

**TASK 1.2: Integration of Côte d’Ivoire in additional peer-exchange networks**

The project team will also help the Ivorian government in actively engaging in peer-exchange opportunities with other governments who are also implementing carbon pricing instruments. This includes of course the regular PMR meetings, but also global and regional activities by the CPLC and the Climate Action Peer Exchange (CAPE). The project team will help Côte d’Ivoire to integrate into these support networks and to fully benefit from interactions with other jurisdictions. It will also facilitate links with the UNFCCC West African Alliance on Carbon Markets and Climate Finance.

**ACTIVITY 2: ANALYZING THE PERFORMANCE AND IMPACTS OF THE CARBON TAX**

**TASK 2.1: Mapping of existing related policies to identify potential synergies/adjustments**

Based on the preliminary findings of Côte d’Ivoire’s self-funded feasibility study, this task will enhance the existing analysis of the country’s current tax code system. In collaboration with the Ministry of Finance, the Ministry of Budget, the Ministry of Economy and the Ministry of Environment, this task...
will determine what policy instruments should be used and adapted to introduce a carbon price in Côte d’Ivoire. More specifically, this task will determine whether existing tax codes can be used or if a completely new tax code might be necessary. It will identify options for synergies, i.e. detecting existing tax codes which might be suitable to be revised in order to serve as the basis for a carbon tax, and identifying existing tax codes which might not be necessary following the potential introduction of a carbon tax.

**TASK 2.2: Definition of scenarios for modeling analysis**
During this analysis, optimal fuel tax rates based on the quantification of external costs of fuels, covering all major uses of fuels in the economy, will be analyzed. The calculations will be based on the external cost of all GHG considered in the NDC as well as the local cost from health damages (as emphasized in the NDC). Using optimum rates as a benchmark, a range of realistic tax rates will be discussed with the government.

**TASK 2.3: Analysis of application modalities and estimation of revenues**
This task will identify at what stage in the fuel supply chain the carbon price should be applied (i.e. how far “upstream” for each fuel type and use type) to minimize administration and compliance costs, maximize coverage of the informal sector, reduce the potential for corruption and optimize mitigation incentives. Additionally, a first estimate for the primary revenues raised from the carbon price applied will be calculated.

**TASK 2.4: Assessment of fiscal policy consequences and macroeconomic stability**
This task will carry out a general equilibrium analysis of the fiscal policy consequences of the considered changes to the tax and benefit system, showing its implications on the macroeconomic and fiscal framework incidence and revealing trade-offs for alternative policy changes. This analysis would involve a consideration of the effects of the tax and benefits changes on the balance of payments and the budget.

**TASK 2.5: Evaluation of the optimal use of remaining revenues**
It would be extremely useful to apply a quantitative approach for assessing the additional potential development co-benefits which could be achieved by a carbon tax if the remaining revenue (the net revenues after the financing of any potential poverty alleviation and inequality reduction policies) is used for a variety of public investments in national development priorities such as health, transport infrastructure, green economic growth etc.

**TASK 2.6: Workshop to present and discuss studies in Activity 2**
The results of the studies conducted in Activity 2 will be presented to relevant stakeholders from public and private sectors. This workshop will allow for presentation and discussion on these studies, to ensure that all stakeholders get a chance to understand the analyses from these studies, comment and identify any issue that might have been under-looked in these studies.

**ADD-ON to complement ACTIVITY 2: Analysis of distributional impacts and compensatory measures**
This activity will aim to identify the development co-benefits (particularly related to reducing poverty and inequality) as highlighted by Côte d’Ivoire’s NDC, resulting from the fiscal incidence of the different carbon tax scenarios determined above, i.e. the combined overall economic impact of both government taxation and public expenditures on the real economic income of individuals. While taxation on its own usually reduces the economic well-being of individuals, the public expenditures it enables can improve welfare. Understanding the overall social and economic distributional impact is therefore key. The analytical framework to be used for this task will likely be the “Commitment to Equity” (CEQ) analytical
framework which is generally applied by the Poverty Global Practice within the World Bank. The CEQ approach assesses the fiscal incidence of both taxes and government spending, directly and indirectly.

The analysis under this task would provide two main results:

- **Impact on poverty and inequality**: First, the analysis will estimate the partial equilibrium effects of the tax reform on poverty levels and income distribution, taking into account the direct impact of the fuel price increases and the indirect impact from increases in the price of goods and services (e.g. transportation costs) requiring these fuels as input resource.

- **Impact of compensatory measures (financed by carbon price revenues)**: Second, it will simulate the distributional impacts of using different proportions of the carbon price revenue for different types of compensatory mechanisms and/or poverty alleviation policies, such as the application of a governmental cash transfer program to compensate low-income households.

Based on these results, the net effects on poverty and inequality from the carbon tax and compensatory measures would be estimated, with varying proportions of the carbon price revenues being used for compensatory/poverty reduction policies.

**ACTIVITY 3: DESIGNING THE MAIN ELEMENTS OF THE CARBON TAX**

**TASK 3.1: Design of the main elements of a carbon tax based on the previous findings**

This task will aim at developing a final carbon tax design based on the findings of the analytical steps undertaken in ACTIVITY 2. This relates to the tax base, the tax rate, measures to avoid any undesirable effects, the use of revenues and the effective setup for oversight and compliance.

**TASK 3.2: Organization of public-private workshop to validate the final carbon tax design**

The final carbon tax design will be presented to all relevant ministries, particularly Ministries of Finance, Budget and Environment, private sector stakeholders, think tanks and civil society organizations. The discussions will be enhanced by providing additional expertise and experience on domestic carbon pricing. This task will aim at reaching a broad national consensus on the carbon tax design options to be selected that maximize development co-benefits.

**ACTIVITY 4: PRELIMINARY STEPS TO PREPARE THE IMPLEMENTATION OF THE CARBON TAX**

**TASK 4.1: Development and endorsement of an implementation plan**

In this task, the key ministries will be accompanied in developing an implementation plan laying out their strategy for implementing the preferred carbon pricing option design selected. This implementation plan will define clear responsibilities and determine a timeline. As a subsequent step, the last remaining knowledge gaps regarding the implementation, operation and enforcement of the carbon tax will be addressed through targeted support.

ii. **Ways in which the PMR support will be helpful in developing appropriate targets:**

*The PMR focal point will support the coordination of the project. In close coordination with the co-TTL from the Fiscal team, the PMR focal point will ensure coordination and completion of the studies and dialogues listed above.*

iii. **Ways in which the PMR support will inform decisions related to carbon pricing instruments:**
Please explain the ways in which the PMR support will inform decisions related to the choice and design of a suitable carbon pricing instrument or contribute directly to its design, preparation or implementation.

iv. Assessment of how the proposed activities are expected to complement the ongoing MRP activities and help fill the readiness gaps:

Not applicable

V. Budget, timeline and outputs

The purpose of this section is to provide an indicative budget and timeline for the proposed activities, including government or other co-financing, as applicable.

ICPs/TPs are invited to provide the following information:

i. Outline of planned activities for the additional funding allocation:

See table below

ii. Timeline to complete these activities:

See table below

iii. Financial requirements to support the proposed activities:

See table below

iv. Funding sources to cover the financial requirements including:

<table>
<thead>
<tr>
<th>PMR funding request:</th>
<th>USD500k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources of funding for other activities:</td>
<td>The AN-MDP at the Ministry of Environment will be fully involved in this project to develop a carbon tax in Côte d’Ivoire, and will dedicate a substantial amount of time to it, as well as necessary IT equipment, supplies and communication material. This in-kind contribution will be: 70% of the time of four staff members and depending on the budget availability, and providing the venues to organize the workshops over the project period. A complementary funding for all the add-on activities will be provided by the CPLC, for a total amount of USD100k.</td>
</tr>
</tbody>
</table>

Overview of activities and estimated overall budget
<table>
<thead>
<tr>
<th>Activity</th>
<th>Output(s)</th>
<th>Time required for completion</th>
<th>Estimated completion date</th>
<th>Overall budget (in USD)</th>
<th>Source of funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTIVITY 1: SELECTING POTENTIAL TAX OPTIONS FOR FURTHER ANALYSIS</td>
<td>Report on limited set of carbon tax options selected for further analysis and stakeholder input received</td>
<td>4 months</td>
<td>March 2018 – June 2018</td>
<td>60,000 (15,000)</td>
<td>PMR CPLC</td>
</tr>
<tr>
<td>ADD-ON ahead of the dialogue: official launch of the PMR project</td>
<td>PMR officially launched and all stakeholders informed</td>
<td>2 months</td>
<td>May/June (right before the workshop)</td>
<td>-</td>
<td>Côte d’Ivoire Government</td>
</tr>
<tr>
<td>TASK 1.1: Organization of an inter-ministerial dialogue on policy objectives of a carbon tax and preparation of a background paper</td>
<td>Background paper prepared on a limited set of carbon tax options for further analysis</td>
<td>2 months</td>
<td>May/June</td>
<td>40,000</td>
<td>PMR</td>
</tr>
<tr>
<td>ADD-ON to complement TASK 1.1: Enhanced private sector engagement</td>
<td>Internal document listing detailed input received from private sector</td>
<td>2 months</td>
<td>May/June 2016</td>
<td>(15,000)</td>
<td>CPLC</td>
</tr>
<tr>
<td>TASK 1.2: Integration of Côte d’Ivoire in additional peer-exchange networks</td>
<td>Côte d’Ivoire has become partner of CAPE and has participated in PMR/CPLC activities</td>
<td>Throughout 4 months</td>
<td>March 2018 – June 2018</td>
<td>20,000</td>
<td>PMR</td>
</tr>
<tr>
<td>ACTIVITY 2: ANALYZING THE PERFORMANCE AND IMPACTS OF THE CARBON TAX</td>
<td>Report on impact assessment</td>
<td>8 months</td>
<td>July 2018 – February 2019</td>
<td>310,000 (80,000)</td>
<td>PMR CPLC</td>
</tr>
<tr>
<td>TASK 2.1: Mapping of existing related policies to identify</td>
<td>Internal document explaining existing tax code system</td>
<td>3 months</td>
<td>July 2018 – September 2018</td>
<td>30,000</td>
<td>PMR</td>
</tr>
<tr>
<td>TASK 2.2</td>
<td>Definition of scenarios for modeling analysis</td>
<td>Internal document defining scenarios for modeling analysis</td>
<td>3 months</td>
<td>July 2018 – September 2018</td>
<td>30,000</td>
</tr>
<tr>
<td>TASK 2.3: Analysis of application modalities and estimation of revenues</td>
<td>Application modalities (tax codes, levels etc.) analyzed and revenues estimated</td>
<td>3 months</td>
<td>July 2018 – September 2018</td>
<td>40,000</td>
<td>PMR</td>
</tr>
<tr>
<td>TASK 2.4: Assessment of fiscal policy consequences and macroeconomic stability</td>
<td>Study on fiscal policy consequences and macroeconomic stability assessment</td>
<td>8 months</td>
<td>July 2018 – February 2019</td>
<td>160,000</td>
<td>PMR</td>
</tr>
<tr>
<td>TASK 2.5 Evaluation of the optimal use of remaining revenues</td>
<td>Study on optimal use of remaining revenues</td>
<td>5 months</td>
<td>October 2018 – February 2019</td>
<td>20,000</td>
<td>PMR</td>
</tr>
<tr>
<td>TASK 2.6: Workshop to present and discuss studies in Activity 2</td>
<td>Workshop to present and discuss the studies of activity 2 with public and private stakeholders</td>
<td>2 months</td>
<td>February – March 2019</td>
<td>30,000 (5,000)</td>
<td>PMR CPLC will fund private sector engagement</td>
</tr>
<tr>
<td>ADD-ON to complement ACTIVITY 2: Analysis of distributional impacts and compensatory measures</td>
<td>Study on distributional impacts and compensatory analysis</td>
<td>8 months</td>
<td>July 2018 – February 2019</td>
<td>(75,000)</td>
<td>CPLC</td>
</tr>
<tr>
<td>ACTIVITY 3: DESIGNING THE MAIN ELEMENTS OF THE CARBON TAX</td>
<td>Report on main elements of final carbon tax design</td>
<td>5 months</td>
<td>March 2019 - July 2019</td>
<td>90,000 (5,000)</td>
<td>PMR CPLC</td>
</tr>
<tr>
<td>TASK 3.1: Design of the main elements of a carbon tax based on the previous findings</td>
<td>Internal document specifying the main elements of the final carbon tax design</td>
<td>5 months</td>
<td>March 2019 – July 2019</td>
<td>60,000</td>
<td>PMR</td>
</tr>
<tr>
<td>TASK 3.2: Organization of public-private</td>
<td>Internal document summarizing the</td>
<td>2 months</td>
<td>May/June 2019</td>
<td>30,000 (5,000)</td>
<td>PMR</td>
</tr>
</tbody>
</table>
The purpose of this section is to provide the list of the outcomes that are expected from the implementation of additional activities and a plan to monitor and assess the progress of the proposed activities.

ICPs/TPs are invited to provide the following information:

**i. Overall objective and outcomes of proposed activities:**

The overall objective is as follows:

- **National carbon tax:** Introducing an effective carbon price in Côte d’Ivoire fiscal policy framework through a national carbon tax which lowers future emissions growth in Côte d’Ivoire and delivers a maximum of development co-benefits.

The individual outcomes will be:

- **National consensus improved:** Increased consensus across ministries and related public and private stakeholders on the crucial role that a carbon tax can play in implementing the country’s NDC and contributing to national development goals through development co-benefits.

- **Understanding improved:** Better understanding in the government of the various impacts and implications of different carbon tax options from a fiscal, economic, social and environmental perspective.

- **Design developed:** A final design for the main elements of the carbon tax (tax base, tax rate, measures to avoid undesirable impacts, use of revenues, oversight and compliance) has been developed.

These outcomes are related to the following deliverables:
(i) Design options for further analysis agreed and selected: A clear definition and agreement on the policy design options subset has been reached within the government. This subset of options is to be analyzed further in the context of an impact assessment.
(ii) Impact assessment of the options completed: The government has reached sufficient clarity on the fiscal, economic, social and environmental impacts of each design option selected.
(iii) Final design developed: The government, supported by external experts and stakeholder consultations, has defined the final carbon tax design.
(iv) Preliminary steps for implementation made: Through the elaboration of an implementation plan and targeted training delivered, the government has been enabled to successfully implement, operate and enforce the carbon tax in a subsequent step.

ii. Indicators that measure progress towards achieving the stated outcomes:

<table>
<thead>
<tr>
<th>Indicators associated with the outcomes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- National consensus improved: Increased consensus across ministries and related public and private stakeholders on the crucial role that a carbon tax can play in implementing the country’s NDC and contributing to national development goals through development co-benefits. Adoption of summary of dialogue organized by a majority of stakeholders.</td>
</tr>
<tr>
<td>- Understanding improved: Better understanding within the government of the various impacts and implications of different carbon tax options from a fiscal, economic, social and environmental perspective. Active participation of staff in workshop to present and discuss the studies</td>
</tr>
<tr>
<td>- Design developed: A final design for the main elements of the carbon tax (tax base, tax rate, measures to avoid undesirable impacts, use of revenues, oversight and compliance) has been developed. Studies completed and clear option identified for the design of the tax.</td>
</tr>
</tbody>
</table>

iii. Proposed M&E arrangements:

Please describe the proposed M&E arrangements specifying clear units of measurement for each indicator, as well as the roles and responsibilities for collecting, reporting, and analyzing data on those indicators.

The project team will report on these indicators, based on the data collected by the AN-MDP team.

<table>
<thead>
<tr>
<th>Indicators associated with the outcomes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- National consensus reached: Increased consensus across ministries and related public and private stakeholders on the crucial role that a carbon tax can play in implementing the country’s NDC and contributing to national development goals through development co-benefits. Adoption of summary of dialogue organized by a majority of stakeholders. Participation in dialogues will be monitored by the AN-MDP team.</td>
</tr>
<tr>
<td>- Understanding improved: Better understanding in the government of the various impacts and implications of different carbon tax options from a fiscal, economic, social and environmental perspective. Active participation in staff in workshop to present and discuss the studies. Participation in dialogues and meetings to discuss the studies will be monitored by the AN-MDP and the WBG team.</td>
</tr>
</tbody>
</table>
| - Design developed: A final design for the main elements of the carbon tax (tax base, tax rate, measures to avoid undesirable impacts, use of revenues, oversight and compliance) has been developed. Studies completed and clear option identified for the design of the tax. The completion of the studies will be monitored by the WBG team and the identification of the
**best option for the tax will be a clear indicator reported by the AN-MDP team and the WBG team.**

**iv. Implementing agency’s capacity to monitor and evaluate project outcomes:**

The AN-MDP at the Ministry of Environment will be fully involved in this project to develop a carbon tax in Côte d’Ivoire and dedicate substantial amount of time to it. This in-kind contribution will be: 70% of the time of four staff members, and depending on the budget availability, providing the venues to organize the workshops over the project period.