

PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

The PMR Project Implementation Status Report should be prepared by the Implementing Country or Technical Partner, with the support of the Delivery Partner and/or the PMR Secretariat. For any questions related to the preparation of the PMR Project Implementation Status Report, please contact the PMR Secretariat at: pmrsecretariat@worldbank.org.

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Cote d'Ivoire
Reporting Period:	April 2019 – March 2020
Report Date:	March 26, 2020
Implementing Agency:	Ministry of Environment
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Grant Executed By:	World Bank, CCG and MTI
Grant Effectiveness and Closing Dates:	12/31/2020
Grant Amount (USD):	US\$500,000
Funding Mobilized (USD):	N/A
Funding Committed (USD)	N/A

2. OVERVIEW

Cote d'Ivoire became a Technical Partner of the PMR in October 2017 and funds were approved to support the exploration of carbon pricing mechanisms in the country by the PMR Partnership Assembly in April 2018.

The funding allocated was USD 500,000 and an additional USD 100,000 was allocated from the CPLC. This funding covers a series of strategic technical studies and workshops to explore the potential for the introduction of a carbon tax in the country that would respond to both development and climate objectives.

A key development in the initial phase was the alignment of the PMR project with the larger WBG Development Policy Operation (DPO) series for Cote d'Ivoire. The original PMR project for all three key sectors (land uses, transport, electricity) finally informed a fully-fledged "climate change pillar" within this DPO.

As of March 2020, Activity 1 has been successfully completed.

The four following studies for Activities 2+3 are underway:

- Study on the structure of pre-existing environmental taxes (Activity 2)
- Study on carbon pricing for the transport sector (Activity 2)
- Study on carbon pricing for sustainable land-uses (Activity 2)
- Study on macroeconomic impacts of fuel and electricity price changes induced by carbon pricing (Activity 3)

Additional activities that go beyond the original scope of the PMR work program, especially with regard to Activity 1 (Paving the way for carbon taxation analysis), Task 1.2 (Integration of Côte d'Ivoire in peer-exchange networks), such as support to Cote d'Ivoire hosting a Sherpas Meetings of the Coalition of Finance Ministers for Climate Action and a 3-day intensive training course on carbon taxation, have been completed, too.

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement

Are there any important and material differences between the objectives/activities proposed in the Market Readiness Proposal and endorsed by the Partnership Assembly of the PMR and those agreed to in the Grant Agreement with the Delivery Partner and described in the Project's Results Framework?

No important or material differences, but for the records:

The sectoral study of the electricity sector as well as the motor fuel taxation part of the sectoral study of the transport sector (both Task 2.2) have been integrated in Task 3.1 (Modelling of fiscal

	<p>policy consequences and macroeconomic impacts) and its add-on.</p> <p>Furthermore, due to the new internal review requirements at the World Bank, the sharing of results with external stakeholders needed to be rescheduled for after internal decision meetings on the final draft studies will have taken place. This is likely to decrease the number and scale of stakeholder consultations during the remaining time until 31 December 2020.</p>
N/A	

Implementation Progress by Component

Activity 1: Paving the way for carbon taxation analysis	
<i>Task 1.1: Stakeholder consultations to define the policy objectives of a carbon tax</i>	
<i>Task 1.2: Integration of Côte d'Ivoire in peer-exchange networks</i>	
Status:	Completed and further enhanced
Comments:	<p>See previous year's implementation status report for already completed tasks.</p> <p>Further enhanced tasks that go beyond the original work program include:</p> <p><i>Task 1.2: Integration of Côte d'Ivoire in peer-exchange networks</i></p> <p>The PMR project had identified the need to better integrate Cote d'Ivoire into inter-governmental peer exchange networks of countries that are undertaking carbon pricing. This integration has proceeded very well. With the coordination of the World Bank, Cote d'Ivoire has participated in several peer exchanges with other governments on carbon pricing in Africa. From February 24 to 26, 2020, the World Bank supported Cote d'Ivoire in hosting a Sherpas Meetings of the Coalition of Finance Ministers for Climate Action. The PMR project was highlighted in the opening with the Country Director and the Ministers for Finance and Environment.</p> <p>Additionally, a 3-day intensive training course on carbon taxation that was requested by the Ministry of Environment was delivered on October 9-11, 2019, for 30 participants from all ministries for which carbon pricing policies can be relevant.</p>
Activity 2: Analyzing the performance and impacts of carbon taxation options	
<i>Task 2.1: Analysis of the existing environmental-fiscal framework</i>	

Task 2.2: Analysis of the performance and impacts of carbon taxation options in three key sectors	
Status:	Ongoing
Comments:	<p><i>Task 2.1: Analysis of the existing environmental-fiscal framework</i></p> <p>A local consultant identified by the Ministry of Environment has completed an assessment of the pre-existing structure of environmental taxes in Cote d'Ivoire. A first version of the study has been completed and shows that pre-existing taxes suffer from low collection rates, narrow tax bases, earmarking, and a general lack of coordination with the wider tax system.</p> <p>The study provides an in-depth overview of the current environmental fiscal system across sectors. However, a few analytical technicalities still need to be verified and refined. These changes will be implemented by Bank staff or an additional consultant.</p> <p><i>Task 2.2: Analysis of the performance and impacts of carbon taxation options in three key sectors</i></p> <p><u>Sustainable land-uses</u></p> <p>The analytical focus of this sectoral study (land-uses and environmental taxation) was already proposed by a World Bank's task team from the Equitable Growth, Finance and Institutions (EFI) Vice-Presidency to the government in the DPO mission of February 2019. It was agreed that this proposal should first be developed in more depth through this PMR-financed study.</p> <p>A mission to collect the necessary information for the study was conducted from October 7-18, 2019. The PMR team met with nine companies and the Ministries of Environment, Forests, Agriculture as well as the Coffee & Cocoa Council and the sustainable development coordinator of the Prime Minister office.</p> <p>The consultants provided a first draft of the study in December 2019, then incorporated comments from the task team leader. The second draft was presented to colleagues from the Country Management Unit (CMU) in the Agriculture Global Practice (GP) in January 2020. Comments are currently being incorporated and the study is being finalized.</p> <p><u>Transportation</u></p> <p>The analytical focus of this sectoral study (motor fuel and vehicle taxation) was already proposed by the World Bank's EFI task team to the government in the DPO mission of February 2019. It relates to raising taxes on motor fuels through carbon pricing and changing the</p>

	<p>vehicle taxation regime to favor clean cars. While an explicit motor fuel tax reform analysis was put on hold, it was decided that an impact assessment of a potential feebate scheme in the country's vehicle taxation system should be undertaken.</p> <p>A first high-level study had been completed by the consultant in May 2019. Following a decision by the Country Director and other senior decision-makers in June 2019, it was concluded that the vehicle taxation reform as part of the DPO should be deferred to a later year, but that the analytical groundwork should be further pursued and be enhanced to represent a more extended impact assessment.</p> <p>A mission was undertaken to raise the necessary data from October 12-13, 2019. The PMR team met with the Ministry of Transport and the Customs Authority on October 12-13, 2019. Since then the consultant has prepared a first version of the vehicle taxation study and the study has received valuable guidance from and has been reviewed by the World Bank's Transport GP. It is currently being finalized with additional input from an air quality modeler.</p> <p>This last step accounts for the issue raised that, next to climate change, air pollution challenges are also very important in Cote d'Ivoire. Therefore, the calculations are currently being extended to estimate the air pollution co-benefits of environmental vehicle taxation. Being the first time that the World Bank is engaging in such analysis, the PMR team has also sought expert external advice on these complex calculations from additional external researchers.</p> <p>The study of motor fuel taxes and carbon pricing has been integrated into the computable general equilibrium (CGE) modeling study.</p> <p><u>Electricity</u></p> <p>The sectoral study for the electricity sector has been dropped under Task 2.2 and has been mostly picked up by Task 3.1.</p> <p><u>Waste sector</u></p> <p>An additional potential study on carbon pricing in the waste sector is currently being considered.</p> <p><i>Task 2.3: Stakeholder consultations to discuss the results of the analysis for each sector</i></p> <p>Due to new internal review requirements at the World Bank, the preliminary results of the studies listed above could not be widely shared with stakeholders yet. This is planned once the decision meetings on the final drafts will have taken place.</p>
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<p>Activity 3: Assessing the fiscal policy consequences and macroeconomic stability</p> <p>Task 3.1: Modelling of fiscal policy consequences and macroeconomic impacts Add-on to Task 3.1: Analysis of distributional impacts and compensatory measures Task 3.2: Stakeholder consultations to discuss the results of the macroeconomic assessment and distributional impact analysis</p>	
Status:	Ongoing
Comments:	<p><i>Task 3.1: Modelling of fiscal policy consequences and macroeconomic impacts</i></p> <p><i>Add-on to Task 3.1: Analysis of distributional impacts and compensatory measures</i></p> <p>Probably all countries that have assessed carbon pricing policies to date have put changes to motor fuel and electricity prices into the center of their analysis. This is also important for Cote d'Ivoire since the country decided in its Nationally Determined Contributions that the largest part of its mitigation action shall come from the transport and electricity sectors (next to land-uses).</p> <p>Since the summer of 2019, the World Bank's Development Economics Unit unit in charge of energy and environment has therefore been modeling a carbon pricing reform that either raises motor fuel taxation and/or eliminates the currently special value added tax treatment. A mission to collect the necessary data took place in late October 2019. The mission raised data which allows splitting the Social Accounting Matrix for the CGE model into the informal and the formal sector, and to incorporate the prevalence of tax evasion for the different pre-existing and new taxes. It is the first time that the World Bank is incorporating informality in this manner, and the team has therefore involved senior researchers from the leading literature on this topic.</p> <p>Another focus area for the study is air pollution. Since air pollution has been recognized as a key issue in Cote d'Ivoire that needs to be incorporated into the analysis, an air quality specialist has become part of the team. The specialist has raised data from local air quality measurements by the EU-funded program DACCIWA and the global dataset IIASA GAINS.</p> <p>A first version of the CGE simulation has been completed. The results are presently being linked to the air quality modeling. The first complete draft version of the study is currently being finalized.</p> <p><i>Task 3.2: Stakeholder consultations to discuss the results of the macroeconomic assessment and distributional impact analysis</i></p>

	<p>Due to new internal review requirements at the World Bank, the preliminary results of the studies listed above could not be widely shared with stakeholders yet. This is planned once the decision meetings on the final drafts will have taken place.</p>
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4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

<p>Important policy or regulatory developments related to the Grant’s objectives and activities:</p>
<p>Developments: Policy and regulatory changes are being prepared (especially in the context of the DPO)</p>
<p>Important changes in the technical design or approach related to the Grant’s activities:</p>
<p>Developments: The full alignment of this PMR project with the World Bank’s DPO series for Cote d’Ivoire is time-intensive and has required some adjustments to the originally planned activities that have been discussed in the previous sections</p>
<p>Key capacity issues (implementation, technical, financial management, procurement) related to the Grant’s activities:</p>
<p>In order to strengthen national capacities, a 3-day intensive training course on carbon taxation that was requested by the Ministry of Environment was delivered on October 9-11, 2019, for 30 participants from all ministries for which carbon pricing policies can be relevant.</p>
<p>Coordination with other carbon pricing initiatives, including those funded by other donors:</p>
<p>A core objective of the Ivorian government in engaging with the PMR program was to raise climate finance. The PMR team has made good progress:</p> <ul style="list-style-type: none"> - The Carbon Pricing Leadership Coalition is supporting the PMR project with additional USD 100k of funding to enhance its analytical scope and depth. - The PMR project has led to a fully-fledged climate change pillar in the World Bank’s current DPO for Cote d’Ivoire which yielded the highest climate co-benefits share in the history of the EFI Vice-Presidency so far. - The PMR team also engaged substantively in bringing a bilateral donor into the DPO consultations. The bilateral donor valued the climate component of the policy reform matrix that had been prepared by the DPO and committed to support the implementation of this matrix through a large bilateral loan. It is the first time that the World Bank has been able to top up an EFI DPO with bilateral climate finance in this way. - The PRM team also connected Cote d’Ivoire to the Transformative Carbon Asset Facility, which is pursuing a potential USD 50m grant of results-based climate finance with Cote d’Ivoire if the country follows through with its policy reforms linked to carbon pricing. - The DPO measures proposed by the PMR team are furthermore likely to help Cote d’Ivoire in reducing deforestation, which is needed to trigger another USD 82m grant from the Forest Carbon Partnership Facility.
<p>Stakeholder engagement related to the Grant’s activities:</p>

Due to new internal review requirements at the World Bank, the detailed preliminary results of the analytical work could not be widely shared with stakeholders yet. This is planned once the decision meetings on the final drafts will have taken place.

However, in return, the PMR program has been an integral part of the discussions of the Sherpas Meetings of the Coalition of Finance Ministers for Climate Action hosted by Cote d'Ivoire from February 24 to 26, 2020. This meeting brought together many stakeholders (mostly international peers) from all over the world.

Other issues related to the Grant's activities

n/a

5. ADDITIONAL INFORMATION

In this Section, please provide any additional information that may be relevant for the achievement of the Grant's objectives and/or the implementation of the Grant's activities. Please also provide any relevant information related to carbon pricing and the use of market-based instruments for climate change mitigation.

n/a