



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 06-Jul-2020 | Report No: PIDA29687



BASIC INFORMATION

A. Basic Project Data

Country Guinea-Bissau	Project ID P174336	Project Name Guinea Bissau Emergency Food Security Project	Parent Project ID (if any)
Region AFRICA WEST	Estimated Appraisal Date 18-Jun-2020	Estimated Board Date 28-Jul-2020	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Agriculture and Rural Development	

Proposed Development Objective(s)

(i) to support increased food crop production; and (ii) increase access to food for consumption by food insecure households in Guinea Bissau

Components

- Support to Agricultural Production
- Support to Community Safety Nets
- Support to Risk Mitigation
- Project Management
- Contingent Emergency Response

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	15.00
Total Financing	15.00
of which IBRD/IDA	15.00
Financing Gap	0.00

DETAILS



World Bank Group Financing

International Development Association (IDA)	15.00
IDA Grant	15.00

Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. **Guinea-Bissau is one of the most fragile countries in Sub-Saharan Africa, plagued by political turmoil and coup d'états since independence in 1974.** Between 2000 and the present, the country has had 16 Prime-Ministers appointed to lead different Governments. The internal instability, often associated with problems in the political and military structure of the country, has prevented the formation of stable and accountable institutions and had devastating effects on the economy.

2. **The incidence of poverty is high, with over 69 percent of the population living below the poverty line (2011 PPP at US\$1.90 per person per day), making it one of the poorest countries in the world.** Poverty is more entrenched in rural areas where it is compounded by deprivation of social services, human capital, and infrastructure. Average real GDP growth, although modest, improved from 0.3 percent per year in 2013 to 6 percent per year in 2017¹, mainly driven by increased global demand for cashew nuts - the country's main export crop. Per capita GDP is now estimated at US\$780, although the Gini coefficient is high (sharply increasing from 0.35 in 2002 to 0.5 in 2010), pointing to high levels of inequality- with economic growth mostly benefiting the top income group. The country ranks 178th out of 189 countries on the 2019 United Nations Development Program (UNDP) Human Development Index, and thus falls under the low human development category.

3. **The impact of COVID-19 on the overall economy is expected to be severe.** The main transmission channels include external (falling global cashew demand and price, tighter financial conditions, and low oil prices) reduced remittances, and domestic (economic disruptions caused by lockdowns and direct health impact of a wider spread of COVID-19). Health sector capacity is low and government effectiveness is weak. Guinea-Bissau has no fiscal and financial sector buffers to counter a sharp economic downturn, but it benefits from regional monetary buffers in the short-term. In the baseline scenario where lockdowns are short-lived, growth is projected to decline from 4.6 percent in 2019 to -1.5 percent in 2020 and the fiscal deficit to increase from 5.1 to 6.2 percent. In the downside scenario, where lockdowns are sustained, growth would decline to -3.1 percent in 2020. The crisis could undo the modest gains made in poverty reduction².

¹ Declined to 3.8 percent in 2018 due to a sharp drop in cashew production and somewhat lower international cashew prices.

² Guinea-Bissau: The Economic Impact of the COVID-19 Global Crisis. World Bank Note (April 30, 2020).



4. **Although Guinea Bissau has mineral resource endowments that could generate substantial revenues and greatly contribute to economic growth and development, agriculture is still the mainstay of the country's economy.** Over 80 percent of population relies on agriculture for their livelihood and the sector employs close to 70 percent of the country's work force (most of whom are women)³. The sector, driven by cashew nut production, generates most - 95 percent - of the country's foreign exchange, 17 percent of fiscal revenues, and accounts for over 47 percent of GDP.

5. **Guinea-Bissau is one of the countries that are most vulnerable to climate change.** Recent climate scenarios portend significant changes in the climate of Guinea-Bissau. These scenarios systematically signal increased average daily temperatures of up to +1.4°C for the period 2016-2045, potentially reaching up to +2.2°C in the 2046-2075 period, per a low emissions assumption. Under a high emissions scenario, the changes are in the order of +1.6°C to +3.1°C for the period 2046 to 2075. These changes are expected to lead to a dramatic reduction in rainfall, with serious implications on agriculture, especially production of rice, the main staple.

Sectoral and Institutional Context

6. **Agriculture (defined as crops, fisheries, livestock and forestry) is the dominant sector in the economy, contributing about 47.5 percent of GDP.** Agriculture represents the primary source of income for 85 percent of the population and provides the livelihood for most of the poor. Within agriculture, the production and export of raw cashew nut is the dominant sector, acting as the main source of income for more than two thirds of households and for virtually all smallholders in the country. It also accounts for more than 95 percent of total export revenue and 17 percent of its fiscal revenues. High concentration in and dependence on cashew nuts exposes the country's economy to both external and internal shocks on the sector.

7. **While the favorable ecological and climatic conditions render more than 60 percent of the total land area suitable for crop production, less than 12 percent is currently under permanent or seasonal cultivation.** Years of instability destroyed household capacity as well as productive relationships, traditional markets, infrastructure, and social and economic institutions that support the sector. In addition, chronic public sector underinvestment in agriculture (less than 1 percent of GDP) undermines delivery of public goods and as a result, the sector is characterized by low productivity - with yields of key crops lagging behind those of the country's regional peers (for example: 320 kilograms per hectare for cashew nuts compared to 520 kilograms per hectare in Cote d'Ivoire; and 1.7 tons per hectare for rice, compared to 4 tons per hectare in Senegal). Any increases in aggregate production have largely been achieved through area expansion, rather than improvements in total factor productivity and average annual sector growth has barely kept pace with population growth.

8. A confluence of the comparatively superior benefits from cashew production (see Table 1), gaps in the land property law (which incentivize tree planting as a way of strengthening tenure security), and lack of an enabling environment⁴, has over the last four decades, mediated a strong shift in the country's agriculture production system towards cashew production.

³ Female employment in agriculture in Guinea Bissau was 70.7 percent in 2019, compared with 65.8 percent for male employment-<http://datatopics.worldbank.org/gender/country/guinea-bissau>

⁴ Including poor infrastructure, constrained access to inputs, technology, knowledge, markets, capital and availability of skilled labor.



Table 1. Comparative advantage of the cashew crop in relation to main crops in Guinea-Bissau.

Crop option	Days spent	Added value per day (CFA)	Advantage compared with cashew (CFA)
Paddy rice	312	232	-2,478
Pluvial rice	109	177	-2,533
Maize	70	1657	-1,053
Sorghum	94	870	-1,840
Millet	114	618	-2,092
Peanuts	78	660	-2,050
Cotton	115	987	-1,723
Cashew	118	2710	0

9. **From 14,000 ha in 1978, area under cashew cultivation has expanded at an average annual growth rate of 8 percent and now stands at 223,000 ha, which is about 56 percent of total area (about 400,000 ha) under cultivation.** Most farming households maintain a disproportionately higher share of their cultivated area under the perennial cashew, devoting the rest to food production- mainly rice, sorghum, millet, maize, peanut, and cassava. Farmers also use income from cashew sales to finance the purchase of agricultural inputs necessary to produce the food crops.

10. **Low average productivity⁵ and the already smaller acreage devoted to food crops, constrains, not only the production of amounts of food crops enough to meet farming households’ food requirements, but also the generation of marketable surpluses that could feed into the domestic market.** Consequently, most farmers are also net food buyers and yet again use cashew nut proceeds to meet, in some cases up to 6 months of their food needs. Because of insufficient domestic production, the country, as a whole, relies on imports to bridge the gaps in domestic production. These food imports are mostly financed by forex revenues accruing from cashew exports.

11. **Guinea Bissau’s food security is therefore intimately tied to the cashew nut sector and any market volatilities or shocks to the cashew sector, are wired to have wide ranging implications on food security.** The COVID-19 pandemic vividly spotlights these links. The country is now reeling from the effects of COVID-19 related cashew value chain disruptions on food security. Among others, due to stalled cashew sales: (i) most farmers cannot access necessary input and now face the dire prospect of not engaging in the forthcoming food crop growing season; (ii) those who rely on cashew sales and wages from the cashew value chain to meet some of their food security requirements are already experiencing challenges in accessing food; and (iii) food imports required to fill the demand gaps, are expected to be constrained by the limited foreign exchange reserves as a result of both the delayed cashew sales as well as the expected lower prices. The prevailing political uncertainty exacerbates these food security challenges.

12. **Government strategies acknowledge the risk posed by the high concentration in and high dependence of the economy on a single commodity.** Within its limited resource and capacity constraints, the Government has been increasingly intentional in supporting more diversified agricultural production to wean the country off the raw cashew nut sector. The Government, with support from the World Bank Group has also supported the emergence of a cashew processing industry to reduce marketing risks and to help the country capture a larger share of final cashew prices through value addition. In the specific case of the ongoing COVID-19 pandemic, Government has made available about US\$0.65 million to help 16,359 agricultural households to access input for the coming cropping season. There are also ongoing discussions with the International Fund for Agriculture Development (IFAD) for a US\$43.8 million project

⁵ Mainly due to limited access to advisory services, inputs, technologies, financing, and poor physical infrastructure.



targeting diversification of production (some of the proceeds of which could go towards supporting increased food production in the short to medium term), as well as the African Development Bank for assistance with responding to the food security challenge and to support the cashew campaign. In addition, the Government also used the WAEMU/Central Bank facility to borrow FCFA 15 billion to support the cashew marketing campaign implemented through an MOU with the five locally based commercial banks. This operation contributes to these efforts and will focus on: (i) provision of agricultural input (seed, fertilizer, small equipment, and labor) necessary to engage in food production in the short term; (ii) provision of a community safety net tied to a public works program; and (iii) developing market risk reduction strategies for the raw cashew nut sector.

C. Proposed Development Objective(s)

13. The objectives of the project are: (i) to support increased food crop production; and (ii) increase access to food for consumption by food insecure households in Guinea Bissau.

Key Results

14. The Project is expected to: (i) reach 50,000 farming households with agricultural assets or services; (ii) contribute to the production of 205,000 metric tons of food crops; and (iii) provide immediate conditional cash support to 10,000 poor beneficiaries through participation in public works (cash-for-work). Overall, the Project is expected to reach 378,000 beneficiaries, at least 50 percent of whom will be women.

D. Project Description

15. The proposed project seeks to urgently support the government of Guinea Bissau to proactively mitigate the short-to-medium-term food security challenges that the country is expected to face, as result of COVID-19 impacts on cashew nut production and marketing and on food production and prices. In addition, financing will be provided to strengthen the resilience of the cashew sector to market risks. The project will be organized around five components as described below.

Component 1: Support to Agricultural Production (US\$10.0 million)

16. The objective of this component is to support an accelerated supply response focused on preserving/restoring the productive capacity of 50,000 eligible farming households to enable them to effectively engage in continued and expanded production of key staple foods in the short - to medium - term (6-24 months). The project will finance: (i) procurement and distribution of improved seeds and planting materials, with a focus on key food crops and vegetables; (ii) access to necessary farm equipment and labor; and (iii) provision of requisite advisory services in support of improved production, productivity and production system resilience to climate change. Special focus will be provided to market gardening, an important farming activity in the urban and peri-urban areas, which is mainly a women's vocation. Where deemed critical to household food security, the project will support livestock services, including vaccination, deworming, and disease management. In addition, support under this component will go towards promoting climate-smart agriculture (CSA) techniques and practices, drought-resistant seeds, and capacity-building of the farmers.

Component 2: Support to Community Safety Nets (US\$2.5 million)

17. The COVID-19 pandemic shock on the cashew nut sector is expected to lead to job losses along the value chain. The impact of these job losses is expected to be greater for the multitude of unskilled laborers



in the value chain, for whom the daily labor wages are the only source of income for household food security. The anticipated escalation in food prices (partly due to projected lower domestic production and higher import prices), is expected to amplify the shock on their household food security.

18. Investment under this component is to ensure household food security for sections of the communities affected by job losses, by mitigating the expected shortfalls in their incomes through support for public works community-level works. This activity will target 10,000 beneficiaries, and its focus will be on establishing public assets that would contribute to or enhance the impact of support under Component 1 as well as those that foster adaptation to climate change. These could include support to the distribution of inputs, rehabilitation of storage facilities, opening of access roads to agriculturally productive areas, public irrigation infrastructure, construction of local markets, rehabilitation of rice fields, etc. Presence of clear post operation maintenance mechanisms will be key in choice of public works to be funded to ensure sustainability. The daily wages for the cash-for-work activities will be below the local level for unskilled labor thus providing an “in-built” self-targeting mechanism for the conditional cash transfers that would also ensure that the public works do not compete with agriculture for seasonal labor. Where high levels of structural unemployment dictate against self-targeting, beneficiary selection will be guided by local leadership. Beneficiary selection would be sensitive to gender considerations.

Component 3: Support to Risk Mitigation (US\$1.5 million)

19. The COVID-19 pandemic, has unveiled the significant vulnerability of Guinea Bissau’s economy to shocks, occasioned by high dependence on the quasi monoculture of a singular crop. While diversification is the ultimate panacea for this vulnerability, a number of ex-ante risk management measures (e.g. forward contracting, insurance, hedging, improved storage, etc.) as well as ex-post risk management instruments (e.g. contingent risk financing) can reduce the specific vulnerabilities of the cashew sector to market risks. The proposal is to explore the feasibility, and then pilot the implementation of locally appropriate market risk management measures for the cashew sector. This would serve to strengthen the resilience of the sector to market risks that the sector is increasingly exposed to (e.g. a price drop in 2018, current disruptions to the global supply chains) and would lay the ground for a sustainable recovery.

Component 4: Project Management (US\$1.0 million).

20. The objective of this component is to support MARD in facilitating efficient implementation of project activities and tracking of results. The component will finance activities related to project coordination and management, including developing annual work plans and budgets, financial management (FM) and procurement, safeguards compliance, project monitoring and evaluation (M&E), citizen engagement as well as a Grievance Redress Mechanism (GRM).

Component 5: Contingent Emergency Response (US\$0 million)

21. This zero-cost, contingent emergency response component (CERC) will finance eligible expenditures in case of natural or man-made crises, disasters, severe economic shocks, or other crises and emergencies in Guinea Bissau. Implementation of this component will follow a detailed Contingent Emergency Response Implementation Plan (CERIP) satisfactory to the World Bank that will be prepared for each eligible crisis.



Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

22. The project is expected to have positive impacts by targeting mitigation of food crisis due to the COVID-19 pandemic outbreak through the support of crop diversification, helping smallholders to find alternative income besides from cashew value chain production, provide a community safety net tied to public works program; and support market risk reduction for raw cashew nuts. As project locations are yet to be agreed upon, an Environment and Social Management Framework (ESMF) will be prepared covering environmental and social risks and impacts caused by the civil works, use of pesticides and fertilizers and generation of waste during the implementation of the project. The ESMF sets out the principles, rules, guidelines and procedures to assess the impacts from civil works provided by the project and help guide the preparation of site-specific (Environment and Social Impact Assessments (ESIAs) and Environment and Social Management Plans (ESMPs). It includes screening, measures and plans to reduce, mitigate and/or offset adverse risks and impacts, provisions for estimating and budgeting the costs of such measures, and information on the Ministry of Agriculture and Rural Development (MARD) responsible for addressing project risks and impacts, including on its capacity to manage environmental and social risks and impacts of the project activities. The ESMF will include general Environment Health and Safety Guidelines (EHSGs), Good International Industry Practice (GIIP) and Occupational Health and Safety (OHS) measures for the identified sub-projects. In addition, a Pest Management Plan (PMP) will also be developed for proper handling and use of pesticides. The recipient will also prepare an Environmental and Social Commitment Plan (ESCP), with the support of the Bank. The ESCP will include the commitment and the timeline for the preparation of subsequent ESIAs.

E. Implementation

Institutional and Implementation Arrangements

23. Project implementation will be the responsibility of MARD, through a Project Coordination Unit (PCU) to be set up in MARD with project support. The primary responsibility of this PCU will be: (i) ensuring coordination, timeliness and technical soundness of implementation; (ii) contracting of implementation support partners; (iii) monitoring implementation and reporting to the Bank. For these functions, the PCU will be staffed with a competitively selected Coordinator, Agricultural Specialist, Monitoring and Evaluation expert, Environment and Social Safeguards specialists, Procurement Specialist, Financial Management Specialist, as well as a Communication Specialist. The PCU will also work closely with technical staff from the relevant MARD directorates, to provide backstopping support to implementation. The relevant MARD staff will be identified as part of the assessment that would need to be conducted. As needs arise, other expertise would be hired into the MARD-PCU.

24. Because of potential delays in establishing a functional PCU against a backdrop of the emergency nature of the operation, project implementation will start with the support of the Food and Agriculture



Organization (FAO) which will manage Component 1 and Component 2 implementation in close collaboration with the MARD. In this context, FAO will support the sourcing and distribution of production inputs, provision of advisory services to beneficiary farmers, and identification of eligible beneficiaries under the cash-for-work activities, overseeing implementation of the cash-for-work activities and payments to beneficiaries. Similarly, project procurement and financial management will be initially delegated to the Project Implementation Unit of an on-going IDA-financed Safety Net and Basic Services Project (P163901), established within the Ministry of Economy, Planning and Regional Integration. Once the PCU under MARD is fully functional, it will take full charge of implementation, including for Component 3 activities.

25. A Project Steering Committee (PSC), chaired by the Minister, MARD (or his/her representative), will be established to provide general oversight of the project. The PSC will include representatives from the Ministries of Economy and Finance, Trade, Social Affairs, cashew sector stakeholders, FAO⁶, and other entities deemed relevant. The PSC will be responsible for providing overall implementation and policy guidance. The PSC will meet four times a year.

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