

# INTEGRATED SAFEGUARDS DATA SHEET

## CONCEPT STAGE

Report No.: ISDSC1119

**Date ISDS Prepared/Updated:** 11-Jan-2016

**Date ISDS Approved/Disclosed:** 21-Mar-2016

### I. BASIC INFORMATION

#### A. Basic Project Data

<b>Country:</b>	Sierra Leone	<b>Project ID:</b>	P153437
<b>Project Name:</b>	Smallholder Commercialization and Agribusiness Development Project (P153437)		
<b>Task Team Leader(s):</b>	Hardwick Tchale, Adesimi Freeman		
<b>Estimated Appraisal Date:</b>	09-Nov-2015	<b>Estimated Board Date:</b>	18-Feb-2016
<b>Managing Unit:</b>	GFA01	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	General agriculture, fishing and forestry sector (55%), General transportation sector (45%)		
<b>Theme(s):</b>	Rural markets (55%), Rural services and infrastructure (25%), Other rural development (20%)		
<b>Financing (In USD Million)</b>			
<b>Total Project Cost:</b>	40.00	<b>Total Bank Financing:</b>	40.00
<b>Financing Gap:</b>	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			40.00
Total			40.00
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Is this a Repeater project?</b>	No		

#### B. Project Objectives

3. To improve agricultural production and access to markets among beneficiary farmers and small and medium scale agribusinesses in Sierra Leone.

#### C. Project Description

The project aims to promote smallholder commercialization by fostering productive business linkages between smallholder farmers and selected agribusiness firms. Agribusiness firms will be selected on the basis of their innovative plans and experience working with organized farmers' groups or cooperatives. The project will work with selected agribusiness firms that incorporate productive linkage arrangements with smallholder farmers, as part of their overall long-term business plan. The project will aim at supporting at least four commodity value-chains (rice, cocoa, oil palm and poultry) due to their impact on smallholder farmers and their significant potential for enhancing competitiveness and creating jobs. While many projects have focused primarily on addressing production constraints, this project will focus primarily on constraints affecting the overall value-chain performance, such as high aggregation costs, high processing and marketing costs, as well as quality issues. The project will not support land to be converted for new palm oil plantations. The project will work with existing plantations and Responsible Sustainable Palm Oil production (RSPO) compliance will be a requirement for support. The project will have the following components: (1) Support to agribusiness-farmer linkages and SMEs along selected agricultural value chains (2) Market Access Improvement; (3) Capacity Building for Government and Other Institutions relevant for agribusiness development (4) Project Coordination, Monitoring and Evaluation.

Component 1: Support to agribusiness-farmer linkages and SMEs along selected agricultural value chains (US\$19 million)

This component is designed to strengthen linkages between agribusiness firms and farmers and promote producer associations and SMEs linkages along four agricultural value-chains (rice, cocoa, palm oil and poultry). The project will aim at improving access to finance through a combination of matching grants scheme and/or on-lending facilities and technical assistance. The Value-Chain Financing will include matching grants and/or agricultural loans and technical assistance. This will be provided to out-growers (farmers) and eligible agribusinesses working with farmers in out-grower schemes. The size of these grants/loans will be determined by the needs of the various beneficiaries based on their business plans, but indicative amounts are included in Annex 7 of the PAD. There are two financial intermediaries defined in the project: (i) The Sierra Leone Agribusiness Development Fund which will be managed by an Independent Fund Manager with responsibility to undertake decisions on the management and utilization of the Fund (sub-component 1A) in accordance with the project objectives; (ii) the APEX Bank which is the delivery mechanisms for smallholder farmers who will benefit under the project (under sub-component 1B). These are defined in the PAD and eligibility criteria, including the choice of value-chains to be supported are highlighted in Annex 7 of the PAD.

Sub-component 1A: Value-Chain Financing to Selected Agribusinesses linked to out-grower schemes (US\$12 million)

This sub-component will help set-up the Sierra Leone Agribusiness Development Fund (SLADF) as a facility for eligible agribusinesses to reduce cost and risk in financing required for the provision of productivity enhancing services and market access to out-growers. The establishment of the SLADF will benefit from experiences and lessons from the International Finance Corporations (IFC's) and World Bank in undertaking similar agribusiness investments. Various options, ranging from establishment of an independent fund or using an already existing investment fund have been explored, including the relevant risk-sharing and governance arrangements to be put in place.

Agribusiness firms linked to outgrower schemes will be supported to supply a technology package

and technical assistance to farmers organized in producer organizations as well as offer guaranteed farm-offtake agreements with transparently set prices for crops that meet predetermined specifications. The support is to finance agricultural inputs/technologies and other production needs, as specified in the beneficiaries proposed business plans. In return, agribusiness firms will buy produce from the farmers, through an off-take agreement which is one of the preconditions for support under the project. An independent Fund Manager will be hired on a competitive basis by the Government of Sierra Leone and the World Bank/IFC to manage the SLADF. The fund manager will be expected to have relevant experience in managing investment funds in order to enhance viable competition, efficiency and transparency. The Government of Sierra Leone and the relevant stakeholders, including IFC will establish an Advisory Committee to provide appropriate governance and oversight over the use of the Fund in accordance with the project objectives. The SLADF structure, operational framework and criteria for the selection of eligible agribusinesses are presented in Annex 7. Operational details will be clearly highlighted in the Project's Fund Manual which is being formulated and the draft will be discussed at appraisal to ensure that it is approved before project effectiveness.

#### Sub-component 1B: Sustainable financing for smallholder farmers and agricultural small and medium scale enterprises (US\$ 7 million)

Under this sub-component, the project will help the Government to capitalize an existing network of community banks in order to improve access to finance among rural farmers, farmer-based organizations and SMEs who will participate in the various out-growers schemes with agribusinesses. The community banks comprise a network of 17 community banks (CBs) and 51 financial service associations (FSAs) located in the rural areas of Sierra Leone. This structure is supported by an Apex organization. This network of rural financial institutions has been established through the MAFFS' Rural Finance and Community Improvement Programme supported by the International Fund for Agricultural Development (IFAD). Through this arrangement, it is expected that farmers, as individuals or in FBOs/Cooperatives and agricultural SMEs will readily access matching grants and/or concessional credit to support activities that seek to overcome barriers that farmers, producer associations and SMEs face as a result of market failures that limit their capacity to access financial and business development services, technology, knowhow, partnerships, and markets. Thus, the matching grants and/or concessional credit will provide funding for producer associations and SMEs to (i) implement productive partnerships, including farmer-agribusiness or farmer-buyer linkages; (ii) develop linkages to markets; (iii) develop entrepreneurial capabilities; (iv) consolidate supply chains; (v) access agribusiness advisory services; and (vi) access technologies, technology transfer, and new institutional arrangements. Under this sub-component, arrangements will be explored to help farmers pilot innovations, such as revenue sharing and price guarantee funds that increase farmers' returns from upstream value chain activities and help build their trust and confidence to deal with agribusinesses.

#### Component 2: Market Access Improvement (US\$26 million)

The objective of this component is to link high agricultural production areas to markets. This support will help to link high agricultural production areas to markets. This component will support the rehabilitation, spot improvements and maintenance of 500-600 km of feeder roads using performance-based contracts. This sub-component also include construction of river crossing structures. Specific focus will be on those rural roads that link markets to production areas with high volumes of perishable crops and produce. In addition, the project will scale-up the capacity of the district assemblies to undertake maintenance for the rehabilitated feeder roads using labour-based

methods. Special focus will be given to capacity building of specialized contractors, their work force, and involved government bodies through training and provision of advisory services. To minimize risks associated with migrating workers, the majority of the labour-based works will be scheduled when demand for farm labour is low, usually from December to March. The project will support a market study to explore options to address the feeder roads maintenance budget deficit through the Road Maintenance Fund Administration (RMFA). Depending on the results of the assessment, the project might be restructured (not before year 3) to provide for appropriate financing towards feeder roads maintenance.

This sub-component will also address market coordination failures that arise from the lack of aggregation structures such as produce collection centers, rice drying floors, storage warehouses and other such structures which serve to aggregate smallholder farmer produce, making it easier for off-takers to collect the produce without incurring high aggregation costs. Where possible and economically viable, the project will ensure that already existing structures, such as those in the ABCs and FBOs are rehabilitated. In addition to such aggregation structures, the project will also explore the use of ICT technologies for market price information in order to address the price information asymmetry which is a major factor affecting efficient access to markets among smallholder farmers.

Component 3: Capacity Building support for state and non-state institutions and producer organizations (US\$ 6 million)

The objective of this component is to strengthen the capacity of state and non-state institutions responsible for the provision of services relevant for smallholder commercialization and agribusiness development. This component will support capacity building among state and quasi-state institutions responsible for providing public sector services, including the policy environment for the promotion of agribusiness development in the country. Such support will be provided to the following institutions: Ministry of Agriculture, Forestry and Food Security (MAFFS), Ministry of Trade and Industry (Cooperative and Trade Facilitation Departments); Sierra Leone Agricultural Research Institute (SLARI); Sierra Leone Chamber for Agribusiness Development (SLeCAD); Sierra Leone Investment and Export Promotion Agency (SLIEPA) and micro-finance institutions. The project will selectively support activities and services that are relevant to developing the smallholder farming sector in Sierra Leone (details of specific institutions are capacity building activities are presented in Annex 2 of the PAD).

In order to address the issues related to the policy and regulatory environment, the project will support the establishment of an Agribusiness Forum (AF) under SLeCAD where the agribusiness companies, producer organizations, Government and the development partners will meet on a regular basis to discuss and find ways of addressing policy and regulatory issues affecting the development of the agribusiness sector.

Component 4: Project coordination, monitoring and evaluation (US\$ 4 million)

The overall day to day running, project coordination and management will be anchored within the Project Coordination Unit (PCU). The project will be implemented under the existing PCU while the fiduciary capacity of the unified Project Implementation Unit under MAFFS will be built. This will also help reduce the operational costs since the existing PCU has equipment and office space already. Furthermore, the existing PCU has strong experience in implementing projects following the Bank's fiduciary procedures, thereby improving implementation readiness of the project. As part of project

preparation and appraisal, there will be need to assess and if necessary enhance the capacity of MAFFS and other responsible sector ministries to provide effective project management, monitoring and evaluation of project activities. As such, this component will be used to support operational costs required to coordinate overall project implementation as well as setting-up and implementing the project's monitoring and evaluation framework. Detailed activities and estimated costs are provided under Annex 3 of the Project Appraisal Document (PAD).

#### **D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The project target area is all the 13 rural districts of the country, including the western area and Freetown.

#### **E. Borrowers Institutional Capacity for Safeguard Policies**

The institutional capacity for safeguards is moderate but further support in environmental monitoring is provided by the Sierra Leone Environmental Protection Agency (SLIEPA).

#### **F. Environmental and Social Safeguards Specialists on the Team**

Demba Balde (GSU01)

## **II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	Yes	The project triggers OP/BP 4.01 from the expected impacts (noise, dust, traffic safety) from the rehabilitation and routine maintenance of at least 500km of feeder Roads in the high agricultural productive areas for which an Environmental and Social Management Framework (ESMF) has been prepared with guidelines (a generic EMP) to prevent as a first option or mitigate any adverse impact. The expected impacts from the agricultural activities have also been addressed as part of the ESMF. The ESMF will be used to screen project activities and guide the preparation of site specific ESIA's and EMP's as and when needed.
Natural Habitats OP/BP 4.04	Yes	The project triggers OP/BP 4.04 as a result of the farming activities, and road rehabilitation and maintenance, which may affect land and water resources (pesticides, noise, dust, traffic safety). The policy was triggered out of precaution because the project will not directly support activities which will have an impact on natural habitats.
Forests OP/BP 4.36	Yes	OP4.36 has also been triggered even though all production activities, including replanting will occur on existing farms and plantations.
Pest Management OP 4.09	Yes	The project has triggered OP 4.09 from the likely use of pesticides as a result of the agricultural production. An Integrated Pest Management Plan

		(IPM) will be prepared to provide the framework for addressing pest management issues under the project. The IPM will be prepared as part of the ESMF.
Physical Cultural Resources OP/BP 4.11	Yes	The project has also triggered OP4.11 (Physical Cultural Resources) out of precaution in order to have a management framework in place in case of chance-finds during road rehabilitation works. A Physical Cultural Resources Plan will be prepared (as part of the ESMF) to provide the framework for managing this.
Indigenous Peoples OP/BP 4.10	No	This policy is not triggered since no indigenous peoples as defined in OP 4.10 are present in the project area.
Involuntary Resettlement OP/BP 4.12	Yes	Even though the project will not support any activities that will result in resettlement of people , OP4.12 has been triggered to ensure that an appropriate Resettlement Policy Framework (RPF) is put in place to screen project activities and guide the preparation of Resettlement Action Plans in case of unexpected effects on people or their livelihoods as a result of the project.
Safety of Dams OP/BP 4.37	No	This policy is not triggered since it is not envisaged that streams or rivers will be dammed for irrigation. No irrigation or use of existing dams is envisaged under the project.
Projects on International Waterways OP/BP 7.50	No	This policy is not triggered since the project is not expected to impact any international waterway.
Projects in Disputed Areas OP/BP 7.60	No	This policy is not triggered since lands within the 13 rural districts are not in dispute as defined in OP 7.60

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 30-Nov-2015

**B. Time frame for launching and completing the safeguard-related studies that may be needed.**  
The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:

November - December 2015

### IV. APPROVALS

Task Team Leader(s):	Name: Hardwick Tchale, Adesimi Freeman	
<b>Approved By:</b>		
Safeguards Advisor:	Name: Johanna van Tilburg (SA)	Date: 21-Mar-2016
Practice Manager/ Manager:	Name: Simeon Kacou Ehui (PMGR)	Date: 21-Mar-2016

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.