



The World Bank

Additional Financing for Benin Agricultural Competitiveness and Export Diversification Project (P180505)

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 15-May-2024 | Report No: PIDA35436



BASIC INFORMATION

A. Basic Project Data

Country Benin	Project ID P180505	Project Name Additional Financing for Benin Agricultural Competitiveness and Export Diversification Project	Parent Project ID (if any) P168132
Parent Project Name AGRICULTURAL COMPETITIVENESS AND EXPORT DIVERSIFICATION PROJECT	Region WESTERN AND CENTRAL AFRICA	Estimated Appraisal Date 07-May-2024	Estimated Board Date 14-Jun-2024
Practice Area (Lead) Agriculture and Food	Financing Instrument Investment Project Financing	Borrower(s) Government of Benin	Implementing Agency Ministere de l'Agriculture, de l'Elevage et de la Peche

Proposed Development Objective(s) Parent

The project development objective (PDO) is to increase productivity and market access for selected agri-food value chains in Benin.

Components

Component 1: Strengthening the enabling environment and infrastructure for agri-food value chains development
Component 2: Increasing productivity, value addition and resilience
Component 3: Promoting private investment and access to finance
Component 4: Project management
Component 5: Contingent Emergency Response Component (CERC)

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00
Financing Gap	0.00

DETAILS

**World Bank Group Financing**

International Development Association (IDA)	150.00
IDA Credit	95.00
IDA Shorter Maturity Loan (SML)	55.00

Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

B. Introduction and Context

Country Context

1. Despite the relatively high recent economic growth, Benin remains one of the poorest countries in the world. A large share (37 percent) of the country's 13.7 million population still lives in poverty, lacks access to basic social services and depends on subsistence agriculture, which itself is increasingly threatened by climate change, further endangering already fragile livelihoods. Although unemployment is estimated at about 1.4 percent, these mask the high levels of underemployment (72 percent) which lies at the core of economic fragility in the country.

2. To compound this fragile situation, now, significant parts of the country, especially in the northern and border regions face a looming specter of instability, owing to a possible contagion effect of the spiraling insecurity in the Sahel. This external threat to stability, combined with internal pressures, such as intercommunal conflicts and tensions between farmers and herders, high levels of youth unemployment and limited opportunities for economic progress, perceptions of economic exclusion among certain groups and the threats linked to climate change has elevated Benin's vulnerability, nudging the country closer to the edge of a precipice of fragility, conflict and violence with potential to roll back progress made in development over the last couple of decades. Proactively mitigating and reducing this vulnerability through an expansion of inclusive economic and livelihood opportunities including in agriculture¹ – the mainstay of the economy - will guarantee a more stable and prosperous Benin with greater capacity to withstand shocks.

Sectoral and Institutional Context

3. Food insecurity continues to be a pervasive and continuing challenge for Benin. A food security and vulnerability analysis conducted by the Food and Agriculture Organization (FAO) shows that the share of Benin's population affected by food insecurity rose from 10 percent in 2017 to 26 percent in 2022, with 2 percent of the population suffering from severe food insecurity. Demographic and health surveys reveal alarmingly high

¹ Including in the on-farm and off-farm segments of agriculture value chains.



prevalence of stunting, wasting, and underweight in children under five years². Now, even when food price inflation has moderated relative to last year, the Food Crisis Prevention Network still projects that because of floods and droughts, 0.3 million people are expected to face Integrated Food Security Phase Classification (IPC) Phase 3³ (crisis) and an additional 1.3 million people are expected to face IPC Phase 2 (stressed) conditions in the June to August 2024 period. As documented in a significant body of literature⁴, and observed in the vicious feedback loop between conflict and hunger currently playing out in many countries around the world, food insecurity is a fragility threat multiplier with the potential to undermine a country's stability and resilience. A stable Benin therefore also hinges on the ability of the state to provide food security for its citizens.

4. The urgency of creating more inclusive economic and livelihood opportunities and addressing food insecurity – key among the most hierarchically important potential drivers of fragility in Benin - as preventive mechanisms to contain and prevent further vulnerability to fragility, conflict and violence in Benin provided a justification for the proposed additional financing. The AF will support Pillar 2 of the GoB's Prevention and Resilience Program⁵ the objective of which is to address the structural causes of fragility in Benin. Specifically, the AF will be used to scale up parent project support to: (i) pineapple and cashew nut production which is expected to generate more inclusive economic opportunities in the upstream and downstream segments of these value chains; (ii) irrigation development for improved food production, productivity and resilience; (iii) provision of agricultural inputs (e.g., seeds, and fertilizers), production technology and advisory services targeting the increased production of priority food security crops; (iv) increasing agriculture exports to contribute to more economic and livelihood opportunities through strengthening of quality standards as well as export promotion. In addition, the AF will finance the strengthening of the seed sector - expected to contribute to food and nutrition security through productivity growth and improved resilience - and preparatory studies for future irrigation development programs. The support will focus on and prioritize vulnerable and at-risk communities in the northern parts of the country.

5. The AF is fully consistent with the World Bank Groups' (WBG) Country Partnership Framework (CPF) for Benin (FY19-FY23). To the extent that the AF will support increased productivity in priority value chains, it aligns with Objective 1 – “Fostering agricultural productivity” under Focus Area 1 – “Structural Transformation for Competitiveness and Productivity”. Besides increasing productivity, AF support to irrigation development is also provided with the objective of helping producers adapt to the increasing frequency of droughts in Benin because of climate change and is aligned with Objective 8 – “Reducing vulnerability to climate-related threats” under Focus Area 3 – “Increasing Resilience and Reducing Climate-Related Vulnerability”. By contributing to addressing the increasing risk of fragility, conflict, and violence through increased and more inclusive economic and livelihood opportunities and improved food security, the AF dovetails with two of the six programmatic

² One-third of all children of 6 to 59 months suffer from stunting or chronic malnutrition.

³ Some households are not consuming enough food and have high levels of malnutrition, while others are adopting irreversible coping strategies – such as selling assets that support their livelihoods – to support a limited diet.

⁴ See Collier, P. 2007. "Post-Conflict Recovery: How Should Policies be Distinctive?" Centre for the Study of African Economies, Oxford University; Brinkman, H. J. and Hendrix, C. 2010. "Food Insecurity and Conflict: Applying the World Development Report (WDR) Framework." Background Paper for the WDR 2011. World Bank, Washington, D.C.; and World Food Program USA, 2017. Winning the Peace: Hunger and Instability. World Food Program USA. Washington, D.C.

⁵ Pillar 1 - Strengthening social cohesion and socio-economic development at the grassroots level; Pillar 2: Food security and livelihoods; and Pillar 3 - Land reform.



recommendations of the WBG Benin Resilience and Risk Assessment (RRA), i.e., boosting economic inclusion and employment and support for increased agricultural productivity in the north and other at-risks areas. Finally, the AF directly supports the GoB's strategy for preventing and managing the risks of conflict and violence – specifically the intervention areas focusing on strengthening economic development and creating more jobs in at-risk regions and strengthening community resilience.

C. Proposed Development Objective(s)

Original PDO

The project development objective (PDO) is to increase productivity and market access for selected agri-food value chains in Benin.

Current PDO

The project development objective (PDO) is to increase productivity and market access for selected agri-food value chains in Benin.

Key Results

The following key performance indicators (KPIs) are proposed to measure outcomes at the PDO level:

1. Increase in volume of agri-food products commercialized by project supported beneficiaries in targeted value chains
2. Increase in yield of targeted value chains
3. Number of people with strengthened food and nutrition security
4. Number of people with enhanced resilience to climatic risks

The project will disaggregate relevant indicators for gender.

In addition, the project M&E system will track the following three Corporate Results Indicators (CRIs):

- 1 Number of farmers reached with project agricultural assets or services (including women and youth targeted at 30 percent) and;
- 2 Beneficiary satisfaction rate with the quality of project-supported services (disaggregated by gender).

D. Project Description

6. The AF is being proposed in the spirit of supporting Benin to proactively avoid descending into fragility by addressing two potential risk factors - limited economic opportunities as well as food insecurity for vulnerable segments of the population. The AF takes advantage of the parent project focus on promoting increased production, commercialization, and exports in the agri-food sector not only as an entry point for creating more and inclusive direct economic opportunities with the upstream and downstream segments of targeted value chains but also as having the potential to generate other indirect economic opportunities through multiplier effects on local economies. The overarching hypothesis is that expanding the scale of support will, *ceteris paribus*, generate more economic and livelihood opportunities within and outside the targeted value chains as



well as support a larger number of vulnerable to secure their food security. In this context, the AF mainly entails scaling up of already ongoing activities but with greater focus on vulnerable communities. The paragraphs below summarize proposed changes to the parent project as part of the AF.

7. Changes to activities and costs: Under Component 1 (Strengthening the environment and infrastructure for agri-food value chains development), the proposal is to provide US\$1.5 million in AF resources to support a new activity - implementation of the National Seed Sector Strategy. As part of this new activity, the project will finance: (i) capacity strengthening of the new national seed company to enable it oversee and regulate the seed sector; (ii) improvements to seed demand estimation to inform government and private sector decisions on investment; (iii) promoting and strengthening private sector participation in the provision of seeds; and (iv) restructuring of the seed research, production, quality control, certification, and distribution systems. This support is expected to lead to improved access by farmers to improved and climate resilient seed for increased production and resilience to climate change. Another US\$0.5 million in AF resources is proposed to go towards supporting the implementation of the new National Agricultural Investment and Food and Nutritional Security Plan (PNIASAN), the preparation of which was partly financed through parent project support. Among others, the project will finance dissemination of the plan and enactment of reforms proposed to improve the governance of the agricultural sector under the plan (e.g., coordination of the sector, management of public procurement, promotion of integrity and fight against corruption).

8. The other change to Component 1 relates to increasing resource allocation to specific activities with the intention of scaling up project impact. This includes provision of: (i) an additional US\$1.5 million to APIEx to scale up its export promotion activities to further expand export market opportunities for additional volumes of cashew and pineapple products that are expected as a result of increased project support to these value chains; and (ii) US\$1.0 million to Benin Agency for Food Safety (ABSSA) to augment its capacity for quality control by setting up more testing facilities to take care of expanding industrial zones. All the above proposed changes under Component 1 relate to subcomponent 1.1 (enhancement of relevant public institutions and policy framework for export promotion).

9. Several new activities in support of increased pineapple, rice, and vegetables (tomato, onion, and chili) production are added to subcomponent 2.1 (enhancing the availability and access to quality inputs) under Component 2 (Increasing productivity, value addition, and resilience) of the project. In the specific case of the pineapple value chain, the proposal is to provide US\$3.5 million towards the construction of an industrial in vitro plantlet production unit. This unit, with an estimated capacity to produce 13.5 million plantlets per year will help resolve availability of clean planting material, a binding constraint to rapidly expanding pineapple production in Benin. Additionally, US\$7.0 million would be provided towards demonstrating and supporting adoption of best practices for pineapple production and another US\$0.7 million towards supporting weed management, which typically accounts for a large share of production costs. In the case of rice and vegetables, US\$10 million is provided in support to mechanization - as a mechanism to increase productivity and production, while reducing drudgery, this also includes support to studies and reforms on agricultural mechanization and institutional support to the Agricultural Mechanization Company (SONAMA); and US\$4.0 million is provided to increase farmer access to high-yielding and resilient seeds to support increased production for improved food and nutrition security. The seeds, to be provided at a discount rate, will be procured by the project, and distributed to eligible beneficiary's farmers through the territorial agencies for agricultural development.

10. Additionally, a new activity on soil health and fertility is proposed to be added to subcomponent 2.2 (Improving farmers' access to knowledge for CSA, quality enhancement and value addition). This activity, estimated to cost US\$3.0 million includes, mapping of soils for better targeting of fertilizer application, the establishment of agricultural service centers meant to serve as sources of knowledge and information on various



aspects of agriculture and agribusiness, and the creation of digital farming schools to promote youth and women entrepreneurship in agriculture. This support is in line with the memorandum of understanding signed between the GoB and OCP⁶ on the implementation of the Fertilizers and Soil-Health Roadmap for West Africa and the Sahel by the Economic Community of West African States (ECOWAS) countries. Also, a new activity to support preparatory studies for future irrigation development programs on national river basins⁷, estimated at US\$4.0 million is added to subcomponent 2.3 (Support for irrigation development). These activities would contribute to climate change adaptation through buffering crop production against drought through irrigation.

11. Other changes to Component 2 target already ongoing activities and entail the provision of additional resources to scale up these activities. This includes the provision of an additional US\$3.1 million towards the rehabilitation of 34,000 ha of cashew orchards, US\$5.2 million for the establishment of 7,000 ha of new cashew orchards, including the provision of specific productivity-enhancing inputs, and US\$20.0 million in further support to the government fertilizer program for the 2025/2026 cropping season - all under subcomponent 2.1; US\$1.0 million in support for agricultural advisory services under subcomponent 2.2; and US\$82.0 million to support the development of irrigation in Malanville and Karimama targeting rice and vegetable production under subcomponent 2.3, including support for technical studies, environmental and social studies, and institutional support to the Irrigation Development Company (SOBAA). The proposed level of support to the fertilizer program for the 2025/2026 is congruent with the government strategy of gradually reducing and finally phasing out the provision of fertilizer subsidies to farmers by 2026⁸.

12. Finally, the cost of Component (Project Management) is increased by an additional US\$4.0 million to offset the costs associated with implementing AF activities.

Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation

⁶ Office Chérifien des Phosphates.

⁷ These preparatory studies will not be undertaken for irrigation programs related to international waterways as defined by the World Bank under OP7.50.

⁸ In 2023, the Bank provided US\$50 million to the program which was reduced to US\$30 million in 2024.



Institutional and Implementation Arrangements

There are no changes to the current implementation arrangements, except for the inclusion of additional partners. The AF will be placed under the technical responsibility of MAEP. Whilst implementation at the departmental level will receive oversight and guidance from the Project Steering Committee, MAEP as the lead implementing agency will delegate the function and day-to-day implementation and coordination responsibility to the PACOFIDE PMU, which has demonstrated a good track record for procurement and financial management (rated moderately satisfactory). All audit reports are current and there are no pending audit issues to be resolved. In addition to providing technical support and coordination of the AF activities and consolidating the project Annual Work Program Budget (AWPB) and progress reports from participating departments, the PMU will be responsible for fiduciary and safeguard management and will ensure regular supervision and monitoring. The PMU will sign MOUs to receive support from strategic national institutional and technical partners. The PMU will also be supported by other service providers and consultants as needed. These will be recruited on a competitive basis.

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