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Report No: PAD4034

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED GRANT

IN THE AMOUNT OF SDR10.7 MILLION
(US\$15.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GUINEA-BISSAU

FOR A

GUINEA-BISSAU EMERGENCY FOOD SECURITY PROJECT

September 16, 2020

Agriculture and Food Global Practice
West and Central Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective July 31, 2020)

Currency Unit = CFA Franc (CFAF)

CFAF 558 = US\$1

SDR 0.7076 = US\$1

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
ANAP	<i>Agencia Nacional em Aquisições</i> (National Agency for Acquisition)
APS	Accredited Procurement Specialist
CBA	Cost-benefit Analysis
CCRT	Catastrophe Containment and Relief Trust
CERC	Contingent Emergency Response Component
CFAF	African Financial Community Franc
COVID-19	Coronavirus Disease
CPF	Country Partnership Framework
CSA	Climate-Smart Agriculture
DA	Designated Account
DFIL	Disbursement and Financial Information Letter
EFA	Economic and Financial Analysis
EHSGs	Environment Health and Safety Guidelines
EIRR	Economic Internal Rate of Return
ESCP	Environmental Social Commitment Plan
ESF	Environmental and Social Framework
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESRS	Environmental and Social Review Summary
Ex-ACT	Ex-Ante Carbon-balance Tool
FAO	Food and Agriculture Organization
FM	Financial Management
FY	Fiscal Year
GAVI	Global Alliance for Vaccines and Immunization
GBV	Gender-based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HEIS	Hands-on Enhanced Implementation Support
ICR	Implementation Completion and Results Report
IDA	International Development Association
IFAD	International Fund for Agriculture Development
IFRs	Interim Unaudited Financial Reports
IPF	Investment Project Financing
LMPs	Labor Management Procedures
M&E	Monitoring and Evaluation
MARD	Ministry of Agriculture and Rural Development
NPV	Net Present Value
OHS	Occupational Health and Safety
PAD	Project Appraisal Document
PCU	Project Coordination Unit
PDO	Project Development Objective
PIM	Project Implementation Manual

PIU	Project Implementation Unit
PLR	Performance and Learning Review
PMP	Pest Management Plan
PPSD	Project Procurement Strategy for Development
PPP	Purchasing Power Parity
PSC	Project Steering Committee
RFQ	Request for Quotation
SDG	Sustainable Development Goal
SDR	Special Drawing Rights
SEA	Sexual Exploitation and Abuse
SEP	Stakeholder Engagement Plan
SH	Sexual Harassment
SoE	Statement of Expenditure
SORT	Systematic Operations Risk-Rating Tool
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
ToC	Theory of Change
ToRs	Terms of Reference
UN	United Nations
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
WAEMU	West African Economic and Monetary Union
WBG	World Bank Group
WFP	World Food Program
WHO	World Health Organization

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DATASHEET

BASIC INFORMATION			
Country(ies)	Project Name		
Guinea-Bissau	Guinea-Bissau Emergency Food Security Project		
Project ID	Financing Instrument	Environmental and Social Risk Classification	Process
P174336	Investment Project Financing	Moderate	Urgent Need or Capacity Constraints (FCC)
Financing & Implementation Modalities			
<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)		
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)		
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)		
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country		
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict		
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster		
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input checked="" type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)		
Expected Approval Date	Expected Closing Date		
30-Sep-2020	31-Jul-2023		
Bank/IFC Collaboration			
No			
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

Component Name	Cost (US\$, millions)
Support to Agricultural Production	10.00
Support to Community Safety Nets	2.50
Support to Risk Mitigation	1.50
Project Management and Monitoring and Evaluation	1.00
Contingent Emergency Response	0.00

Organizations

Borrower:	Republic of Guinea-Bissau
Implementing Agency:	Ministry of Agriculture and Rural Development

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

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Guinea-Bissau	0.00	15.00	0.00	15.00



National PBA	0.00	15.00	0.00	15.00
Total	0.00	15.00	0.00	15.00

INSTITUTIONAL DATA

Practice Area (Lead)

Agriculture and Food

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	● Low
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[] Yes [✓] No



Does the project require any waivers of Bank policies?

[] Yes [✓] No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Schedule 2 Section I, Part A (1) - Ministry of Agriculture and Rural Development Project Coordination Unit:

Recipient shall recruit through the MARD-PCU, no later than two (2) months after the Effective Date, or such later date as agreed by the Association, and thereafter maintain throughout Project implementation, a project coordinator and an environmental and social specialist.

Sections and Description

**Schedule 2 Section I, Part B (1) - Outputs Agreement:**

To facilitate the carrying out of Part 1 and Part 2 of the Project by the Project Implementing Agency, the Recipient shall, no later than one (1) month after the Effective Date, or such later date as agreed by the Association, enter into an appropriate Outputs Agreement between the Recipient, represented by the Ministry of Economy, Planning and Regional Integration, and the Project Implementing Agency, containing the terms agreed to by the Association.

Sections and Description**Section IV. Other Undertakings:**

1. The Recipient shall, no later than one (1) month after the Effective Date, or such later date as agreed by the Association:

- (a) customize the Project's accounting software, in form and substance satisfactory to the Association; and
- (b) recruit an internal auditor with qualifications, experience and terms of reference, satisfactory to the Association.

Sections and Description**Schedule 2 Section I, Part D (1) - Project Implementation Manual:**

The Recipient shall, no later than one (1) month after the Effective Date, amend and thereafter maintain, throughout Project implementation, a Project implementation manual containing detailed guidelines and procedures for the implementation of the Project including, inter alia: (a) the terms of reference, functions and responsibilities for the members or personnel of the Project Steering Committee, the MARD-PCU, as well as the SNBSP-PIU; (b) the procedures for procurement of goods, non-consulting services, consultants' services, Operating Costs, [Training and Workshops], as well as for financial management; (c) the indicators to be used in the monitoring and evaluation of the Project; (d) flow and disbursement arrangements of Project funds; (e) the procedures and conditions for the disbursement of Conditional Cash Transfers for food insecure households or individuals; and (f) environmental and social management; as said manual may be amended from time to time with the Association's prior approval ("Project Implementation Manual").

Sections and Description**Section IV. Other Undertakings:**

The Recipient shall, no later than six (6) months after the Effective Date, or such later date as agreed by the Association, recruit an external auditor with qualifications, experience and terms of reference, satisfactory to the Association.

Sections and Description**Section IV. Other Undertakings:**

The Recipient shall, no later than eighteen (18) months after the Effective Date, or such later date as agreed by the Association: (a) ensure that the MARD-PCU has adequate capacity to take over fiduciary management of the Project, through the provision of resources and staffing, all acceptable to the Association; and (b) thereafter transfer financial management and procurement responsibilities for the Project, from the SNBSP-PIU to the MARD-



PCU, in a manner satisfactory to the Association.

Sections and Description**Schedule 2 Section I, Part A (1) - Ministry of Agriculture and Rural Development Project Coordination Unit:**

The Recipient shall, no later than four (4) months after the Effective Date, or such later date as agreed by the Association, and thereafter maintain throughout Project implementation, inter alia: a financial management specialist, a procurement specialist, an agricultural specialist, a monitoring and evaluation specialist, and a communications specialist, all with qualifications and experience, and under terms of reference, satisfactory to the Association.

Conditions

Type Disbursement	Description
	<p>Schedule 2, Section III, Part B - Withdrawal Conditions; Withdrawal Period:</p> <p>Notwithstanding the provisions of Part A above, no withdrawal shall be made:</p> <p class="list-item-l1">(a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed three million Dollars (\$3,000,000) may be made for payments made prior to this date but on or after May 15, 2020, for Eligible Expenditures under Category (2);</p> <p class="list-item-l1">(b) under Categories (1), (3) and (4) unless and until the Recipient has, and has caused the Project Implementing Agency to, implement the applicable material measures and actions – including preparing, carrying out consultation on, adopting and publicly disclosing relevant environmental and social assessment, management plans and instruments – as set forth in the Environmental and Social Commitment Plan.</p>



I. STRATEGIC CONTEXT

A. 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 purchasing power parity-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 gross domestic product (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 Coronavirus disease (COVID-19) on the overall economy is expected to be severe.** The first case of COVID-19 was recorded on March 24, 2020 and confirmed cases and deaths have reached about 2,275 and 39, respectively, as of September 15, 2020. However, insufficient testing capacity suggests that these figures most likely underestimate the true number of infections. The main transmission channels of the COVID-19 impacts on the economy 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 will 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 reduction.²
4. **Government response to COVID-19.** The Government introduced prevention and control measures including closing air, land, and sea borders on March 18, 2020. Subsequently, it ordered for the closure of schools, restaurants and bars, and the suspension of all activities involving crowds of people. On March 30, 2020 a state of emergency was declared imposing strict stay-at-home measures. Most of these restrictions have now been eased. Toward the end of March 2020, a National Contingency Plan, estimated to cost around US\$13 million (0.9 percent of GDP) was adopted. An Inter-ministerial Commission, spearheaded by the Ministry of Health, was established to respond to the pandemic. More recently, in June 2020, the President of the Republic put in place a High Commission in charge of COVID-19, replacing the Inter-ministerial Commission. International partners, including the World Health Organization (WHO),

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).



United Nations Children's Fund (UNICEF) and the World Bank Group (WBG) continue working with the Commission to implement the contingency plan. The Ministry of Finance is allocating about US\$0.4 million on a monthly basis to strengthen health services at the national hospital and made available 1,100 tons of rice and 550 tons of sugar as donations to eligible beneficiaries across the country. The Government also funded an oxygen production unit at the main hospital, to support COVID-19 treatment.

5. Although Guinea-Bissau has several 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 the 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 women³. 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.

6. 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.

B. Situations of Urgent Need of Assistance

7. Guinea-Bissau has for long been chronically food insecure, experiencing recurrent episodes of acute need. The country has consistently fared poorly on the Global Hunger Index - an indicator designed to measure hunger - recording levels of hunger considered "serious", "alarming", or "extremely alarming" ever since the index was introduced in 2000. A review of World Food Program's (WFP) assistance to the country since 1995, bears no record of a single year in which the country did not require food assistance to meet a share of its needs. The Cadre Harmonisé analysis of food and nutrition situation in Sahel and Western Africa issued in November 2019 prior to the COVID-19 outbreak, projected alarming numbers of food-insecure populations, in Guinea-Bissau, with up to 187,915 people expected to be in crisis situation or worse between June and August 2020 and in need of immediate humanitarian assistance. Another 272,684 people were expected to see their food security under stress and would need support to avoid falling into crisis food insecurity levels. The country also struggles with a hidden hunger burden - national prevalence of under-five stunting stands at 27.6 percent (greater than the developing country average of 25 percent) and 43.8 percent of women of reproductive age have anemia, for example.

8. The COVID-19 pandemic, acting mainly through its impact on the raw cashew nut sector, has aggravated an already precarious food security situation in the country. Raw cashew nut is the country's major agricultural produce and the main source of income for more than two-thirds of households. It also accounts for more than 95 percent of the country's total export revenue. It is central to the country's food security as: (i) a plurality of farmers use the cashew revenues to finance the production⁴ of staple foods for the domestic market; (ii) many farmers who, for several reasons⁵, are unable to meet their food

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 inputs and labor.

⁵ Mainly because they chose to focus on cashew nuts, limited productivity of staples, etc.



requirements from own-production, rely on cashew incomes to access food through the markets⁶; and (iii) some farmers barter the raw cashew nuts for rice. Low income jobs across multiple segments of the cashew nut value chain are also the only source of food security for many unskilled laborers, while export earnings from cashew nuts are the principal source of forex used to finance food imports (mainly rice) necessary to cover the national deficit.

9. The COVID-19 pandemic, and its containment measures which restrict movement, have: (i) disrupted cashew nut harvest⁷ - which usually takes place from April to end of June - and other ancillary activities(e.g., drying and storage); (ii) created uncertainties that now preclude the possibility that local buyers can, as is usually the case, access pre-financing from exporters for raw cashew nut purchase, thus denying farmers⁸ and unskilled laborers of an important source of income that, as indicated above, is key to domestic food production (expected to start in July) and household food security; and (iii) dented the country's export revenues, which is expected to constrict the fiscal space necessary to access food imports, on which the country is chronically dependent. Even if current disruptions were imminently resolved, the medium-term outlook points to depressed raw cashew nut demand and prices⁹ as a result of plummeting global growth, which is expected to accentuate and protract the country's food security challenges.

10. In addition to the above transmission channel of COVID-19 impacts on food security, rising international prices for rice¹⁰ (the key staple, for which more than 65 percent of national consumption is imported), which has been buoyed by stockpiling spurred by concerns over the pandemic, are being reproduced in Guinea-Bissau's local markets. In addition, most local markets¹¹ now report higher prices for other important foods e.g., millet, wheat, sugar, vegetable oil, and sorghum, over those reported at the beginning of this year. Indeed, overall inflation is now projected to rise to 1.1 percent this year (from 0.5 percent in 2019) on account of increased food prices. Increasing food prices, combined with declining purchasing power, as a result of reduced incomes or sudden income losses, is expected to curtail the ability of many people (most households are net food buyers), especially the low-income households, to access food through the markets. Given that the share of the poorest group's expenditure on food consumption is always high, increases in food prices are likely to increase poverty levels. Women are disproportionately affected as they dominate in the informal sector that is hard-hit by the containment measures. Food access constraints will have a severe impact on the household diet and worsen the nutritional status of the most vulnerable, mainly women and children. Without urgent interventions to sustain the productive capacities of farmers and incomes of the vulnerable, the food and nutrition security situation and the prospects of agricultural development will worsen at a time when the country is under a health pandemic.

11. There are also reports of disruptions to agricultural input supply chains, and these are expected to impinge on the availability of inputs necessary for the ongoing and forthcoming agriculture campaigns, and this could amplify local supply shocks due to reduced domestic production. Government

⁶ On average, income generated by cashew activity covers three to six months of a farming household's food needs.

⁷ The most dominant economic activity among Bissau-Guinean households.

⁸ Cash trapped farmers, fearing worsening food insecurity and the high risk of not selling their production, will be pressured to sell their production as quickly as possible at a very low price. Indeed, a recent assessment by International Fund for Agriculture Development (IFAD)) suggests that farmers are selling raw cashew nuts for less than a third of the average price in 2019.

⁹ Average cashew export price dropped from US\$1,300/ton in 2019 to US\$1,000/ton in early-April 2020.

¹⁰ The global price of rice increased by about 10 percent between February and March 2020, and by 20 percent between 2019 and 2020

¹¹ Including Kirintim and Nhambane markets in Bafata region; and Bandim market in Sector Autonomo De Bissau.



projects that almost 72 percent of the population will require some support to prevent them from falling into a food security crisis.

12. The food security challenge has clearly overwhelmed national response capacities, mainly because of the Government's narrow fiscal space, amidst other ongoing crises, including those which are not directly mediated by the COVID-19 pandemic. While some donors¹² are expected to step up their support to the country, the needs are still great, especially in the unreached parts of the country. Beyond its impacts on human capital and on state legitimacy, food insecurity is also known to heighten the risk of civil and communal conflict, a prospect with a much higher likelihood of occurrence in Guinea-Bissau, given the underlying fragility. Based on the urgent need for assistance to address any negative impacts of the COVID-19 pandemic on Guinea-Bissau's food security, as well as the capacity constraints borne out of long-running fragility, the proposed operation meets the requirements of paragraph 12 of World Bank Investment Project Financing (IPF) Policy on "*Projects in Situations of Urgent Need of Assistance or Capacity Constraints*". The additional flexibility as defined in paragraph 12 and condensed procedures for preparation would ensure a timely response to the food security challenge. In addition, the intent to use the Food and Agriculture Organization (FAO) to support implementation as a specialized supplier and provider of Technical Assistance (TA), would help remedy capacity weaknesses on the part of the Government.

C. Sectoral and Institutional Context

13. 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.

14. 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.

15. Gender inequities (related to access to agricultural inputs, credit, training, equipment, and labor) as a result of patriarchal rules prevail in the sector constraining women's agricultural productivity¹³. A confluence of the comparatively superior benefits from cashew production (see Table 1), gaps in the land

¹² The IFAD, jointly with African Development Bank (AfDB), is working on an emergency project to support the cashew campaign.

¹³ See Country Partnership Framework, Report No. 114815-GW.



property law (which incentivize tree planting as a way of strengthening tenure security), and lack of an enabling environment¹⁴, has over the last four decades, mediated a strong shift in the country's agriculture production system towards cashew production.

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	1,657	-1,053
Sorghum	94	870	-1,840
Millet	114	618	-2,092
Peanuts	78	660	-2,050
Cotton	115	987	-1,723
Cashew	118	2,710	0

16. **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 the 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.

17. **Low average productivity¹⁵ and the already smaller acreage devoted to food crops constrains, not only the production of amounts of food crops sufficient 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 six months of their food needs. Because of insufficient domestic production, the country relies on imports to bridge the gaps in domestic production. These food imports are mostly financed by forex revenues accruing from cashew exports.

18. **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 situation combined with institutional instability exacerbates these food security challenges.

19. **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,

¹⁴ Including poor infrastructure, constrained access to inputs, technology, knowledge, markets, capital and availability of skilled labor.

¹⁵ Mainly due to limited access to advisory services, inputs, technologies, financing, and poor physical infrastructure.



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 WBG 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 IFAD for a US\$43.8 million project 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 (AfDB) for assistance with responding to the food security challenge and to support the cashew campaign. 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.

D. Relevance to Higher Level Objectives

20. **The proposed project primarily seeks to mitigate the impact of the COVID-19 pandemic on Guinea-Bissau's food and nutrition security, and to strengthen the resilience of Guinea-Bissau's economy to shocks associated with the marketing of cashew nuts.** Broadly therefore, the project contributes to attainment of the Sustainable Development Goals (SDGs) on ending hunger, achieving food security and improved nutrition (SDG2); and SDG1 on ending poverty in all its forms. The project is also aligned with the WBG twin goals of reducing extreme poverty and enhancing shared prosperity. The project also dovetails with *Terra Ranka*, Guinea-Bissau's strategy for development, which identifies agriculture as one of the growth sectors, seeking to fight against food insecurity and increase revenue for cashew nut producers.

21. **The project is also fully aligned with the WBG's Country Partnership Framework (CPF) for 2018-2021 (Report No. 114815-GW).** The CPF seeks to support two focus areas: (i) increasing access to quality basic services; and (ii) expanding economic opportunities and enhanced resilience. Among others, under Focus Area 2, World Bank support is proposed to facilitate the reduction of vulnerability to systemic shocks and to strengthen social safety nets to protect income shocks - areas proposed for support under the project. Given the high political risk in the country, the CPF also recognizes the need for flexibility and openness to adjustments in the program. This operation takes advantage of that flexibility to meet immediate food security needs of distressed people, with expected tangible impacts on poverty reduction. The current CPF comes to an end in FY21 and a Performance and Learning Review (PLR) is underway with the expectation that the CPF will be extended until normalcy returns.¹⁶ In alignment with the World Bank's COVID-19 crisis response approach, adjustments to the extended CPF's lending program are envisaged, to support a range of interventions both in the restructuring and recovery phases of the crisis response.

22. **The operation is a core element of the WBG's response to COVID-19 in Guinea-Bissau.** In line with the WBG COVID-19 Crisis Response Approach Paper, as part of the relief stage, the World Bank reallocated US\$7 million under the ongoing Regional Disease Surveillance Systems Enhancement (REDISSE II, P159040) to support the national COVID-19 response through procurement of ambulances, essential medical equipment, personal protective equipment (PPE), and laboratories supplies. Processes are

¹⁶ The timing of the PLR may be deferred slightly, until COVID-19 impacts are more fully understood as outlined in the COVID-19 Approach Paper.



underway to access resources from the Strengthening Maternal and Child Health Service Delivery (P163954) to continue contributing to the COVID-19 response. In addition, as part of the FY21 lending program, the World Bank intends to provide US\$6 million (US\$5 million from IDA, and US\$1 million from the Pandemic Emergency Financing Facility) in health sector support to the COVID-19 Emergency Response Project (P174243), within the overall framework of the COVID-19 Strategic Preparedness and Response Program (SPRP). The support will go towards scaling-up and strengthening case management capacity through the procurement and distribution of medical equipment, drugs and supplies, equipping designated COVID-19 treatment centers, payment of incentives to health personnel, and enhancing disease detection capacities through the purchase of laboratory equipment and supplies to ensure prompt case identification and contact tracing. Also, under the Safety Nets and Basic Services Project (P163901), a one-time cash transfer has been provided to households affected by COVID-19.

23. **The proposed operation, is also part of the relief phase** and contributes to thematic Pillar 2 (protecting the poor and vulnerable from the impact of the economic and social crisis triggered by the pandemic) and Pillar 4 (strengthening policies, institutions and investments for resilient and sustainable recovery) of the crisis response, as elaborated in the WBG COVID-19 Crisis Response Approach Paper. The project is an entirely new operation, not envisaged prior to the COVID-19 outbreak. It has been prioritized over an earlier programmed US\$25 million Agribusiness Development Project (P173642) which sought to increase the productivity and value-added of selected agriculture value chains.

24. **Donors partners.** Several donors have provided support to the COVID-19 response in Guinea-Bissau. Among others, the International Monetary Fund (IMF), in April 2020, provided US\$1.48 million in debt service relief from the Catastrophe Containment and Relief Trust (CCRT). The Government also benefitted from a CFAF15 billion lending from the West African Development Bank (BOAD) to support the COVID-19 response plan. An additional CFAF15 billion was also borrowed from the West African Central Bank (BCEAO) to fund the 2020 cashew marketing campaign as a direct response to reduced cashew nut offtake opportunities as a result of COVID-19. In addition, the government's response plan is supported by the European Union, the Global Alliance for Vaccines and Immunization (GAVI), UNICEF, and the WHO, *inter alia*. Finally, the AfDB is finalizing its assistance to the country.

II. PROJECT DESCRIPTION

A. Project Development Objective

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

PDO Level Indicators

26. **The PDO indicators are:** (i) farmers reached with agricultural assets or services¹⁷(number); (ii) volume of food crops produced (metric ton); (iii) share of target beneficiaries with rating “satisfied” or above on process and impact of project interventions (percentage); (iv) poor households participating in public works (number); and (v) number of direct project beneficiaries – disaggregated by gender.

¹⁷ Defined as production inputs (fertilizer, seed, mechanization etc.) and measured as households.



B. Project Components

27. 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-related 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's design is informed by the following main considerations and principles: (i) the need to quickly provide emergency production support to eligible beneficiaries, while also addressing the underlying vulnerability to mitigate any such future shocks on food security; (ii) flexibility in support mechanisms, to maintain relevance and appropriateness of the project in addressing the more pressing needs in a given community; and (iii) the need to leverage project support to strengthen implementation capacities of government agencies. The project will be organized around three main technical components as described below.

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

28. 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. To facilitate proper targeting, the project will also assess vulnerability of different communities through a rapid Crop and Food Security Assessment Mission.

29. Target beneficiaries will be identified with the help of the community through the involvement of local leaders and social mobilization efforts, with an attention to seeking out existing women's groups and networks. These are expected to include households that are food insecure but capable of own production when targeted with agricultural productivity technologies and those individuals or groups of producers who may not be food insecure but have recognized capacity to increase productivity and outputs of specific food crops that can be sold to the market. Targeting will favor female headed households by tapping into existing women's market groups and local women leaders who can identify them. The amount of input support will be calibrated to these specific situations, taking into account the need for equity in distribution of benefits. No beneficiary contribution is expected, and the inputs will be delivered through public distribution directly to the farmers, as opposed to provision through the markets as this would ensure faster distribution. The timing and location of distribution will pay attention to gender constraints and seek out female-friendly distribution avenues as well. Targeted women's program such as the kitchen garden program will be diffused through these too.

30. Activities under this component would be implemented in partnership with FAO and supported over two agricultural campaigns, starting with the agricultural campaign expected to start in October 2020. To ensure timely implementation, in light of the fast approaching cropping season, FAO has already



undertaken an assessment of availability of necessary inputs both within the country and in the regional markets (mainly Senegal and Sierra Leone), and has embarked on procurement of the necessary input (fertilizers and seed).

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

31. 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.

32. 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 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, rehabilitation 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 the choice of public works to be funded to ensure sustainability.

33. 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 these 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. Implementation of this activity will take cognizance of activities funded under the ongoing Safety Nets and Basic Services Project (P163901) to ensure complementarity and avoid providing benefits to the same individuals. Beneficiary selection would be sensitive to gender considerations.

34. This component, to be implemented in partnership with FAO, will mainly finance wages, tools and equipment, and other non-wage costs (e.g. those related to transfer of the conditional cash to beneficiaries), as would be required for specific community works. To ensure quick start up, the Ministry of Agriculture and Rural Development (MARD) is already undertaking a rapid reconnaissance survey to generate lists of potential community works that could be executed under the project.

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

35. 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, and 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.



36. The recently closed Private Sector Rehabilitation and Agribusiness Development (P127209) supported the construction of cashew storage facilities and assessed the needs with respect to the introduction of a negotiable warehouse receipt systems. The proposal is to build on that progress during project implementation. In this context, the project would finance TA, as well as the costs related to piloting the identified risk management measure.

Component 4: Project Management and Monitoring and Evaluation (US\$1.0 million equivalent)

37. 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)

38. 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.

C. Project Beneficiaries

39. **Direct project beneficiaries include:** (i) smallholder farmers, for whom cashew nut production is integral to food security; (ii) food insecure households that rely on seasonal labor or daily wages for food security; and (iii) market gardeners. At least 50,000 households will benefit from input support and another 10,000 households from the cash-for-work activities. Based on Guinea-Bissau's average household size, this translates to approximately 378,000 people. Indirect beneficiaries include laborers, consumers who would access food from the surplus production, and input suppliers. In light of the fluidity of the situation, the project would have national coverage, although targeting will ensure a focus on the most food insecure parts of the country, while avoiding duplication of support provided by other agencies and through government financing. Preliminary assessments indicate that implementation would start in 110 sections drawn from 36 sectors from all nine regions of the country. These intervention areas (sections) have been identified based on the level of poverty prior to COVID-19 outbreak (i.e. those with the highest number of poor people). Total number of households in these sections stands at about 160,000 and from these, the beneficiary households under the two project components will be chosen¹⁸ with the help of traditional chiefs, and the regional directorate of agriculture – making sure there is no overlap in beneficiary rosters under the two components. During implementation, the rapid Crop and Food Security Assessment Mission findings would be undertaken and would also facilitate more efficient targeting.

40. Experience from some countries hit by the COVID-19 pandemic shows that specific forms of Gender-based Violence (GBV) are likely to increase in the context of the isolation and quarantine which often accompany the mitigation and response measures but also in relation to the economic impacts, food

¹⁸ This process is already ongoing.

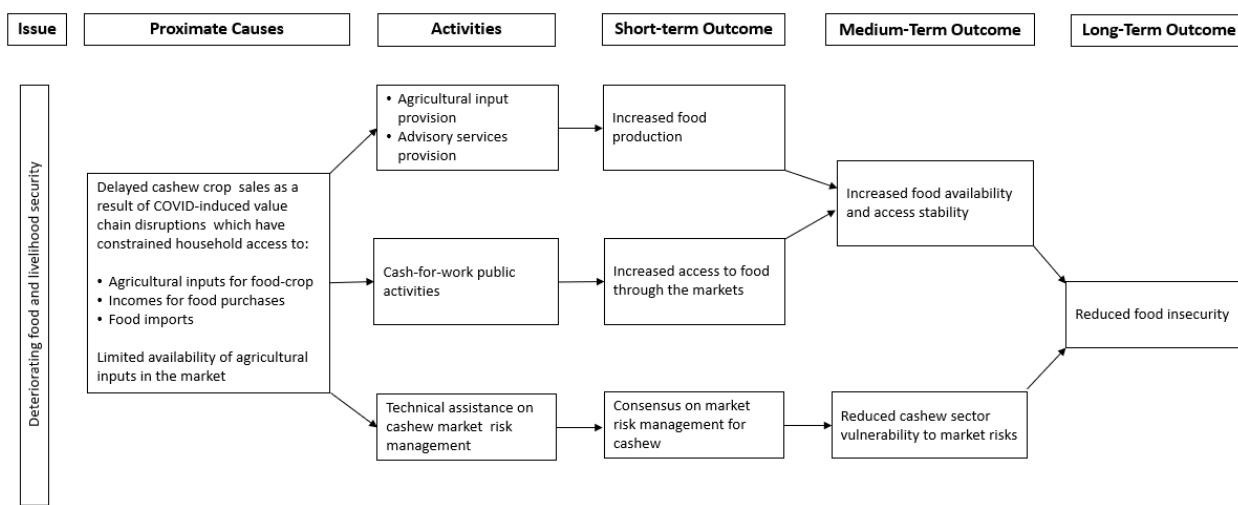


shortages and tensions within households that are likely to occur.¹⁹ This project will utilize a gender lens in analyzing all project activities to improve gender sensitivity and ensure adequate safeguards to mitigate risks of GBV, Sexual Exploitation and Abuse (SEA), as well as Sexual Harassment (SH). The project will ensure active involvement of women in every process of planning and implementation. The consultation process will take into consideration social distancing impacts on women. This includes the continued assessment of risks of GBV/SEA/SH. These consultations will be undertaken in spaces where women can express themselves, e.g. all-women groups, facilitated by women project workers.

D. Results Chain

41. **Figure 1 below summarizes the project's theory of change (ToC).** The ToC depends on several critical assumptions and could be affected by several external factors. First, the ToC assumes that agricultural inputs can be sourced and made available to farmers in a timely manner, to enable them to engage in production over the agricultural campaign. The ToC also depends on the availability of reasonably priced food in the local markets, which can be accessed by beneficiaries of the cash-for-work activities for their food security as any food commodity price escalation is bound to affect the project's outcomes. Moreover, the ToC assumes that government authorities, despite the actions of actors who have historically benefited from the status quo, would be willing to undertake measures that could strengthen the resilience of the cashew sector to market risks.

Figure 1. Project Theory of Change



E. Rationale for World Bank Involvement and Role of Partners

42. **The COVID-19 pandemic and associated mitigation measures have aggravated an already dire food security situation in Guinea-Bissau.** Worsening terms of trade as a result of constrained cashew nut sales have reduced household welfare, against a backdrop of an overall increase in food prices (mainly those of imports) thus affecting household food security. In addition, delayed cashew nut sales are hindering a possible supply response through increased domestic production (by constraining farmers'

¹⁹ In São Paulo, Brazil, violence against women increased by 44 percent during the COVID-19 pandemic, while in China and South Africa, domestic violence cases reportedly tripled during the pandemic.



access to input), and also significantly affected incomes, especially for the poor who rely on daily labor incomes to buy food. Government estimates indicate that almost 72 percent of the population (about 1.3 million people) will require food security support in one form or another. If not addressed, food insecurity will further compound the country's already pre-existing fragility challenges and could also reverse any development gains.

43. Amidst competing demands, the Government has been forced to create fiscal space to support domestic food production. However, uncovered needs are still enormous, and point to a clear need for assistance to increase local production of food and ensure access by the most vulnerable. The Government has placed requests and appeals to several donors for assistance, especially as it anticipates a diminution in its own capacity to address the food needs - in the short-term, because of reduced tax revenues. Most donors are still clarifying their possible assistance to the country. The continued deterioration in food security, amidst limited ability of Government to fully respond to the crisis, provides a rationale for World Bank involvement.

F. Lessons Learned and Reflected in the Project Design

44. The World Bank and other donor's experience with operations in Guinea-Bissau highlights the need to approach the country's development challenges with realism and simplicity. As such, the project's proposed implementation arrangements make few assumptions about the capacity of government institutions and thus confer implementation of the most critical elements of proposed support to the FAO, which is already deployed in the country and has the professional staff needed to accomplish the task.

45. Experience in low capacity countries also points to the need to balance the quest for speedy delivery of emergency interventions (such as the one proposed under the project) on one side and government ownership of the interventions on the other. The project design explicitly makes this a government-led intervention (to be implemented by the MARD), in which FAO plays a supportive role in implementation as government builds its capacity to eventually take over implementation. This is a clear demonstration of a spirit of partnership with the Government of Guinea-Bissau, which if well managed, should build a strong foundation for a more sustained engagement in the agricultural sector.

46. Another lesson learned is the need to link emergency and development efforts to not only meet the immediate needs of affected communities, but also foster and strengthen their resilience to future such shocks. In this respect, the project design supports short-term responses to avoid the deterioration of the food security situation of vulnerable communities (support to production inputs and safety nets) and also kickstarts a medium-term response seeking to deal with the underlying cause of the emergency/vulnerability, i.e. the lack of appropriate measures to manage cashew nut marketing risks. This is especially important in Guinea-Bissau, a food deficit country that is overly reliant on the cashew sector for its food security.

47. Finally, the project design takes cognizance of the high potential and likelihood for elite capture (especially under the proposed cash-for-work activities), as observed in similar operations elsewhere. This prospect is in fact much more pronounced in the context of Guinea-Bissau where there are ineffective monitoring and control mechanisms in place and limited institutional capacity. The project design therefore relies on participatory and community-based impartial beneficiary identification processes to reach eligible beneficiaries.



G. Alternatives Considered

48. A number of design alternatives as discussed below, were considered as part of preparation.

(i) **Conceptual approach:** The trigger of the current deterioration in Guinea-Bissau's food security is a demand side shock on the cashew nut sector, as occasioned by the COVID-19 pandemic. As an alternative, consideration was given to directly addressing this shock by among others, helping finance the purchase and storage of cashew nuts through a credit risk guarantee fund that would leverage financing from domestic financial institutions. This alternative was rejected in favor of a direct supply response for a number of reasons, including: the considerable time it would take to set up such a fund, against a backdrop of urgent needs; uncertainties related to existence of an enabling environment for the guarantee scheme; and the limited number of farmers that could benefit from such a fund (given the anticipated size of the total possible financing), relative to the number of farmers seeking to market their produce.

(ii) **Provision of direct food support:** Given the upsurge in number of people expected to require food aid, there was a proposal to address some of these needs through direct food support. This proposal was rejected because the WFP is currently in the process of ramping up support to provide relief for such distressed people. In addition, since most of these would be able-bodied persons, their immediate needs can be met through proposed support to safety nets, without creating a cycle of dependency, which is hard to break once it sets in.

(iii) **Deferring support for strengthening the resilience of cashew sector to market risks:** The *raison d'être* for the proposed operation is the urgent need to secure Guinea-Bissau's food security. Given the magnitude of the currently unmet needs, the proposal was to drop and defer any support to strengthening the resilience of cashew sector to market risks to future engagements and focus the limited resources to the immediate food security needs. The merits of this proposal notwithstanding, it was rejected because of the urgent need to finally embark on a long-term solution to cashew nut marketing risks, as these are now occurring with increasing frequency²⁰. This support comports with "*recovery with a view to resilience and building back better*" - a key tenet of the WBGCOVID-19 Crisis Response Approach Paper.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

49. 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 (herein called the MARD-PCU) will be the contracting of implementation support partners, ensuring technical soundness of implementation, monitoring implementation (working through MARD's regional directorates), and reporting to the World Bank. For these functions, the MARD-PCU will be staffed with a competitively selected Coordinator, Agricultural Specialist, M&E Specialist, Environment and Social Safeguards Specialists, 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. A number of these

²⁰ In 2012, due to the European debt crisis; in 2018 due to a drop in international raw cashew nut prices and a disconnect between the Government set minimum price and the international prices; and now in 2020, due to the COVID-19 pandemic.



MARD staff have already been identified and are in place. As needs arise, other expertise would be hired into the MARD-PCU.

50. Project procurement and FM will be initially delegated to the Project Implementation Unit (PIU) of an on-going IDA-financed Safety Net and Basic Services Project (P163901), established within the Ministry of Economy, Planning and Regional Integration. Since its establishment in 2009, this Safety Net and Basic Services Project PIU (henceforth called the SNBSP-PIU) has built a good fiduciary management record and administrative capacity for managing World Bank-funded projects. During implementation, a Procurement Specialist, as well as an FM Specialist will be hired into the MARD-PCU to strengthen its fiduciary capacity so it can take over the fiduciary aspects of the project from the SNBSP-PIU.

51. Due to implementation capacity gaps in MARD, the MARD-PCU will be supported by FAO as a specialized agency. This will ensure the timely and efficient implementation of planned activities. FAO's support will include the identification of target beneficiaries, procurement, delivery and distribution of agro-inputs (based on quality standards approved by MARD) as well as providing advice on their use, including training on CSA practices. All FAO activities would be implemented under MARD oversight, and with the support of MARD staff both at the center and regional directorates.

52. 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, Finance, Trade, Social Affairs, cashew sector stakeholders, 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 and can invite FAO to assist as technical advisor and non-voting member. The MARD-PCU will provide secretariat services to the PSC.

B. Results Monitoring and Evaluation Arrangements

53. The MARD-PCU will have overall responsibility for results monitoring and evaluation. The proposal is to establish a simplified M&E system designed to measure and monitor the level of achievement of expected results and outcomes, and track project performance with respect to gender, and safeguards compliance. Since the baseline for most indicators is expected to be zero, the focus will be on the more frequent and routine data collection on project performance and changes in indicators as defined in the project results framework to facilitate progress reporting. This will be followed by end of season surveys as well as an overall end of project survey. As part of their contract, FAO will be required to have sufficient M&E expertise and will be tasked with routine data collection, the end of season surveys, and reporting to MARD, through the MARD-PCU. The end of project survey will be contracted to a third party under guidance and with the support of the MARD-PCU. Given the importance of assuring a flow of benefits to female headed households and women more generally, key indicators will be disaggregated by gender, and the special case of kitchen garden inputs targeting women, will be monitored through a separate indicator on "number of women benefiting from kitchen garden inputs". The World Bank's team, through the supervision and technical missions will provide oversight and quality assurance to the M&E function and its operation.

C. Sustainability

54. The Government of Guinea-Bissau accords high priority to the country's food security, as evidenced by its policy objective (articulated in *Terra Ranka*, the country's strategic and operational plan) of achieving self-sufficiency. Indeed, as a sign of its commitment to food security, Government has already made available some US\$0.65 million from its own modest resources, to support a limited number of



farmers with agriculture inputs for the ongoing agriculture campaign. Even then, it is worth noting that the proposed support is meant to offer bridge financing for household needs (both for food production and access) arising out of the COVID-19 pandemic's impacts on cashew nut marketing. It is therefore expected that once cashew marketing is resolved, beneficiary households will be able to revert to and sustain their food production activities using own resources from the cashew sales as was the case hitherto the COVID-19 pandemic. The cash-for-work elements of the project are inherently unsustainable, and are not expected to be continued by the Government, while support to cashew marketing risks is expected to be pursued further by Government as demonstrated in its recent efforts to issue a cashew bond to support a contingent risk financing mechanism to minimize the sector's vulnerability to external shocks.

IV. PROJECT APPRAISAL SUMMARY

A. Technical

55. The proposed financing addresses the urgent need to protect the food and nutrition security of vulnerable sections of the population in Guinea-Bissau. While the primary driver of the deteriorating food security is a shock on the cashew nut sector, the more proximate cause is the constrained access to production inputs as well as incomes (mostly for unskilled laborers) to access food through the market. The conceptual approach is therefore mainly underpinned by a supply response intended to meet the short-term agricultural input needs of farming households to enable sufficient production. To help deal with the income shortfalls of households reliant on daily and seasonal labor wages for food security, the project design includes safety net support through a cash-for-work program which focuses on activities that are planned to be beneficial to increased crop production. The design also responds to the long overdue imperative of promoting the greater resilience of the cashew nut sector by, among others, reducing market risks. The design is based on a proposal prepared by MARD experts and is thus considered appropriate to the Government's needs.

B. Economic and Financial Analysis

56. The project's main benefits derive from the increased food crop production, which in turn will ensure increased household level food availability and increased incomes from the sales of any surpluses. These impacts will be the direct effects of the rapid distribution of improved seed and planting materials, coupled with access to complementary inputs (farm equipment and labor) and advisory services. The project will also support other income generating activities, by supporting the livestock sector with vaccination and disease treatment. In addition, the conditional cash transfers will ensure continued food availability for vulnerable households, thus safeguarding existing assets and maintaining recent developmental gains. A part of the conditional cash transfers will also serve households to procure the necessary inputs to continue their productive activities. Finally, any public infrastructure developed through the cash-for-work activities is expected to generate its own stream of benefits.

57. Overall, the project is economically justified, generating a Net Present Value (NPV) of US\$1.7 million and an Economic Internal Rate of Return (EIRR) of 25.5 percent (over a five-year period and on a budget of US\$15 million). These economic returns are robust when subjected to several sensitivity scenarios, including reduced adoption rates, delays in implementation, cost overruns, etc. Nevertheless, the



interplay between these risk scenarios (in particular, delays coupled with increased costs) can significantly affect the project's economic justification.

58. The project will also generate some positive environmental externalities (a total mitigation of 7,561 tCO₂eq over five years, or about 1,512 tCO₂eq per year). Using the World Bank's Guidance note on shadow price of carbon in economic analysis (September 2017), the social value of these environmental benefits has been included in the overall economic results, using the low and high estimate range for the social price of carbon. As a result, the economic indicators improve slightly, depending on carbon pricing scenario: assuming the low estimate range of carbon social price, the EIRR is 26.3 percent and the NPV is US\$56,000 higher; assuming the high estimate range, the EIRR increased to 27.1 percent and the NPV is US\$112,000 higher.

C. Fiduciary

(i) Financial Management

59. **The SNBSP-PIU will assume temporally the fiduciary responsibility of the proposed project.** The FM arrangements will be based on the existing arrangements in place within the SNBSP-PIU. The overall FM performance of this PIU is satisfactory. Staffing remains adequate, proper books of accounts and supporting documents have been kept in respect to all expenditures. The SNBSP-PIU is familiar with the World Bank FM requirements. The unaudited interim financial reports (IFRs) for the ongoing project are also submitted on time, acceptable to IDA. It has an adequate FM manual of procedures which will be updated to include the specificities of this operation and included in the PIM. However, the SNBSP-PIU internal control environment is weakened by the lack of an internal audit function.

60. In order to accommodate the project in the existing FM system at the SNBSP-PIU, and ensure readiness for implementation, the following measures will be undertaken no later than one month after effectiveness: (i) updating of the FM manual of procedures to include the specificities of the project; (ii) customization of the existing accounting software to include project bookkeeping to generate IFRs and financial statements; (iii) recruitment of an internal audit consultant; and (iv) signing an agreement with FAO defining the disbursements and financial reporting arrangements. In addition, an FM Specialist dedicated to the project as well as a third-party agent for the verification of the cash-for-work activities and agricultural production inputs will be recruited no later than four months after effectiveness. Recruitment of an external auditor to conduct the audit of the project financial statements will be undertaken no later than six months after effectiveness.

61. Project components 1 and 2 will be implemented by FAO, which is a signatory to the United Nations Fiduciary Principles Accord (FPA). In this case, FAO will be engaged under indirect financing and their own FM procedures will be used to implement activities under these components. An agreement will be signed between the MARD-PCU and FAO where detailed fiduciary arrangements will be described and the mechanisms for dealing with ineligible or fraudulent transactions and remedies for identified discrepancies will be defined. For information and reporting purposes, FAO will submit IFRs to the World Bank, in agreed formats and will include a specific section on the cash-for-work components, on a quarterly basis to reflect the expenditures related to the grant, and certified annual financial statements.

62. Procedures for the conditional cash transfers will be described in the PIM. FAO will hire, on a competitive basis, a Payment Agency with FM capacity and solvency satisfactory to IDA to handle cash transfers to beneficiaries. The list of beneficiaries as well as benefits under both components will be



validated by a third-party verification agent recruited based on a ToR reviewed by the World Bank. The payment agency will send to FAO a report on the unconditional cash transfer payment on a monthly basis.

(ii) Procurement

63. **Project procurement will be carried out in accordance with the WBG's Procurement Regulations for IPF Borrowers for Goods, Works, Non-Consulting and Consulting Services, dated July 1, 2016 (revised in November 2017 and August 2018).** The project will be subject to the WBG's Anticorruption Guidelines, dated October 15, 2006, revised in January 2011 and July 1, 2016 and will use the Systematic Tracking of Exchanges in Procurement (STEP) to plan, record and track procurement transactions as well as clearance processes where needed.

64. All procurement under the project will be undertaken by the SNBSP-PIU which has experience with WBG's procurement guidelines. A dedicated Procurement Specialist will handle the procurement activities and Junior Procurement officer will be hired on a contract basis to support the increased workload. The PIU's procurement activities are supervised by the Procurement Commission, which oversees bid/proposal opening, and contracts award.

65. The major planned procurement includes:(i) agricultural input e.g. improved seeds and planting materials, small equipment, vaccines etc.; (ii) TA for provision of requisite advisory services in support of improved production, productivity and production system resilience to climate change; (iii) TA to support implementation of the cash-for-work activities; and (iv) TA for MARD-PCU staff as well as that for implementing activities in support of cashew marketing risk management; and vehicle, office equipment, etc. Given the emergency nature of the requirements, it was agreed that the Recipient develops a streamlined Project Procurement Strategy for Development (PPSD) during the project preparation phase and finalizes it early during the implementation.

66. **The proposed approach prioritizes fast track emergency procurement for the required emergency goods, works and services.** In this regard, key measures to fast track procurement include the following:

- Direct contracting and/or Limited Competition and Request for Quotations (RFQs) with identified manufacturers, suppliers and providers for most of the items;
- Use of an alternative procurement arrangement through contracting of United Nations (UN) agencies and non-governmental organizations (NGOs) for quick response and any other fit-for purpose methods that the Accredited Procurement Specialist (APS) has approved in the procurement plan;
- Other measures like shorter bidding times, no bid security, advance payments, direct payments will be applied on a case-by-case basis upon advice/guidance from the APS;
- Retroactive financing to allow procurement before effectiveness of project financing; and
- Conducting post reviews.

67. The project's procurement risk is currently rated Substantial.

D. Legal Operational Policies

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



E. Environmental and Social

68. The environmental risk rating is moderate based on the nature and magnitude of the activities, with site-specific, low-risk, temporary and reversible environmental and health risks and impacts. The project will finance activities involving civil works (such as opening of access roads to agriculturally productive areas, construction of local markets, among others). Adverse impacts generated by civil works relate to: (i) disposal and management of waste during the construction phase; (ii) occupational health and safety (OHS) of workers; (iii) nuisances related to air and noise emissions; and (iv) community health and safety. Activities in agriculture such as the use of fertilizers, pesticides, livestock management, if not well managed, can lead to adverse effects in human health and the environment through e.g. degradation of soils and surface and ground water contamination.

69. The social risks associated with project activities are also considered moderate, as the project is adopting a community approach which is well established in Guinea-Bissau. The main risks evolve around small-scale conflicts around local civil works, agricultural services and conditional cash transfers. Any land issues are expected to be addressed through voluntary land donations.

70. GBV/SEA/SH risk level of the project will be assessed during implementation, as part of the Environmental and Social Management Framework (ESMF) drafting and any identified risks will be addressed through the Environmental and Social Management Plans (ESMPs). Experience from other past outbreaks and other COVID-19 affected countries indicates that the COVID-19 pandemic might increase the likelihood of Intimate Partner Violence (IPV), and SEA/SH in the country. The project will ensure that women are consulted in a specific and safe way. The project will analyze the risk of SEA/SH and the impact of project activities on women in general as well as the accessibility of a GRM. The mitigation measures will be finalized after assessment and will include codes of conduct, with clear language on unacceptable behavior and sanctions for all project related staff, community awareness raising on SEA/SH and a GRM that is sensitive to GBV/SEA/SH.

71. As specific locations for the project interventions are yet to be agreed upon, an ESMF will be prepared, covering environmental and social risks and impacts caused by the planned civil works, the use of pesticides and fertilizers and generation of waste during the implementation of the project. The ESMF will set 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 Environmental Social Impact Assessments (ESIA) and ESMPs. The ESMF will include general Environment Health and Safety Guidelines (EHSGs), Good International Industry Practice (GIIP) and OHS measures for the identified sub-projects. A Pest Management Plan (PMP) will also be developed for proper handling and use of pesticides. In addition, Labor Management Procedures (LMPs) will address working conditions and OHS issues of direct, contracted and community workers, including those related to SEA/SH. The project will also set up a GRM to deal with complaints and disputes arising out of the project activities and will ensure those are sensitive to GBV/SEA/SH related complaints with multiple safe and accessible entry points, referrals to GBV service providers offering medical, psychosocial and legal aid services, and complaint management and verification procedures that are confidential and use survivor centered approach. The referral protocol will be developed using existing information that will be gathered from institutions and organizations in charge of coordination of activities related to GBV prevention and response like the Ministry of Women, UN Women, etc.

72. Safeguard instruments prepared by the Government include the ESRS, Environmental Social Commitment Plan (ESCP) and the Stakeholder Engagement Plan (SEP). These have been disclosed within



the World Bank's external website and by the Government on July 3, 2020. The ESCP includes the commitment and the timeline for the preparation of subsequent Environmental and Social Framework (ESF) instruments.

73. Gender. Women's contribution to agriculture in Guinea-Bissau is substantial. They represent the majority of the agricultural labor force (about 70 percent) and are responsible for household food crop production. They play a prominent role in activities that shape agricultural production, processing, distribution and marketing, as well as consumption, yet they have lower access than men to improved agricultural production technology, advisory services and finance, which render women farms less productive than farms belonging to men. This is also true for household production (kitchen gardens) and smallholder farmers who produce mainly for consumption or trading and make small incomes from selling. The project will work to close the gender gap in agricultural productivity and support their immediate food security needs by creating in Component 1, a specific program with kitchen garden inputs and training targeted to women. This will be offered alongside the farming input distribution targeting the broader community.

74. Citizen engagement. The project design has in-built mechanisms for ensuring citizen engagement, including: (i) Social Assessment centered consultations with all the relevant stakeholders during implementation; (ii) sharing of all the plans and engaging in extensive discussions and deliberations with all the stakeholders; and (iii) grievance redressal arrangements. In addition, the project will seek feedback from target beneficiaries from time to time on processes and project impact to ensure transparency and accountability. The results framework includes indicators on citizen engagement.

V. GRIEVANCE REDRESS SERVICES

75. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaints to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VI. KEY RISKS

76. Overall risk to achieving the PDO is rated substantial. This mainly reflects substantial residual *political and governance* risks owing to the unresolved political stand-off following the disputed 2019 Presidential elections, the potential for elite capture (weak governance), especially under the cash-for-work support, and the entrenched interests of actors who have historically benefitted from the status quo in the cashew nut sector. Any escalation in the political tension, could trigger conflict, with significant negative impacts on attainment of the PDO. The project would have no effective measures to mitigate against political instability. Weak governance, however, is partly mitigated by implementation through FAO.



77. *Macroeconomic* risk is rated substantial because of the increasing likelihood of imported inflation (mainly due to increased prices of food imports). This risk will be partly mitigated by incurring most project expenditures in US\$ as supply contracts to FAO. The risk with respect to sector strategies and policies is moderate as the project is generally in sync with the Government's strategic thrust in terms of the country's food security.

78. *Technical design* of project is rated substantial as the potential national coverage of the project means wide geographical dispersion, which could undermine timely implementation especially as most of the target areas are characterized by poor accessibility. In addition, the design assumes timely availability of agricultural inputs, which could be undermined by delayed project approval and input procurement. This risk is partly mitigated by the Government's agreement to pre-finance input purchases, and a provision for retroactive financing under the project.

79. The risk related to *institutional capacity for implementation and sustainability* is rated substantial. This is because of the limited capacity of the MARD to implement most of the project activities. Capacity weaknesses in MARD will be partially remedied through proposed implementation support by FAO as well as TA to MARD, through support to strengthening MARD-PCU capacity (including M&E, safeguards, etc.). Overall *fiduciary* risk is substantial, because of the weaknesses in internal control system with respect to both for FM and procurement.

80. *Environment and Social* risks are rated moderate based on the nature and magnitude of the activities, with site-specific, low-risk, temporary and reversible environmental and health risks and impacts. The potential adverse risks and impacts the project activities could generate on human population and the environment are related to physical infrastructure (with opening of rural access roads, the construction of local markets and rehabilitation of storage facilities). Activities in agriculture such as the use of fertilizers, pesticides livestock management could lead to adverse effects in health and the environment, through the degradation of soils, surface and ground water contamination if not well monitored and managed. There is the additional risk of local conflict as a result of unequal distribution of civic works and conditional cash transfers.

81. *Stakeholders* risk is rated substantial because the project will inevitably bypass sections of otherwise equally deserving beneficiaries as dictated by the tension between the high demand for support and the limited project resources. In addition, as more donors come up with support, there will be increasing likelihood of coordination challenges among different partners. The project will mitigate these risks by adapting transparent beneficiary selection criteria (taking into local norms) to be communicated a priori to communities, and by relying on coordination of all donor projects through the MARD-PCU.

82. Other risks include restrictions on mobility that could affect project implementation. The Government's pronouncement that agriculture is an essential service, effectively mitigates this risk and therefore, it is rated low.

**VII. RESULTS FRAMEWORK AND MONITORING****Results Framework****COUNTRY: Guinea-Bissau****Guinea-Bissau Emergency Food Security Project****Project Development Objectives(s)**

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

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	2	
To support increased food crop production					
Farmers reached with agricultural assets or services (CRI, Number)		0.00	10,000.00	45,000.00	50,000.00
Farmers reached with agricultural assets or services - Female (CRI, Number)		0.00			25,000.00
Volume of food crops produced (Metric ton)		0.00	70,000.00	140,000.00	205,000.00
Share of target beneficiaries with rating "Satisfied" or above on process and impact of project interventions (Percentage)		0.00	70.00	72.00	75.00
Direct project beneficiaries (Number)		0.00			378,000.00
To increase access to food for consumption by food insecure households					



Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	2	
Poor households participating in public works (Number)		0.00	40,000.00	80,000.00	10,000.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	2	
Support to Agricultural Production					
Amount of input distributed (Metric ton)		0.00			1,500.00
Rice seed (Metric ton)		0.00			800.00
Fertilizers (Metric ton)		0.00			650.00
Vegetable seed (Metric ton)		0.00			50.00
Number of households using better cropping and farm management practices (Number)		0.00			30,000.00
Number of animals vaccinated or treated for common diseases (Number)		0.00			500,000.00
Households satisfied with inputs and services provided by the project (Percentage)		0.00			75.00
Women benefiting from kitchen garden inputs (Number)		0.00			10,000.00
Support to Risk Mitigation					
Consensus emerges on appropriate risk management strategies to be pursued for		No			Yes



Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	2	
the cashew sector (Yes/No)					
Project Management, Monitoring and Evaluation					
Grievances received addressed within the stipulated response time (Percentage)		0.00	50.00	70.00	80.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Farmers reached with agricultural assets or services	This indicator measures the number of farmers who were provided with agricultural assets or services as a result of World Bank project support. "Agriculture" or "Agricultural" includes: crops, livestock, capture fisheries, aquaculture, agroforestry, timber, and non-timber forest products. Assets include property, biological assets, and farm and processing equipment.	Seasonal	Field reports	Surveys	FAO and MARD



	<p>Biological assets may include animal agriculture breeds (e.g., livestock, fisheries) and genetic material of livestock, crops, trees, and shrubs (including fiber and fuel crops). Services include research, extension, training, education, ICTs, inputs (e.g., fertilizers, pesticides, labor), production-related services (e.g., soil testing, animal health/veterinary services), phyto-sanitary and food safety services, agricultural marketing support services (e.g., price monitoring, export promotion), access to farm and post-harvest machinery and storage facilities, employment, irrigation and drainage, and finance. Farmers are people engaged in agricultural activities or members of an agriculture-related business (disaggregated by men and women) targeted by the project.</p>				
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Farmers reached with agricultural assets or services - Female					
Volume of food crops produced	This indicator will measure aggregate tonnage of all food crops produced through project support	Seasonal	End of season reports	Survey	FAO and MARD
Share of target beneficiaries with rating "Satisfied" or above on process and impact of project interventions	This indicator is a measure of citizen engagement	Seasonal	Progress reports	Surveys	MARD and FAO
Direct project beneficiaries	This is an aggregate of beneficiaries across all the project activities	Quarterly	Progress reports, surveys	Field monitoring and surveys	MARD and FAO
Poor households participating in public works	This indicator measures the number of households benefiting from the cash-for-work program. Regardless of the number of participants coming from a single household, this number will be recorded as one household	Monthly	Field reports	Survey	FAO and MARD

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Amount of input distributed					



Rice seed					
Fertilizers					
Vegetable seed					
Number of households using better cropping and farm management practices	This indicator measures the effectiveness of the advisory services provided by the project				
Number of animals vaccinated or treated for common diseases	This will measure the absolute number of animals treated for common diseases. To avoid double counting, cases in which a single animal is vaccinated or treated against more than a one disease, this will count as a single unit				
Households satisfied with inputs and services provided by the project	This is used as a measure of citizen engagement	Quarterly	Field reports, surveys, project reports	Surveys	MARD
Women benefiting from kitchen garden inputs	This indicator monitors the absolute number of women accessing any of the inputs that are specific to kitchen gardens	Seasonally	Field reports	Field monitoring	MARD and FAO
Consensus emerges on appropriate risk management strategies to be pursued for	This indicator measures whether relevant	Annual	Project reports	Surveys of stakeholders	MARD



the cashew sector	stakeholders agree on an approach towards risk mitigation in cashew marketing				
Grievances received addressed within the stipulated response time	This indicator tracks responses to grievances received.	Monthly	Field reports		MARD, FAO

**ANNEX 1: Implementation Arrangements and Support Plan****COUNTRY: Guinea-Bissau
Guinea-Bissau Emergency Food Security Project****A. Institutional and Implementation Arrangements**

1. Project implementation arrangements are informed by two imperatives: (i) the need for quick execution in response to an emergency; and (ii) the desire to use the project as a vehicle to build some implementation capacity in the MARD. In this case, the project will rely on a hybrid implementation approach which brings together external support and MARD capacities to ensure effective implementation.
2. Project implementation will be the primary responsibility of MARD. Because of capacity weaknesses in MARD, the proposal is to implement the project through a PCU to be set up at MARD, through project support. This PCU (henceforth referred to as the MARD-PCU) will initially be staffed with a competitively selected Coordinator, Agricultural Specialist, M&E Specialist, Environment and Social Safeguards Specialists, as well as a Communication Specialist. As needs arise, other expertise would be hired into the MARD-PCU. The primary responsibility of the MARD-PCU will be: (i) ensuring overall coordination of implementation of all project activities; (ii) interacting regularly with other donor organizations working on similar activities in the country to avoid duplication of efforts; and (iii) reporting to the World Bank.
3. Because of the urgency of the proposed operation, and in light of the generally low fiduciary capacity in the country, even on the competitive market, project procurement and FM will initially be delegated to the PIU of an on-going IDA-financed Safety Net and Basic Services Project (P163901). This PIU (henceforth called the SNBSP-PIU) was established within the Ministry of Economy, Planning and Regional Integration in 2009, and has since then, built a good fiduciary management record and administrative capacity. The role of the SNBSP-PIU will be to execute the initial procurement functions as well as the related FM activities. At this point, this is envisaged to include assisting MARD to procure services of the FAO and MARD-PCU staff. During implementation, a fiduciary assessment of MARD will be undertaken and MARD's fiduciary capacity will be strengthened among others by hiring a Procurement Specialist, an FM Specialist and Internal Auditor in the MARD-PCU. Once satisfactory capacity is built in MARD, the fiduciary aspects of the project will be transferred to the MARD-PCU.
4. There will be a PSC, chaired by the Minister, MARD, to provide overall project oversight and approve the project's annual work plans and budgets. The PSC will include representatives from the Ministries of Economy, and Finance, Trade, Social Affairs, cashew sector stakeholders, 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 and may invite FAO as a technical adviser and non-voting member of the PSC. The MARD-PCU will provide secretariat services to the PSC.

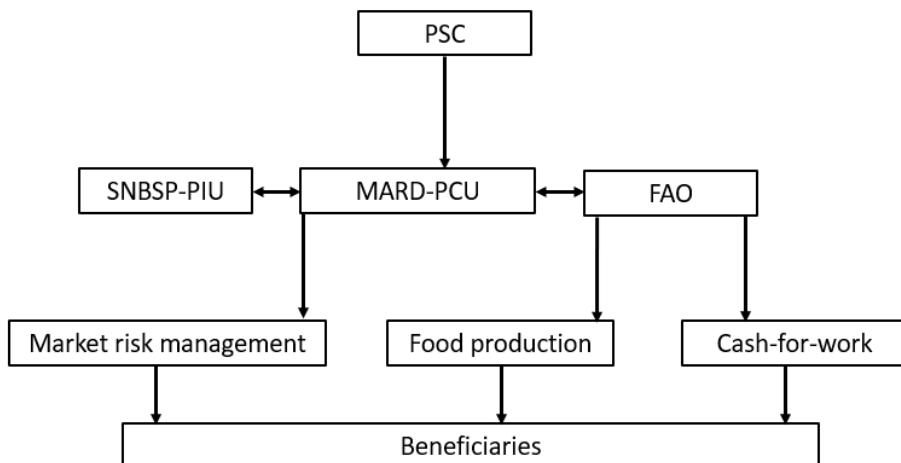
Role of FAO

5. Due to current implementation capacity gaps in MARD, project implementation will be supported by FAO, a UN agency primarily responsible for responding to emergencies in the agriculture and food security sectors, including crop and food supply monitoring and needs assessment, evaluation of agricultural relief requirements and mobilization of the assistance and resources needed to restore agricultural activity. FAO already has in-country presence and has historically partnered with MARD in implementation of several agriculture programs. Under this arrangement, it is envisaged that FAO, will support implementation of Component 1 and Component 2 and will focus on sourcing and distribution of production inputs- i.e. crop and vegetable seeds, agricultural tools, veterinary drugs and vaccines, as well as the provision of advisory



services to beneficiary farmers working through and with the support of MARD staff. FAO will also support the identification of eligible beneficiaries under the cash-for-work activities, overseeing implementation of the activities and payments to beneficiaries – expected to be done through a payment agency. These arrangements are summarized in the project implementation chart below.

Figure A1.1: Project Implementation Chart



B. Fiduciary

Financial Management

6. **Budgeting:** The project budgeting process described in the PIM of the Safety Nets and Basic Services Project (P163901) will be applicable. The budget would be reviewed and adopted by the PSC, before the beginning of each fiscal year. Annual draft budgets would be submitted for IDA's no-objection before November 30th of each year. Any changes in the budget and work plans would be approved by the PSC and will also be subject to the World Bank's review and no-objection opinion. The PSC would also discuss and review the quarterly budget execution report.

7. **Accounting:** SYSCOHADA is the West African Economic and Monetary Union (WAEMU) accounting system applicable in Guinea-Bissau. Project accounts would be maintained on a cash basis, supported with appropriate records and procedures to track commitments and to safeguard assets. Annual financial statements would be prepared by the SNBSP-PIU in accordance with SYSCOHADA, considering IDA requirements and specificities related to external financed investment projects. Accounting and control procedures are documented in the PIM. The current SNBSP-PIU's accounting software will be customized to accommodate the project's bookkeeping.

8. **Financial reporting:** The SNBSP-PIU will prepare quarterly unaudited IFRs reflecting operations of the designated account (DA) and submitted to the World Bank, within 45 days after the end of each calendar quarter. The IFR format would comprise the following: (i) report on the sources and use of funds by disbursement category and by component, in a cumulative basis (project-to-date; year-to-date) and for the period, showing budgeted amounts versus actual expenditures, including a variance analysis; and (ii) forecast of sources and uses of funds. The SNBSP-PIU will also produce the projects financial statements, which would be compliant with SYSCOHADA principles and World Bank's requirements. These financial statements will be comprised of:

- A statement of sources and uses of funds which includes all cash receipts, cash payments and cash balances;
- A statement of expenditures (SoE);



- Accounting policies adopted and explanatory Notes; and
- A management assertion that project funds have been expended for the intended purposes as specified in the relevant financing agreements.

9. FAO will provide to the SNBSP-PIU, interim financial reports on a quarterly basis in formats agreed with the World Bank, and adequate to reflect the expenditures related to the grant. The first unaudited IFRs will be provided to the SNBSP-PIU no later than forty-five (45) days after the end of the first six-months period after the effectiveness of the Grant Agreement, and will cover the period from the incurring of the first expenditure under the Grant through the end of such first six-months period. Thereafter, each unaudited IFR will be provided to the SNBSP-PIU no later than forty-five (45) days after the end of each subsequent quarter and will cover such three-months period. The IFRs will contain a specific section on the cash-for-work activities. Copies of proofs of all cash transfer payments would be sent to FAO by the payment agency on a monthly basis. Cash transfers to the final beneficiaries would be documented and considered as eligible expenditures after receipt of satisfactory documentation from the Payment Agency. Annual financial statements of account certified by the FAO Chief Financial Officer, showing income and the expenditure as of the end of each year with respect to the Grant. Such financial statement of accounts will be provided within six (6) months after the closure of the FAO's accounts for the year, to which the annual financial statement relates. Submitted information will be consolidated by the SNBSP-PIU and submitted to the World Bank via the MARD-PCU.

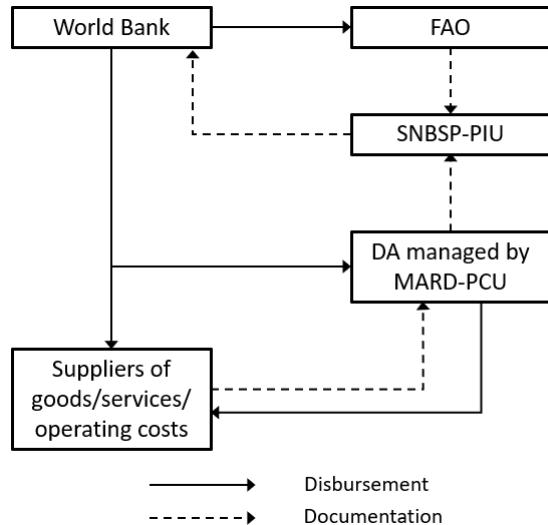
10. ***Internal control and internal auditing arrangements:*** The PIM will include the FM and disbursement arrangements currently applicable to the Safety Nets and Basic Services Project, including the internal controls mechanism, budgeting process, assets' safeguards, and will clarify roles and responsibilities of all stakeholders. An internal auditor will be recruited no later than one month after effectiveness by the SNBSP-PIU to conduct ex-post reviews of the project activities including the conditional cash transfers.

11. ***Disbursement methods:*** The following disbursement methods may be used under the project: reimbursement, advance, direct payment and special commitment as specified in the Disbursement and Financial Information Letter (DFIL) and in accordance with the Disbursement Guidelines for IPF, dated February 2017. Disbursements would be transactions based whereby withdrawal applications for activities implemented by the MARD-PCU will be supported with SoE. However, since FAO will be engaged under an indirect financing to implement some project activities, the UN commitment method will apply. The World Bank will make advance payments to the UN agency based on requests by the agency and the Recipient. These payments will be referred to as UN advances and will be made on the basis of a six months expenditure forecast. The DFIL provides details of the disbursement methods, required documentation, DA ceiling and minimum application size.

12. ***Designated account:*** A DA will be opened in a commercial bank acceptable to the World Bank. For the project implementation, the DA will be replenished through the submission of withdrawal applications. Requests for reimbursement and reporting on the use of advances will be accompanied by a SoE providing information on payments for eligible expenditures and records required by the World Bank. All supporting documentation will be retained at the SNBSP-PIU and must be made available for periodic review by the World Bank's missions.



Figure A1.2. Funds Flow Diagram



13. **Auditing arrangements:** The Grant Agreement will require the submission of Audited Financial Statements for the project to IDA within six months after the project closing date. An external auditor, with qualifications and experience satisfactory to the World Bank will be appointed to conduct yearly audit of the project's financial statements. A single opinion on the Audited Project Financial Statements in compliance with International Federation of Accountant (IFAC) will be required. The external auditors will also prepare a Management Letter giving observations and comments, and providing recommendations for improvements in accounting records, systems, controls and compliance with financial covenants stipulated in the grant agreement. In accordance with World Bank Policy on Access to Information, the Recipient is required to make its audited financial statements publicly available in a manner acceptable to the Association; following the World Bank's formal receipt of these statements from the Recipient, the World Bank also makes them available to the public.

14. The following actions need to be taken to enhance the project's FM arrangements.

Table A1.1. FM Action Plan

Action	Due Date	Responsible Party
Updating the SNBSP-PIU manual to include specificities of the project	No later than one month after effectiveness	SNBSP-PIU
Customization of the existing accounting software to include the bookkeeping of the project	No later than one month after effectiveness	SNBSP-PIU
Recruitment of an internal auditor for World Bank-financed projects	No later than one month after effectiveness	SNBSP-PIU
Recruitment of an external auditor	No later than six months after effectiveness	SNBSP-PIU
Recruitment of an FM specialist dedicated to the project	No later than one month after effectiveness	SNBSP-PIU
Signing an agreement with FAO for the fiduciary arrangements	No later than one month after effectiveness	SNBSP-PIU
Recruitment of a third-party verification agent	Not later than four months after effectiveness	SNBSP-PIU



15. **Financial covenants:** Financial covenants are the standard FM requirements covered under Section 5.09 of the IDA General Conditions and the DFIL. Additional covenants will be added to the Legal Agreements to reflect actions set out as legal covenants in the FM action plan.

16. **Implementation support plan:** Based on the outcome of the FM risk assessment, the following implementation support plan is proposed. The objective of the implementation support plan is to ensure the project maintains a satisfactory FM system throughout the project's life.

Table A1.2. FM Implementation Plan

FM Activity	Frequency
Desk reviews	
Interim financial reports review	Quarterly
Audit report review of the project	Yearly
Review of other relevant information such as interim internal control systems reports.	Continuous as they become available
On site visits	
Review of overall operation of the FM system	Bi-annually
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed
Transaction reviews (if needed)	As needed
Capacity building support	
FM training sessions	As and when needed.

17. **Conclusion of the assessment:** The conclusion of the assessment is that the FM arrangements are adequate to meet the World Bank's minimum requirements under World Bank Policy and Directive on IPF effective in 2017 and the overall project risk is rated as **Substantial**.

Procurement

18. **Applicable Procurement Regulations:** Procurement under the proposed project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers: "*Procurement in IPF, Goods, Works, Non-Consulting, and Consulting Services*", dated July 1, 2016; "*Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants*", revised as of July 1, 2016; and the provisions stipulated in the Grant Agreement.

19. The regulations are designed to support a modern, fit for purpose procurement framework. The regulations detail many options to tailor individual procurement processes to meet the operational needs under the project and to deliver the right results. The main procurement activities under this project would include: (i) procurement and distribution of improved seeds, planting materials, and fertilizers; (ii) farm equipment, tools, and labor; (iii) provision of requisite advisory services in support of improved production, productivity and production system resilience to climate change; (iv) training and TA; and (v) IT equipment, office furniture, motorcycles, very few vehicles, sector studies including baseline surveys, program impact evaluations, financial and procurement audits and project management and coordination activities. The procurement arrangements under the project are made in accordance with the provisions of the Procurement Regulations for IPF Borrowers (the Regulations) to ensure that the correct procurement approach is used to deliver the right results. By designing the right procurement approach, there is far more likelihood of the right bidders participating, better bids being received, and an overall increased chance of achieving value for money.



20. Standard Procurement Documents issued by the World Bank to be used by Borrowers for IPF-financed projects include the General Procurement Notice, Specific Procurement Notice, Request for Expression of Interest, Request for Proposals, and Request for Bids documents. These documents will be used for works, goods, consulting, and non-consulting services to be procured through international open competitive bids and for consulting services contracts. In addition, the implementing agencies will use Standard Bid Evaluation Forms for procurement of goods, works, and non-consulting contracts, and the Sample Form of Evaluation Report for selection of consultants. Procurement requirements should be simple especially in a context of low government capacity.

21. **National Procurement Procedures and Legislative Framework:** Guinea-Bissau has developed and adopted the WAEMU Directives on the management of public finance, one of which relates to procurement. Guinea-Bissau has accordingly developed a new Code of Public Procurement (*Decreto Lei No 2/2012 dated August 20, 2012*) and is using bidding documents developed for WAEMU markets. The regulations creating the regulatory authority and separating the function of control from regulation has been developed and adopted, but they are not operational in terms of organization and staffing. There are significant delays in the implementation of procurement reforms, the absence of efficient dispute mechanisms, no human resources strategy and no procurement audits. As such, government systems are not being used for implementation of World Bank-financed projects.

22. The Procurement Directorate and the National Agency for Acquisition (Agencia Nacional em Aquisições - ANAP) are the national procurement institutions. The first institution oversees procurement control, and the second, created in 2012, oversees the procurement process. However, institutional responsibilities are rather unclear and apparently duplicative between the Procurement Control Body and ANAP. In addition, the two institutions' visions to develop procurement capacity in the country are different. The Procurement Directorate wants to create a procurement unit in each department and ANAP is in favor of centralizing procurement. The procurement capacity is very low, and the agency faces many of the same issues as the regulatory agency (lacks human and financial resources among others).

23. Given this context and the very limited capacity of MARD in procurement, it is anticipated that the procurement function will be delegated to the SNBSP-PIU which is already implementing a World Bank-finance Safety Nets and Basic Services Project. The SNBSP-PIU has several years of experience overseeing the implementation of the World Bank financed projects in Guinea-Bissau.

24. When approaching the national market, as shall be agreed in the procurement plan, the country's own procurement procedures may be used. The World Bank has reviewed the Standard Procurement Documents (SPDs) for procurement of goods and works under national competitive bidding and has found them acceptable in terms of consistency with the World Bank's procurement principles. Hence, national open competitive bids shall follow the procedure set forth in Public Procurement Directive, provided that such procedure shall be subject to the following requirements as provided in section 5 paragraph 5.4 of the Procurement Regulations for IPF Borrowers (July 1, 2016) revised on November 17 and August 18:

- Open advertising of the procurement opportunity at the national level;
- The procurement is open to eligible firms from any country;
- The Request for Bids/Request for Proposals document shall require bidders/proposers submitting bids/proposals to present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, the World Bank's Anticorruption Guidelines, including without limitation to the World Bank's right to sanction and the World Bank's inspection and audit rights;
- Contracts with an appropriate allocation of responsibilities, risks, and liabilities;
- Publication of contract award information;



- Rights for the World Bank to review procurement documentation and activities;
- An effective complaint and handling mechanism;
- Maintenance of records of the procurement process; and
- National Bidding doc should include provisions, as agreed with the World Bank, intended to adequately mitigate against environmental, social (including SEA and GBV), health and safety (“ESHS”) risks and impacts.

25. Other national procurement arrangements (other than national open competitive procurement) that may be applied by the Recipient(such as Limited/Restricted Competitive Bidding, RFQ, Shopping, Local Bidding, and Direct Contracting), shall be consistent with the World Bank’s core procurement principles and ensure that the World Bank’s Anticorruption Guidelines and Sanctions Framework and contractual remedies set out in its Legal Agreement apply.

26. **Procurement Oversight and Monitoring Arrangements:** Mandatory thresholds for prior review for the proposed project based on procurement risk levels of the project are provided in Table A1.3. Based on the risk level of the project, procurement above the applicable thresholds as provided in the table shall be subject to prior review. Such procurement activities shall use the World Bank’s Standard Procurement Documents. For contracts to be awarded using Direct Selection, the Recipient shall submit to IDA, for its review and “no-objection”, a sufficiently detailed justification, before inviting the firm to negotiations. For post-review contracts undertaken by the implementing agencies, the SNBSP-PIU and MARD-PCU shall select and appoint an independent procurement auditor based on terms of references (ToRs) acceptable to IDA, to determine whether the procurement activities carried out by implementing agencies for post-review contracts comply with the requirements of the Grant Agreement.

27. Based on the initial risk rating (Substantial), the SNBSP-PIU shall seek the World Bank’s prior review for equivalent value of contracts as detailed in Table A1.3 below.

Table A1.3. Thresholds for Procurement Approaches and Methods (US\$, millions)

Category	Prior Review (US\$ millions)	Short List of National Consultants				
		Open International	Open National	RFQ	Consulting Services	Engineering and Construction Supervision
Works	≥10.0	≥7.0	<7.0	≤0.2	n.a.	n.a.
Goods, IT, and non-consulting services	≥ 2.0	≥1.0	<1.0	≤0.1	n.a.	n.a.
Consultants (Firms)	≥1.0	n.a.	n.a.	n.a.	0.2	0.3
Individual Consultants	≥0.3	n.a.	n.a.	n.a.	n.a.	n.a.

28. **Assessment of the Agency’ Capacity to Implement Procurement:** A simplified procurement capacity assessment of the implementing agencies was prepared by the World Bank using the template attached to “*Situations of Urgent Need of Assistance or Capacity Constraints – Simplified Procurement Procedures – Guidance to World Bank Staff*”. Based on this assessment and the procurement environment of this project, the procurement risk factor is substantial. The assessment covered only the SNBSP-PIU at the central level since there are no procurement activities outside Bissau. The assessment reviewed the organizational structure for implementing the proposed, and staff responsible for procurement in the SNBSP-PIU. The assessment also considered the legal aspects and procurement practices, procurement cycle management, organization and functions, record keeping, planning, and the procurement environment. Procurement systems of the SNBSP-PIU were assessed to determine at what extent planning, bidding, evaluation, contract



award and contract administration arrangements and practices provide a reasonable assurance that the project will achieve intended results through its procurement processes and procedures. In addition, the fiduciary systems assessment also considers how project systems would handle the risks of fraud and corruption, including by providing complaint mechanism, and how such risks are managed and/or mitigated.

29. The SNBSP-PIU has developed valuable experience in the execution of the planning, processing, and contract management of project procurement activities under the Safety Nets and Basic Services Project. Through time, reasonable improvements have been made in procurement planning, preparation of bidding documents and Request for Proposals, evaluation of bids/proposals, award and publication of contracts, contract management, and procurement record keeping, among other things. Although undermined by the weak national procurement environment, this SNBSP-PIU has made effort in building the capacity of staff.

30. Procurement oversight is an area which needs improvement. Internal control is weak because there is currently no internal auditor in the area of procurement as the emphasis is on financial audits only. Moreover, the proposed project is to be carried out using the New Procurement Framework. Capacity-building effort to familiarize the procurement and related staff with the Procurement Regulations for IPF Borrowers needs to be considered and included in the design of the project.

31. Key issues and associated mitigation measures that have been discussed and agreed upon are shown in Table A1.4 below.

Table A1.4. Summary of Findings and Actions (Risk Mitigation Matrix)

Issue/Risk	Severity and Impact on Project	Mitigation Measures	Responsible and Time Frame (All Actions to be Taken within the First Year of the Grant Approval)
Lack of procurement-proficient staff in MARD	High	A separate SNBSP-PIU will manage the fiduciary aspects of the project. This PIU has several years of experience overseeing the implementation of World Bank Projects in Guinea-Bissau.	World Bank team; SNBSP-PIU, MARD
Current Manual of Procedures (MoP) obsolete	Substantial	The SNBSP-PIU Manual of Procedures needs to be updated to take into account the provisions of the new procurement framework.	SNBSP-PIU
Unavailability of qualified procurement staff at national level.	High	Recruitment and deployment of qualified procurement staff from neighboring countries if needed.	SNBSP-PIU, MARD, World Bank
Very slow and frequently disrupted Internet access does not always allow PCU to use STEP to request World Bank's no-objection.	Substantial	Technically and in the short term, there are no mitigation measures except using a dedicated computer at the World Bank Country office	SNBSP-PIU, MARD
Delays in preparation of ToRs /specifications for planned procurement activities; delay in implementation of	Substantial	Develop accountability framework with defined business standard and engage beneficiary technical departments as early as	MARD, SNBSP-PIU



Issue/Risk	Severity and Impact on Project	Mitigation Measures	Responsible and Time Frame (All Actions to be Taken within the First Year of the Grant Approval)
planned procurement activities.		possible. Involve qualified technical experts (consultants) to support preparation of technical specifications and functional requirements of bidding documents, and ToRs.	
Lack of experience in World Bank procurement procedures.	Substantial	Regular quality training in World Bank's procurement procedures. Induction of regular procurement capacity enhancement training for both staff on the World Bank's New Procurement Framework.	MARD, SNBSP-PIU, World Bank

32. **Procurement Plan:** Given the emergency nature of the proposed project, the Recipient prepared a streamlined PPSD, based on which the first 18 months procurement plan has been prepared and agreed upon and will be available at the SNBSP-PIU. It will also be available in the project's database and in the World Bank's external website. The procurement plan will be updated by the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

33. **Procurement Risk Analysis:** As part of the streamlined PPSD, which will be finalized during project implementation, a risk analysis of the procurement and associated services was carried out and risks identified. Based on the identified risks, measures are proposed to be put in place to mitigate the risks associated with the procurement of goods and services. The local market for some critical inputs of the project (e.g. vehicles) is not considered competitive. The SNBSP-PIU has previous experience in implementing World Bank financed projects. However, there is still a risk in properly implementing procurement activities as per the agreed procedures due to lack of procurement proficient personnel and due to high level of staff turnover at MARD, and political instability. Thus, to handle the procurement processing and contract management activities under the project, which are critical for the successful attainment of the development objectives of the Food Security Project, the SNBSP-PIU shall endeavor to recruit and deploy a dedicated procurement staff to support the project activities. To address the risk related with capacity challenges, procurement and related staff shall also be provided with quality training on World Bank procurement procedures. Offering of regular training is important to mitigate the risk of high level of staff turnover.

34. To mitigate the procurement and implementation risks, and pursuant to the Procurement Policy and Procurement Directive, in situations of capacity constraints described in paragraph 12 of World Bank IPF Policy, the World Bank may go beyond the regular implementation support to provide HEIS from the World Bank APS.

35. **Procurement Arrangements:** The procurement arrangements for the substantial risk contracts within the project are provided in the table below.

**Table A1.5. Procurement Arrangements for the Substantial Risk Contracts**

Contract Title, Description and Category	Estimated Cost (US\$) and Risk rating	World Bank Oversight	Procurement Approach/ Competition	Selection Methods	Evaluation Method
Selection of Coordinator	27155 Risk rating low	Post/ Review	local/ open competition	NCB: National competitive bidding	Best value for money
Selection of FM officer	17069 Risk rating low	Post/ Review	local/ open competition	NCB: National competitive bidding	Evaluation panel/ Technical evaluation/
Selection of Procurement Officer	17069 Risk rating low	Post/ Review	local/ open competition	NCB: National competitive bidding	Best value for money
Selection of TA	72150 Risk rating low	Post/ Review	international/ local/limited competition	CQS: Selection based on consultant qualification	Evaluation panel/ Technical evaluation/
Purchasing vehicles	35.000 Risk rating low	Post/ Review	Use of LTAs	DC: Direct contracting	Best value for money
External Audit	72150 Risk rating low	Post/ Review	CQS: Selection based on consultant qualification	CQS: Selection based on consultant qualification	Evaluation panel/ Technical evaluation/

C. Project Implementation Support Plan

36. The proposed project implementation support plan is mainly an artefact of the project risks as identified in the Systematic Operations Risk-Rating Tool (SORT). Even with the urgency during preparation, significant efforts were taken to embed ex-ante risk mitigation measures into the design and therefore the implementation support plan will mainly focus on the provision of appropriate technical guidance through missions and ex-post reviews. The objective is to offer timely, flexible and efficient implementation technical support as well as ensure compliance with safeguards and fiduciary requirements.

37. There will be two comprehensive implementation support missions per year and these will focus on: (i) assessing implementation progress for each of the project components including the links between project activities, outputs and envisaged outcomes; (ii) providing solutions to any project implementation bottlenecks; (iii) reviewing together with MARD and FAO as well as any other entities that would be hired to support implementation, the six month work plans and budgets; (iv) reviewing project fiduciary aspects including disbursement and procurement; (v) ascertaining and confirming that project activities are carried out in compliance with the agreed environmental and social safeguard procedures; and (vi) technical aspects especially those related to the risk management in the cashew sector.

38. There will also be a Mid-term Review (MTR) approximately halfway through implementation to take stock of implementation progress, and to assess performance against the agreed set of indicators and milestones. At the end of the project, an independent assessment will be undertaken, and lessons drawn to inform future or similar operations. In addition, both the client and the World Bank will conduct reviews to



provide a complete and systematic account of the performance of the project and to draw lessons for future investments. Briefly, the plan with respect to technical, fiduciary and safeguards support is as outlined below.

39. **Technical support:** The World Bank will mobilize and assemble an appropriate technical skills mix needed to support implementation of the project. This team will include experts from the FAO.

40. **Safeguards support:** The environment and social specialists will support relevant counterpart staff first in finalizing the preparation of safeguards instrument which have been deferred to implementation, and in applying the agreed safeguard instruments as well as reviewing compliance and will also provide any capacity building support, where necessary. The envisaged focus of the social supervision will be on participation, inclusion and equity, LMPs, while the environmental supervision will focus on the implementation of the EHSGs, PMPs, Environmental Management Plans (EMPs).

41. **FM support:** The team will require that quarterly unaudited IFRs be submitted to the World Bank as well as the annual external audit report for review. Once every 12 months, the World Bank will review other project-related information as well, such as the internal control, oversight, and reporting systems. Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports will be done as need arises. The World Bank will also provide training to project FM specialists to strengthen their capacity.

Table A1.6. Focus of support to project implementation

Time	Focus	Skills Needed	Resource Estimate US\$
First 12 months	<ul style="list-style-type: none"> • Effectiveness/start of project activities • Finalization of ToRs and procurement of MARD-PCU staff, FAO etc. • Finalization of preparation of relevant safeguards documents 	<ul style="list-style-type: none"> • Agriculture Economist (TTL) • Agriculture Marketing Specialist • Procurement Specialist • FM Specialist • Social Safeguards Specialist • Environment Safeguards Specialist 	85,000
12-36 months	<ul style="list-style-type: none"> • Implementation of planned activities and preparation of Annual work plans and budgets • Results monitoring against set targets • Fiduciary and safeguards compliance • MTR • Project implementation and completion and results report (ICR) preparation 	<ul style="list-style-type: none"> • Agriculture Specialist (TTL) • Agriculture Marketing Specialist • Procurement Specialist • FM Specialist • Social Safeguards Specialist • Environment Safeguards Specialist 	85,000 per annum
Skills Mix Required			
Skills Needed	No. of Staff Weeks	Number of Trips	Comments
<ul style="list-style-type: none"> • Agriculture • Agriculture Marketing • Procurement • FM • FM Safeguards 	4 2 4 2 2	2 2 2 2 2	

**ANNEX 2: Economic and Financial Analysis****COUNTRY: Guinea-Bissau
Guinea-Bissau Emergency Food Security Project**

1. This annex presents the economic and financial analysis (EFA) for the proposed Guinea-Bissau Emergency Food Security Project. The evaluation is built on the cost-benefit analysis (CBA) approach applied to the core project interventions: support to an accelerated supply response focused on preserving/restoring the productive capacity for key staple foods in the short-term, and support to community safety nets. Part I of this annex introduces the identification of benefit streams, followed by Part II which describes the methodology and assumptions used for the CBA analysis, and Part III summarizing the financial results of the main models. The analysis of conditional cash transfers is presented in Part IV and finally Part V summarizes the economic results of the project, including a sensitivity analysis under different scenarios.

2. Given the fast-track nature of this operation, strong assumptions have been used throughout the present analysis. In particular, the timely and sufficient availability of the agricultural inputs during the current emergency might lead to changes in project implementation. As such, the EFA results should be considered indicative: the analysis demonstrates the financial and economic justification of the proposed investments, but without the usual precision.

3. Overall, the proposed project is economically justified, generating a NPV of the net additional benefits of US\$1.7 million and an EIRR of 25.5 percent (over a five-year period and on a budget of US\$15 million). These economic results are satisfying, given that several project benefits (such as improved nutrition, demonstration effects and community seed multiplication, strengthening of extension services, impact of livestock vaccination, etc.) could not be quantified at this stage, due to limited data availability. In addition, these economic results are robust when testing several sensitivity scenarios, including reduced adoption rates, delays in implementation, cost overruns, etc. Nevertheless, the interplay between these risk scenarios (in particular, delays coupled with increased costs) or more extreme events can significantly affect the project's economic justification. When incorporating the social value of carbon mitigation generated by the project (see Annex 3), the economic indicators improve slightly, depending on carbon pricing scenario: assuming the low estimate range of carbon social price, the EIRR is 26.3 percent and the NPV is US\$56,000 higher; assuming the high estimate range, the EIRR becomes 34.2 percent and the NPV is US\$112,000 higher.

I. Identification of benefits

4. The project's main benefits will be derived from the increased food crop production, which in turn will ensure increased household level availability of food and increased incomes for the sales of surpluses. These impacts will be the direct effects of the rapid distribution of improved seed and planting materials, coupled with access to complementary inputs (farm equipment and labor) and extension services. The project will also support other income generating activities, by supporting the livestock sector with vaccination and feed, and by supporting improved seed multiplication at community level. In addition, the conditional cash transfers will ensure continued food availability for vulnerable households, thus safeguarding existing assets and maintain recent developmental gains. A part of the conditional cash transfers will also serve households to procure the necessary inputs to continue their productive activities. Finally, if a cash-for-work approach will be adopted, the public infrastructure developed with project support is expected to generate its own stream of benefits.

5. The project will also have other positive impacts, non-quantifiable at this stage due to data availability. These include improved nutrition (as a result of diversification, in particular towards vegetable production in home gardens), improved climate change resilience (procurement and distribution of seeds



and planting material will prioritize climate smart/resilient varieties, if available), demonstration effects (the large number of project beneficiaries could result in a significant outreach and the project would promote community seed multiplication), strengthening of extension services, import substitution, etc.

6. **The impact of the project's third (Support to Risk Mitigation), fourth (Project Management and Monitoring and Evaluation) and fifth (Contingent Emergency Response) components are considered as cross-cutting and reinforcing the benefit streams described above.** In particular, the project's support to identify and pilot risk management options for the cashew sector is expected to improve the resilience of agricultural households and prepare the ground for subsequent diversification efforts. Component 4 will focus on efficient implementation of project activities and tracking of results, with specific efforts required in the early stages of the project to ensure the continuation of agricultural activities in the upcoming season. Component 5 will be engaged to rapidly respond to eligible crises or shocks, in addition to the current emergency, and will safeguard the gains realized with project support.

II. Methodology and assumptions

7. **This CBA analysis follows the standard methodology recommended by the World Bank, as described in Gittinger (1982), Belli et al. (2001) and is aligned to the recent guidelines for economic and financial analysis.** The financial analysis was conducted to assess the profitability of the proposed project activities (*with-project (WP) situation*), modelled from the perspective of the target beneficiaries, and compared with the *without-project (WOP)* situation. Yet, given the specificity of this emergency operation, it has been assumed that the *without-project* situation is null, i.e. without the project intervention the targeted agricultural activities would not occur because of the difficulties of financing the inputs. Where data availability allowed, crop and activity budgets have been prepared for several indicative crops, with computed costs and benefits experienced by the beneficiaries, using market prices.

8. **The economic analysis followed a similar approach, aggregating the results at the level of the project and from the society viewpoint.** The economic analysis uses the incremental benefits, assumes 100 percent outreach (given the emergency context) and is based on the expected total number of beneficiaries, derived from the quantities of inputs to be procured and distributed (aligned to the results framework). As some of the project costs (the inputs and some investments) are integrated in the individual models, the total project economic costs have been adjusted to avoid double-counting and are subsequently subtracted from the additional benefits to determine the overall economic viability of the project. The discount rates used are in line with the World Bank guidelines and the practice of recent projects: 1 percent for the financial analysis and 8 percent for the economic analysis. Given the emergency nature of the project, the duration of the analysis has been focused to five-years. The phasing has been developed considering that bulk of activities will be implemented and yield results next year (for most activities, the phasing is 10 percent in 2020, 70 percent in 2021, and 20 percent in 2022). At this stage, economic prices could not be generated.

9. **The choice of models included in the analysis has been based on the preliminary Government proposal of activities to be financed in Component 1, adapted based on the discussions between the World Bank and the implementation partners.** The component's budget of US\$10 million have been estimated to include US\$6.5 million in direct provision of seed and planting material, fertilizer, phytosanitary products, tools and livestock production support (vaccination and feed). The remainder US\$3.5 million has been dedicated to support the extension services, to other agricultural public institutions and support to implementing the component's activities. Thus, the following activities have identified and modelled based on the current budget proposal for Component 1.

10. **Key staple food production.** An estimated 50,000 beneficiary households are expected to be provided with rice (lowland and mangrove production), groundnut, cowpea and maize seeds, as well as fertilizer and pesticides. Based on the foreseen seed quantities, a total of about 12,000 ha could be planted (2,875 ha each



for lowland and mangrove rice, 1,813 ha for groundnut, 2,000 ha for cowpea and 2,400 ha for maize). This project support has been foreseen for two years. At this stage, due to the small scale of the activity and data unavailability, sesame production has not been included in the analysis, despite a proposed budget for seed procurement and distribution by the project. Full rice crop models have been developed for both production systems using available information from the IFAD-financed *Family Farming Diversification, Integrated Markets, Nutrition and Climate Resilience Project (REDE)*²¹ and other projects in West Africa (in particular, in neighboring regions of Senegal and Guinea). The yield projections used in the analysis are conservative, assuming a 15 percent growth (WP: up to 1.7 tons/ha for lowland rice and 2.1 tons/ha for mangrove rice) over current average levels (WOP 1.5 tons/ha for lowland rice and 1.8 tons/ha for mangrove rice), due to the use of improved seed and fertilizer application. Groundnut, cowpea and maize models could not be fully developed at this stage, due to data and time limitations. Financial returns and cash flow estimates for each crop have been estimated from the EFAs of other comparable projects in West Africa, assuming very conservative returns given the lower productivity in Guinea-Bissau.

11. **Horticulture activities.** The project will support vegetable production aimed at contributing to household food and nutrition security and at generating marketable surpluses. The project will procure and distribute improved vegetable²² seeds, fertilizer, phytosanitary products and small tools to stimulate small scale horticulture production (home gardening) in both rural and peri-urban areas. A model for this activity has been developed for the present analysis, assuming an area of 500 m² cropped with a mix of vegetables destined for both domestic consumption and commercialization (adapted using the information available from the IFAD-financed REDE project design report). Based on seed quantities foreseen to be procured, it is estimated that 20,000 beneficiary households could engage in this productive activity.

12. **Learning curves and duration of benefits.** All models have assumed a gradual realization of benefits, to reflect the beneficiaries' learning curves in using improved varieties and more inputs. As such, the full realization of benefits is expected after 1 or 2 years (i.e. in year 2 or 3 of the activity). In addition, given the current emergency, it has been realistically assumed that – without any additional support – the additional benefits generated by the project will last only three years. This methodological choice is justified by the seed replacement rate, the availability of inputs, animal mortality rates, but most importantly by the insufficient capital to procure sufficient good quality inputs, even with the additional income generated with project support. Some beneficiary households will succeed in building the sustainability of improved production, as promoted by the project, but the rate of permanent adoption of good practices cannot be determined at this stage. As such, the present analysis opts for more conservative estimates on the pessimistic side. In addition, family labor has been included and valued in the present analysis, in line with the EFA guidelines. When data was available, self-consumption has been separated from marketable surplus, but both have been valued as benefits, using market prices. Similarly, when possible, post-harvest losses have been accounted for.

III. Financial results

13. **Based on the methodology and parameters described above, all models included in the analysis demonstrate financial profitability.** As presented in Table A2.1, alongside the main parameters, all activities supported by the project will generate positive additional benefits, in the range of US\$100-200/ha for staple crops, and about US\$55 for a 500 m² vegetable home garden. In terms of additional production, the project could generate more than 10,000 tons of rice and almost 5,000 tons of other staple crops, per year.

²¹ Project Design Report available at: <https://www.ifad.org/en/document-detail/asset/41400209>

²² Indicative vegetables include tomato, salad, chili pepper, carrot, onion, eggplant, cucumber, etc.

**Table A2.1. Summary of models, parameters and financial returns**

Agricultural activity	Estimated area (ha)	Projected yield* (t/ha)	Estimated additional production* (t/year)	Additional benefits* (US\$/ha/year)
Lowland rice	2,875	1.7	4,959	182
Mangrove rice	2,875	2.1	5,951	203
Groundnut	1,813	1.2	2,092	100
Cowpea	2,000	0.2	302	145
Maize	2,400	1.1	2,525	160
Home gardens	1,000			1,094

*at full realization of benefits

IV. Economic analysis of community safety nets

14. Evaluating ex-ante the economic justification of community safety nets in a novel emergency like the COVID-19 situation is difficult for at least three reasons. First, the proposed approach of financial transfers for participation in public works might be hindered by the COVID-19 specific restrictions (e.g. impossibility of having groups of laborers working together), coupled with the immediate need for cash (due to the recent job or revenue losses). Second, the mix of public works that would be included in the project cannot be determined at the appraisal stage. The preliminary list includes support to the distribution of inputs, rehabilitation of storage facilities, opening of access roads to agriculturally productive areas, construction of local markets, etc. but not further analysis or targeting has been developed. Third, even with a clearer idea of the type of public works to be supported, their expected benefits are increasingly difficult to quantify, due to the depth of the current crisis, the uncertain trends in global demand for cashews, and the promoted efforts for diversification. For example, the typical CBA analysis for the construction or rehabilitation of a rural feeder road is built on estimates of increased land use, on patterns of land use between different crops, on the impact of road access to productivity and marketing, and finally on the additional income each crop would bring.

15. Despite these analytical difficulties, to account for the project costs allocated to Component 2, a simple impact factor has been estimated for the conditional cash transfers. On one hand, the ongoing Safety Nets and Basic Services Project's appraisal document (PAD) estimates the conditional cash transfer operational costs at not more than 5 percent (i.e. for each dollar budgeted, 95 cents reach the beneficiary, and 5 cents represent transaction costs). On the other hand, the same PAD (based on the experience of the Rural Community-Driven Development Project) summarizes some of the returns of public works (community-based social infrastructure investments) (ranging from very high EIRRs for water points (54 percent) to negative EIRRs for feeder roads and schools (both -7 percent)). As such and including information about the cost-benefit ratios of various agricultural activities, the present analysis has assumed a return of 15 percent for cash transfers for public works. Coupled with the operational cost, the resulting impact factor is estimated at 1.1 and applied to the allocated budget (i.e. each dollar spent in Component 2 generates 1.1 dollars).

V. Overall economic results

16. Overall, the proposed project is economically justified, generating an NPV of the net additional benefits of US\$1.7 million and an EIRR of 25.5 percent (over a five-year period and on a budget of US\$15 million). These economic results are satisfying, given that several other project benefits (such as improved nutrition, demonstration effects and community seed multiplication, strengthening of extension services, impact of livestock vaccination, etc.) could not be quantified at this stage, due to limited data availability. In addition, the five-year analysis period could be extended to increase the benefit streams, if the project design and implementation would include more measures to build resilience and ensure sustainability.



17. As described in Annex 3 (GHG Accounting), the project will also generate some positive environmental externalities (a total mitigation of 7,561 tCO₂eq over 5 years, or about 1,512 tCO₂eq per year). Using the World Bank's *Guidance note on shadow price of carbon in economic analysis* (September 2017), the social value of these environmental benefits has been also included in the overall economic results, using the low and high estimate range for the social price of carbon. As a result, the economic indicators improve slightly, depending on carbon pricing scenario: assuming the low estimate range of carbon social price, the EIRR is 26.3 percent and the NPV is US\$56,000 higher; assuming the high estimate range, the EIRR becomes 27.1 percent and the NPV is US\$112,000 higher.

18. These economic results are robust when testing several sensitivity scenarios, including reduced adoption rates, delays in implementation, cost overruns, etc., as presented in Table A2.2. Only more extreme individual scenarios such as cost overruns of over 20 percent, delays of 2 years or more and decreases in additional benefits of 20 percent would imply negative results. Nevertheless, the interplay between these risk scenarios (in particular, delays coupled with increased costs) can significantly affect the project's economic justification, at lower variation thresholds.

Table A2.2. Sensitivity analysis

Scenarios		EIRR	NPV (8%)
			USD million
Base scenario		25.5%	1.7
Costs	+	10%	0.4
Costs	+	20%	-0.9
Costs	+	50%	-4.9
Benefits	-	10%	0.2
Benefits	-	20%	-1.3
Benefits	-	30%	-4.1
Benefits delayed by 1 year		10.6%	0.6
Benefits delayed by 2 year		6.7%	-0.4
Benefits delayed by 3 year		4.9%	-1.4
Benefits delayed by 4 year		3.9%	-2.3
Adoption rate	-	10%	1.0
Adoption rate	-	20%	0.4
Adoption rate	-	30%	-0.3



ANNEX 3: Greenhouse Gas Accounting

COUNTRY: Guinea-Bissau
Guinea-Bissau Emergency Food Security Project

1. This annex presents the greenhouse gas (GHG) accounting for the proposed Guinea-Bissau Emergency Food Security Project. In line with the World Bank's corporate guidelines, the present analysis uses the Ex-Ante Carbon-balance Tool (EX-ACT) developed and updated by FAO since 2010,²³ to assess a project's net carbon-balance. The carbon-balance is defined as the net balance from all GHGs expressed in CO₂ equivalents (CO₂e) that are to be emitted or sequestered due to project implementation (WP) as compared to a business-as-usual scenario (WOP). EX-ACT is a land-based accounting system, estimating CO₂e stock changes (i.e. emissions or sinks of CO₂) expressed in equivalent tons of CO₂ per hectare and year. The tool is built mostly using mostly data from the Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories (NGGI-IPCC, 2006) that furnishes EX-ACT with recognized default values for emission factors and carbon values in soils and biomass (the so-called "Tier 1 level" of precision).

2. For the present project, the calculations have been based on agro-ecological characteristics of Guinea-Bissau (moist tropical climatic conditions with low-activity clay (LAC) soils) and on the parameters of land use and crop management practices aligned to the EFA. As summarized in Table A3.1 below, the changes brought about by the project have been included in the tool's different modules and include: (i) improved crop productivity and production with less GHG emissions on a total of 6,213 ha under different crops (maize, cowpea, groundnut); and (ii) the increased input use (fertilizer and pesticides distributed by the project). No land use change has been assumed at this stage, and the emissions of flooded rice systems (mangrove and lowland) are assumed to remain constant, as no major changes are foreseen with project support.

Table A3.1. Assumptions used in the EX-ACT Tool

Module	System/crop category	Changes
Land Use Change	None	
Crop Production	<i>Annual Systems</i> Maize: 2,400 ha Cowpea: 2,000 ha Groundnut: 1,813 ha	Improved agronomical practices
	<i>Flooded Rice Systems</i> Mangrove rice: 2,875 ha Lowland rice: 2,875 ha	No changes No changes
Inputs	Increased use of fertilizer and pesticides (through direct distribution by the project)	500 tons Urea 1.500 tons NPK 4,000 litres pesticides

3. The carbon balance results are positive, with the project activities leading to a total of -7,561 tons of CO₂e that are mitigated over a period of 5 years²⁴ starting from project implementation. Per year, the mitigation potential is roughly -1,512 tons of CO₂e, or -0.2 tons of CO₂e per ha (see Table A3.2 below). Overall, the additional emissions generated by the increased input use are off-set and surpassed by the reductions in crop production, ensuring the project's carbon neutrality.

²³ <http://www.fao.org/tc/exact/ex-act-home/en/>

²⁴ Aligned to the EFA analysis period and assuming three years of implementation and two years of capitalization.



Table A3.3. GHG Accounting Results from the EX-ACT Tool

Project Name	Guinea Bissau Emergency Fc	Climate	Tropical (Moist)					Duration of the Project (Years)	5
Continent	Africa	Dominant Regional Soil Type	LAC Soils					Total area (ha)	6213
Components of the project	Gross fluxes					Share per GHG of the Balance			
	Without	With	Balance					All GHG in tCO2eq	
	All GHG in tCO2eq			CO₂		N₂O		CH₄	
				Biomass	Soil	Other		CH ₄	
Land use changes	Positive = source / negative = sink								
Deforestation	0	0	0	0	0	0	0	0	0
Afforestation	0	0	0	0	0	0	0	0	0
Other LUC	0	0	0	0	0	0	0	0	0
Agriculture									
Annual	1,940	-17,196	-19,136	0	-19,136	0	0	388	-3,439
Perennial	0	0	0	0	0	0	0	0	0
Rice	25,704	25,704	0	0	0	0	0	5,141	5,141
Grassland & Livestocks									
Grassland	0	0	0	0	0	0	0	0	0
Livestocks	0	0	0			0	0	0	0
Degradation & Management									
Forest degradation	0	0	0	0	0	0	0	0	0
Peat extraction	0	0	0		0	0	0	0	0
Drainage organic soil	0	0	0		0	0	0	0	0
Rewetting organic soil	0	0	0		0	0	0	0	0
Fire organic soil	0	0	0	0		0	0	0	0
Coastal wetlands									
Inputs & Investments	0	11,575	11,575			6,522	5,054	0	2,315
Fishery & Aquaculture	0	0	0			0	0	0	0
Total	27,644	20,083	-7,561	0	-19,136	6,522	5,054	0	5,529
Per hectare	4.4	3.2	-1.2	1.0	-3.1	1.0	0.8	0.0	
Per hectare per year	0.9	0.6	-0.2	0.2	-0.6	0.2	0.2	0.0	0.9
									0.6
									-0.2



Project Name	Guinea Bissau Emergency Fc			Climate	Tropical (Moist)			Duration of the Project (Years)			5
Continent	Africa			Dominant Regional Soil Type	LAC Soils			Total area (ha)			6213
Components of the project	Gross fluxes			Share per GHG of the Balance			Result per year				
	Without	With	Balance	All GHG in tCO2eq			Without	With	Balance		
				All GHG in tCO2eq	CO₂	Biomass	N₂O	CH₄			
Land use changes	Positive = source / negative = sink			CO₂	Biomass	Soil	Other	CH₄			
Deforestation	0	0	0	0	0	0	0	0	0	0	0
Afforestation	0	0	0	0	0	0	0	0	0	0	0
Other LUC	0	0	0	0	0	0	0	0	0	0	0
Agriculture											
Annual	1,940	-17,196	-19,136	0	-19,136		0	0	388	-3,439	-3,827
Perennial	0	0	0	0	0		0	0	0	0	0
Rice	25,704	25,704	0	0	0		0	0	5,141	5,141	0
Grassland & Livestocks											
Grassland	0	0	0	0	0		0	0	0	0	0
Livestocks	0	0	0				0	0	0	0	0
Degradation & Management											
Forest degradation	0	0	0	0	0		0	0	0	0	0
Peat extraction	0	0	0		0		0	0	0	0	0
Drainage organic soil	0	0	0		0		0	0	0	0	0
Rewetting organic soil	0	0	0		0		0	0	0	0	0
Fire organic soil	0	0	0	0			0	0	0	0	0
Coastal wetlands							0	0	0	0	0
Inputs & Investments	0	11,575	11,575				6,522	5,054	0	0	2,315
Fishery & Aquaculture	0	0	0				0	0	0	0	0
Total	27,644	20,083	-7,561	0	-19,136	6,522	5,054	0	5,529	4,017	-1,512
Per hectare	4.4	3.2	-1.2	1.0	-3.1	1.0	0.8	0.0			
Per hectare per year	0.9	0.6	-0.2	0.2	-0.6	0.2	0.2	0.0	0.9	0.6	-0.2