

MINISTRY OF ECONOMY, PLANNING AND REGIONAL INTEGRATION

GOVERNMENT OF GUINEA BISSAU

Environmental and Social Management Framework and Plan (ESMF/P)

Private Sector Rehabilitation and Agribusiness Development Project (PSRAD)

Guinea Bissau

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Environmental and Social Management Framework (ESMF)

Private Sector Rehabilitation and Agribusiness Development Project

Guinea Bissau

Executive Summary (English)

Overview

1. The proposed IDA-financed Private Sector Rehabilitation and Agri-Business Development Project (PSRADP – US\$ 8M) aims to support the development of cashew agribusiness sector and to promote entrepreneurship in other sectors of the economy. It is classified as safeguards Category B as it will primarily finance technical assistance and capacity building activities, selected agricultural inputs (rice seed and fertilizer), limited infrastructure rehabilitation, and provide small scale, in-kind MSME seed capital. It is not expected to have significant nor irreversible direct environmental or social impacts. Of the project supported activities the (i) distribution of rice seeds and fertilizer, (ii) rehabilitation of community storage and processing units, and (iii) the MSMEs receiving seed capital may directly give rise to negative environmental and social impacts. However, as the project aims to stimulate private sector investment, particularly in the cashew agri-business sub-sector, but also via the MSMEs and operationalization of the recently created Fund to Promote Industrialization of Agricultural Products (FUNPI) it might induce activities which could in their turn generate negative social and environmental impacts. To address these potential concerns three safeguard instruments are being prepared to govern the project: (i) a Strategic Environmental and Social Assessment (SESA) of the cashew sector as to how any environmental and social issues induced by development of the sector at all levels of the value chain should be addressed¹, (ii) the FUNPI environmental and social policy/guidelines to ensure the potential impacts of any FUNPI financed activities are adequately addressed², and (iii) a simplified Environmental and Social Management Framework/Plan (ESMF/P) that defines environmental and social requirements and procedures for the implementation of project activities, in particular the provision of agricultural inputs (rice seeds, fertilizer), rehabilitation of buildings, and the selection and implementation of the MSMEs. This document presents the last of these three, namely the ESMF/Ps.

Context

2. Cashew is the country's most important agricultural product, grown by close to 55 percent of all agricultural households and representing about a third of the sector's total output. Cashew is responsible for more than 90 percent of the country's exports. Cashew production increased from 30,000 tons in the early 1990s to around 200,000 tons in 2013. Guinea-Bissau is currently the fourth

¹The SESA is expected to: (i) identify the positive and negative social and environmental impacts and the risks associated with the likely evolution of the cashew sector across all stages of the value chain – production, processing and exporting/marketing - both with and without the PSRAD project, (ii) assess the policy, legal and institutional framework and capacity to manage these issues, and (iii) to propose a set of actionable recommendations by which these issues can be addressed at both a policy and project level so as to enhance environmental sustainability and social equity of the cashew sector development.

²The FUNPI environmental and social policy guidelines will be operationalized with defined process and procedures within the FUNPI Operational Manual.

largest producer of cashew in the world, after India, Vietnam and Cote d'Ivoire. It has recently surpassed Brazil in annual production. Guinea-Bissau's cashew nuts are considered relatively high quality.

3. Almost all of Guinea-Bissau's cashew crop is currently exported as raw nuts to India (95 percent of sales) and Vietnam (4 percent of sales). By exporting only raw nuts, Guinea-Bissau is: (i) in a position of dependence vis-à-vis its two main buyers; and (ii) is depriving itself of the value added and jobs created by the processing industry. Its value-added could be significantly larger if the country evolved from only selling raw cashew nuts (RCN) to processing locally, integrating a full value chain approach.

4. Developing the cashew value chain can have major economic and social impacts. Cashew agro-processing creates about one full-time job for every three tons of processed raw nuts. Processing 30,000 annual tons of nuts would create around 10,000 jobs, mostly in rural areas. About two thirds of the jobs created would be for women, especially those with limited economic opportunities. Addressing the most binding constraints to developing agro-processing while attracting international investors would increase the value of the sector, while helping tackle poverty.

5. The cashew sector has been affected by a history of disruptive government interventions in the sector, including unrealistic "minimum" purchasing prices for RCN or new regulations on cashew trading, often on short notice and without consulting the private sector. In addition to policy instability, the development of a local processing industry faces several constraints: (i) financing constraints in establishing processing plants due to the cost of land, construction and imported equipment; (ii) constraints in accessing credit for working capital (iii) labor productivity constraints; and (iv) a small domestic market (small population with low purchasing power) and lack of demand for other cashew-based products such as Cashew Nut Shell Liquid (CNSL). These barriers have been amplified by limited experience in organizing the value chain and aggregating players, chiefly within rural communities. Farmers are trapped in a low income/low opportunities environment. Producers are largely dependent on the sale once a year of cashew to meet their needs and are currently trading 3kg of cashew for 1kg of rice to feed their families.

6. Complementary to improving the cashew value chain, it is critical to increase the production of rice, the main staple in the population's diet. Rice production is heavily dependent on rainfall, therefore extremely volatile. Domestic production meets only about 60 percent of domestic consumption needs, making rice the country's second most important imported commodity after petroleum products. Increasing rice productivity and production can directly tackle food shortages and poverty in rural communities. Furthermore, better planting techniques for cashew plantations can allow for intercropping upland rice with cashew production.

7. Guinea-Bissau needs to also discover new areas of development. Given the current dependence on the agriculture and public sectors, it is critical to complement emergency interventions with those that can invigorate other areas of the private sector. It is important to identify mechanisms of transitioning youth to new opportunities such as entrepreneurship in agroindustry, manufacturing and services. Stimulating entrepreneurship faces a number of key challenges. The current institutional environment is not supportive to business development; Guinea Bissau is classified as one of the world's

most difficult places to do business in Doing Business 2014, and the financial sector in Guinea-Bissau remains highly underdeveloped, making access to capital the key constraint faced by entrepreneurs, notably among female entrepreneurs. Seed capital and debt financing are fundamental resources for the development of a good business idea. Private sector development is also constrained by weak skills and limited information about the value of investing in skills-development opportunities. Tackling the most important issues including access to finance, supply of supportive services, and trading across borders is hence critical. The project will focus on these through the lens of activities that directly work with the private sector and are independent of the political cycle. These changes can substantially contribute to Guinea-Bissau's entrepreneurship development. Similarly, this work program will benefit from other complementary interventions led by the Bank and other partners, including projects on improving the supply of energy, increasing food security and agriculture's productivity, and improving the capacity of banks and microfinance institutions.

8. Project Objective

9. The project development objective (PDO) is to support the development of the cashew agribusiness sector and to promote entrepreneurship in other sectors of the economy.

10. For the purposes of the project, the development of the cashew agribusiness sector is focused on the following two areas: (i) increasing the productivity and bargaining power of cashew farmers; and (ii) helping generate new investments in cashew agro-processing. In order to ensure food security and diversification, this work will be accompanied by efforts to increase the local production of rice.

11. The promotion of entrepreneurship is focused on supporting the creation of new businesses, in sectors of the economy other than agriculture, by addressing skills and access to capital constraints, as well as facilitating trade across borders.

Project Description

12. The proposed project comprises three components summarized below. A detailed project description is presented in Annex 4.

13. **Component 1: Promoting the Development of Agribusiness (US\$5M).** This component supports the development of the cashew value chain through an integrated approach, complemented by activities to promote rice production. The component will include three sub-components: (i) agriculture; (ii) cashew agro-processing; and (iii) institutional building. The agricultural sub-component focuses on increasing farmer productivity and diversification and bargaining power. The second sub-component seeks to support a community hub and spoke cashew processing pilot and to attract medium-sized cashew investors into Guinea Bissau. The third sub-component will provide technical assistance to the management of FUNPI, particularly in the areas of financial and operational/administrative management and in the preparation of its operational manual, including development of environmental and social guidelines.

14. **Component 2: Developing Entrepreneurship (US\$2.0M).** This component aims to foster new entrepreneurship in Guinea-Bissau, particularly in sectors of the economy that have yet to be fully explored and that have export potential. It comprises two sub-components: (i) launching young start-ups and (ii) improving the climate for new investments. The first sub-component supports a Business Plan Competition and capacity building focused on equipping new young entrepreneurs with seed capital (in-kind) and managerial skills to launch sustainable business ideas. The second sub-component will focus on three priority areas of the investment climate: (i) streamlining import/export procedures and improving coordination among agencies; (ii) increasing transparency and reducing corruption in both the customs and tax systems; and (iii) simplified MSME tax regime.

15. **Component 3: Project Coordination Unit (US\$1.0M).** This component will be implemented through close coordination between the project team and the local government. It will support (i) project coordination and implementation, (ii) capacity building, and (iii) monitoring and evaluation.

Potential Environmental and Social Impacts

16. The ESMF only looks at direct impacts. Indirect and cumulative impacts are addressed under the two complementary safeguard instruments: the SESA and the FUNPI environmental and social guidelines.

17. The activities financed by the project will be category B, as the project will primarily finance technical assistance, capacity building activities, selected agricultural inputs (rice seed and fertilizer), limited physical infrastructure rehabilitation, and provide MSME seed capital (in-kind). The potential negative impacts of these activities are expected to be limited, site specific and reversible. Of these activities the (i) distribution of rice and fertilizer, (ii) rehabilitation works associated with the community storage and processing units, and (iii) BPC supported MSME activities present potential for some minor, site specific and temporary environmental and social impacts. Impacts from the rice seed and fertilizer distribution and the minor rehabilitation works might include *inter alia* planting- and construction-related noise, dust and waste; soil disturbance and erosion, sediment run off, and damage to existing vegetation. In addition, community processing of cashew nuts may lead to increased waste in the form of cashew shells. Similarly, MSMEs receiving in-kind grants, depending on the nature of the activity to be supported, might give rise to *inter alia*: increased water demand, soil disturbance and erosion, sediment run off, damage to existing vegetation; noise, dust and waste, and increased pedestrian and vehicular traffic.

18. To this end the mitigation measures presented in the Safeguards Information Screening CheckList and the Guidance on Potential Mitigation Measures (see Annex 1, Part 3 and 4 below, respectively), specifically in Section A (Building Rehabilitation) and G (Impacts on Forests or Protected Areas) will be applied to the rice and fertilizer distribution and the rehabilitation works.

19. Similarly, eligible MSME proposals will be subject to screening for environmental and social impacts (Annex 1, Parts 1-3) and simple ESMPs will be prepared as needed to mitigate any identified impacts (Annex 1, Part 4). Awareness raising and capacity building in the area of environmental and

social issues will be a key element of the technical assistance and training provided to MSME entrepreneurs.

20. It should be emphasized that the Government has agreed that there will be no land acquisition supported under this project, hence no resettlement nor loss of access issues are anticipated.

21. The three environmental and social safeguard instruments have been publically disclosed and discussed with project stakeholders (Annex 3).

Environmental and Social Management Framework (ESMF)

Private Sector Rehabilitation and Agribusiness Development Project

Guinea Bissau

A. Overview

1. The proposed IDA-financed Private Sector Rehabilitation and Agri-Business Development Project (PSRADP – US\$ 8M) aims to support the development of cashew agribusiness sector and to promote entrepreneurship in other sectors of the economy. It is classified as safeguards Category B as it will primarily finance technical assistance and capacity building activities, selected agricultural inputs (rice seed and fertilizer), limited infrastructure rehabilitation, and provide small scale, in-kind MSME seed capital. It is not expected to have significant nor irreversible direct environmental or social impacts. Of the project supported activities only (i) distribution of rice seeds and fertilizer, (ii) rehabilitation of community storage and processing units, and (iii) the MSMEs receiving seed capital may directly give rise to negative environmental and social impacts. However, as the project aims to stimulate private sector investment, particularly in the cashew agri-business sub-sector, but also via the MSMEs and operationalization of the recently created Fund to Promote Industrialization of Agricultural Products (FUNPI) it might induce activities which could in their turn generate negative social and environmental impacts. To address these potential concerns three safeguard instruments are being prepared to govern the project: (i) a Strategic Environmental and Social Assessment (SESA) of the cashew sector as to how any environmental and social issues induced by development of the sector at all levels of the value chain should be addressed³, (ii) the FUNPI environmental and social policy/guidelines to ensure the potential impacts of any FUNPI financed activities are adequately addressed⁴, and (iii) a simplified Environmental and Social Management Framework/Plan (ESMF/P) that defines environmental and social requirements and procedures for the implementation of project activities, in particular the provision of agricultural inputs (rice seeds, fertilizer), rehabilitation of buildings, and the selection and implementation of the MSMEs. This document presents the last of these three, namely the ESMF/Ps.

B. Introduction

Country Background

2. **Guinea-Bissau is one of the most fragile and poorest countries in Sub-Saharan Africa.** Political instability has plagued the country for the past 30 years. Guinea-Bissau ranks 176th out of 186 countries on the 2013 UNDP Human Development Index. Since 2002, the poverty rate has increased from 65

³The SESA is expected to: (i) identify the positive and negative social and environmental impacts and the risks associated with the likely evolution of the cashew sector across all stages of the value chain – production, processing and exporting/marketing - both with and without the PSRAD project, (ii) assess the policy, legal and institutional framework and capacity to manage these issues, and (iii) to propose a set of actionable recommendations by which these issues can be addressed at both a policy and project level so as to enhance environmental sustainability and social equity of the cashew sector development.

⁴The FUNPI environmental and social policy guidelines will be operationalized with defined process and procedures within the FUNPI Operational Manual

percent to an estimated 70 percent in 2010, while the rate of extreme poverty has increased from 21 to 33 percent during the same period⁵. With an estimated 1.66 million inhabitants, the population is young—about 60 percent is under 25 years old—and is growing at over 2 percent per year. GDP per capita is estimated at US\$ 539. Average GDP growth over the period 2000-2007 was 2.6 percent per year, barely enough to compensate for the population growth. In the period between 2008 and 2011, GDP growth rates improved to 3.7 percent per year, reflecting increased political stabilization and enhanced macroeconomic management. Following the *coup* in April 2012 and unstable cashew marketing campaigns, GDP growth was negative 1.5 percent in 2012 and is expected to recover to just 0.5 percent in 2013.

3. Guinea-Bissau's economy is very dependent on the agriculture and public sectors. The country is reliant on natural resources, principally agriculture and fisheries, and within agriculture, exports of raw cashew nuts are the dominant sector. Chronic poverty is most entrenched in rural areas. Agriculture represents the primary source of income for 85 percent of the population, and provides the livelihood for the overwhelming majority of the poor. Thirty percent of the extreme poor self-report as being unemployed. Even for the economically active, incomes are low and volatile. Of the 30 percent of the labor force not engaged in agriculture, the majority is in services, mostly self-employed in commerce and transport. Only a small fraction of the labor force—about 10 percent—is in wage employment, half in small urban services, and half in the public sector. With a small domestic market and limited export-oriented ventures, the localized private sector is highly dependent on the public sector's consumption and investments. This factor has had significant effects on the structure and dynamism of the private sector.

4. Enabling the emergence of a dynamic private sector is a necessary condition to reignite economic growth, reduce poverty, improve food security, and reduce the risk of political instability. Fostering robust private-sector development in the productive sectors, especially agriculture, is critical for reducing extreme poverty. Ensuring private sector driven growth is a fundamental challenge to reduce the risk of conflict resurgence. Promoting a private sector that can reach external markets can be an enabler of job creation, especially for the youth. In a small country with current limited space to expand local consumption, it is critical to diversify into nearby sub-sectors such as cashew agro-processing and other agribusiness with potential to reach external markets.

5. In the past, private sector development involved structural reforms or programs designed to target specific beneficiaries. For example, sound macroeconomic policies and structural reforms allowed the country to achieve the Heavily-Indebted Poor Country (HIPC) completion in late 2010. In 2011, the country revised the Investment Code and established a one-stop-shop for business registration. As a result, the amount of time required to register a business has fallen from 213 days in 2011 to 9 days in 2012 (Doing Business), and the process has become cheaper and more transparent. Authorities-driven interventions however are largely interlinked with the political cycle. Therefore, there is uncertainty on how long the period of reforms can be post next round of elections. Alternatively, private sector development activities may be implemented directly through the private sector and

⁵ Preliminary estimations based on the reduction in cashew prices to farmers suggest rates of 75 and 45 percent for poverty and extreme poverty respectively in 2013.

NGOs. This was the case for the cashew processing plants supported by the EU in 2011-13. These interventions have proven successful despite political and regulatory instability and did not require improvements in state efficiency.

Sectoral Context

Agribusiness

6. **The main driver of growth in the economy is the cashew sector.** The industry has a critical importance for Guinea-Bissau's poverty alleviation. Cashew is the country's most important agricultural product, grown by close to 55 percent of all agricultural households and representing about a third of the sector's total output. Cashew is responsible for more than 90 percent of the country's exports. Cashew production increased from 30,000 tons in the early 1990s to around 200,000 tons in 2013. Guinea-Bissau is currently the fourth largest producer of cashew in the world, after India, Vietnam and Cote d'Ivoire. It has recently overcome Brazil in annual production. Guinea-Bissau's nuts are considered of relatively high quality.

7. **However, the potential value of the sector is only partially realized.** In particular, its value-added could be significantly larger if the country evolved from only selling raw cashew nuts (RCN) to processing locally, thus integrating a full value chain approach. Currently, almost all of Guinea-Bissau's cashew crop is exported as raw nuts to India (95 percent of sales) and Vietnam (4 percent of sales). There is a small installed processing capacity for the production of cashew kernel (some 25,000 tons of RCN or about 13 percent of total production), but only partly operational. By exporting only raw nuts, Guinea-Bissau (i) is in a position of dependence vis-à-vis its two main buyers; and (ii) is depriving itself of the value added and jobs created by the processing industry.

8. **The potential for cashew agribusiness development is significant, but various challenges have prevented the emergence of transformation in Guinea-Bissau.** The cashew sector has been affected by a history of disruptive government interventions in the sector, including unrealistic "minimum" purchasing prices for RCN or new regulations on cashew trading, often on short notice and without consulting the private sector. In addition to policy instability, the development of a local processing industry faces several constraints: (i) financing constraints in establishing processing plants due to the cost of land, construction, and imported equipment; (ii) constraints in accessing credit for working capital; (iii) labor productivity constraints; (iv) a small domestic market (small population with low purchasing power); and (v) a lack of demand for other cashew-based products such as Cashew Nut Shell Liquid (CNSL). These barriers have been amplified by limited experience in organizing the value chain and aggregating players, chiefly within rural communities. Farmers are trapped in a low income/low opportunities environment. Producers are largely dependent on the sale once a year of cashew to meet their needs and are currently trading 3kg of cashew for 1kg of rice to feed their families. This exchange deteriorated substantially for farmers in the past couple of years.

9. **Developing the cashew value chain can have major economic and social impacts.** Cashew agro-processing creates about one full-time job for every three tons of processed raw nuts. Processing 30,000 annual tons of nuts would create around 10,000 jobs, mostly in rural areas. About two thirds of the jobs

created would be for women, especially those with limited economic opportunities at the moment. Addressing the most binding constraints to developing agro-processing while attracting international investors would increase the value of the sector, while help tackling poverty. Furthermore, organizing rural communities could significantly reduce the risks of food insecurity. It could also support the sustainability of the value chain, which is paramount for its success. This work requires improving farming productivity, while reducing incomes' over-dependence on RCN. This will reduce the risks of price or production shocks. This work also requires increasing farmers' bargaining power to help smooth consumption and reduce extreme poverty.

10. The Fund to Promote Industrialization of Agricultural Products (*Fundo de Promoção à Industrialização de Produtos Agrícolas - FUNPI*) was created in early 2011. Its mandate is to fund technical assistance, and establish lines of credit and guarantee funds to expand access to finance for cashew processors and other agribusiness products. Since FUNPI's introduction, its objectives, activities, and governance have been under controversy. The usage of funds raised by FUNPI up to now has hardly⁶ benefited the sector, despite its initial good intentions. Its statutes were only set in October 2013, including 30 percent to be used by the private sector (CCIAS) and public institutions (e.g.: ANCA, INPA) with the role of promoting the development of agroindustry, as well as 70 percent to fund individual bankable projects. If properly structured and managed, FUNPI can be a driver of development, but the depth of interests involved and its competing priorities indicate that there are significant risks. In this context, the work with donor support in promoting the sector should be oriented towards leading the way to activities that tackle the most binding constraints to the sector development and which can attract public and private partners' funds in the near future. The support can, in addition, help ensure better governance for FUNPI, but should mostly be oriented for showing the way forward.

11. Complementary to improving the cashew value chain, it is critical to increase the production of rice, the main staple in the population's diet. Rice production is heavily dependent on rainfall, therefore extremely volatile. Domestic production meets only about 60 percent of domestic consumption needs, making rice the country's second most important imported commodity after petroleum products. This is particularly worrisome given that the population's income is highly dependent on the very volatile international raw cashew prices. Increasing rice productivity and production can directly tackle food shortages and poverty in rural communities. Better planting techniques for cashew plantations can allow for intercropping upland rice with cashew production.

Other sectors

12. Given the current dependence on the agriculture and public sectors, it is critical to complement emergency interventions with those that can invigorate other areas of the private sector. It is important to identify mechanisms of transitioning youth to new opportunities such as entrepreneurship in agroindustry, manufacturing and services. Stimulating entrepreneurship faces a number of key challenges. The current institutional environment is not supportive to business

⁶ The funds have been used so far for acquiring means of transport for judges, buying 3,500 tons of cashew nuts from one single seller at the very high price of \$1,200/ton with the objective of putting to work existing processing plants, financing the payment of arrears of teachers in 2013, etc.

development; Guinea Bissau is classified as one of the world's most difficult places to do business in Doing Business 2014. This is in part the result of a highly inefficient legal and regulatory environment. Similarly, the financial sector in Guinea-Bissau remains highly underdeveloped, making access to capital the key constraint faced by entrepreneurs, notably among female entrepreneurs. Seed capital and debt financing are fundamental resources for the development of a good business idea. Private sector development is also constrained by weak skills and limited information about the value of investing in skill-development opportunities. Tackling the most important issues including access to finance, supply of supportive services, and trading across borders is hence critical. The project will focus on these through the lens of activities that directly work with the private sector and are independent of the political cycle. These changes can substantially contribute to Guinea-Bissau's entrepreneurship development. Similarly, this work program will benefit from other complementary interventions led by the Bank and other partners, including projects on improving the supply of energy, increasing food security and agriculture's productivity, and improving the capacity of banks and microfinance institutions.

C. Environmental and Social Management Capacity

13. Over the past decade, environmental assessment has gained increasing national recognition as a means of ensuring sustainable development. In light of environmental challenges, Guinea Bissau has endorsed the principle that a healthy environment is a human right. This concern is manifested by the creation of several new institutions (State Secretariat for Environment and Sustainable Development - SEADD, Institute for Biodiversity and Protected Areas - IBAP, Environmental Impact Evaluation Unit - CAIA, etc.) for managing environmental issues. Despite the growing importance given to these issues the in-country capacity to manage them is still limited. An Environmental Framework Law and a national Environmental Assessment Law were both promulgated in 2010, which provide the overarching legislative framework for environmental and social management and protection in the country. The Environmental Impact Evaluation Unit (CAIA) responsible for oversight of implementation of the EIA Law has been established with a small two person team supported by a network of "Sectoral Antennae" or focal points in each technical ministry. The institutional and human resource capacity of these to fulfill their roles and responsibilities is low.

D. Project Objective

14. The project development objective (PDO) is to support the development of the cashew agribusiness sector and to promote entrepreneurship in other sectors of the economy.

15. For the purposes of the project, the development of the cashew agribusiness sector is focused on the following two areas: (i) increasing the productivity and bargaining power of cashew farmers; and (ii) helping generate new investments in cashew agro-processing. In order to ensure food security and diversification, this work will be accompanied by efforts to increase the local production of rice.

16. The promotion of entrepreneurship is focused on supporting the creation of new businesses, in sectors of the economy other than agriculture, by addressing skills and access to capital constraints, as well as facilitating trade across borders.

Project Description

17. The project comprises the following three components (see Annex 4 for detailed description):

Component 1: Promoting the development of agribusiness (US\$ 5.0 million)

18. The component will include three sub-components: (i) agriculture; (ii) cashew agro-processing; and (iii) institutional building.

Sub-component 1.1: Agriculture (US\$ 1.8 million).

19. This sub-component aims at increasing the income of farmers, while increasing their resilience to shocks in prices. This will be done by seeking to (i) increase their productivity and diversification, while (ii) improving farmers' bargaining power. It will finance the cost of extension services and, on a declining basis, the non-salary operating costs for the introduction optimal tree-density and pruning strategies, as well as intercropping of cashew with other staple (e.g. upland rice) and cash crops (e.g. sesame). The project will also fund production of manuals for recommended agronomic practices and strategies to diffuse this knowledge among farmers. The project also will provide agricultural inputs - seeds and fertilizer - for rice production to targeted farmers with plantations producing less than 1.5 tons per hectare. Priority will be given to cashew farmers with additional land available or already producing rice.

20. The project will support design and operation of an efficient price information system to strengthen producers' access to timely information and their bargaining power. Also, it will fund installation and rehabilitation costs for four communal cashew storage facilities for farmers as well as handling equipment, in the form of pallets and jute bags.

Sub-component 1.2: Cashew agro-processing (US\$ 3.0 million)

21. On cashew agro-processing, the component will focus on (i) addressing the coordination and financial constraints in establishing community-level facilities, as well as on (ii) attracting medium-size investors into Guinea-Bissau. It will support a 3-year pilot to promote development of community processing. It will: (i) fund establishment of four new primary units in one regional cluster; (ii) provide equipment for the central unit; (iii) provide assistance in linking each cluster to the market through an exporter; and (iv) provide support on technical and financial management to the cluster. In addition, it will support authorities (DGPIP, ANCA, etc.) to promote investments in the Guinea-Bissau cashew agro-processing, especially in medium scale processing plants, including support to develop business plans and promotional materials for the Investment Promotion Agency, on-demand support for potential investors, and funds to attend trade shows and investment conferences.

Sub-component 1.3: Institutional Building (US\$ 0.2 million)

22. FUNPI, created in May 2011, is a public-private institution responsible for the development – production, marketing and processing – of agricultural value chains. It is funded by a para-fiscal levy collected on its behalf on the export of raw cashew nuts. Thirty percent of its funding being allocated to the private sector and public agencies, and the remaining 70 percent towards direct financing of activities in agribusiness and other industries.

23. The project will provide technical assistance to FUNPI's management while it is becoming fully operational to ensure that FUNPI's resources are targeted at priority activities (including agricultural productivity enhancing activities). Specifically, it will provide technical assistance to FUNPI in the areas of financial and operational/administrative management. Additionally, under the project Preparation Advance (PPA), the project will finance the development of FUNPI's operational manual, including the development of clear environmental and social guidelines. FUNPI teams will also be trained on environmental and social guidelines for their projects.

Component 2: Developing Entrepreneurship (US\$ 2.0 million)

24. This component aims at promoting the creation of new MSMEs and employment, particularly in sectors other than agriculture. Specifically it seeks to: (i) relax both financial and managerial constraints within a competitive environment that fosters innovative business ideas, (ii) increase the supply and quality of local business development services, and (iii) promote a more efficient investment climate.

Sub-Component 2.1: Launching Young Start-Ups (US\$ 1.4 million)

25. This sub-component aims at equipping new young entrepreneurs in Guinea-Bissau with seed capital and managerial skills to launch sustainable new business ideas. These resources will be allocated through a business plan competition (BPC) which aims to stimulate job creation and to ensure a balanced gender ratio of beneficiaries. Over the duration of the project (in two windows of applications), around 300-500 eligible applicants between 18-35 years, are expected to receive intensive training in entrepreneurship and business plan development. The top 100 applicants showcasing the most promising business plans will receive seed capital in-kind as well as personalized consulting services from local providers during the first year of operation. Local providers of business development services will receive technical support and capacity building to enable them to cope with this increased demand for their services. As necessary, the component will facilitate the linkage between winners of the BPC and investors for new early funding rounds. Additionally the component will support round tables with investors for investments in the first two years of operation and/or link entrepreneurs with financial institutions for debt financing when appropriate. This sub-component will be implemented by an external agency with an excellent track record in conducting business plan competitions and/or providing business development services in Africa.

Sub-Component 2.2: Improving climate for new investments (US\$ 0.6 million)

26. This sub-component, supervised by the IFC, will provide technical assistance, communications and IT software with a view to improving three priority areas of the investment climate: (i) streamlining import/export procedures and improving inter-agency coordination; (ii) increasing transparency and reducing corruption in both the customs and tax systems; and (iii) simplifying the MSME tax regime. More specifically it will help: (i) re-engineer and simplify the import and export procedures; (ii) review and rationalize documentary requirements, import/export/transit procedures, and regulations including those supervising industrial investment; (iii) fund the design and implementation of a pilot system of incentives that reward good behavior by customs/tax officials; (iv) fund communication activities at customs/tax authorities, including the creation of consultative mechanisms to discuss trade facilitation; (vi) implementation of a simplified tax registration system – entrepreneur status - for small businesses within the CFE and DGCI, including legal drafting, developing administrative guidelines, as well as communications materials to support the roll-out of the new regime; and (vii) equip the tax authority (DGCI) with an adequate integrated tax administration system.

Component 3: Project Coordination Unit (US\$ 1.0 million)

27. This component will support the establishment and operation of the Project Coordination Unit (PCU) including: (i) salaries and training for the Project Coordinator, Agribusiness Development Specialist, Entrepreneurship Specialist, Environmental and Social Safeguard Specialist (part time), Procurement Specialist, Financial Management Specialist, and support staff; (ii) operational costs; (iii) TA and capacity building for monitoring and evaluation; (iv) TA and consultancies for implementation of Project activities; and (v) capacity and institutional building in the participating Ministries. It will also support establishment of an effective monitoring and evaluating system to ensure accurate and timely information on the progress towards achieving the project objectives and impact. Adherence to the project's environmental and social safeguard instruments will be monitored on an ongoing basis.

E. Environmental and Social Footprint

28. PSRADPactivities are expected to give rise to a number of environmental and social benefits, while the potential negative environmental and social impacts are expected to be limited, site specific and reversible. With respect to geographic footprint, the project will be implemented country wide although specific component activities may have a more restricted range. Under Component 1, cashew-focused agricultural extension services will give priority to areas with aging cashew plantations such as Biombo; rice and fertilizer distribution will focus on to lowland rice farmers (regions to be selected), communal storage facilities and community processing facilities will be aligned and located in regions with high density of orchards producing high quality RCN, and ease of access to destination markets, most likely in a coastal region; and the cashew price information system, while designed to function nationwide, will initially be implemented in targeted areas. Under Component 2, the Business Plan Competition will be run out of Bissau and hence most of the proposals are expected to come from within the capital, while the actions to improve the efficiency of fundamental aspects of the investment environment are relevant country wide.

29. With respect to expected environmental and social benefits, Component one focuses on supporting development of the cashew value chain through an integrated approach, with an emphasis on production and processing, and its complementary activities to promote rice production, especially on low productivity farms. More specifically, through (i) provision of extension services promoting good cashew husbandry practices; (ii) provision of rice seed and fertilizer⁷ to small holder farmers (average field size of is 0.5 ha) currently producing less than 1.5 tons per hectare;(iii) support for and promotion of cashew agro-processing; and (iv) technical and managerial support for the operationalization of FUNPI (including integration of environmental and social guidelines into the FUNPI operational manual, and training for FUNPI staff in their implementation), is expected to give rise to and/or demonstrate the potential for a range of environmental and social benefits. These include *inter alia* improved productivity of rice as well as of other staples/cash crops appropriate for intercropping with cashews thus boosting food security and/or income earning potential; improved crop quality and, hence, marketability of cashews; increased bargaining power thus increasing the income for cashew farmers and other stakeholders, expansion of the pool of skilled workers, job creation, particularly for women, and improved livelihoods.

30. Component two focuses on equipping new young entrepreneurs in Guinea-Bissau with seed capital (in-kind) and managerial skills in order to launch sustainable new business ideas, and improving the efficiency on fundamental aspects of the investment environment. It will financetechnical assistance and capacity building, provide in-kind micro-grants to competitively selected MSMEs, and support institutional and tax reforms. These activities are expected to facilitate establishment of a more user-friendly business environment, enhance capacity of local business service providers, build capacity amongst young entrepreneurs (including developing awareness and capacity to identify and mitigate environmental and social concerns), and launch 100 new micro, small and medium enterprise (MSME). Special provisions are included to encourage participation of female entrepreneurs. These activities are thus expected to bring about positive social impacts in the form of job creation for young people, and particularly women, and trickle down impacts associated with a more vibrant local economy. Raising awareness and building capacity to identify and mitigate environmental and social concerns among young entrepreneurs, including those who participate in the competition but do not win a grant, will build skills for the future, thus bringing environmental benefits which extend beyond the project itself.

31. While the above describes the anticipated positive impacts of project activities, there are also some potential negative environmental and social impacts (see Section I below). These may be direct or induced by project activities. The scope of this EMSF/P is limited to addressing the potential negative environmental and social footprint directly attributable to project activities, in particular to (i) the distribution of rice and fertilizer, (ii) the rehabilitation works associated with the community storage and processing units, and (iii) the BPC supported MSME activities. The potential negative impacts of these activities are expected to be limited, site specific and reversible.

⁷ This activity will expand the work led by the Ministry of Agriculture under the First and Second Emergency Food Security Support Projects (P148886) by reaching additional farmers in targeted regions.

F. Policy, Legal and Administrative Framework

32. Over the past decade, environmental and social assessment has gained increasing national recognition as a means of ensuring sustainable development and is one of the themes of both the first and second Poverty Reduction Strategy Papers (PRSPs). In light of environmental challenges, Guinea Bissau has endorsed the principle that a healthy environment is a human right. This concern is manifested by the emergence of a policy, legal and institutional framework for managing environmental issues (State Secretariat for Environment and Tourism- SEAT, Environmental Impact Evaluation Unit - CAIA, Institute for Biodiversity and Protected Areas – IBAP, etc.).

33. From a policy and legal framework standpoint, Guinea Bissau has put in place the basic framework and capacity for implementation of environmental and social safeguards. A National Environmental Action Plan was adopted in 2004 and an Environmental Framework Law and national Environmental Assessment (EA) Law, in line with international best practice, were both promulgated in 2010. Together these provide the overarching legislative framework for environmental and social management and protection in the country. In addition, sectoral environmental assessment technical guidelines were prepared for nine sectors including *inter alia* agriculture, industry, and infrastructure. Implementation of the EA law is overseen by the Cell for Environmental Impact Assessment (CAIA), created under the Office of the Prime Minister and operating under the aegis of the SEAT, in collaboration with sectoral “antennae” (focal points) appointed within each of the technical ministries. CAIA’s staff and the sectoral antennae received environmental and social safeguard training under a now closed World Bank, GEF and EU financed Coastal and Biodiversity Management project (CBMP), and CAIA itself has five years of practical experience in the application of the CBMP World Bank project Environmental and Social Management Framework and Resettlement Policy/Process Framework (RPF/PF) policies and procedures. Further World Bank support for CAIA and other national stakeholders is planned under a State and Peace Building Fund project in the extractive sector expected to become effective in early 2014. In addition, with support from other donors, a series of trainings on environmental and social assessment more generally have been provided to members of the government, NGOs and civil society. While national capacity is increasing, these institutional structures are young and their capacity still limited.

34. The country has also signed and ratified many of the international environmental, human rights/social conventions, including *inter alia*:

- Convention on Biological Diversity
- United Nations Framework Convention on Climate Change (UNFCCC or FCCC)
- Convention on Environmental Impact Assessment in a Transboundary Context
- Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters
- Convention Concerning the Protection of World Cultural and Natural Heritage
- Convention on the rights of the child (CRC)
- Convention on the elimination of discrimination against women (CEDAW)
- International Convention on Economic Social and Cultural rights (ICESCR)
- Numerous ILO conventions on workers rights, compensation and safety.

35. Despite the growing importance given to these issues the in-country capacity to manage them is still limited.

G. Relevant World Bank Policies

36. The PSRADP is classified as safeguard Category B. Only the World Bank Environmental Assessment safeguard policy (OP 4.01) was triggered for this project. The involuntary resettlement safeguard is not triggered because the proposed works under Component 1, comprising distribution of seeds and fertilizer to existing farmers and rehabilitation of existing structures, will not involve any land acquisition nor restrict access to income sources of the population. Similarly, under Component 2, MSME proposals requiring land acquisition or which could restrict access to resources, as well as those requiring the use of pesticides or with negative impacts on critical natural habitats and protected areas will be ineligible for financing under the BPC⁸. Nevertheless, this ESMF/P as well as the other two safeguards instruments being prepared by the Government (SESA and FUNPI environmental and social policy guidelines) and will take into account negative social impacts that could arise directly as a result of or be induced by the project.

37. **OP 4.01:** The project will primarily finance technical assistance and capacity building activities, selected agricultural inputs (rice and fertilizer), and limited physical works comprising infrastructure rehabilitation and in-kind seed capital to MSMEs selected under the BPC. It is not expected to have significant negative environment nor social impacts. The activities supported under the project which may directly give rise to negative environmental or social impacts are: (i) the distribution of rice and fertilizer, (ii) the rehabilitation works associated with the community storage and processing units, and (iii) the BPC supported MSME activities. These might include *inter alia*: potential for some minor, site specific and temporary environmental and social impacts such as planting- and construction- and operating related increases in water demand, soil disturbance and erosion, sediment run off, damage to existing vegetation, noise, dust, waste, and increased pedestrian and vehicular traffic. In addition, as the project aims to stimulate private sector investment, particularly in the cashew agri-business sub-sector, but also via the MSMEs and operationalization of the recently created Fund to Promote Industrialization of Agricultural Products (FUNPI) it might induce activities which could in their turn generate negative social and environmental impacts.

22. To address these risks, the Environmental Assessment safeguard (OP4.01) has been triggered and three safeguard instruments are being prepared to govern the project: (i) a Strategic Environmental and Social Assessment (SESA) of the cashew sector as to how any environmental and social issues induced by development of the sector at all levels of the value chain should be addressed⁹,

⁸ The Government of Guinea Bissau has confirmed that no activity which could trigger the Involuntary Resettlement OP will be financed under this project.

⁹ The SESA is expected to: (i) identify the positive and negative social and environmental impacts and the risks associated with the likely evolution of the cashew sector across all stages of the value chain – production, processing and exporting/marketing - both with and without the PSRAD project, (ii) assess the policy, legal and institutional framework and capacity to manage these

(ii) the FUNPI environmental and social policy/guidelines to ensure the potential impacts of any FUNPI financed activities are adequately addressed¹⁰, and (iii) a simplified Environmental and Social Management Framework/Plan (ESMF/P) that defines environmental and social requirements and procedures for the implementation of project activities, in particular the provision of agricultural inputs (rice seeds, fertilizer), rehabilitation of buildings, and the selection and implementation of the MSMEs. Given the limited number and low-risk topology of works expected to be supported by the PSRADP, as well as the small scale MSME in-kind grants to be awarded, the impacts of which are expected to be negligible to minimal, a simplified ESMF/P format has been adopted. It uses the EMP Checklist format, and is designed to meet the World Bank Environmental Assessment requirements under OP 4.01 for civil works contracts with small, localized impacts. It has been adapted to reflect the possible social impacts as well as to describe the eligibility criteria, capacity building and screening procedures for the MSME in-kind grants. The three environmental and social safeguard instruments have been publically disclosed and discussed with project stakeholders (Annex 3).

H. Implementation Arrangements

38. The Ministry of Economy, Planning and Regional Integration (MEPRI) will take the lead in the oversight of the project and be responsible for ensuring appropriate implementation through a competitively established Project Coordination Unit (PCU) reporting to the Ministry. The implementation of this project will require the coordination with other ministries, notably, the Ministry of Finance, the Ministry of Agriculture and Rural Development, and the Ministry of Commerce. The PCU will be staffed by the following competitively recruited team: Project Coordinator, cashew development expert, entrepreneurship specialist, procurement specialist, financial management specialist, environmental and social safeguards specialist (part time), and support staff. A high level multi-institutional Steering Committee, meeting twice a year or *ad hoc* as needed, will provide overall strategic guidance, as well as help resolve any potential impasses which may arise.

39. The PCU will have two distinct safeguard roles: implementation and monitoring. While the Project Coordinator will have the overall responsibility for ensuring that the project safeguard requirements are met, the Component Leaders will have the day-to-day responsibility for their implementation and monitoring. They will be assisted in this by a part-time safeguards specialist with experience in both environmental and social issues, who will provide guidance to and assist the Component Leaders to oversee preparation of the SESA and FUNPI guidelines, and to monitor preparation and implementation of the ESMPs. All service providers responsible for distribution of rice and fertilizer, and providing TA to the cashew producers, processors and investors under Component 1, as well as those running the BPC and supporting skill development under Component 2, will be specifically trained to implement the ESMF, including a review of the World Bank safeguards at project start and will incorporate the findings of the SESA as well as the ESMF/P into their support. Similarly, FUNPI staff will receive targeted training in their environmental and social guidelines.

issues, and (iii) to propose a set of actionable recommendations by which these issues can be addressed at both a policy and project level so as to enhance environmental sustainability and social equity of the cashew sector development.

¹⁰The FUNPI environmental and social policy guidelines will be operationalized with defined process and procedures within the FUNPI Operational Manual

I. Potential Environmental and Social Impacts

40. The ESMF only looks at direct impacts. Indirect and cumulative impacts are addressed in the SESA and the FUNPI environmental and social guidelines. The activities financed by the project will be category B, as the project will primarily finance technical assistance, capacity building activities, selected agricultural inputs (rice seed and fertilizer), limited physical infrastructure rehabilitation, and provide MSME seed capital (in-kind). The scope of this EMSF/P is limited to addressing the potential negative environmental and social impacts within the footprint of project activities, namely (i) the distribution of rice and fertilizer, (ii) the rehabilitation works associated with the community storage and processing units, and (iii) the BPC supported MSME activities. The potential negative impacts of these activities are expected to be limited, site specific and reversible.

41. Under Component 1, rice seeds and fertilizers will be provided to existing low productivity rice farmers with a view to increasing their yield, while physical infrastructure will entail small scale repairs to existing buildings for the establishment of community storage and cashew processing facilities. Each of these activities presents potential for some minor, site specific and temporary environmental and social impacts such as planting- and construction-related water demand, soil disturbance and erosion, sediment run off, damage to existing vegetation, noise, dust and waste. In addition, processing of cashew nuts by local communities may lead to increased solid waste in the form of discarded shells. To this end the mitigation measures presented in the Safeguards Information Screening CheckList and the Guidance on Potential Mitigation Measures(see Annex 1, Part 3 and 4 below, respectively), specifically in Section A (Building Rehabilitation) and G (Impacts on Forests or Protected Areas) will be applied to the rice and fertilizer distribution and the rehabilitation works.

Under Component 2, small amounts of in-kind seed capital (upto US\$8,000) will be provided via a Business Plan Competition to qualified MSMEs. The MSME proposals are expected to be in the agro-industry, manufacturing and services sectors, and most likely to be located in Bissau. The impacts of these activities are expected to negligible to minimal but might, depending on the nature of the activity, include *inter alia*: increased water demand, soil disturbance and erosion, sediment run off, damage to existing vegetation; noise, dust and waste, and increased pedestrian and vehicular traffic. To ensure that any potential impacts are identified and mitigated, initial MSME business proposals will be screened against eligibility criteria, including those for environmental and social safeguards. Proposals requiring land acquisition, restricting access to sources of income, pesticides, or which could have negative impacts on critical natural habitats and gazetted protected areas will be ineligible for financing(See Annex 2 - Negative list of ineligible projects). All candidates with proposals deemed eligible for financing, will then participate in a short seminar on business plan development. This seminar will include training on *inter alia* environmental and social safeguard requirements. Following the seminar they will prepare and submit a first draft of their business plan, as well as a simple environmental and social checklist (See Annex 1, Part 2: Safeguards Information Screening Checklist) to determine whether an environmental and social management plan to mitigate potential impacts needs to be prepared. Candidates who pass

to the final round of the BPC, will then participate in a 10 day intensive business plan training workshop to help them prepare their final submissions, which will include training and assistance for the preparation of a simple environmental and social management plan (See Annex 1, Parts 3 and 4: Guidance on Potential Mitigation Measures and Sample ESMP) as appropriate, including mitigation measures to be taken at different stages of MSME implementation. The BPC Service Provider will include these requirements in the agreement signed with the BPC award winners. Awareness raising and capacity building in the area of environmental and social issues will be a key element of the technical assistance and training provided to MSME entrepreneurs.

23. It should be emphasized that the Government has agreed that there will be no land acquisition supported under this project, hence no resettlement nor loss of access issues are anticipated

J. Environmental and Social Management Approach

42. As noted above, no major direct environmental and social impacts are envisaged as a result of the PSRADP financed activities. Nevertheless, the Project Coordinator, assisted by the Component Leaders and the Environmental and Social Safeguard Specialist will ensure that all environmental and social issues that arise are addressed. The relevant contracted service providers under Component 1 will update their respective Environmental and Social Management Plans (ESMPs) presented in Annex 1, once sites have been selected, and monitor the distribution of rice and fertilizer and the implementation of the small works associated with the community storage and processing units, in accordance with their specific ESMP. The updated ESMPs will be approved by the Project Coordinator, with the assistance of the Component Leader and Safeguard Specialist. This will be done in consultation with CAIA. While ultimately responsibility for safeguards monitoring lies with project staff, the project will encourage, where appropriate, participatory monitoring by the potentially affected communities and stakeholders. The Project Coordinator, supported by the Safeguard Specialist and together with CAIA, will ensure that appropriate solutions are found for any unexpected impacts brought to the attention of project staff by affected communities or stakeholders. Such solutions will be defined in consultation with any affected parties. In addition, CAIA will periodically accompany the project staff on field supervisions to verify the quality of the project's ESMP monitoring activities.

K. Budget

43. Except for the salary of the safeguard specialist, implementation costs of this ESMF/P are subsumed in the project's agricultural; rehabilitation and MSME activities themselves (e.g. staff salaries, fuel, community meeting costs, screening TA, etc.). Safeguards training of the service providers, project staff and appropriate ministerial staff will be conducted early on in the project. This training will be led by World Bank safeguard specialists and hence, only workshop costs apply. The Safeguards Specialist will be contracted on a part time basis and expected to provide on average between 40-60 days support per annum over the lifetime of the project. This consultancy is estimated to cost in the order of \$25,000. In addition, a budget provision of \$5,000 has been made to cover costs of CAIA participation, and \$10,000 for *ad hoc* environmental studies should the need arise.

L. Monitoring and Reporting

44. The Project Coordinator will have the overall responsibility for ensuring that any environmental or social impacts are appropriately addressed. Although the project's environmental and social impacts are likely to be negligible, monitoring for unexpected environmental and social impacts will be nevertheless be conducted on a regular basis by project staff, in particular the Component Leaders. Regular field supervision visits will be conducted by the Component Leader and Safeguard Specialist prior to, during and post completion of the Component 1 seed/fertilizer distribution and works, to ensure appropriate implementation of the ESMPs outlined in Annex 1, Part 4 below. Similarly, the Component Leader and Safeguard Specialist will conduct visits to the grant winning MSMEs who must prepare ESMPs to verify implementation of any identified mitigation actions, and to provide support on their improvement as necessary. CAIA, in line with its legal mandate, will accompany the project staff on at least two of the Component 1 field supervisions and will visit at least 30% of the BPC financed MSMEs to verify the quality of the project's ESMP monitoring activities. Furthermore, implementation of the ESMPs will also be verified in the field by the World Bank team as part of its regular supervision missions.

45. Lastly, a detailed monitoring system will be designed and implemented for the PSRADP as a whole. Environmental and social indicators will be integrated into this system and monitored and reported on a quarterly basis.

Annex 1: Environmental and Social Management Plan (ESMP)

ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN

PRIVATE SECTOR REHABILITATION AND AGRIBUSINESS DEVELOPMENT PROJECT (PSRADP)

PART 1: GENERAL PROJECT AND SITE INFORMATION

INSTITUTIONAL & ADMINISTRATIVE							
Country	Guinea Bissau						
Project title	Private Sector Rehabilitation and Agribusiness Development Project (PSRADP)						
Scope of project and activity	Rice and fertilizer distribution/ Rehabilitation of Community Storage/Processing Facilities/ MSMEs						
Institutional arrangements (Name and contacts)	WB FranciscoMoraes Leitao Campos fcampos@worldbank.org (Project Team Leader)	Project Management TBD Project Coordinator TBD	Local Counterpart and/or Recipient Ministry of Economy, Planning and Regional Integration				
Implementation arrangements (Name and contacts)	Safeguard Supervision Project Coordinator TBD	Local Counterpart Supervision CAIA	Local Inspectorate Supervision TBD	Contactor TBD			
SITE DESCRIPTION							
Name of site	TBD once site(s) have been selected						
Describe site location	TBD once site(s) have been selected	Attachment 1: Site Map []Y []N					
Who owns the land?	TBD once site(s) selected. (N.B., No land acquisition permitted)						
Description of geographic, physical, biological, geological, hydrographic and socio-economic context	TBD once site(s) have been selected.						
Locations and distance	TBD once site(s) have been selected. It is expected that to the extent possible						

for material sourcing, especially aggregates, water, stones?	construction will rely on locally sourced materials and labor.
LEGISLATION	
Identify national & local legislation & permits that apply to project activity	Lei No. 10/2010, September 21, 2010- National EA Law Lei base de ambiente No. 1/2011, March 2, 2011 - National framework law for the environment Despacho de 16 de dezembro 2004 – CAIA Statute
PARTICIPATORY PUBLIC CONSULTATION	
Identify when / where the public consultation process took place	TBD - The specific location and timing of public consultation with respect to project activities will be determined as a function of the relevant site(s), stakeholders and nature of the pilot project.
INSTITUTIONAL CAPACITY BUILDING	
Will there be any capacity building?	[] N or []Y if Yes, Attachment 2 includes the capacity building program

PART 2: SAFEGUARDS INFORMATION SCREENING CHECKLIST

ENVIRONMENTAL AND SOCIAL SCREENING			
Will the site activity include/involve any of the following??	Activity	Status	Triggered Actions
	A. Building rehabilitation	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section A below
	B. Minor new construction	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section A below
	C. Individual wastewater treatment system	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section B below
	D. Historic building(s) and districts	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section C below
	E. Acquisition of land ¹¹	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section D below
	F. Hazardous or toxic materials ¹²	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section E below
	G. Impacts on forests and/or protected areas	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	See Section F below
	H. Handling / management of medical waste	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section G below
	I. Traffic and Pedestrian Safety	<input type="checkbox"/> Yes <input type="checkbox"/> No	See Section H below

¹¹ Land acquisitions includes displacement of people, change of livelihood encroachment on private property this is to land that is purchased/transferred and affects people who are living and/or squatters and/or operate a business (kiosks) on land that is being acquired.

¹² Toxic / hazardous material includes but is not limited to asbestos, toxic paints, noxious solvents, removal of lead paint, etc.

PART 3: GUIDANCE ON POTENTIAL MITIGATION MEASURES

ACTIVITY	PARAMETER	MITIGATION MEASURES CHECKLIST
0. General Conditions	Notification and Worker Safety	<ul style="list-style-type: none"> (a) The local construction and environment inspectorates and communities have been notified of upcoming activities (b) The public has been notified of the works through appropriate notification in the media and/or at publicly accessible sites (including the site of the works) (c) All legally required permits have been acquired for construction and/or rehabilitation (d) The Contractor formally agrees that all work will be carried out in a safe and disciplined manner designed to minimize impacts on neighboring residents and environment. (e) Workers' PPE will comply with international good practice (always hardhats, as needed masks and safety glasses, harnesses and safety boots) (f) Appropriate signposting of the sites will inform workers of key rules and regulations to follow.
A. General Rehabilitation and /or Construction Activities	Air Quality	<ul style="list-style-type: none"> (a) During interior demolition debris-chutes shall be used above the first floor (b) Demolition debris shall be kept in controlled area and sprayed with water mist to reduce debris dust (c) During pneumatic drilling/wall destruction dust shall be suppressed by ongoing water spraying and/or installing dust screen enclosures at site (d) The surrounding environment (side walks, roads) shall be kept free of debris to minimize dust (e) There will be no open burning of construction / waste material at the site (f) There will be no excessive idling of construction vehicles at sites
	Noise	<ul style="list-style-type: none"> (a) Construction noise will be limited to restricted times agreed to in the permit (b) During operations the engine covers of generators, air compressors and other powered mechanical equipment shall be closed, and equipment placed as far away from residential areas as possible
	Water Quality	<ul style="list-style-type: none"> (a) The site will establish appropriate erosion and sediment control measures such as e.g. hay bales and / or silt fences to prevent sediment from moving off site and causing excessive turbidity in nearby streams and rivers.
	Waste management	<ul style="list-style-type: none"> (a) Waste collection and disposal pathways and sites will be identified for all major waste types expected from demolition and construction activities. (b) Mineral construction and demolition wastes will be separated from general refuse, organic, liquid and chemical wastes by on-site sorting and stored in appropriate containers. (c) Construction waste will be collected and disposed properly by licensed collectors (d) The records of waste disposal will be maintained as proof for proper management as designed. (e) Whenever feasible the contractor will reuse and recycle appropriate and viable materials (except asbestos)
B. Individual wastewater	Water Quality	<ul style="list-style-type: none"> (a) The approach to handling sanitary wastes and wastewater from building sites (installation or reconstruction) must be approved by the local authorities

treatment system		<ul style="list-style-type: none"> (b) Before being discharged into receiving waters, effluents from individual wastewater systems must be treated in order to meet the minimal quality criteria set out by national guidelines on effluent quality and wastewater treatment (c) Monitoring of new wastewater systems (before/after) will be carried out (d) Construction vehicles and machinery will be washed only in designated areas where runoff will not pollute natural surface water bodies.
C. Historic building(s)	Cultural Heritage	<ul style="list-style-type: none"> (a) If the building is a designated historic structure, very close to such a structure, or located in a designated historic district, notification shall be made and approvals/permits be obtained from local authorities and all construction activities planned and carried out in line with local and national legislation. (b) It shall be ensured that provisions are put in place so that artifacts or other possible "chance finds" encountered in excavation or construction are noted and registered, responsible officials contacted, and works activities delayed or modified to account for such finds.

ACTIVITY	PARAMETER	MITIGATION MEASURES CHECKLIST
D. Acquisition of land	Land Acquisition Plan/Framework	<ul style="list-style-type: none"> (a) If expropriation of land was not expected but is required, or if loss of access to income of legal or illegal users of land was not expected but may occur, that the Bank's Task Team Leader shall be immediately consulted. (b) The approved Land Acquisition Plan/Framework (if required by the project) will be implemented
E. Toxic Materials	Asbestos management	<ul style="list-style-type: none"> (a) If asbestos is located on the project site, it shall be marked clearly as hazardous material (b) When possible the asbestos will be appropriately contained and sealed to minimize exposure (c) The asbestos prior to removal (if removal is necessary) will be treated with a wetting agent to minimize asbestos dust (d) Asbestos will be handled and disposed by skilled & experienced professionals (e) If asbestos material is be stored temporarily, the wastes should be securely enclosed inside closed containments and marked appropriately. Security measures will be taken against unauthorized removal from the site. (f) The removed asbestos will not be reused
	Toxic / hazardous waste management	<ul style="list-style-type: none"> (a) Temporarily storage on site of all hazardous or toxic substances will be in safe containers labeled with details of composition, properties and handling information (b) The containers of hazardous substances shall be placed in an leak-proof container to prevent spillage and leaching (c) The wastes shall be transported by specially licensed carriers and disposed in a licensed facility. (d) Paints with toxic ingredients or solvents or lead-based paints will not be used
F. Affected forests, wetlands and/or	Protection	<ul style="list-style-type: none"> (a) All recognized natural habitats, wetlands and protected areas in the immediate vicinity of the activity will not be damaged or exploited, all staff will be strictly prohibited from hunting, foraging, logging or other damaging activities.

protected areas		<ul style="list-style-type: none"> (b) A survey and an inventory shall be made of large trees in the vicinity of the construction activity, large trees shall be marked and cordoned off with fencing, their root system protected, and any damage to the trees avoided (c) Adjacent wetlands and streams shall be protected from construction site run-off with appropriate erosion and sediment control feature to include by not limited to hay bales and silt fences (d) There will be no unlicensed borrow pits, quarries or waste dumps in adjacent areas, especially not in protected areas.
G. Disposal of medical waste	Infrastructure for medical waste management	<ul style="list-style-type: none"> (a) In compliance with national regulations the contractor will insure that newly constructed and/or rehabilitated health care facilities include sufficient infrastructure for medical waste handling and disposal; this includes and not limited to: <ul style="list-style-type: none"> ▪ Special facilities for segregated healthcare waste (including soiled instruments "sharps", and human tissue or fluids) from other waste disposal; and ▪ Appropriate storage facilities for medical waste are in place; and ▪ If the activity includes facility-based treatment, appropriate disposal options are in place and operational
H Traffic and Pedestrian Safety	Direct or indirect hazards to public traffic and pedestrians by construction activities	<ul style="list-style-type: none"> (b) In compliance with national regulations the contractor will insure that the construction site is properly secured and construction related traffic regulated. This includes but is not limited to <ul style="list-style-type: none"> ▪ Signposting, warning signs, barriers and traffic diversions: site will be clearly visible and the public warned of all potential hazards ▪ Traffic management system and staff training, especially for site access and near-site heavy traffic. Provision of safe passages and crossings for pedestrians where construction traffic interferes. ▪ Adjustment of working hours to local traffic patterns, e.g. avoiding major transport activities during rush hours or times of livestock movement ▪ Active traffic management by trained and visible staff at the site, if required for safe and convenient passage for the public. ▪ Ensuring safe and continuous access to office facilities, shops and residences during renovation activities, if the buildings stay open for the public.

PART 4: Environmental and Social Management Plan

Activity 1 –Rehabilitation of Community Storage/Community Cashew Processing Facilities

Phase	What (Is the parameter to be monitored?)	Where (Is the parameter to be monitored?)	How (Is the parameter to be monitored?)	When (Define the frequency / or continuous?)	Why (Is the parameter being monitored?)	Cost (if not included in project budget)	Who¹³ (Is responsible for monitoring?)
During activity preparation	Notification: Local stakeholders are consulted during site selection, and notified of final choice.	In the vicinity of the affected storage /processing facilities.	Stakeholder meeting minutes	At least one consultation meeting on site selection. Followed by a site validation meeting.	To ensure site selection takes into consideration local stakeholders views and local conditions.	Consultation costs included in project budget	Component Leader (assisted by Safeguard Specialist), Project Coordinator, CAIA.
During activity implementation	Notification: Communities notified of upcoming activity General construction activities: Air quality Noise Water Quality Waste management	In vicinity of the rehabilitation works.	Site visits	Continuous	To determine if impact is occurring and if mitigation required	Included in project budget	Site Workers, Local community members, Component Leader (assisted by Safeguard Specialist), Project Coordinator, CAIA.

¹³In addition to in-country monitoring, the World Bank team will verify implementation of this ESMP during its regular supervision missions.

	Forest/Protected zones: Habitat disturbance Tree root damage Water quality: Erosion/Sediment runoff						
During activity supervision	General operating activities: Air quality Noise Water Quality Waste management Forest/Protected zones: Fuel wood collection Waste management Habitat disturbance	In vicinity of community storage / processing facility	Site visits	Upon initiation of operation of facility and quarterly during the first year of operation. Ad hoc thereafter.	To determine if impact is occurring and if mitigation required	Included in project budget	Community members, Component Leader (assisted by Safeguard Specialist), Project Coordinator, CAIA.

Activity 2 – Distribution of rice and fertilizer

Phase	What (Is the parameter to be monitored?)	Where (Is the parameter to be monitored?)	How (Is the parameter to be monitored?)	When (Define the frequency / or continuous?)	Why (Is the parameter being monitored?)	Cost (if not included in project budget)	Who ¹⁴ (Is responsible for monitoring?)
During activity preparation	<p>Notification: Community and other stakeholders are consulted during farmer and site selection, and notified of final choice.</p> <p>Social: Screening for land acquisition, resettlement, livelihood access¹⁵</p> <p>Forest/Protected zones: Site selection screened for valuable and/or critical natural habitats.</p>	In the vicinity of the selected site	Minutes of stakeholder meetings. Screening checklist.	At least one consultation meeting during farmer / site selection One time checklist	To ensure farmer / site selection takes into consideration local community and other stakeholders views and local social and environmental conditions. To ensure no land acquisition required, nor resettlement or livelihood access issues.	Consultation and screening costs included in project budget	Farmer/Producer Association/Service Provider, Component Leader (assisted by Safeguard Specialist), Project Coordinator, CAIA.
During activity implementation	Notification: Communities notified of upcoming work	In and around the targeted farmlands	Site visits	Periodic, in accordance with activity implementation	To determine if impact is occurring and if mitigation required	Included in project budget	Farmersworkers, Producer Association/Gov. implementer Community

¹⁴In addition to in-country monitoring, the World Bank team will verify implementation of this ESMP during its regular supervision missions

¹⁵Agricultural inputs (seeds, fertilizer) will be provided to existing rice and cashew farmers, for use on their existing agricultural lands on a voluntary basis.

	General construction activities: Air quality Noise Water Quality Waste management Forest/Protected zones: Habitat disturbance Tree root damage Water quality: Erosion/Sediment runoff			plan			members, Component Leader (assisted by Safeguard Specialist), Project Coordinator, CAIA.
During activity supervision	General operation: Air quality Noise Waste management Water demand	In and around the targeted farmland.	Site visits	Continuous	To determine if impact is occurring and if mitigation required	Included in project budget	Farm workers, Producer Association/Gov. Implementer, Community members, Component Leader (assisted by Safeguard Specialist), Project

	<p>Toxic materials: Agrochemicals¹⁶</p> <p>Forest/Protected zones: Habitat disturbance Tree root damage</p> <p>Water quality: Erosion/Sediment runoff</p>						Coordinator, CAIA.
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¹⁶Currently, cashew and rice production techniques are organic and hence do not use artificial pesticides or fertilizers. The country plans to exploit this organic marketing niche. However, in light of the risk posed by pest and diseases (and that this may be exacerbated by the introduction of new varieties), monitoring of the use of agrochemicals has been included in the ESMP.

Annex 2: Negative List – MSMEs Ineligible for BPC Grant Funding

NEGATIVE LIST - MSMES INELIGIBLE FOR BPC GRANT FUNDING

The BPC negative list defines the activities which will render an MSME business plan ineligible, vis-à-vis environmental and social safeguards:

- Activities which require land acquisition
- Activities which result in restriction of access to and/or loss of livelihoods for populations
- Activities which involve transformation or degradation of critical natural habitats and could result in the loss of biodiversity, including any official natural protected areas such as national parks and other protected areas;
- Activities which involve the cutting of trees for commercial activities;
- Activities which require the use of pesticides;
- Activities which include dam construction over three meters high and trigger the safeguard policy OP 4.37;
- Activities which involve works related to religious and political infrastructure;
- Activities which involve the purchase of equipment for government agencies;
- Activities which fall under Category A (as described in the World Bank OP / BP 4.01)

**Annex 3: Consultation of Environmental and Social Management Framework and Plan
(ESMF/P) and other Social and Environmental Safeguards Documents**

Feb 28 2014, Bissau, Guinea-Bissau

1. A consultation meeting on the Environmental and Social Impacts of the IDA-financed Guinea-Bissau Private Sector Rehabilitation and Agribusiness Development Project (P127209) was held on February 28, 2014. The list of attendees is attached. Discussions and decisions reached during the meeting are summarized below.
2. The meeting comprised the following agenda:
 - a. Presentation of planned project. Comments and questions on project design
 - b. Direct and Indirect¹⁷ Environmental and Social Impacts of Project and Mitigation Measures
 - c. Open discussion about Environmental and Social Impacts of Project

a. Presentation of planned project. Comments and questions on project design

3. The project was explained at length, namely its proposed activities in Agriculture, Agro-processing, Institutional Building, Entrepreneurship, and Investment Climate. The rational of the project was outlined including how it addresses some key constraints to private sector development, and how it relates to initiatives supported by other partners. The implementation arrangements of the project were presented by the project team.
4. The meeting discussed the project objectives and clarified urgent questions and concerns about its design. The meeting was very much supportive of project design. In response to questions of detail from the meeting participants, the team explained how the project will demonstrate results before seeking FUNPI to accompany its investments. It was explained that FUNPI needs to improve systems, processes, and governance and that there is no MoU between the project and FUNPI to support its activities. At the margin, the project can support FUNPI in becoming more efficient and truthful to its original motivation. FUNPI was also acknowledged by the meeting as a potential vehicle of increasing access to credit – through credit guarantees - for production and agro-processing. Other mechanisms mentioned during the meeting included partnering with other donors and developing rural banks.
5. It was also discussed how changes in business environment regulations need to be followed up to ensure they are implemented in practice, given they often impact rent-seeking. The meeting agreed that the project and in general the government must find creative mechanisms including feedback-loop mechanisms to make sure new laws are implemented.

¹⁷ E.g. of an indirect impact: the business plan competition could potentially promote a business that when in operation could have negative environmental impacts.

b. Direct and Indirect Environmental and Social Impacts of Project and Mitigation Measures

6. The environment and social specialist (consultant) that worked on the Environmental and Social Management Framework/Plan (ESMF/P), as well as on the Terms of Reference (TOR) for the Strategic Environmental and Social Assessment (SESA) for the cashew value chain and the TOR for the preparation of Environmental and Social Guidelines for FUNPI, explained the different impacts (positive and negative) of the project, as listed in the Integrated Safeguards Data Sheet (ISDS) and detailed in the environmental and social documents prepared up to now. The impacts included those on production of rice and cashew, other crops that may be affected by the project, as well as in terms of agro-processing and new entrepreneurship in rural and urban areas. The consultant explained the strategic guidance for enhancing environmental sustainability and social equity of the agricultural and agribusiness sectors supported by the project and specific recommendations to be incorporated into the project's technical assistance as well as into national policies and programs. The consultant also explained the environmental and social guidelines to orient FUNPI-financed activities. Finally, the consultant listed mechanisms of addressing the potential negative environmental and social impacts within the footprint of project activities, namely (i) the distribution of rice and fertilizer, (ii) the rehabilitation works associated with the community storage and processing units, and (iii) the business plan competition supported MSME activities.
7. The consultant provided details on the negative environmental impacts from agriculture practices, and options to timely tackle them. On infrastructural rehabilitation, the consultant provided examples of measures to address negative impacts such as residues, accidents, etc. On cashew production and processing, the consultant explained the effects on energy consumption and water recycling. On FUNPI, the consultant described how specific initiatives can prevent the negative impacts of its interventions. The meeting learnt how the FUNPI operations manual and its component on Environment and Social impacts will be supported by the project. The impacts on deforestation were discussed including the helpful approach of the project of not focusing on the extensive margin of increasing land exploration but rather on the productivity of existing plantations. The consultant also indicated the importance of monitoring the environmental and social impacts of new ventures (e.g. land acquisition and displacement).

c. Open discussion about Environmental and Social Impacts of Project

8. During the open consultation, the participants agreed and supported the project's initiatives on social and environmental issues. The meeting fully agreed with the strategy taken.
9. Two main issues were discussed during the meeting: (i) the ongoing dynamics in changing the size of the area of cashew production; and (ii) the opportunities that can be seized to have positive environmental impacts out of cashew production and processing.
10. In terms of area cultivated, two contradictory dynamics are happening in the country and will affect the size of the area cultivated. None of the two is incentivized by project activities. On the one hand, the growth of urban centers is reducing the areas of plantation of cashew. To mitigate this issue, the government is promoting vertical rather than

horizontal urban development. On the other hand, ongoing deforestation in protected areas is creating space that is being explored by cashew producers. The meeting acknowledged the importance of developing Comprehensive Urban and Rural Plans in the Regions that have not yet developed them. The meeting discussed the importance of a national strategy guiding where to plant cashew. The meeting also learnt about initiatives that are being developed by the government to reduce deforestation.

11. The meeting discussed how cashew production can have positive impacts on the environment. It was mentioned that cashew production promotes fallowing, does not require fertilizer or pesticides, contributes to produce oxygen, etc. The meeting also discussed opportunities that are currently unexplored, especially in cashew agro-processing. These include new technologies in cutting raw cashew nuts, incentivizing the use of oil for cooking, as well as the use of cashew's wood to build small boats. The meeting recommended that the project supports high and filtered chimneys to avoid risks of smoke pollution.
12. Finally, the meeting also agreed with the project's initiative of developing environmental and social plans as part of the business plan competition program.

List of Participants:

Nome	Instituicao	Funcao
Joao Quade	ATC-Caju	Presidente de Mesa de Assembleia
Florentino Nanque	ATC-Caju	Presidente de Mesa de Assembleia
Mario Mendonca	No finaca/BCA	Director/Consultor
Yanick Soares	CAIA	Tecnico
Carlos Lopes	AIGB	Vice-Presidente
Mamadu Djombo Indjaie	ANAG	Tecnico
Fernando Flamengo	AIGB	Presidente de Mesa de Assembleia
Corca djalo	ANAG	Sec. Executivo
Carmen Pereira	BM	Project officer
Mama Samba Embalo	ANAG	Presidente de Mesa de Assembleia
Mario Biague	CAIA	Coordenador
Jacam Marques Vieira	DGI	Director de Servico
Tumane Djata	ANAG	Tecnico
Mussa Sambi	MEIR	Direc. Servico
Francisco Campos	BM	Economista
Joao Montalvao	BM	Economista