

Terms of Reference

Strategic Environmental and Social Assessment

Guinea-Bissau Private Sector Rehabilitation and Agribusiness Development Project

A. Introduction

1. The Government of Guinea Bissau has requested World Bank assistance to prepare a Private Sector Rehabilitation and Agribusiness Development project (PSRADP) to support the development of the cashew agribusiness sector and to promote entrepreneurship in other sectors of the economy. As part of project preparation, and as required by National EIA legislation and World Bank Safeguard Policies, a Strategic Environmental and Social Assessment (SESA) to identify and recommend how to address the associated negative and positive social and environmental impacts will be completed.

2. The SESA will focus on and fully examine all the potential environmental and social issues associated with the development of the cashew sector as a whole, as the social and environmental impact of the technical assistance provided for the improvement of the business environment are not considered to be significant. The SESA will be prepared in a participatory manner, and its findings will inform the ongoing development of sectoral policy.

3. Project specific environmental and social impacts will be addressed under separate safeguard instruments, namely, (i) an Environmental and Social Management Framework/Plan (ESMF/P) for the PSRADP pilot projects and (ii) environmental and social safeguard policy, guidelines and operating procedures for the Fund to Promote Industrialization of Agricultural Products (FUNPI).

B. Context

4. **Country Background.** Guinea-Bissau is one of the poorest countries in Sub-Saharan Africa. With an estimated 1.5 million inhabitants, the population is young—about 42 percent is under 14 years of age—and is now growing at an average rate of 2.2 percent per year. Annual Gross Domestic Product (GDP) per capita is estimated at US\$550. The country has been plagued by political instability since the 1998-99 conflict, suffering repeated coup attempts, changes of government and assassinations of military and political leaders. These events have heightened concerns about national security and stability amongst the international community, and are made more acute by recent reports about an increasing presence of drug traffic threatening the prospects of the country.

5. **Cashew Sector.** Guinea-Bissau's economy is highly natural resource dependent. Agriculture is the dominant sector (representing approximately 50 percent of the total

GDP), and within this, cashew is the most important agricultural product. It is grown by more than 55 percent of all agricultural households (mostly small holders) and employs, directly or indirectly, 80 percent of the population. Cashew nuts currently represent over 90 percent of the country's export revenues and are the main source of cash revenue for agricultural households, which remain the poorest households in the country (rural poverty is close to 80 percent). The area under cashew production increased from 118.595 ha¹ to more than 250.000 ha² (representing approximately 47 percent of the total agricultural area under cultivation) between 1996 and 2011. Similarly, raw nut production has increased from 30,000 tons in the early 1990s to approximately 200,000 tons in 2011.

6. Guinea-Bissau is currently the world's fifth largest producer of cashew, after India, Cote d'Ivoire, Vietnam and Brazil, and its nuts are considered of relatively high quality.³ This ongoing expansion in planted area and productivity has been achieved in spite of negligible state support and severe constraints in the institutional and business environment. The current tree stock has been predominantly planted by individual small holders, on plots of land averaging 2-3 ha⁴, as opposed to large scale plantations. Despite this, the distribution of cashew trees in Guinea Bissau trends towards monoculture with all the its attendant problems, such as, biodiversity loss, increased risk of pests and disease and reduced soil quality. Although there are significant regional differences, on average about 50 percent of the trees are less than 10 years old and have thus not reached full productivity. Output will, therefore, continue to expand and be a major source of growth for the foreseeable future.

7. Despite very favorable agro-climatic conditions, the overall good quality and increasing production of raw nuts, the sector also faces serious challenges. At the production level, the existing tree stock has mostly been established using low productivity planting material and agricultural practices are poor due to an absence of research programs and appropriate extension services since the mid-1990s. Currently there is little or no thinning or pruning of trees and an absence of preventative measures against pests and diseases. Although yields appear relatively acceptable at 500-600 kg/ha, comparable to that in India and Brazil, these could be significantly improved, thus potentially freeing both land and labour and in turn allowing diversification of the country's agricultural base. Harvest and post-harvest techniques are also inadequate (premature harvesting, inadequate drying, handling and storing), which generates losses in quantity and quality of nuts.

8. At the processing level, almost all of Guinea-Bissau's cashew crop is exported as raw nuts, mainly to India and Vietnam. There is a small installed processing capacity for the production of cashew kernel (some 25,000 tons or about 13 percent of total production), but all facilities are currently idle due to the low current competitiveness of

¹ TIPS/USAID – ANAG/AMAE (1996).

² Preliminary Annual Report- Conselho Nacional de Caju (CNC – 2011) estimates the area under cashew plantation to lie between 250.000 a 300.000 hectares.

³ Raw cashew nuts produced in Guinea-Bissau are deemed to be of high quality as reflected by the price premium that these nuts fetch compared to nuts from other countries in West Africa (i.e. Cote d'Ivoire).

⁴ Peter Jaeger and Steev Lynn (2004). Guinea-Bissau Cashew Sector Development Study

the domestic processing industry which is constrained *inter alia* by a poor investment climate, political instability, limited managerial capacities and access to credit. In 2011 less than one percent of the approximately 200,000 tons of nuts produced were processed in-country. At the export level, the market is dominated by 53 companies/individuals, which exported an average of three thousand and five hundred (3,500) tons each in 2011 (CNC Annual Report 2011).

9. By exporting only raw nuts, Guinea Bissau is dangerously dependent on its two main buyers, India and Vietnam; and is depriving itself of the value added and jobs created by the cashew processing, which creates about one fulltime job for three tons of processed raw nuts. Processing 60,000 tons of nuts would create around 20,000 jobs, mostly in rural areas and two thirds of which would be for women. In addition, there is potential to generate additional socio-economic benefits for poorer rural areas through opportunities for co-generation of energy through the usage of cashew nut shells – a byproduct of kernel processing with a very high caloric value that can be transformed into biomass electricity. In light of the above, cashew agro-processing represents an opportunity for pro-poor growth that should not be missed. This said, increased investment in the cashew sector can also give rise to negative environmental and social consequences, such as increased water and fuel consumption, air pollution and solid waste disposal. Hence it is important that it be managed correctly.

10. The cashew sector overall has been historically affected by disruptive government measures. The recent introduction of an export surcharge of 50 Francs CFA/kg in support of the creation of a Fund to Promote Industrialization of Agricultural Products (FUNPI) is the latest of a set of interventions introduced by the Government during the last 10 years. Previously, the Government intervened to set “minimum” purchasing prices for raw cashew or to introduce new regulations about cashew trading and intermediation. These interventions have been often introduced without previous stakeholder consultations, and tend to have a disruptive effect on the market. While originally contentious, FUNPI, created on May 3, 2011, by a Decree of the Council of Ministers to support and finance agricultural and agro-industrial activities, could help promoting the development of the cashew sector if properly structured and managed. To date, the statute of FUNPI has not been finalized but a commission jointly appointed by the Government and the CCIAS is currently working on defining it.

11. **Environmental and Social Management Capacity.** Over the past decade, environmental assessment has gained increasing national recognition as a means of promoting 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 many 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. Detailed regulations for their implementation are not yet fully in place. 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 fulfil their roles and responsibilities is low.

C. Project Description

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

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, as well as 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.

D. Objective

16. The objective of this SESA is 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 a policy level so as to enhance environmental sustainability and social equity of the cashew sector development.

E. Approach

17. The SESA seeks to ensure that environmental and social issues are taken into consideration during the development and implementation of sectoral policies and programs. Its findings and recommendations will be a core input to the technical assistance offered under Component 1 of the PSRAD project as well as serving to inform national policies and strategies. The SESA will be prepared via a participatory process involving consultations with the main stakeholders along the entire cashew value chain. It should also help establish a platform for stakeholder dialogue, including those from key sectors that may be impacted by or influence the policy and institutional reforms of the cashew sector such as forest sector, land use planning, pest and disease management, food crop production and the other crop growers such as rice farmers.

F. Reporting Arrangements

18. The SESA team will work under the direct supervision of the multi-sectoral team overseeing the preparation of the PSRAD project, led by the Ministry of Economy, Planning and Regional Integration.

G. Scope of Work

(a) Situation Analysis

(i) Sectoral analysis

19. The consultant will undertake a comprehensive biophysical, social and environmental data gathering exercise using existing credible sources, and review this data to establish a baseline as well as to identify data gaps or weaknesses. To the extent possible the consultant will address these gaps/weaknesses through field visits and interviews and meetings with stakeholders and custodians of such data.

20. Based upon this, the consultant will use appropriate methodologies⁵ to describe and analyze the existing and potential key beneficial and adverse environmental and social issues related to the entire cashew value chain, including an assessment of sectoral vulnerability to climate change. These issues may include but are not limited to: at the production level, expansion of the cashew “monoculture” with all the attendant impacts on biodiversity, natural habitats and ecosystems, soil, water and increased vulnerability to

⁵ The consultant should refer to the WB safeguard policies, IFC performance standards and any relevant environmental or sectoral regulations.

pests and diseases; and at the processing level, increased demand for fuel wood, water and land, and the generation of outputs such as cashew nut shells, CNSL, and fumes from burning shells for cashew roasting or electricity generation, all of which may contribute negatively to the health of the environment and people. At the exporting level, increased processing might also lead to increased transportation activities to and from community processing centers. In addition, particular attention should be paid to social factors such as impacts on food security, livelihoods, income generation; likelihood of involuntary resettlement; threats to physical cultural resources, potential for natural resource user conflicts; gender effects; employment potential; and impacts on poverty, vulnerability and ethnicity.

21. The analysis must include a trend analysis of the development of the cashew sector in the short, medium and long-term and its environmental and social impacts in the assumption of both with and without implementation of the sector strategy. Cross-sectoral linkages must be taken into account to analyze the influence of other sectoral policies or strategies.

(ii) Institutional and Legislative Framework Analysis

The analysis will include but not be limited to the sector's institutional and legislative framework, including the existing and proposed institutions that may influence or be responsible for the implementation of the sector strategy and the management of environmental and social impacts. Furthermore, an overview will also be given to sector policy framework, environmental and social regulatory framework and the wider policy framework related to the sector strategy. The consultant will assess the existing institutional and human capacity to manage the selected environmental and social priorities in the context of the political economy of the sector.

22. The role of institutions should be considered for each stage of the cashew value chain (e.g., access to land, access to information, and trade chains, etc.), and the assessment should look at the full range of public and private organizations involved in the cashew value chain, and not only institutions involved in environmental and social management.

(iii) Stakeholder Analysis

23. The consultant will identify the key stakeholders, being sure to differentiate by gender, analyze their interests in and influence over the cashew sector including reviewing the role, mandate and linkages of the various institutional stakeholders, the planning agencies, local agencies and civil society organizations. NGOs and CBOs, and specific interest groups (farmers, processors, exporters, etc.) that are likely to be benefited or affected by developments in the cashew sector should be also included. Specific attention will be paid to identifying local communities and analyzing their structure and organization for agricultural and cashew production, and to assessing

possible changes in income dynamics, and possible trickle down effects from the cashew sector on the other agricultural products such as rice.

24. Taking into account stakeholder interests and power to affect the formulation and implementation of the main policies proposed in the strategy, the consultants will in addition consider how best to include specific stakeholders such as women and youth into the SESA during the situation analysis, selection of priorities and validation of results.

(b) Identification and Evaluation of Environmental Opportunities and Risks

25. Based on the environmental, social, institutional analyses, the consultants will identify the priority environmental and social opportunities and risks facing the cashew sector. This priority setting exercise will be done in consultation with key stakeholders. The consultants will discuss how these priorities are likely to be influenced, positively or negatively, by the continued development of the cashew sector, and will suggest appropriate and proportional institutional and policy adjustments for the sector to take advantage of these opportunities or to mitigate against the risks. Any suggested institutional and policy adjustment must be justified by its benefits relative to its cost.

26. The consultant's findings will be discussed and validated together with key stakeholders.

(c) SESA Recommendations

27. The consultant will propose concrete recommendations to address the technical, institutional, governance and policy gaps and capacity building needs identified. This will include specific investments, policy and institutional adjustments that should be captured in an action plan detailing key actions, timeframe and estimated costs that can then be incorporated into national policies, strategies and plans.

H. Public participation and dissemination

28. The consultant should describe the different public participations activities that they plan to undertake for the identification and selection of SESA's priorities, including but not limited to surveys, interviews, focus groups, workshops, etc.

29. The SESA draft report and recommendations will be validated in a workshop that will convene sectoral and area wide stakeholders. A final dissemination meeting will be carried out to present to the stakeholders the SESA final report, recommendations and monitoring plan. The final report will be publically disclosed both in-country and in the World Bank InfoShop.

I. Deliverables

30. The key deliverables will include:

- Inception report, including the proposed analytical framework and detailed report outline
- Draft SESA
- Final SESA

J. Key Staff and Required Skills

31. The assignment is expected to be completed by a consulting firm. The firm must specify the qualifications and experience of each specialist to be assigned to the SESA study.

32. It is proposed that the team comprise at least one international and two local consultants. The team leader should be an experienced international consultant with at a minimum of a masters degree in a relevant area and at least 10 years experience in strategic environmental and social assessments and agriculture/land use planning. Experience in the country and sector concerned will be an asset, as well as knowledge of World Bank's safeguard policies and strategic decision making.

33. For each specialist proposed, a *curriculum vitae* must be provided of no more than (*three*) pages setting out the relevant qualifications and experience. The firm will be able to demonstrate - through the curriculum vitae of its team (local and international) – its experience with the professional preparation of SESA/environmental assessments in different sub-sectors of the agriculture/forestry/natural resource sector. More specifically this should include *inter alia*: (i) regional and sectoral SESA methodologies; (ii) agricultural economics and agronomics in general and cashew in particular; and (iii) social assessment and land tenure issues. At least one member of the team should have experience with the analysis of gender issues.

34. The firm's proposal must include an understanding of the Terms of Reference (TOR) and a description of the proposed approach to the SESA in accordance with the TOR.

35. The consultants will work as a team taking responsibility for gathering information and documents on the cashew sector in Guinea Bissau, liaising with the Government and stakeholders, and arranging the consultation process. The international consultant, with specialty in (i) environmental assessment and (ii) social assessment, will play a lead role in analytical work for the SESA and for writing the report on environmental and social aspects related to the cashew value chain. The consulting firm will implement the assignment together with, and in cooperation with, experienced national institutions and NGOs.

36. The consultancy assignment is expected to be in the order of 75 man days, of which it suggested that approximately 25 days be allocated to the international consultant.

K. Duration

37. The task is expected to be completed within a twelve (12) week period.
38. The consultant is expected to submit ten (10) hard copies as well as a copy in electronic format of each of: (i) an inception report, (ii) interim (draft) report, and (iii) the final report of the SESA to GOGB.
39. Proposed schedule:

Early-Month 1	Start of Consultancy & signing of the contract
Mid-Month 1	Submission of the inception report (Literature review, Methodology and Table of Content for the final SESA report)
End-Month 1	1 st Consultation Workshop
End-Month 2	Submission of the draft report
Mid-Month 3	2 nd Consultation Workshops and presentation of the Draft Report
End-Month 3	Final Draft report
Mid-Month 4	Final Report

L. Recommended background documents

40. The following documents are recommended for background reading and can be provided to the consultants upon request.

- Guinea Bissau Poverty Reduction Strategy Paper (PRSP)
- Working document for the elaboration of the Cashew Master Plan
- Draft Country Economic Memorandum (CEM) (World Bank)
- PSRAD Project - Project Information Document (PID) and Integrated Safeguards Datasheet (ISDS)
- Burundi Coffee Rapid Strategic Environmental and Social Assessment (World Bank 2011)
- FUNPI Decree (3 May 2011)
- Presentations from the November 2011 workshop on CEM Cashew Chapter and FUNPI
- Cashew Institutional Framework Report and Recommendations (to be prepared)
- Other

Annex 1

Illustrative Table of Contents for SESA

ACRONYMS

ACKNOWLEDGEMENTS

EXECUTIVE SUMMARY

1. **INTRODUCTION** –Set the stage for the SESA: explain and justify why an environmental and social analysis is required, why a hybrid-SESA (institutional and impact) is the appropriate instrument, and the link to the cashew sector strategy and master plan. Outline methodological approach, report structure and participatory approaches to be used.

- 1.1 Background
- 1.2 Objectives of the Assessment
- 1.3 Approach
- 1.4 Structure of the Report
- 1.5 Process for participatory dialogue and analysis

2. **ANALYSIS OF THE CASHEW SECTOR IN GUINEA BISSAU** – Describe and analyse the cashew sector for each stage of the value chain in the overall context of GW, including the relationship between the likely evolution of this sector in the short, medium and long-term and environmental, social and economic opportunities and risks.

- 2.1 Production
- 2.2 Processing
- 2.3 Marketing

3. **ASSESSMENT OF INSTITUTIONAL, LEGAL AND POLICY FRAMEWORK AND CAPACITY**– Assess the current and proposed policy, legal and institutional framework governing the sector including identification of institutional and legislative gaps, and an assessment of existing institutional and human resource capacity to manage the identified environmental and social opportunities and risks.

- 3.1 Policy, Legal and Regulatory Framework
- 3.2 Institutional Roles and Responsibilities
- 3.3 Public participation and consultation mechanisms
- 3.4 Political economy of the cashew sector
- 3.5 Environmental and Social Management capacity at the sector level

4. **ENVIRONMENTAL, SOCIAL AND INSTITUTIONAL OBJECTIVES** – Identify the environmental, social and institutional objectives for the sector.

- 4.1 Key Findings
- 4.2 Key Environmental and social issues
- 4.3 Key overarching government priorities
- 4.4 Consultation process to identify issues and select priorities
- 4.5 Validation of findings and recommendations

5. **FINDINGS AND RECCOMENDATIONS** - 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.

- 5.1 Summary of key findings
- 5.2 Recommendations

- 5.3 Political economy challenges
- 5.4 Critical success factors
- 6. ACTION PLAN – Present a time bound, costed, ten year action plan.
- 7. COMMUNICATIONS PLAN – Recommended strategy for dissemination of findings to the stakeholders.

REFERENCES

ANNEXES

Stakeholder analysis

Matrix Environmental and Socioeconomic Issues, Gaps, and Recommendations

SESA Validation Workshop Report

List of people met

Etc.