



1. Project Data

Project ID

P127209

Project Name

Priv Sec Rehab & Agribusiness Dev-PSRAD

Country

Guinea-Bissau

Practice Area(Lead)

Finance, Competitiveness and Innovation

L/C/TF Number(s)

IDA-54640

Closing Date (Original)

31-Dec-2019

Total Project Cost (USD)

7,389,070.23

Bank Approval Date

22-May-2014

Closing Date (Actual)

31-Dec-2019

IBRD/IDA (USD)

Grants (USD)

Original Commitment

8,200,000.00

0.00

Revised Commitment

8,200,000.00

0.00

Actual

7,389,070.23

0.00

Prepared by

Ranga Rajan
Krishnamani

Reviewed by

J. W. van Holst
Pellekaan

ICR Review Coordinator

Christopher David Nelson

Group

IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

The Project Development Objectives (PDOs) as stated in the Financing Agreement (Schedule 1, page 4) and the Project Appraisal Document (PAD, page 9) were:



" To support inclusive development of the cashew agribusiness sector and promote entrepreneurship in other sectors of the economy".

This review is based on the two objectives: (1) To support inclusive development of the cashew agribusiness sector: and, (2) To promote entrepreneurship in other sectors of the economy. For the purpose of this review, these objectives will be referred to, respectively, as Objectives 1 and 2 in Section 4 below.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

There were three components (PAD, pages 11 - 21).

1. Promoting the Development of Agribusiness. The estimated cost at appraisal was US\$5.4 million. The actual cost was US\$3.99 million. This component planned at developing the cashew value chain and activities for promoting rice production. This component had three sub-components:

(i) Promoting agricultural development through extension services, intercropping of cashew with other crops (such as rice), providing agricultural inputs for rice production, distributing manuals for recommended agronomic practices, Technical Assistance (TA) for developing cashew price information system, rehabilitating communal cashew nut storage facilities, and needs assessment for developing cashew trading guarantee system:

(ii) Promoting cashew agro-processing through establishing community cashew processing primary units and one central unit in the regional cluster, assistance for linking the cluster to international markets, promoting industrial processing through business plans, and interventions aimed at targeting international investors: and,

(iii) TA for strengthening the Agricultural Products Industrialization Promotion Fund's (FUNPI) institutional, operational and financial management capacities.

2. Developing Entrepreneurship. The estimated cost at appraisal was US\$1.8 million. The actual cost was US\$2.0 million. This component aimed at promoting Medium, Small and Medium Enterprises (MSMEs) . There were two sub-components.

(i) Establishing a business plan competition for promoting entrepreneurs, and providing capital through grants to potential entrepreneurs with the best business plans.

(ii) TA for conducting needs assessment for introducing warehouse receipts along the value chain, developing legislation on agricultural warehousing receipts, reviewing customs documentary requirements, import/export/transit procedures, international trade monitoring systems and



regulations, ensuring the sustainability of the one-stop-shop for business registration and simplifying the tax regime for MSMEs.

3. Project Coordination. The estimated cost at appraisal was US\$1.0 million. The actual cost was US\$1.36 million. This component planned to provide support for establishing a Project Coordination Unit (PCU), and providing support for monitoring and evaluation and safeguards compliance.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost. The estimated cost at appraisal was US\$8.2 million. The actual cost was US\$7.3 million. The difference between the appraisal estimate and actual cost was due to the depreciation of the CFA Franc (CFAF) relative to the US\$ during implementation.

Project financing. The project was fully financed by an IDA credit of US\$8.2 million. The amount disbursed was US\$7.3 million. The difference between the appraisal estimate and actual disbursements was due to the significant depreciation of the CFAF relative to the US\$. There was parallel financing for complementary activities associated with developing cashew processing plants by the European Union (EU) and other complementary activities by the African Development Bank (AfDB), the United Nations Development Program (UNDP) and other bilateral donors.

Dates. The project approved on May 22, 2014, became effective on September 8, 2014, and closed as scheduled on December 31, 2019.

Other changes. Funds were reallocated from component three activities to component one activities through the Level 2 restructuring on December 10, 2019. This was due to the limited utilization of the Project Preparation Facility (PPF) during implementation.

3. Relevance of Objectives

Rationale

Country context. Guinea-Bissau, a fragile country in West Africa, is one of the poorest countries in Sub-Saharan Africa (SSA), with the poverty rate increasing from 65% in 2002 to 70% in 2010. Guinea-Bissau's economy is agrarian, with 45% of Gross Domestic Product (GDP) coming from the sector, and 85% of the population dependent on sector activities. This dependence rendered the economy vulnerable to adverse internal and external economic shocks. Alongside this, political instability with over 17 coups between 1974 and 2013 (and one just before appraisal in 2012), had paralyzed institutions, suspended international donor support and adversely impacted economic activities. These political economy factors and institutional gridlock had locked the country in a low-level equilibrium and development trap.

Sector context. Guinea-Bissau's export structure is highly concentrated, with raw cashew nuts accounting for 95% of exports. The extent of processing cashews in the country was extremely limited with less than 0.5% of value added, due to the limited expertise in organizing value chains. Alongside this, domestic rice



production, the main staple in people's diet, met only 60% of domestic consumption, making rice the second most imported commodity (after petroleum). Hence, promoting inclusive development of the cashew agribusiness sector, increasing productivity and bargaining power of cashew smallholder farmers, increasing rice production, and promoting entrepreneurship in sectors other than agriculture, were important to government strategy.

Government strategy. The PDOs were well-aligned with two pillars of the government's Second Poverty Reduction Strategy (PRSP) issued in 2011. The Second Pillar of the PRSP underscored the need for macroeconomic stability and fostering private sector development. The third pillar highlighted the need for promoting sustainable, inclusive and broad-based growth through promoting sectors with strong growth potential, such as cashews and rice. The PDOs were also in line with *Terra Ranka*, the government development strategy for the 2015 -2020 period. This document identified the importance of the cashew sector and private sector development.

Bank strategy. The PDOs were also well-aligned with the Bank strategy. The Bank's Interim Strategy Note (ISN) that was to be submitted to the Board in 2014 for the 2014 - 2015 period, underscored the need for private sector growth for reducing the risk of resurgence of conflicts. The ISN also observed the need for diversification into subsectors, such as cashew agro-processing and other agribusiness with potential to reach external markets. The PDOs were also consistent with the Country Partnership Framework (CPF) for 2018 - 2021. The CPF observed that: (i) given the agricultural potential, it was necessary to increase productivity and add value through processing in the cashew sector: and (ii) improving the overall regulatory framework to make it more business-friendly. The PDOs were also relevant to the World Bank Strategy for Fragility, Conflict and Violence countries for 2020 -2025. This document highlighted the need for investing in human capital, creating jobs and economic opportunities, and building community resilience and preparedness.

Bank strategy. This project was one of the first lending operations to be prepared after the Bank's reengagement in Guinea - Bissau, after the political turmoil caused by the military coup in 2012. Alongside this operation, the Bank was providing technical assistance for activities aimed at establishing the one-stop shop for business registrations and completing an Investment Climate Policy Note. This project, financed by the Bank, was implemented alongside other complementary operations financed by the African Development Bank (AfDB), the International Monetary Fund (IMF), the United Nations Development Program (UNDP) as well as support funded by bilateral donors. The Bank's assistance was expected to leverage other investments, given that private capital investment was almost non-existent. The analytical underpinnings of the project were based on the Country Economic Memorandum (CEM) prepared in 2014. The CEM addressed productivity issues in the cashew sector, and other related challenges such as, increasing local value-added in the cashew sector, and removing constraints to private investment in other sectors.

Given the country's weak implementation capacity, the project's design was appropriately simple, with only two project components. In light of political economy considerations and frequent changes in government, over 90% of the project funds were allocated to programs, and only 10% to aspects of government policy. The selected interventions were in areas, where implementation was independent of the political cycle and hence majority of the project activities were directed at the private sector, and were to be implemented by contractors and agencies working independently from political discussions. Given the fragile context, the level of ambition was appropriate. The relevance of the PDO is rated high..



Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To support inclusive development of the cashew agribusiness sector

Rationale

Theory of change. The results framework was logical. Extension services for cashew farmers were intended to train producers in best practice techniques. Installing a cashew price information system and cashew nut storage facilities, were likely to aid the farmers negotiate better prices. Community-based cashew processing and investment promotion were likely to increase cashew processing and add value to the cashews produced in the country. Alongside this, providing production inputs (such as better seed varieties and fertilizers) for farmers producing rice, was likely to increase rice productivity. The combination of these activities was likely to improve farmers bargaining power and incomes, improve food security and increase processing of cashews. The causal links between the project activities, their outputs and outcomes were clear, and the intended outcomes were measurable.

Outputs and Intermediate Outcomes (ICR, pages 14 -15)

- A Rural Extension Program (REM) was conducted as targeted. The program reached 986 cashew farmers, supported the renovation and rehabilitation of 5,673 hectares (ha) of cashew orchards and intercropping with other crops (such as, maize and rice), and production of over 20,000 tree seedlings. The program encompassed the following activities: (i) developing strategies for producing cashews: (ii) providing seeds and fertilizers for 1,615 rice producers who were also producing cashews: (iii) installing four warehouses and drying areas: (iv) a survey of 4,000 cashew producers: (v) technical assistance (TA) for creating a price information system and connecting rural cashew farmers with commodity buyers through mobile phones: (vi) a linkage program between cashew producers and processors: (vii) support for purchasing processing equipment: (viii) TA for helping the Africa Cashew Alliance (ACA) identify quality gaps: (ix) business plans for cashew processing factories: (x) TA to help in increasing the demand for cashew kernel and cashew products: and (xi) financial auditing of the Agricultural Products Industrialization Promotion Fund (FUNPI) that was used for suspending FUNPI in 2015.
- 1,847 smallholder farmers received extension support services and price information services, far exceeding the target of 400.
- 1,810 ha of land under rice production were provided with improved seeds and fertilizers, exceeding the target of 1,500 ha.



- Four cashew communal storage facilities were installed as targeted.
- Four cashew nuts community processing plants were installed as targeted.

Outcomes (ICR, page 13).

- The average cashew farm-gate price (price received by farmers) increased by 21% in the project-intervened areas, as compared to prices in the control group (farmers operating in the same region but not benefitting from the program) by December 31, 2019. This exceeded the target of 10%. There were no baseline figures for this indicator.
- 243 jobs were created by the cashew agro-processing units in the project-intervened areas, slightly short of the target of 250.
- 205 jobs were created for women, exceeding the target of 165.

Given that the expected outcomes were for the most part realized and that the outcomes were attributable to the project activities, the efficacy with which Objective 1 was achieved is rated as substantial.

Rating

Substantial

OBJECTIVE 2

Objective

To promote entrepreneurship in other sectors of the economy.

Rationale

Theory of change. The results framework for this objective was logical. Activities such as conducting Business Plan Competition (BPC) and providing seed capital to the selected businesses, were likely to increase the launch of new startups, and increase the number of jobs created by the new businesses. TA for customs reforms, anti-corruption programs in tax administration, and designing simplified tax system for Micro, Small and Medium Enterprises (MSMEs) were likely to improve the business environment, and thereby aid in increasing the number of operational businesses. The links between the project activities, outputs and outcomes were clear, and the intended outcomes were monitorable.

Outputs and Intermediate outcomes (ICR, pages 15 - 16).

A Business Plan Competition, named *Desafio GB*, was conducted for promoting entrepreneurs as targeted. According to the clarifications provided by to IEG by the Bank project team, the plan was implemented with support from a contracted technical assistance firm, given the low capacity in the country and ensuring trust in a fair process of selection. The selection process was outlined in an operational manual. The top 600 applicants (50% women) were trained for two days for developing business plans; the best 224 of the applicants (50% women), were trained for ten days on business management and development. The top 50 businesses, 25 women- owned, were provided in-kind grant of FCFA four million (about US\$8,000 per firm)



for their businesses, and an additional FCFA one million after completion, conditional upon the companies achieving specified objectives.

TA was provided as targeted for the following:

- Expediting customs procedures - the number of customs procedures required for clearing goods was reduced from 35 at the baseline to nine when the project closed - exceeding the target of 24 procedures.
- Interconnecting information systems between the tax authority, customs, Ministry of Commerce, Treasury, one-stop shop for business registration and the one stop shop for cashew exports (Guichet Único de Exportação or GUE).
- A needs assessment and legal support for informal microenterprises.
- A pilot on entrepreneur status (simplified business entry regime) was implemented for expediting registration of entrepreneurs.
- Uniform Acts of the Organization for the Harmonization of Business Law in Africa (OHADA) was translated into Portuguese.
- A review of taxation for processed cashew and simplifying the tax regime for Medium, Small and Micro Enterprises.
- A needs assessment and the initial steps for establishing warehouse receipt systems in Guinea-Bissau.
- Draft regulations for the one-stop shop for import and export documents were completed as planned.

Outcomes.

- 39% of the firms supported by the project were operational when the project closed, exceeding the target of 30%.

Given that the outcomes were realized and these were attributable to the project, efficacy with which Objective 2 was achieved was rated substantial.

Rating

Substantial

OVERALL EFFICACY

Rationale

Expected outcomes for both objectives attributable to the project were for the most part clearly achieved. The overall efficacy of these achievements is therefore rated as substantial.



Overall Efficacy Rating

Substantial

5. Efficiency

Economic analysis. An economic analysis was conducted both at appraisal and at closure for activities associated with component one and two activities. These activities accounted for 88% of the appraisal estimate and 81% of the actual cost. The methodology of the analysis estimated the difference in cash flows with and without the project, using the available information on beneficiaries and control groups. The project benefits were assumed to come from changes in value added to the beneficiaries (firms and farmers) (ICR, paragraph 58). The Net Present Value (NPV) at closure at 15% discount rate was US\$1.6 million, as compared to the NPV of US\$630,000 at appraisal using the same discount rate. The overall ex post Economic Internal Rate of Return (EIRR) was 28% as compared to the ex ante EIRR of 21%.

Although the amount available for the project investment was US\$850 thousand lower than planned at design, due to the depreciation of the Special Drawing Rights (SDRs) relative to the US\$ in the early years of implementation, the local currency (FCFA) also depreciated by 17% relative to the US\$. This enabled the project to implement the activities within the actual budget envelope.

Other cost considerations. The project coordination cost at closure was US\$1.36 million, higher than the estimated cost of US\$1.0 million at appraisal. This was due to the underestimation of this cost at appraisal.

Administrative and Operational issues. There were implementation delays in the initial years, leading to low disbursements. This was primarily due to the weak implementation capacity in the country at the time. This was rectified during implementation and all activities were eventually concluded and the project closed as scheduled.

In sum, efficiency is rated as substantial, in view of the economic rationale (reflected in the sound internal rates of return) for the project.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

| | Rate Available? | Point value (%) | *Coverage/Scope (%) |
|-----------|-----------------|-----------------|--|
| Appraisal | ✓ | 21.00 | 88.00 <input type="checkbox"/> Not Applicable |



| | | | |
|--------------|---|-------|--|
| ICR Estimate | ✓ | 28.00 | 81.00 <input type="checkbox"/> Not Applicable |
|--------------|---|-------|--|

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of the PDO to the government and the Bank strategy is High, because of the crucial economic importance of reviving the cashew industry. Efficacy of the two objectives is Substantial, as the outcomes attributable to the project, were realized for the most part. Efficiency is substantial., in view of the sound economic justification for the project. Taking these ratings into account, the project had only minor shortcomings in its relevance, efficacy and efficiency and hence its overall outcome is rated as satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

Technical risks. The ICR (paragraph 116) notes that the cashew orchards rehabilitated or renovated will be there for years to come even in a weaker or political scenario or economic downturn. The storage facilities are also likely to be used as intended. The technical risk is hence rated as medium.

Political risks. The risks associated with backtracking of reforms are high, given that the political situation remained fluid, with frequent leadership changes. The ICR (paragraph 53) notes that a longer term solution was developed to ensure adequate funding for one-stop-shop for business registration, under the auspices of this project. The associated regulation was adopted by the then Minister of Commerce. However, with the change in government, the new Minister backtracked on the change. Likewise, the project helped to establish the Inter-ministerial Commission for the improvement of the Business Environment (CIMAN) in 2016. The ICR (paragraph 71) notes that although CIMAN remains in place post-completion of the project, the political impasse since the 2019 elections has not allowed for much progress on sustaining this reforms. This review rates the political risks as of the date of the ICR as substantial.

8. Assessment of Bank Performance

a. Quality-at-Entry

Given that this project was one of the first lending operations prepared after the Bank's reengagement in Guinea - Bissau, the project was prepared based on the Bank's prior experience in fragile states. As



noted already in Section 3, the analytical underpinnings for the activities came from Country Economic Management (CEM) of 2014, that addressed productivity issues in the cashew sector and other related issues such as, increasing value-added in the cashew sector and removing constraints to private investment in other sectors. Lessons incorporated at design, included given the political economy considerations, selecting interventions where implementation was largely independent of political considerations (the main activities were directed at the private sector and implemented by contractors working separately from the political influence), having a dedicated Project Coordination Unit (PCU) with fiduciary and technical specialists, and a simple design with two components. Even with these mitigation measures, implementation risk was rated as substantial at appraisal (PAD, page 27). The design appropriately included a Project Preparation Finance (PPF) of US\$1.0 million for establishing the PCU, and providing technical assistance for preparing the project's activities. This aided in expediting implementation. The implementation arrangements were appropriate, with the dedicated PCU located in the Ministry of Economy and Regional Integration (the main implementing agency). Appropriate arrangements were made at appraisal for monitoring and evaluation (discussed in section 9), and for safeguards and fiduciary compliance (discussed in section 10).

There were, however, minor shortcomings in Quality-at-Entry. The project underestimated the project's operating costs. This contributed to the actual total project implementation cost being higher than the estimated cost at appraisal.

Despite the shortcomings, this review rates the project's quality at entry as satisfactory.

Quality-at-Entry Rating Satisfactory

b. Quality of supervision

Twelve official supervision missions were held during the project lifetime of six years. The official missions were supplemented with other technical missions during implementations. This aided in establishing a close relationship between the PCU and implementing partners (ICR, paragraph 111). The continuity of leadership was maintained, with the same Task Team Leader (TTL) and the co TTL during the project lifetime. The involvement of the Country Management Unit (CMU) based in Bissau, aided in responding to a rapidly changing political context. Also, the entry of the World Bank Operations Officer in Bissau from 2017, contributed to a closer presence to project implementation. The support provided by the supervision team aided in fiduciary compliance (discussed in section 10b).

Quality of Supervision Rating Satisfactory

Overall Bank Performance Rating



Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E framework was simple and straightforward, and the key outcome indicators - the farmgate price for cashew received by farmers in the project intervened areas, the number of jobs created by the project, and the number of enterprises provided with seed capital following the Business Plan Competition - were attributable to the project and hence appropriate for monitoring project performance. The key indicators were gender-disaggregated, and this helped in gauging the extent to which women benefitted from project activities. Most indicators relied on data that could be monitored regularly at every mission or cashew production campaign.

b. M&E Implementation

The ICR (paragraph 96) notes that data needed to monitor progress were regularly collected during implementation. The Mid-Term Review (MTR) held in 2017, did not find any particular issues or problems in the M&E framework or its implementation, and hence no corrective measures were required. The ICR (paragraph 97) notes that since the M&E framework was simple and there was a clear way to collect data, there was no need for a M&E specialist. This entailed cost savings. The ICR (paragraph 98) notes that the PDO indicators were updated through independent studies conducted by consultants hired by the project. For example, the Bank project team did not confirm the results pertaining to reduction in customs procedures, until an independent assessment came from the United Nations Commission on Trade and Development (UNCTAD) to verify the information.

c. M&E Utilization

The M&E data were used on a regular basis to provide evidence of achievement of outcomes and inform project management on decision making. For instance, the comparison of prices between producers supported by the project and the control group in 2017 were used to inform the next two years of production campaigns in terms of improving agreements (ICR, paragraph 100).

In sum, the overall quality of M&E was rated as substantial.

M&E Quality Rating

Substantial



10. Other Issues

a. Safeguards

This project was classified as a Category B (partial assessment) project under World Bank Safeguard policies. One safeguard policy was triggered: Environmental Assessment (OP/BP 4.01). A simplified Environmental and Social Management Framework (ESMF) was prepared and publicly-disclosed at appraisal (PAD, paragraph 138). The ICR (paragraph 104) notes that of the activities financed by the project, only activities associated with distribution of rice seeds and fertilizer, rehabilitation of community storage and processing units: and Micro, Small and Medium Enterprises (MSMEs) receiving seed capital, posed any potential environmental impacts. A Strategic Environmental and Social Assessment (SESA) was prepared during implementation for addressing environmental impacts from these activities. Although the ICR does not explicitly declare that there was full compliance in the project with environmental safeguards, the ICR stated that "It was not expected to have significant or irreversible direct environmental or social impacts. Plus, the government agreed through a formal letter prior to implementation that there would be no land acquisition supported under this project, hence no resettlement nor loss of access issues was anticipated" (paragraph 103). In addition, a grievance redress mechanism (GRM) was in place for the BPC activity for all participants during implementation. No grievances in connection with this mechanism was reported in the ICR. (paragraph 105).

b. Fiduciary Compliance

Financial management. A financial management assessment of the Project Coordination Unit (PCU) conducted at appraisal, concluded that the financial arrangements were satisfactory (PAD, paragraph 125). The ICR (paragraph 106) notes that an integrated project management system was maintained for accounting, financial reporting and disbursement purposes throughout implementation. The ICR also notes that the required financial reports were submitted in a timely fashion and the audits were unqualified.

Procurement. A procurement assessment of the Ministry of Economy and Regional Integration (MERI) conducted at appraisal, concluded that the procurement risk was High, given that the political environment of the country still remained fragile, and MERI had no prior experience with Bank projects. The mitigation measures incorporated at design, included recruiting dedicated professionals in the PCU, and preparing a procurement plan at appraisal that was to be updated during implementation (PAD, paragraph 46). The ICR (paragraph 107) notes that the Bank team based in Dakar conducted various hands-on- training during implementation and overall there were no significant procurement issues reported in the ICR.

c. Unintended impacts (Positive or Negative)



d. Other

11. Ratings

| Ratings | ICR | IEG | Reason for Disagreements/Comment |
|------------------|--------------|--------------|----------------------------------|
| Outcome | Satisfactory | Satisfactory | |
| Bank Performance | Satisfactory | Satisfactory | |
| Quality of M&E | Substantial | Substantial | |
| Quality of ICR | --- | Substantial | |

12. Lessons

The ICR draws the following two main lessons from the experience of implementing this project, with some adaptation of language.

1. A simple design with Bank support can ensure success in fragile countries. The key aspects that contributed to the success of this project, included building strong relationships with non-state actors, micro- level reforms, a simple design with limited number of outcome indicators, simple and effective institutional arrangements, interventions that were evidence-based (based on a survey of cashew farmers), hands-on involvement by the Bank team and connecting through low-key digital solutions where possible.

2. Guidelines and Bank procedures need to be accessible in fragile countries. The requirement that procurement and financial management documents be produced only in English and French (and not Portuguese) proved to be inappropriate in this project, given that selection committee members and other stakeholders had limitations in these languages. The lesson is that procurement and financial management documents need to be produced in the appropriate local language.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is clear, with sound, analytical and results-oriented analysis of the project's performance. It candidly discusses the political economy constraints in the country. The theory of change provided in the ICR was in line with the project design and provided clear and logical links between project activities, outputs and the intended



outcomes. The ICR follows the guidelines and draws good lessons from the experience of implementing this project. The ICR also provides gender-disaggregated data and this helped in understanding the gender dimension of the project.

One minor shortcoming with the ICR is its excessive length. The main body of the text at 31 pages is more than twice the recommended length of 15 pages, and hence not as concise as it might have been.

a. Quality of ICR Rating
Substantial