



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 25-Feb-2018 | Report No: PIDISDSA19924



BASIC INFORMATION

A. Basic Project Data

Country Cote d'Ivoire	Project ID P158810	Project Name Cashew Value Chain Competitiveness Project	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 19-Feb-2018	Estimated Board Date 10-Apr-2018	Practice Area (Lead) Agriculture
Financing Instrument Investment Project Financing	Borrower(s) Conseil du Cotton et de l'Anacarde	Implementing Agency Ministry of Mines and Industry	

Proposed Development Objective(s)

To increase cashew productivity, quality, and value-added, benefiting smallholder farmers and the cashew processing industry in Côte d'Ivoire.

Components

1. Institutional strengthening and value chain governance
2. Productivity enhancement and improved access to markets
3. Support to private investment in post-harvest and processing infrastructure
4. Program coordination, monitoring and knowledge management

Financing (in USD Million)

Financing Source	Amount
International Bank for Reconstruction and Development	200.00
LOCAL: BENEFICIARIES	85.25
Total Project Cost	285.25

Environmental Assessment Category

A - Full Assessment

Decision

The review did authorize the preparation to continue

B. Introduction and Context



Country Context

- 1. Supportive fiscal policies, renewed political stability, and structural reforms to improve the business investment climate have delivered a strong surge in economic activity and unprecedented GDP growth in Côte d'Ivoire.** The country registered an average real growth rate of 8.5 percent per year (among the highest in sub-Saharan Africa) over 2012–15, impelled by agriculture, services, industry, increased domestic demand, and rising investment. The economic outlook for the next three years is positive, given several factors including a growth rate that is expected to top off around 7 percent, the maintenance of moderate inflation and the control of public finances through prudent fiscal and monetary policies, as well as the furtherance of reforms aimed at improving the business climate and facilitating the efficient use of public-private partnerships.
- 2. Challenges ahead include poverty and inequality.** With rebounding economic growth, the incidence of poverty diminished slightly from an estimated 51 percent in 2011 to 46 percent in 2015, but other human development indicators have lagged. The government attempted to make growth more inclusive over 2012–15 by increasing farm prices of coffee, cocoa, cashew, and other agricultural products and by improving basic rural infrastructure. Nevertheless, across the country significant disparities persist in educational attainment, health services, employment, and income. The 2016 Human Development Report ranked Côte d'Ivoire 171 of 188 countries; far below neighboring Ghana, which ranked 140 and with an overall Human Development Index lower than the average for sub-Saharan Africa.
- 3. Côte d'Ivoire's ambitious development agenda is to become an emerging market economy.** The peaceful presidential elections of October 2015 diminished political uncertainty, paving the way for continued economic progress. The Government of Côte d'Ivoire (GoCI) recently adopted a new 2016–20 National Development Plan (NDP) aimed at achieving strong and inclusive growth, halving poverty, and fostering structural transformation. To support structural transformation, the government intends to further reform the business investment climate and strengthen the private sector contribution to the economy. It seeks to create new opportunities for diversification based on the country's comparative advantages, foster sustainable integration into regional and global value chains, and lend greater impetus to industrial production through the local transformation of a larger share of agricultural products, especially cacao and cashew. The GoCI has set a target of processing domestically at least 50 percent of cacao beans by 2020 and an even higher percentage of raw cashew nuts. The government seeks to increase the participation of nationally domiciled entities in cacao and cashew processing, and it is assessing policy options to encourage growth of small and medium enterprises (SMEs) in both sectors. Successful implementation of the NDP will depend on the pace at which the main structural barriers are removed and productivity-enhancing reforms are carried out, as well as on financing conditions and on how domestic and external risks are addressed.

Sectoral and Institutional Context

- 4. Côte d'Ivoire's economic growth has been driven by commodity-based exports, which will remain key to growth in the medium term.** The most important export crops—cacao, rubber, oil palm, cotton, and cashew—are the main sources of smallholders' income and the center-pieces of the country's major farming systems. Cacao, rubber, and oil palm are at the heart the forest zone's diversified production mix, with smallholders generally maintaining a wide variety of cash and food crops (rice, cassava, plantain). Cotton and cashew are the main cash crops and drivers of the savannah economy and farming systems, which include maize, rice, and livestock. The use of fertilizer and improved technology in cotton production has important spillover effects on food crop productivity.



5. **The agricultural sector currently accounts for 22 percent of GDP and more than three-quarters of non-oil exports, and it provides employment and income to two-thirds of all households.** Côte d'Ivoire is the world's largest producer of cacao. The country remains the largest African exporter of raw cashew nuts (RCN), rubber, palm oil, bananas, and pineapples, and it is self-sufficient in a variety of staple foods—maize, sorghum, millet, yams, cassava, and plantain bananas—with some small exports to the sub-region. The impact of producing export commodities extends to other sectors through forward and backward linkages to input provision, processing, transport, financial services, taxes, energy, and final consumption, giving export crops a key role in creating jobs and reducing poverty. In fact, the domestic trade and transport industry (trucking and port) depends to a large extent on agriculture for its business. Similarly, the processing of cotton, rubber, palm oil, and sugar provides the base for rural industry and sustains an important component of urban industry (cacao processing plants, textile mills, and facilities for extracting cottonseed oil, production of packaging materials, and transforming palm oil into soap, among others).

6. **Notwithstanding significant improvements in the performance of agriculture in recent years and its potential for further growth, several constraints impede the sector's sustainable development.** They include a range of technical and circumstantial issues, such as limited access to inputs, weak extension services, considerable post-harvest handling and storage losses, inadequate exposure to modern farming techniques, and aging and poorly maintained plantations. These limitations are compounded by structural economic factors, such as limited access to finance (especially for smallholders and SMEs), deteriorating physical infrastructure, and limited provision of public goods, all of which have contributed to the long-term stagnation of productivity and low value addition. By tackling these constraints, Côte d'Ivoire can unleash its agricultural potential and increase its presence in global value chains for agro-industries and many agri-food items in high regional and global demand. It could attract major investments that stimulate economic growth while creating value and scaling up innovation, positioning Côte d'Ivoire to achieve its overarching objective of ensuring wellbeing by reducing poverty and inequality through structural transformation of the economy.

7. **Climate change – Consequences and challenges for agriculture in Côte d'Ivoire.** Climate change is expected to impact the agricultural sector in general, but smallholders who produce much of the crops are the most vulnerable group – and the least equipped to cope with the changes. For instance, effects of climate change are becoming increasingly apparent in the agriculturally-dominated region of south-west Côte d'Ivoire causing increasing disruption to agricultural production cycles. Rising temperatures are expected to render certain producing areas less suitable or even completely unsuitable for growing (case of cocoa)¹. Farmers in these areas are particularly vulnerable since cocoa production is often their primary source of income. Not only these producers will lose an important livelihood strategy, but the national government will also lose an important source of foreign exchange earnings.

8. **The cashew subsector of Côte d'Ivoire is an increasingly important source of raw cashew on the world market and of income for local farmers.** With production of RCNs projected at 711,000 tons in 2017 (23 percent of global production), Côte d'Ivoire will be the world's second-largest producer of this commodity, for which demand is expected to remain strong. The value of cashew exports is estimated at over US\$ 800 million, making cashew the third most important export commodity after cacao and refined petroleum products, well ahead of rubber, cotton, and coffee. Gross farmer receipts in 2015 were estimated at US\$400 million, far surpassing cotton (US\$ 180 million), the traditional cash crop in northern

¹ Research carried out by the Centro Internacional de Agricultura Tropical (CIAT) concluded that by 2050, a rise of 2.3 °C will drastically affect cocoa production in major producing areas in Côte d'Ivoire.



areas. A comparison of net farmer receipts would be even more favorable, given that input costs for cotton are much higher (about one-third of gross receipts). Cashew production becomes even more important when considering its prospects for reducing poverty, especially in the poorer North.

9. **Further development of the cashew value chain is stymied by several constraints, especially in processing.** Despite the fast growth in RCN production, with a good theoretical rate of return on investments and of recognized social benefits in terms of job creation, cashew processing has not taken off in Côte d'Ivoire. The country processes less than 7 percent of its production. Installed cashew processing capacity is estimated at 90,900 tons, with less than 50 percent utilization. These numbers reflect the many constraints still faced by investors in developing cashew processing activities in the country – high processing costs, low labor productivity, lack of access to investment and working capital finance - and in meeting the increasingly high requirements of consuming countries in terms of reliability of supply and quality standards.

10. **Climate change is also predicted to impact on the performance of the cashew value chain.** While the crop is generally sturdy, some studies indicate that areas (e.g. Savanes region) may become unsuitable for cashew production as a result of rising temperatures due to climate change. Associated dryness is projected to increase the frequency and intensity of fires in cashew plantations. On the other hand, because the cashew tree has a well-developed root system and can tolerate drought conditions, it will constitute an optimal alternative crop in areas that are predicted to become drier due to climate change.

11. **The competitiveness of domestic cashew processing in Côte d'Ivoire has been debated for more than a decade.** In principle, domestic cashew processing should be competitive if the right technology was used efficiently by an experienced management and a well-trained labor force. In addition, the growing weight of Côte d'Ivoire in the overall supply of the market and its proximity to both the European and US markets, are attracting the attention of processors and end-users towards Ivoirian producers. The possibility to create shorter, more traceable value chains, is a very powerful incentive for buyers to source their kernels directly in Côte d'Ivoire. Currently, kernels processed in India and Vietnam come from a variety of sources and reach the European and US markets indirectly, after a long and largely untraceable chain. Local processing offers many benefits: (i) it significantly reduces transport costs by eliminating the shipping of raw cashews to Asia for processing and the shipping of the kernels back to the European and US markets; (ii) it reduces the carbon footprint of the cashew that is sourced from the Côte d'Ivoire thereby contributing to climate change mitigation, a global public good; and also curtails soil nutrient mining as cashew residues are retained locally contributing to a buildup of soil organic matter (carbon sequestration). In addition, the more direct route, and the sourcing from a unique producer also permit to better meet the international market's increasing emphasis on traceability from farm to fork. Downstream in the supply chain, food manufacturers and retailers are generally shortening their chains as well (in terms of supply networks and relations), thus working increasingly with a limited number of preferred suppliers (importers and producers) to which they transfer the responsibility for traceability and product safety and quality. Lastly, shorter transportation lines diminish the carbon footprint of the cashew value chain, which is an interesting environment-friendly proposition and a definite competitive advantage of Ivoirian processors.

12. **The government recognizes that an expansion in domestic cashew processing would add value and create jobs.** Development of the cashew value chain is a national priority reflected in the NDP 2016–20 and the National Agricultural Investment Plan (NAIP). In 2013, the government adopted six strategic pillars for promoting domestic cashew processing. The first pillar is to establish a public agency (the Cotton and Cashew Council, CCA) to coordinate and promote development of these subsectors by regulating their



activity, organizing the provision of critical services, strengthening producer associations, and creating a strong entity (an interprofessional body) to manage private actors in all segments of the value chain. The second pillar is to strengthen research programs, produce and distribute improved planting material, and improve technical advisory services on good agricultural practices (GAPs) and harvest/ post-harvest methods to improve RCN quality. The third pillar is to establish efficient quality control and traceability mechanisms, and the fourth is to guarantee a farm-gate price of at least 60 percent of the international Cost Insurance and Freight (CIF) price of RCN. The fifth is to rationalize domestic marketing by establishing a network of licensed warehouses, and the final pillar is to rehabilitate rural roads in the main producing areas. In addition, the Ministry of Industry and Mines (MIM) is implementing a complementary specific set of reforms and policies aimed at developing the processing sector. They include clarifying the regulatory framework, developing public infrastructure, assisting with the procurement of processing technology, and facilitating access to finance. More recently, the Council of Ministers has approved the creation by CCA of a dedicated cashew guarantee fund to the benefit of commercial banks for the funding of stocks of RCNs for domestic processing operations.

13. Most of these activities are under implementation, financed by levies on the value chain and support from the IDA-financed PSAC² and International Finance Corporation (IFC). **These activities remain only partially funded, however. Their implementation must be accelerated to respond effectively to the national objective of increasing the percentage of domestically processed RCNs by 2020.**

C. Proposed Development Objective(s)

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14. **The Project Development Objective (PDO)** is to increase cashew productivity, quality, and value-added, benefiting smallholder farmers and the cashew processing industry in Côte d'Ivoire.

Key Results

15. **The PDO-level indicators are:** (i) increased cashew productivity in the project area (kg of RCNs per hectare); (ii) improved quality of RCNs exported and received by processors (Kernels outturn ratio); (iii) increased share of RCNs processed domestically (percentage); and (iv) farmers reached with agricultural assets or services (number) of which female beneficiaries (percentage).

D. Project Description

16. The activities of the proposed project cluster around three technical components; an additional component focuses on management and monitoring.

Component 1: Institutional Strengthening and Value-Chain Governance

17. Component 1 aims to improve the organization and governance of the cashew value chain to reduce marketing costs and ultimately enhance competitiveness. To this end, the project will support the following mix of interrelated interventions:

² *The Agricultural Development Support Project (P119308).*



18. **Build the capacity of the key organizations overseeing the value chain—the CCA, the Ivorian inter-professional body coordinating private actors in the cashew industry, cashew cooperatives and their unions, and the Directorate of Professional Agricultural Organizations (DOPA).** CCA will receive general support for its organizational development, capacity building to lead and manage stakeholder processes, and training in quality control and marketing. CCA will also be equipped with a geo-referenced management information system (MIS) to allow better planning and management of value-chain operations. Support for the **inter-professional body** will include the promotion of services to members, such as technical advisory services, the sourcing of equipment and goods in bulk, and communicating with political decision makers on issues relevant to the industry. Aside from building administrative and managerial capacity, the project will provide specialized technical assistance (TA), transport equipment, and office/IT equipment, in addition to support for forums, exchange visits, and startup operating costs (recruitment of personnel, rent of head office, and so on). Support for **cashew cooperatives and their unions** will include the legal registration of cooperatives and technical and managerial training for their officials in areas such as good governance, operational management, financial and auditing techniques, business development, marketing plans, and creditworthiness. The unions will be equipped with transport and IT equipment and support to facilitate the organization of their annual assemblies. **DOPA** will receive support to lead and monitor the process of organizing cashew value chain actors into professional entities, including the cashew industry inter-professional body. Support will include TA, operational costs, the organization of workshops, and IT equipment.

19. **Improving the business environment.** The nascent cashew industry in Côte d'Ivoire faces market failures that must be addressed if it is to develop and contribute to economic growth, job creation, and poverty reduction. The project will address these market failures through three inter-related activities. The first activity is to **assess the value-chain regulatory framework** with the aim of streamlining regulations to sell, buy, and trade cashew products and hence reduce marketing costs. The assessment will involve studies and diagnostics of current procedures compared to those in competing markets and countries; the identification of opportunities and measures for simplification, digitization, and streamlining; and the testing and implementation of such measures. The second activity is to **support MIM in the assessment and implementation of measures to improve the business environment**, such as fiscal incentives, together with the establishment of a fast-track “window” for processing investment incentives. The third activity is to **support the National Environmental Development Agency (ANDE)** to ensure that all cashew processing enterprises meet environmental and social standards, and to simplify procedures and reduce the cost of obtaining environmental permits.

20. **Strengthening contractual relationships between value-chain actors and facilitating access to finance.** The project will support the development of sound contractual relationships between producer groups, processors/buyers, and banking institutions. This effort will include: (i) developing contract documents tailored to conditions in the cashew value chain; (ii) conducting workshops to sensitize all actors about the benefits of such contracts and the need to ensure compliance in implementing them; and (iii) educating bankers on the nature of the businesses within the value chain. A key activity will be to accelerate implementation of warehouse receipt system (WRS) regulations recently adopted by the government by building capacity in the WRS Regulatory Authority (ARRE). The project will also support the implementation of measures to enhance farmers' access to financial services such as channeling payments for RCNs to farmers through (mobile) accounts, development of information registries about farmers' historical RCN production/delivery to provide to formal lenders (via the MIS cited above), and measures to facilitate the deduction of loan payments from the proceeds of cashew production.



21. **Access to knowledge.** The project will strengthen the Cashew Innovation and Technology Center (CITA) being established in Yamoussoukro. CITA is to provide advisory services (technical and business advice) and undertake R&D and innovation for the cashew processing industry, with the following responsibilities: (i) train cashew managers and entrepreneurs in cashew process management, quality management systems, and business management; (ii) train cashew factory floor supervisors and workers in the industrial process; (iii) provide advice on procurement of cashew processing equipment and methods; (v) support the development of Hazard Analysis and Critical Control Point (HACCP) or equivalent at every cashew processing plant in cooperation with other state agencies and IFC; and (vi) develop awareness of the uses of byproducts from processing (cashew shells, CNSL, and so on). The project will finance capacity building for CITA, including technical expertise, processing and laboratory equipment for demonstrations and training, staff training, building rehabilitation/expansion and logistics/IT equipment.

Component 2: Productivity Enhancement and Improved Access to RCN Market

22. This component seeks to increase on-farm cashew productivity and improve access to the market for RCNs. The expected outcomes are an increase in the volume and quality of marketable RCNs, which is expected to increase incomes and employment and reduce poverty. The following interrelated interventions will be financed.

23. **National cashew research.** The project will promote a cashew research and seedling development program in partnership with the National Center for Agronomic Research (CNRA). It will finance: (i) support for implementing the National Cashew Research Program (PNRA), with a focus on testing and cataloging high-performing trees for multiplication; (ii) a feasibility study, construction, and equipment of a specialized laboratory within CNRA for in-vitro production of improved planting material; (iii) strengthening human resources in cashew research by funding specialized training of various kinds, especially in plant genetics, variety development, and plant protection; (v) technology testing, technology transfer, and the dissemination of research results, including exchange seminars and workshops and demonstration trials; and (vi) logistics and IT equipment. The project will also promote a research partnership program with the Brazilian Agricultural Research Corporation (Embrapa), the Vietnam Cashew Research and Development Center (CRDC), Naliendele Agricultural Research Institute (NARI) in Tanzania, and the Indian Directorate of Cashew Research (DCR).

24. **Seedling development program.** To replace aging cashew trees and expand the cultivated area, the project will establish a nursery system to produce seedlings from the best quality seed in Côte d'Ivoire. The nursery system will be developed under the oversight of CNRA in partnership with the private sector, including youth agri-enterprises and farmers specialized in seedling multiplication (village nurseries). More specifically, the project will finance: (i) seed for supplying nurseries and planting material (seedlings and grafted plants); (ii) training nursery operators in plant production, handling, storage, and distribution (private and public sector staff, including research staff); and (iii) equipment and inputs, especially for the establishment of village nurseries.

25. **Cashew extension services and technology transfer.** The project will provide support to strengthen the extension program implemented by the National Agency for Rural Development (ANADER) and scale it up to reach the entire project area. The extension program will focus on training farmers in GAPs for cashew production and quality management, including post-harvest handling. Dedicated Cashew Development Centers (CDCs) will be established to offer training and advice to cashew producers through



traditional extension methods as well as e-extension. The project will finance: (i) the establishment of eight CDCs (at least two in each of the three agro-ecological zones for cashew production) through the rehabilitation, expansion, and equipment of existing MADR extension units; (ii) training for CDC staff in GAPs, encompassing tree establishment techniques; planting densities; ideal intercropping combinations; maintenance and improvement of cashew orchards; pruning; harvesting; post-harvest storage and quality control; pest and disease management; soil conservation, mulching, and green residues; fire prevention (a major problem for farmers); economic principles and market orientation related to farming as a business; marketing; budgeting; credit application and logistics; and environmentally safe use of pesticides adapted to local needs; (iii) development and dissemination of related extension materials in various formats (technical and economic guides, TV, radio); (iv) piloting of an e-extension service with a focus on content, presentation, and the most effective delivery modes for meeting the needs of small-scale cashew producers; and (v) provision of facilities to multiply seedlings, as well as equipment to facilitate extension outreach to farmers (vehicles and motorcycles, IT, and audio equipment).

26. **Rehabilitation and maintenance of feeder roads.** The poor road network is a major constraint on access to markets for smallholders producing cashew in several parts of northern Côte d'Ivoire, leading to the deterioration of RCNs and high transportation costs. The project will finance the rehabilitation of 300 kilometers of feeder roads involving heavy reprofiling and treatment of critical bottlenecks in selected spots (small bridges and culverts); continuous repaving of 200 kilometers of feeder roads; and maintenance and light reprofiling of all rural roads over the duration of the project (in total approximately 1,600 kilometers). To the extent possible, road work will involve labor-intensive methods to provide local employment. The work program will include technical studies as well as environmental and social impact assessments and mitigation measures. To ensure the sustainability of this investment, a community-based road maintenance strategy will be developed and road maintenance associations will be formed and strengthened at the community level. These associations will receive low-cost hand tools and equipment to undertake routine maintenance.

Component 3: Support to Private Investment in Post-Harvest and Processing Infrastructure

27. This component aims to increase the volume and value addition of locally processed RCNs through an integrated mix of interventions at three levels: (i) support to the cashew storage and processing infrastructure; (ii) increased access to investment capital and risk management instruments for cashew value chain participants; and (iii) development of cashew markets and trade.

28. **Development of storage infrastructure.** As Côte d'Ivoire transitions towards processing a much larger share of RCN production, investments in warehouse facilities designed to international standards are needed to provide adequate storage capacity and preserve the quality of RCNs and processed cashew kernels. These investments in post-harvest infrastructure will improve returns throughout the value chain (farm, processing, storage and export). The project will co-finance 50 percent of the investment in warehouse facilities by private operators through its Dedicated Financing Facility (DFF, see para. 30 below). It will also finance preparation of a Cashew Warehouse Keepers Handbook (a guide to the management and handling of raw cashew nuts from intake to the first processing stage) and a series of regional workshops to train warehouse managers in best practices for warehouse management. Activities related to post-harvest infrastructure will be implemented under the supervision of CCA and ARRE, taking into consideration individual and/or collective warehouse investment subprojects.

29. **Development of cashew processing infrastructure.** Through this activity, the project addresses the critical lack of infrastructure that limits private investment and hinders the development of a



competitive and inclusive cashew processing industry in Côte d'Ivoire. It supports the establishment of four cashew processing platforms (CPPs) and eight cashew service hubs (CSHs).

30. *Cashew processing platforms.* Based on demand from private investors, the project will develop in a phased approach, four integrated cashew processing platforms in the major producing areas of northern Côte d'Ivoire: Bouaké (Center North), Bondoukou (North East), Korogho (North), and Séguéla (Center West). Serving as flagships for the subsector and new investors, these platforms will feature process excellence, innovation, byproduct efficiency, high quality staff management, processing at different scales, and value added activities. The project will finance the development of each site, including: (i) finalize the site identification and assessment based on criteria such as access roads, site-specific risks, key cost factors, and private sector interest; (ii) conduct detailed technical and economic feasibility studies for developing the platform, followed by master planning and development, a business development plan, environmental and social safeguards, and so on;³ (iii) construct the platform's critical shared infrastructure (access and internal road network, electricity, communications, and water supply) and common services (such as an administration building, storage facilities, workshop, quality control laboratory, waste disposal, and so on); (iv) conduct an investment promotion campaign for the site; and (v) establish its management structure.

31. *Cashew service hubs.* The project will establish a network of eight subregional satellite centers (two for each cashew processing platform) administered by CCA. These service hubs will serve as outreach buying points for the processing platforms as well as distribution points providing farm inputs to cashew growers. Through these hubs, farmers in outlying districts will benefit from linkages to processors and gain access to better prices, training, and inputs. Each CSH will have a warehouse for raw materials, a drying yard, a small storage facility for inputs (jute bags, tarpaulins, approved pesticides, and fertilizer) and will be staffed by trained, knowledgeable personnel. Although the CSHs are part of the procurement and supply chains for the processing platforms, the end-users pay for their services, which should allow them to be self-supporting.

32. *Access to investment capital and risk management instruments.* Evidence indicates that Côte d'Ivoire experiences a shortage of financing for agro-industry in general and for the cashew value chain in particular. The project seeks to alleviate this constraint by improving access to finance for the domestic cashew industry participants by: (i) providing technical support to Partner Financial Institutions (PFIs); (ii) establishing a DFF for both long term investment funding and support to micro-investments; and (iii) contribution to CCA's guarantee fund for short-term credit facilities to processors.

33. *Support to Partner Financial Institutions and advisory firms.* The project will provide TA to PFIs for the following purposes: (i) *build PFI operating capacity* for lending services and development of new financial instruments for the benefit of the agro-industry in general and the cashew industry in particular, ensuring that PFIs work closely with cashew industry participants; and (ii) *advisory support to investment cycle*: this support concerns assistance to PFIs and advisory firms for the development of the services they provide to cashew industry investors to increase the 'bankability' of their operations, including preparation of sound business plans, appropriate choice of technology, support for procurement, etc., and the corresponding preparation of loan applications.

³ Sites for the Bouaké and Korogho platforms have been identified and the pre-feasibility studies for these sites are being finalized. Consultations with investors are being conducted to determine their needs. The MIM and CCA have so far received Letters of Intent for investment in cashew processing amounting to a total capacity of 230,000 tons.



34. *Dedicated Financing Facility.* The project will establish a DFF to provide a partial support to the financing of cashew operators. The DFF will target (i) domestic cashew enterprises that need financing to upgrade or modernize their existing storage and processing facilities, as well as (ii) other private sector players involved in the value chain including very small enterprises. The DFF will operate through two distinct windows: (i) *window A:* the project will provide funding for cashew post-harvest investments grants that will be Matching Grants (MGs) to partially finance eligible expenses covering up to 50 percent of investments; the MGs will be deposited into interest-bearing term accounts in the name of the beneficiary at eligible PFIs to serve as a cash collateral for the PFIs to issue their own credit; and (ii) *window B:* the project will provide MGs for small investment initiatives or micro-projects mostly operated by youth and women (80 percent provided by the project). The instruments under (i) are meant to give incentives to PFIs to develop their lending for the cashew industry since they will reduce the risk attached to cashew financial operations. It is expected that project funding will serve, through a multiplier effect, to generate additional funding on the part of the PFIs, and that beneficiaries will, in the process, establish long-term banking relationships with PFIs hence ensuring sustainable funding for cashew operations even after the end of the project.

35. *Contribution to CCA Guarantee Fund.* The GoCI Council of Ministers has recently approved the creation by CCA of a dedicated cashew guarantee fund to the benefit of commercial banks for the funding of stocks of RCNs for processing operations. This mechanism would guarantee the banks' short-term lending to cashew processors for their required supply of RCNs, up to maximum amounts and 25 percent of their needs. The bank loans would be predicated on such mechanisms as guarantees on stocks (similar to 'warrantage' procedures).

36. *Market development and trade.* This activity aims to support the effective development of domestic, regional, and international markets for cashew products, particularly kernels. Because a sustainable outlet for RCNs and processed kernels is a prerequisite for realizing the growth potential of the production and processing axes of the cashew industry, the project plans to support several interventions. It will conduct a study of opportunities for marketing cashew products (and byproducts) locally and internationally, and conduct a branding and marketing campaign through mass media (telephone, TV, radio, billboards, newspapers) to promote cashew consumption among consumers in Côte d'Ivoire and the subregion. An Ivorian brand of kernels, eventually to be managed by CCA, will be promoted through international trade fairs. Principles of quality control and food safety in processing and marketing RCNs will be promoted as well, including Good Manufacturing Practices (GMPs) and Good Hygienic Practices (GHPs), as well as food safety management standards such as HACCP. A market information system will provide timely and accurate information on prices for RCNs and processed kernels to all stakeholders. The system will include: (i) price data collected at the farm, factory, and warehouse gate levels, ports, and major trading places (such as India); (ii) a price information service reachable by everybody via telephone and internet; and (iii) the continuous analysis and publishing of market intelligence. To improve the efficiency of marketing RCNs, the project will support efforts to devise ways for producers and processors to gain more direct access to international buyers for raw nuts and kernels and *vice versa*. CCA will implement these activities in close liaison with the Ivorian cashew interprofessional body, MIM, and MADR.

Component 4: Project Coordination, Monitoring, and Knowledge Management

37. Component 4 will facilitate: (i) administrative, technical, and financial management of the project; (ii) coordination among all institutional partners to ensure the efficient flow of information and support



to all value-chain actors, particularly small-scale cashew growers and the processing industry; (iii) effective contractual arrangements with key State implementing partners—CCA, CNRA, ANADER, the Interprofessional Fund for Agricultural Research and Advisory Services (FIRCA), and so on—as well as private sector operators; (iv) monitoring and evaluation of the project’s performance and financial, environmental, and social impact; and (v) development of communication activities to publicize and disseminate project results, best practices, and success stories.

E. Implementation

Institutional and Implementation Arrangements

38. The project implementation framework is based on tight convergence with GoCI policies and reflects the project’s integration at various levels of the value chain. To meet the project’s needs for technical services, project implementation will be supported by strategic government entities (Project Implementation Agencies – PIAs). These PIAs are specialized public entities dedicated to certain fields of activities that have been providing technical assistance to GoCI as early as during the preparation phase; operate with financial and administrative autonomy; and have a track record of cooperation with nationally- and externally-funded development projects, notably Bank-financed projects.

39. The institutional arrangements for the project are organized around the following functions: (i) oversight and orientation by a PSC; (ii) overall coordination of project activities and partners through a PCU; (iii) management of the Designated Account and fiduciary supervision, entrusted to FIRCA; and (iv) technical execution of project activities, vested with PIAs. The PIM, to be prepared under the guidance of FIRCA and finalized by project effectiveness, will detail all coordination, management, implementation, monitoring and evaluation (M&E), and reporting functions.

40. The main functions and responsibilities of the PSC are to: (i) advise the project on strategic directions and supporting activities; (ii) approve the Annual Work Plan and Budget (AWPB); (iii) ensure effective collaboration and cooperation between all key stakeholders; and (iv) review the PCU’s Implementation Progress Reports (IPRs), advise on the effectiveness of ongoing activities, and advise on any adjustments needed in the Annual Work Plan. The PSC will be chaired by a representative of the PMO and comprise officials from central and sector ministries and entities involved in implementing the project. The committee will include representatives of the private sector, cashew cooperatives/unions, and civil society so that they may contribute to good governance and voice their concerns as needed.

41. A self-standing PCU, with the support of dedicated personnel and a few PIAs, will oversee planning and budgeting of project activities and execute the approved AWPB. It will also oversee subproject agreements and Memorandums of Understanding (MoUs), technical supervision and quality control, gender and social inclusion, environmental and social safeguards (particularly resettlement), and M&E. To ensure rapid startup and avoid delays while the PCU being established, the PCU for the West Africa Agriculture Productivity Program (WAAPP), domiciled within FIRCA, will initially have overall responsibility for managing and coordinating project activities, including procurement and financial management and the daily management of the Designated Account. Thereafter the newly established PCU within CCA will take over all functions, apart from the fiduciary function, which will remain entrusted to FIRCA.

42. The PCU will be headed by the Director of CCA, who will act as overall project coordinator. S/he will be assisted in day-to-day project operations by two externally recruited technical operations manager. The project coordinator will sign performance-based MoUs, conventions, or contracts on behalf of CCA, *inter alia* with FIRCA for fiduciary management (procurement and financial management) and with PIAs



for activities that fall under their mandates. The project will seek support from the following PIAs: CNRA for agriculture research activities and production of seedlings, ANADER for extension activities, DOPA for support to professional organizations, AGEDI for promotion of the cashew dedicated processing platforms, BNEDT for preparation of technical studies, and AGEROUTE for rehabilitation of feeder roads. The PCU will also contract private service providers as needed for cross-cutting activities such as investment promotion, training, institutional development of inter-professions and cooperatives, etc.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The physical area targeted under the proposed project consists of the poorer, northern half of the country, from the border with Guinea to the border with Ghana. This includes the Bafing (Touba), Denguélé (Odienné), Lacs (Yamoussoukro, Toumodi, Tiebissou), Marahoué (Bouaflé, Sinfra, Zuenoula), Moyen Comoé (Agnibilékro), N’Zi Comoé (Bongouanou, Daoukro, Dimbokro, M’Bahiakro, Bocanda), Savanes (Korhogo, Ferké, Tengrela, Boundiali), Bandama Valley (Bouaké, Dabakala, Béoumi, Katiola, Sakassou), Worodougou (Séguéla, Mankono) and Zanzan areas (Bondoukou, Bouna, Tanda).

G. Environmental and Social Safeguards Specialists on the Team

Abdoul Wahabi Seini, Social Safeguards Specialist
Abdoulaye Gadiere, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This project is planning to finance roads rehabilitation with the aim to connect the main cashew production areas to markets. For instance, 300 km of feeder roads involving heavy reprofiling and treatment of critical bottlenecks in selected spots (component 1). Besides, the project is going to support the development of four cashew agro-processing platforms (in Bouaké, Korogho, Bondoukou and Séguéla) including basic infrastructure (connecting and internal roads, water and energy access, communication, etc.) and storage facilities as well as waste management facilities (Component 3). These activities may have adverse impacts which may be significant and irreversible.



The exact locations of these investments are not yet known. Therefore, an Environmental and Social Management Framework (ESMF) was prepared, consulted upon and disclosed in Cote d'Ivoire on April 4, 2017 and on the Bank external webpage on April 6, 2017.

Regarding the project financed cashew agro-processing platforms, and the potential environmental and social adverse impacts associated with such an investment, the appropriate safeguard instrument to develop is a sectoral Strategic Environmental and Social Assessment (SESA). The terms of reference for such SESAs have been developed for the Bouaké and Korogho platforms. They were consulted upon and disclosed within Cote d'Ivoire on August 1, 2016 (Bouake platform) and on July 5, 2017 (Korogho platform). They were published on the Bank external webpage on October 10, 2016 (Bouake platform) and on July 6, 2017 (Korogho platform). However, the sectoral assessment itself will be carried out as part of the project implementation.

Natural Habitats OP/BP 4.04

Yes

The project will be implemented on areas where forests still exist. This kind of environment concentrates various insects and others types of animals, whose natural habitat could potentially be affected by the project's activities mainly with the opening/rehabilitation of rural road. However, there is no specific safeguard instrument to be prepared. This issue will be considered as part of the ESMF.

Forests OP/BP 4.36

Yes

Areas where the project's activities will be implemented comprise forested areas. That factor could possibly impact the health and quality of forests or the rights and welfare of people and their level of dependence upon the interaction with forests, and it may lead to changes in the management, protection or utilization of natural forests or plantations. So, special attention need to be paid to avoid or at least minimize adverse impacts on forests resources. The ESMF prepared in accordance with OP4.01 provide guidance to address matters related to forests protection. During the



		implementation phase, a management plan will be prepared if necessary.
Pest Management OP 4.09	Yes	The project sub-component 2.1 will aim at increasing the production and productivity of cashew producers in the project areas. Even if the project does not purchase fertilizers and agro-chemicals directly, it may induce the use of those products by cashew producers for pest and disease management. Consequently, an IPMP was prepared, consulted upon and disclosed in-country on April 4, 2017 and on the World Bank external website on April 6, 2017. The IPMP provides guidance to farmers to prevent them from using pesticides and other chemical products without taking safety precautions. In other words, it informs them about authorized products, risks related to water and soil pollution, as well as the risks to human health.
Physical Cultural Resources OP/BP 4.11	Yes	Activities supported by the proposed project such as feeder roads rehabilitation; agro-processing platforms, storage/warehouse facilities will unquestionably involve excavations with possibilities to underscore physical cultural resources. However, the triggering of this policy does not entail the preparation of a specific safeguard instrument. A specific chapter is included in the ESMF to provide guidance in case physical cultural resources is discovered.
Indigenous Peoples OP/BP 4.10	No	There are no indigenous people as defined by the policy in the project area.
Involuntary Resettlement OP/BP 4.12	Yes	The planned interventions such as rural roads, agro-industrial platforms, storage facilities are expected to lead to land acquisition or restriction of access to sources of livelihood. Therefore, an RPF was prepared by the Borrower for the activities triggered by the OP 4.12 as a due diligence given that the specific sites or impacts of planned physical investments are not known. The RPF was approved and disclosed in country on April 4, 2017 and at World Bank external website on April 6, 2017. The RPF will be used as a guide to conduct specific Resettlement Action Plans (RAPs) as needed, as well as compensation measures to minimize negative impacts on Project Affected People (PAPs). The RAPs will be submitted to the Bank for approval prior to the commencement of any civil works.



Safety of Dams OP/BP 4.37	No	The project will not finance dams nor rely on dams.
Projects on International Waterways OP/BP 7.50	No	The project is not expected to affect international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The project will not be located in a Disputed Area.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The Project will finance a program of cashew productivity enhancement involving changes in agricultural practices (possibly increased use of fertilizers and pesticides) and a program of rural roads rehabilitation connecting the main cashew producing areas to markets (i.e., 300 km of feeder roads involving heavy reprofiling and treatment of critical bottlenecks in selected spots – Component 1). In addition, it will support the development of four cashew processing platforms (planned in Bouaké, Korogho, Bondoukou and Séguéla), including basic industrial infrastructures and storage facilities, as well as by-products processing and waste management (Component 3). These activities are likely to have significant adverse environmental and social impacts on the biophysical and human components in the project area, including land acquisition or restriction of access to resources used by the population, technological (industrial) risks, disruption of the living environment, production of solid and liquid waste, insecurity at work, pollution of natural resources (water, air, soil) and use of pesticides to improve productivity and storage of cashew. These risks can, however, be substantially reduced by using appropriate environmental and social safeguards measures.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
No long term adverse impacts are anticipated due to future activities in the project area.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
Each candidate sub-project location (i.e., storage facilities rehabilitation or new construction and feeder roads) will be subject to an environmental and social screening prior to selection for investment. For the planned agro-processing platforms, a sectoral Strategic Environmental and Social Assessment (SESA) will be prepared as part of the project implementation.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
The proposed project is rated as EA category “A” and triggers six safeguards policies which are: Environmental Assessment (OP/BP 4.01); Natural Habitats (OP/BP 4.04); Forests (OP/BP 4.36); Pest Management (OP 4.09); Physical Cultural Resources (OP/BP 4.11) and Involuntary Resettlement (OP/BP 4.12). Considering that the exact geographic locations of project specific interventions are not yet determined with certainty, these policies will be addressed through the following safeguards instruments prepared by the Government of Côte d’Ivoire and approved by the World Bank: (i) an Environmental and Social Management Framework (ESMF); (ii) a Resettlement Policy Framework (RPF); and (iii) an Integrated Pest Management Plan (IPMP). These instruments provide mitigations measures that will be effective in managing the potential environmental and social impacts, as well as a way to monitor their effectiveness and to detect any unforeseen impact.



The ESMF outlines an environmental and social screening process, including institutional responsibilities for screening, review and clearance, and implementation of mitigation and monitoring measures for future investments. This screening process consists of: (i) an environmental and social screening form to determine potential adverse environmental and social impacts and record the outcome of consultations; (ii) an environmental and social checklist with generic mitigation measures to be adapted to the specific investment; (iii) a summary of the World Bank's safeguard policies; (iv) an Environmental and Social Management Plan (ESMP), including environmental monitoring indicators and capacity-building activities; (v) Environmental Guidelines for Contractors; and (vi) generic environmental impact assessment Terms of references. It is also designed to serve as a guide for developing ESIA's, which include ESMPs. With regards, the agro-processing platforms and the potential environmental and social adverse impacts associated with such an investment, the ESMF includes the terms of reference of a sectoral Strategic Environmental and Social Assessment (SESA), which itself will be carried out as part of the project implementation.

The ESMF has also made provision to address basic requirements from both OP/BP 4.36 (forestry), OP/BP 4.04 (Natural Habitats) and OP/BP 4.11(Physical Cultural Resources). All safeguards documents (ESMF, PMP, and RPF) were reviewed and cleared by the Bank and the Government and disclosed both in-country on April 4, 2017 and in the Bank external website on April 6, 2017.

The Recipient has several years of experience in applying and implementing World Bank projects. There are considerable legal and institutional frameworks in the country to ensure compliance with World Bank safeguards policies triggered by the proposed project. In Cote d'Ivoire, the Ministry of Environment, and Sustainable Development (MINEDD) is responsible for setting policy guidelines on environmental issues and ensuring compliance with national environmental standards. It has different departments among which the National Agency of Environment (ANDE, Agence Nationale de l'Environnement) in charge of safeguards compliance of all projects in the country. The unit is well staffed and its capacities are acceptable. With regard to the PCU, capacity building efforts to support project implementation will be done by implementing recommendations contained in the safeguards instruments prepared for the project. The project will also receive guidance from the Bank's environmental and social specialists in the Project team.

The project will continue strengthening the environmental and social management capacity of the borrower, at project unit level, as well as at the level of cashew producers and processors. These beneficiaries will be provided with environmental and social safeguards training, including safe pest management, waste management, etc.

The Financing Agreement will require the Government of Côte d'Ivoire to prepare and submit to the World Bank for prior approval and disclosure any required ESIA's including ESMPs in accordance with the ESMF, for the activities proposed to be carried out under the ongoing operation. Prior to commencing any works, the government will take all actions required by the ESMP and obtain the World Bank's confirmation that the works may commence. Finally, the PCU will report quarterly to the World Bank on the environmental safeguard measures taken through a specific Safeguard Monitoring Report. A summary of this specific report will be included in the periodic project progress reports.

A Grievance Redress Mechanism (GRM) was set up to allow stakeholders and interested parties to bring up any concern regarding the project to the PCU with the aim of finding a solution.

Safeguards documents include guidelines on Occupational, Health and Safety(EHS/OHS), and clearly mentions that the company Environmental and Social Management Plan (Works-ESMP) must be approved by the PCU and their partners



prior to the works commencement. Moreover, the bidding documents and the contracts for main contractors as well as the sub-contractors must also include sections related to EHS/OHS.

With respect to potential labor influx, the project will establish guidance and rules for (i) contractors to enhance the ESMPs and workers contracts will include measures for managing the potential impacts of such an outside workforce on the local community. Specific details will be prepared during the investment activities for contractors who will bring in workers and operators from outside the area, and these are likely to be housed in work camps during construction.

To ensure that the safeguard instruments prepared in line with policies triggered by the project are implemented properly, the PCU will hire an environmental safeguard specialist and a social safeguards specialist. The environmental safeguards specialist must have additional experience in EHS/OHS, and the social safeguards specialist in GBV, Social inclusion and any labor related risk. Both specialists will be fully in charge of all aspects of environmental and social safeguards aspects and will regularly monitor all safeguard requirements. More specifically, the two specialists, the whole PCU, the implementing agencies as well as the other stakeholders will ensure that children are not employed in cashew farms as labor force.

World Bank supervision missions will also include environmental and social safeguards specialists to ensure that all safeguard issues are addressed properly, in a timely manner.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The key stakeholders are the beneficiary cashew producers and processors, Ministries in charge of Agriculture, Industry and environment as well as their relevant agencies/departments, municipalities, and NGOs.

One of the key principles of this project from the outset was to foster participation of all relevant stakeholders. This approach will be sustained throughout project implementation. The environmental and social assessment studies, namely the ESME, IPMP, and RPF, were also carried out according to the same principle, using broad-based public consultation approach, involving the above stakeholder groups. The objective was to raise awareness of project activities and impacts and foster ownership on their part. All the relevant bodies have been adequately informed of the Project. Concerns of the beneficiaries and some details of consultations have been taken into account in the body of the different reports and other results provided as Annexes. The key concerns raised during the consultation process included: (i) permanent information and sensitization of the beneficiaries, (ii) compensation process for those impacted by the project, (iii) participation of local population as employee on works they qualify for, (iv) the involvement of NGOs and state technical services during the execution of works. All these concerns have been addressed in the alternatives proposed through the developed safeguards instruments.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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01-Feb-2017	06-Apr-2017	
<p>"In country" Disclosure Cote d'Ivoire 04-Apr-2017 Comments</p>		
<p>Resettlement Action Plan/Framework/Policy Process</p>		
Date of receipt by the Bank 01-Feb-2017	Date of submission for disclosure 06-Apr-2017	
<p>"In country" Disclosure Cote d'Ivoire 04-Apr-2017 Comments</p>		
<p>Pest Management Plan</p>		
Was the document disclosed prior to appraisal? Yes	Date of receipt by the Bank 01-Feb-2017	Date of submission for disclosure 06-Apr-2017
<p>"In country" Disclosure Cote d'Ivoire 06-Apr-2017 Comments</p>		
<p>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP. If in-country disclosure of any of the above documents is not expected, please explain why:</p>		



C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

No

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

Yes

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

Yes

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes



OP/BP 4.36 - Forests

Has the sector-wide analysis of policy and institutional issues and constraints been carried out?

NA

Does the project design include satisfactory measures to overcome these constraints?

Yes

Does the project finance commercial harvesting, and if so, does it include provisions for certification system?

NA

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

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APPROVAL

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