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<b>Kelly Feenan</b>	<b>Ronald Hartman</b>
+39 06 5459 2058 :	+39 06 5459 2184 :
<a href="mailto:gb_office@ifad.org">gb_office@ifad.org</a> :	<a href="mailto:r.hartman@ifad.org">r.hartman@ifad.org</a> :

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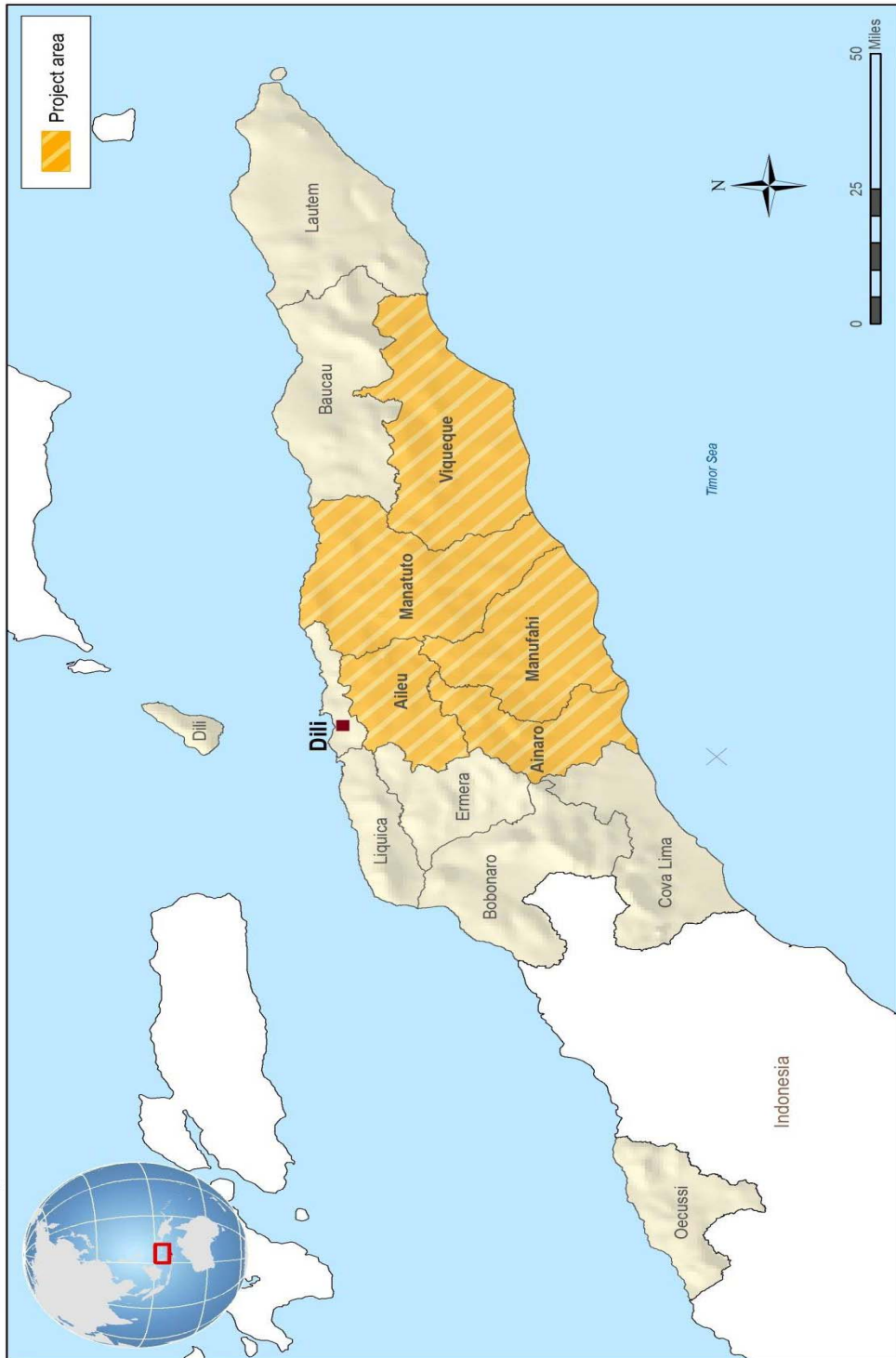
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## **Negotiated financing agreement: "Timor-Leste Maize Storage Project"**

(Negotiations concluded on 6 December 2011)

Grant Number:

Project Title: Timor-Leste Maize Storage Project (the "Project")

The Democratic Republic of Timor-Leste (the "Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

### **Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as amended on 17 September 2010 (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Grant to the Recipient (the "Financing"), which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

### **Section B**

1. The amount of the Grant is 3 200 000 Special Drawing Rights (SDR).
2. The first day of the applicable Fiscal Year shall be 1 January.
3. There shall be a Designated Account for the benefit of the Ministry of Finance in a bank acceptable to IFAD.
4. There shall be a Project account denominated in United States Dollars for the benefit of the Ministry of Agriculture and Fisheries (MAF) for the implementation of the Project, in a bank acceptable to IFAD.
5. The Recipient shall provide counterpart financing for the Project in the amount of United States Dollars 150 000.

### **Section C**

1. The Lead Project Agency shall be the Ministry of Agriculture and Fisheries.

2. The following are designated as additional Project Parties: The Project Steering Committee (PSC); Project Management Unit (PMU) and the District Coordination Offices (DCOs); and shall include but are not limited to institutions and other development partners mentioned in Schedule 1.

3. The Project Completion Date shall be the third anniversary of the date of entry into force of this Agreement.

#### **Section D**

The Project will be directly supervised by IFAD in consultation with the Recipient.

#### **Section E**

1. The following is designated as an additional specific condition precedent to withdrawal:

A Project Implementation Manual is issued by MAF within 90 days of the date of entry into force of this Agreement.

2. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Recipient:

Minister of Finance  
Ministry of Finance  
Edificio 5, 1º Andar  
Palacio do Governo,  
Dili, Timor-Leste

For the Fund:

The President  
International Fund for Agricultural development  
Via Paolo di Dono 44  
00142 Rome, Italy

This Agreement, dated\_\_\_\_\_, has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Recipient.

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

\_\_\_\_\_  
Minister of Finance

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Kanayo F. Nwanze  
President

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The Project shall benefit approximately 23 000 economically active poor households (households producing about 150 kg of maize per year) in the districts of Aileu (year 1), Manufahi and Manatuto (year 2), and Ainaro and Viqueque (year 3) (the "Project Area").
2. *Goal.* The goal of the Project is: improved food security for maize growing households in Timor-Leste.
3. *Development Objective.* The development objective of the Project is: reduced losses of maize stored on-farm.
4. *Components.* The Project shall consist of the following Components:

##### 4.1 **Component 1: Purchase and/or manufacture of maize storage drums.**

The main output from this component will be that maize storage drums are procured and/or manufactured locally. During the first phase, the project will facilitate the international supply of new 200l drums (42 000 drums over three years). At the same time, local private-sector drum manufacture will be investigated, focusing on alternative drum/container designs, in-field testing of prototypes, and business development feasibility studies on developing local drum manufacturing capacity.

Project-funded research and development (R&D) activities will include support for local industrial manufacturers to develop and field-test prototype 100l and 200l drums, followed by pilot rollouts and evaluation of field trials. The R&D package will include funds for business expansion and fund-sourcing feasibility studies. Limited R&D funds will also be allocated to improving maize shellers.

4.2 **Component 2: Distribution of 200l maize storage drums.** The main output of this component will be that maize storage drums are distributed and used effectively. This output will be achieved through the following steps: (i) appointing and training project facilitators in community organization skills and drum delivery and use; (ii) targeting and preparing households, in terms of eligibility and desire to use drums for maize storage, depending on their maize production volume and willingness to pay a co-contribution per drum; (iii) preparation of district, sub district, Suco [village] and Aldeia [hamlet] drum delivery and distribution plans; (iv) drum distribution in time for the next maize harvest, and collection of beneficiaries' co-contributions; (v) training and support in drum use and management; and (vi) piloting of drum distribution through agents in district markets. Approximately 23 000 households will receive approximately 42 000 drums during the three-year project.

4.3 **Component 3: Project management and coordination.** The main output from this component will be efficient project management and coordination. This will be achieved through: (i) the establishment and operation of a PMU embedded in MAF's National Directorate of Agriculture and Horticulture; (ii) the design and operation of an M&E framework; and (iii) the appointment of coordinators and facilitators.

The PMU will consist of a Project Director (the National Director of Agriculture and Horticulture), a Project Manager (international appointment); a Finance Officer, a Procurement/ Logistics Officer, and an M&E Officer (national appointments). The PMU will be supported by a short-term international Post-harvest Storage Specialist and a national Monitoring and Evaluation Specialist. Project monitoring will encompass: (i) baseline and follow-up household surveys on maize storage losses; (ii) periodic assessment of on-farm maize storage practices; and (iii) periodic assessment of drum use. Participatory impact assessment will be an important tool for ascertaining beneficiaries' views on Project performance and results.

## II. Implementation Arrangements

1. The Project will apply a community-based and participatory approach for project implementation. The field-level activities (drum distribution) will be implemented by MAF in coordination with the government's district administration staff and networks, local community organizations and village leaders, and in cooperation with MAF's district staff.
2. At the field level the project facilitators will work with Suco Chiefs to complete the series of community-focused activities in coordination with agriculture extension workers. These activities have been designed to ensure that the Project effectively engages with communities for all pre- and post-drum delivery activities, and subsequent participatory impact assessments. M&E activities have been designed to gather target beneficiaries' opinions on and gauge their satisfaction with this approach. Results will be used to adjust implementation activities if required.
3. A PMU (staffed with a Project Director, a Project Manager, a Finance Officer, and a Procurement/ Logistics Officer) will be embedded in MAF's Dili complex, and will work out of MAF's District Offices if practical in terms of office space and drum storage facilities. The PMU will be responsible for day-to-day project implementation and will manage district coordination. DCOs will be established under a phased approach in current target districts and operate for a period of about one year. District coordinators and deputy district coordinators will, in turn, manage the project facilitators. The latter will work closely with MAF agricultural extension workers, Suco and Aldeia chiefs to select beneficiary households, organize drum delivery, train recipients in drum use and maintenance, and conduct periodic monitoring activities.
4. A PSC will provide overall Project direction and guidance. The PSC will be responsible for: (a) coordinating the provision of Government support (national and district levels); (b) coordinating Project activities with Government programmes; and (c) providing policy support. It will comprise: i) the Director General of MAF, who shall be the Chairperson of the PSC; ii) a representative from the Ministry of Finance; and iii) representatives from the districts where the Project operates.

## Schedule 2

### Allocation Table

1. *Allocation of Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Grant and the allocation of the amounts of the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Grant Amount Allocated (expressed in SDR)	% of eligible expenditure to be financed
I. Drum Acquisitions	805 000	100% net of taxes and beneficiaries' contributions
II. Subcontracts	375 000	100% net of taxes
III. Vehicles, Equipment & Materials	340 000	100% net of taxes
IV. Training	95 000	100% net of taxes
V. Technical Assistance and Studies	375 000	100%
VI. Salaries and Allowances	640 000	100% net of taxes
VII. Operating Costs	250 000	100%
Unallocated	320 000	
<b>TOTAL</b>	<b>3 200 000</b>	

(b) The terms used in the Table above are defined as follows:

Subcontracts: financing activities related to the manufacturing and distribution of drums, training, and support in drum use and management.

2. *Retroactive Financing.* Withdrawals not exceeding in the aggregate the amount of SDR 19 335 equivalent to USD 30 000 may be made from the Grant Account in respect of expenditures under Categories III and VII of this Schedule for activities undertaken by the Project related to the recruitment of key project management staff and the establishment of offices, which will include the establishment/ refurbishment of the PMU in Dili and the recruitment of the Project Manager, the Finance Officer and the Procurement/ Logistics Officer for the PMU, and other preparatory activities incurred before the Effective Date but after 15 December 2011. Such expenditures shall be deemed Eligible Expenditures for all purposes of this Agreement.



### **Schedule 3**

#### *Special Covenants*

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Recipient to request withdrawals from the Grant Account if the Recipient has defaulted in the performance of the covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

The Recipient confirms its commitment to engage with regional and international organizations, private sector and non-governmental organizations as implementing partners and service providers, with the active participation of the Project's target group, in order to ensure that the TLMSP objectives are met.

# Logical framework

Results Hierarchy	Indicators	Means of Verification	Assumptions
<p><b>Goal:</b> Improved food security for maize-growing households in Timor-Leste</p>	<ul style="list-style-type: none"> <li>Percent improvement in HH food security due to increase on-farm supplies of maize, initially after harvest and then in the “hungry season”.</li> <li>*No. of HHs with improved food security.</li> <li>*No. of HHs showing improvement in IFAD’s HH asset ownership index.</li> <li>*Percent reduction in the prevalence of child malnutrition.</li> </ul>	<ul style="list-style-type: none"> <li>Assessed reduction in storage losses due to Project (from survey reports), as a % of total HH food requirements (from TLSLS reports).</li> <li>Drum distribution records.</li> <li>Project survey.</li> <li>Secondary data from WFP and UNICEF</li> </ul> <p><u>Goal-level indicators reported at beginning and end of Project.</u></p>	<ul style="list-style-type: none"> <li>Peace and civil order are maintained.</li> <li>No major changes in MAF’s agricultural development policy and strategies.</li> </ul>
<p><b>Development Objective:</b> Reduced losses of maize stored on-farm</p>	<ul style="list-style-type: none"> <li>On-farm storage losses reduced from 15% to less than 1% (cumulative weight loss basis) for households adopting improved storage techniques.</li> </ul>	<ul style="list-style-type: none"> <li>Baseline survey report on extent of maize losses under traditional storage systems.</li> <li>Drum use monitoring program reports.</li> <li>Participatory Impact Assessments.</li> </ul> <p><u>Development objective-level indicators reported annually.</u></p>	<ul style="list-style-type: none"> <li>Farmers are willing to move away from traditional storage practices.</li> <li>Recommended on-farm maize storage technology (drums) is acceptable/ affordable to target rural households.</li> </ul>
<p><b>Output 1:</b> Maize storage drums procured and/or manufactured locally:</p> <ul style="list-style-type: none"> <li>(i) New 100L and 200L drums imported</li> <li>(ii) 100L and 200L drums locally manufactured (probably Phase II)</li> <li>(iii) R&amp;D on alternative drum designs and business development studies (local drum manufacture) completed</li> </ul>	<ul style="list-style-type: none"> <li>42,000 new 200L drums imported by end of PY2.</li> <li>At least one design for a locally-manufactured alternative drum successfully developed and field tested by the end of PY3.</li> <li>Options for local manufacture assessed, private sector partner/s identified, and business development plan completed by the end PY3.</li> </ul>	<ul style="list-style-type: none"> <li>AWPBs.</li> <li>Six-monthly Progress Reports.</li> <li>R&amp;D reports.</li> </ul>	<ul style="list-style-type: none"> <li>An adequate number of new drums can be imported, for a reasonable price</li> <li>No serious importation difficulties/delays - GoTL is able to facilitate drum import and clearance</li> <li>No major technical difficulties with local drum manufacture.</li> <li>Funds for expanded local drum manufacturing businesses are available.</li> </ul>
<p><b>Output 2:</b> Maize storage drums distributed and used effectively:</p> <ul style="list-style-type: none"> <li>(i) Target HHs identified and organized</li> <li>(ii) Drum distribution plans prepared</li> <li>(iii) Drums distributed, and co-contributions collected</li> <li>(iv) Drum use promoted and farmers trained</li> <li>(v) Drum distribution through private sector piloted</li> <li>(vi) Drums distributed through NGO network</li> </ul>	<ul style="list-style-type: none"> <li>23,000 poorer maize-growing HHs identified, provided with drums and trained in drum use.</li> <li>Drums being fully utilized for maize storage.</li> <li>Drum use guidelines being closely followed by most HHs.</li> <li>Five drum agents in district markets identified and trained, by end PY2.</li> <li>500 drums sold by drum agents by end PY3.</li> <li>10% of purchased drums distributed through NGOs (year by year)</li> <li>*No. of HHs receiving Project services.</li> </ul>	<ul style="list-style-type: none"> <li>AWPBs.</li> <li>Six-monthly Progress Reports.</li> <li>Drum use monitoring program reports.</li> <li>Participatory Impact Assessments.</li> </ul>	<ul style="list-style-type: none"> <li>Use of local government and community structures, and staff, to assist with drum targeting and distribution is efficient.</li> <li>Transport infrastructure and services are maintained at a level sufficient to allow timely shipment of drums from Dili to target Sucos.</li> <li>Required number of suitably qualified District Coordinators and Project Facilitators can be recruited.</li> <li>Suitable mechanism for safely depositing drum co-payments can be identified.</li> </ul>
<p><b>Output 3:</b> Efficient Project management and coordination:</p> <ul style="list-style-type: none"> <li>(i) PMU established and operational</li> <li>(ii) DCOs established and operational</li> <li>(iii) M&amp;E system designed and operational</li> </ul>	<ul style="list-style-type: none"> <li>PMU and DCOs established and operational.</li> <li>Implementation on schedule.</li> <li>Implementation performance and outcomes being regularly assessed.</li> <li>IFAD satisfied with results.</li> <li>Other stakeholders (communities, partner NGOs, district government) satisfied with results.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Reports.</li> <li>M&amp;E reports.</li> <li>Supervision Mission Reports</li> <li>Project Completion Report.</li> <li>Participatory Impact Assessments.</li> </ul>	<ul style="list-style-type: none"> <li>Adequate resources are allocated to Project management and M&amp;E in timely fashion.</li> <li>Strong partnerships between Project contractor, IFAD and MoF can be developed</li> </ul>