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Investing in rural people

President's report

Proposed financing

Republic of Liberia

Smallholder Agriculture Transformation and
Agribusiness Revitalization Project

Project ID: 2000001194

Note to Executive Board representatives

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Abbreviations and acronyms

FBO	farmer-based organization
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association (of the World Bank Group)
IFAD11	Eleventh Replenishment of IFAD's Resources
LACF	Liberia Agriculture Commercialization Fund
M&E	monitoring and evaluation
PAPD	Pro-Poor Agenda for Prosperity and Development
PIU	project implementation unit
SDGs	Sustainable Development Goals
SO	strategic objective
STAR-P	Smallholder Agriculture Transformation and Agribusiness Revitalization Project

Map of the project area

Republic of Liberia

Smallholder Agriculture Transformation and Agribusiness Revitalization Project

Design report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
 Map compiled by IFAD | 03-12-2018

Financing summary

Initiating institution:	World Bank
Borrower:	Republic of Liberia
Grant recipient:	Republic of Liberia
Executing agency:	Ministry of Agriculture
Total project cost:	US\$61.9 million
Amount of IFAD loan:	US\$16.79 million
Amount of IFAD Debt Sustainability Framework grant:	US\$6.21 million
Amount of IFAD climate finance:*	US\$6.5 million
Terms of IFAD loan:	Highly concessional: Maturity period of 40 years, including a grace period of 10 years, with a service charge of 1.46 per cent per annum. Principal is to be repaid at 4.5 per cent of the total per annum for years 11 to 30, and 1 per cent of the total per annum for years 31 to 40. Principal repayments are payable semi-annually.
Cofinancier:	World Bank
Amount of cofinancing:	US\$25 million
Terms of cofinancing:	Loan
Contribution of beneficiaries and private sector partners:	US\$13.9 million
Appraising institution:	World Bank
Cooperating institution:	World Bank

* As per the MDB Methodologies for Tracking Climate Adaptation and Mitigation Finance.

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 55.

I. Context

A. National context and rationale for IFAD involvement

National context

1. The Republic of Liberia is home to approximately 4.2 million people, of which 47 per cent live in rural areas. Ninety per cent of the population is under 35 years of age and 52.6 per cent is in the economically active age range (15 to 64 years). Agriculture remains the mainstay of the country's economy. In addition to large commercial operations in the rubber and palm oil sector, Liberia's family farms produce rice, cassava and horticultural crops, mostly on a small, near-subsistence scale. The sector employs around 70 per cent of the country's labour force and contributes 44.7 per cent of its GDP. A large proportion of the 600,000 hectares of arable land available is unused. A range of structural challenges inhibit the sector's effective development, including a weak regulatory framework, poor infrastructure and suboptimal performance of most agricultural value chains, reflected in low yields and a lack of investment.
2. Liberia is among the countries with the lowest human development, ranked 181st out of 189 countries in the world. In spite of significant GDP growth in the years after the civil war, the economy is now stagnating, with 1.7 per cent growth in 2018 and a projected growth of only 0.4 per cent in 2019. The poverty rate nationally is 50.9 per cent, while it stands at 71.6 per cent in the rural areas. Food insecurity in the rural areas is 58.8 per cent, compared to the national average of 51.2 per cent. Thirty-five per cent of children under five years of age are stunted and 69 per cent are anaemic.
3. Liberia is on the World Bank Group's Harmonized List of Fragile Situations. It remains a fragile country, due primarily to the prolonged civil war (1989 to 2003), an epidemic of Ebola virus disease (2014 to 2015) and the limited capacity of public administration.

Special aspects relating to IFAD's corporate mainstreaming priorities

4. The Smallholder Agriculture Transformation and Agribusiness Revitalization Project (STAR-P) proactively addresses the aspects of gender, youth, nutrition and environment/climate change, and is consequently aligned with the Eleventh Replenishment of IFAD's Resources (IFAD11) mainstreaming agenda and transformational framework. Key project activities under each area include:
 - (a) Nutrition. Child undernutrition in all its forms (wasting, stunting and underweight) is a major concern for Liberia, where 30 per cent of children under five suffer from stunting and more than 500,000 are underweight. The project will therefore promote nutrition through a variety of activities, including the establishment of kitchen gardens for a subset of beneficiaries, support to horticulture value chains to expand the supply of nutritious food in the country, capacity-building in the Ministry of Agriculture and other institutions, and information campaigns for rural families to grow and purchase more nutritious food and increase dietary diversity.
 - (b) Gender. Women in Liberia suffer from low access to productive assets – including land – and from uneven workloads at the household level. In addition, the primary school completion rate for girls is only 47 per cent, compared to 62 per cent for boys. The project will address key issues related

to gender imbalances, through capacity-building in communities and in the public sector, in order to provide services to the rural poor with due consideration for gender aspects. The value chains to be supported by the project, particularly horticulture, have also been selected with a view to the participation rate of women. The beneficiary groups will include at least 30 per cent women among their members.

- (c) Youth. Youth, defined to be between the ages of 18 and 35, is disproportionately affected by unemployment or informal employment, especially in rural areas. The project will address this issue through the establishment of quotas of at least 30 per cent for youth participation in beneficiary groups, and priority access to matching grants for rural youth entrepreneurs. In addition, the project will engage with the Government to improve the overall business environment in agriculture, which is expected to make the sector more attractive to youth.
- (d) Climate change. Liberia is one of the countries in the world that is most vulnerable to the adverse impacts of climate change and variability. The project will promote adaptation to climate change through a number of measures such as: intercropping along the selected value chain, which will increase crop diversification; the use of climate-resilient seeds; methods to retain soil nutrients/prevent soil erosion; improved water management; and integrated pest management.

Rationale for IFAD involvement

5. The project was approved by the World Bank in January. The financing agreement for the International Development Association (IDA) credit entered into force in late June 2019. The project will therefore be scaled up with IFAD financing.
6. The project is fully aligned with the IFAD Strategic Framework 2016-2025 and the priorities established in the IFAD11 Consultation, such as targeting the poorest countries and fragile situations. It is also an example of IFAD's renewed focus on partnerships to achieve the Sustainable Development Goals (SDGs) and the broader 2030 Agenda for Sustainable Development.
7. In addition to overall alignment with IFAD's strategic vision, there is a strong substantive rationale for engaging in the project: (i) the choices of vegetables, rice and oil palm as targeted value chains have good poverty reduction potential and are easy for smallholder farmers to adopt; (ii) the project helps ensure a concerted approach to the full value chain, which is needed in the Liberian context; and (iii) in a fragile situation like Liberia where IFAD has no country office, it is particularly relevant to partner with other development institutions that have an in-country presence, such as the World Bank.
8. IFAD's value addition, which was agreed upon in the joint IFAD–World Bank appraisal mission that took place in late 2018, includes the following: (i) the vegetable value chain being reintroduced in the project; (ii) emphasis on support to oil palm production being aligned with the Roundtable on Sustainable Palm Oil; and (iii) sharpening of the poverty focus through a better definition of the target group.
9. The World Bank's project appraisal document mentions the potential cofinancing from IFAD and states that if it materializes in 2019, the Government is expected to submit a restructuring request to reflect IFAD's joint cofinancing of the total project cost, which will lead to the issuance of a restructuring paper by the World Bank.
10. However, the World Bank's project appraisal document does not reflect IFAD cofinancing in the cost tables, economic and financial analysis, geographic coverage and results framework targets – including in the number of beneficiaries reached. Upon approval of the IFAD financing and on the formal request of the Government, the World Bank will issue a restructuring paper that will indicate the

changes to the project with the inclusion of IFAD cofinancing. It has been agreed that the restructuring paper will include, among other aspects: (i) updated cost tables; (ii) increased geographic coverage from five to nine counties; (iii) an update of the results framework to reflect increased outreach and nutritional focus; and (iv) references to the kitchen garden pilot that was introduced for a subset of the beneficiaries with the IFAD financing.

11. Further refinements of technical details will be included in the project implementation manual, which will be jointly validated to ensure that best practices from both institutions are taken into consideration, particularly with regards to targeting, smallholder focus, nutrition and land rights for youth and women.
12. An exchange of letters with the World Bank has been tabled at the session to present the agreed way forward.

B. Lessons learned

13. In fragile situations, proximity matters. Projects in the IFAD portfolio have historically faced lengthy time lags from approval to first disbursement. The lesson is that close follow-up and continuous support are needed after approval. One way to address the issue is to work with a development partner such as the World Bank with an in-country presence, able to provide close follow-up.
14. Value chains facilitating smallholder market linkages. While well-performing tree crop value chains have traditionally benefited agribusiness firms, smallholder farmers can also benefit. However, for smallholders to participate and obtain higher value or a larger portion of the chain's profits, the project will support them in meeting the demands of other value chain actors such as processors, retailers and exporters.
15. Without explicit targeting measures, woman-headed households and youth may end up being left out of development processes. The integration of youth and women in the economy is fundamental for Liberia's development. Without explicit efforts, youth and woman-headed households have limited access to opportunities in areas in which adult men control community-level processes.

II. Project description

A. Project objectives, geographic area of intervention and target groups

Project development objective

16. The project development objective is to increase agricultural productivity and commercialization on the part of smallholder farmers for the vegetable, rice and oil palm value chains in selected counties of Liberia. The geographic area will indicatively consist of the following counties: Bomi, Gbarpolu, Grand Cape Mount, Grand Gedeh, Lofa, Margibi, Maryland, Nimba and Sinoe.¹
17. The direct beneficiaries of the project are approximately 38,000 smallholder farmers, of whom at least 30 per cent will be women and young farmers. Intermediate beneficiaries will include agribusinesses and business development services enterprises that have business links to smallholder farmers in the targeted value chains. Indirect beneficiaries include government staff in targeted ministries, agencies, and commissions, and the private sector and other non-state institutions.

B. Components/outcomes and activities

18. The STAR-P will have three components: (i) institutional capacity-building and strengthening the enabling environment for farmers and state and non-state

¹ The original World Bank design only included Bomi, Grand Cape Mount, Lofa, Margibi and Nimba counties.

actors; (ii) enhancing productivity and competitiveness; and (iii) efficient project management, monitoring and evaluation (M&E), and citizen engagement.

19. Component 1: Institutional capacity-building and strengthening the enabling environment for farmers and state and non-state actors. This component aims to provide training and strengthen the capacity of farmer-based organizations (FBOs), and the institutional capacity of key public agencies and the private sector to deliver the priority services necessary to promote competitive commercial agriculture in Liberia. It will also finance studies with a view to addressing selected policies or regulations that currently constrain growth in the agrifood sector and particularly within the targeted value chains. The component will have the following subcomponents:
 - Subcomponent 1.1: Strengthening market-oriented smallholder farmer groups for selected commodity value chains;
 - Subcomponent 1.2: Institutional strengthening for selected government ministries, agencies, and commissions;
 - Subcomponent 1.3: Capacity-building for selected private sector and non-state institutions; and
 - Subcomponent 1.4: Strengthening the enabling environment, policy, regulations and administrative procedures for agribusiness development.
20. Component 2: Enhancing productivity and competitiveness: This component aims at improving smallholders' integration into the value chains targeted by the project. The project will finance matching grants for smallholder farmers, agribusinesses, business development service providers and financial institutions, through establishment of the Liberia Agricultural Commercialization Fund (LACF) to contribute to the costs of investment for the subprojects. Eligible expenditures will include productive infrastructure, equipment, technical assistance and incremental working capital. It will be implemented through the following subcomponents:
 - Subcomponent 2.1: Investment support for productive links between smallholder farmers and agribusinesses;
 - Subcomponent 2.2: Support to agribusinesses and business development service enterprises; and
 - Subcomponent 2.3: Support to financial institutions.
21. Component 3: Efficient project management, monitoring and evaluation, and citizen engagement. This component is about management of the project, including M&E and citizen engagement. It has the following subcomponents:
 - Subcomponent 3.1: Efficient project management and M&E;
 - Subcomponent 3.2: Effective communication and citizen engagement; and
 - Subcomponent 3.3: Contingency emergency response.²

C. Theory of change

22. The STAR-P will increase agricultural productivity and commercialization on the part of smallholder farmers for selected value chains and counties in Liberia. It will contribute to the higher-level objectives of making selected value chains more efficient, commercialized and climate-resilient, which will contribute to improving household and national food security and nutrition, reducing rural poverty and improving shared prosperity.

² This subcomponent will be financed solely by the World Bank.

23. To achieve higher productivity and increased sales of quality and climate-resilient products by smallholder farmers, the project will implement activities that lead to outcomes such as: (i) improved capacity of FBOs; (ii) the adoption by beneficiaries of improved agricultural technologies; (iii) the establishment and improvement of productive market links; and (iv) improved business environment, which will enhance efficiency and performance along the value chain.
24. To achieve these outcomes, the project will: improve the capacities of FBOs, public institutions, and non-state organizations; build awareness on constraints to an enabling environment; support commercial partnerships between off-takers or processors and FBOs; support proposals by agribusiness and small and medium-sized enterprises for the delivery of upstream and downstream services – such as for aggregation, warehousing, packaging, distribution or information and communications technology; and support financial institutions through market research and assessments.

D. Alignment, ownership, and partnerships

25. Within the context of the 2030 Agenda, the project aims to contribute substantively to SDG 1 (No poverty) and SDG 2 (Zero hunger), through its focus on increasing incomes and improving food security for smallholder producers.
26. The project is aligned with the Government's development strategy, the Pro-Poor Agenda for Prosperity and Development (PAPD) 2018-2023, which identifies the agriculture sector as a major driver of economic growth and development. The PAPD recognizes the importance of investing in the agriculture sector in order to promote a structural transformation of the economy.
27. Finally, the project is aligned with the IFAD country strategy note 2017-2019 for the Republic of Liberia, which has two strategic objectives (SOs):
 - SO1: Smallholder farmers' access to finance, inputs, skills and markets is improved; and
 - SO2: Smallholders' organizational capacities and access to Ministry of Agriculture extension services are improved.

E. Costs, benefits and financing

28. Project components 1 and 2 are partially counted as climate finance. The total amount of IFAD climate finance for this project is preliminarily calculated at US\$6,519,575, which represents 28.4 per cent of the total IFAD project amount.

Project costs

29. Total combined project costs, including contingencies, are estimated at US\$61.9 million. Table 1 presents a breakdown of the costs by component and subcomponent. It shows that component 1 (Institutional capacity-building and strengthening the enabling environment for farmers and state and non-state actors) represents US\$9.3 million (15.1 per cent of total costs), while component 2 (Enhancing productivity and competitiveness) accounts for US\$44.9 million (72.5 per cent of total costs), with US\$7.7 million for component 3 (Efficient project management, monitoring and evaluation, and citizen engagement) (12.4 per cent of total costs).

Table 1

Project costs by component and subcomponent and financier

(Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>IFAD loan</i>		<i>IFAD grant</i>		<i>World Bank</i>		<i>Beneficiaries and private sector</i>			<i>Borrower/counterpart</i>			<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Cash</i>	<i>In-kind</i>	<i>%</i>	<i>Cash</i>	<i>In-kind</i>	<i>%</i>	<i>Amount</i>
1. Institutional capacity-building and strengthening the enabling environment for farmers and state and non-state actors	3 104	33	1 148	12	5 075	54	-	-	-	-	-	-	9 327
1.1 Strengthening market-oriented smallholder farmer groups for selected commodity value chains	2 462	46	911	17	1 981	37	-	-	-	-	-	-	5 354
1.2 Institutional strengthening for selected government ministries, agencies, and commissions	291	18	108	7	1 197	75	-	-	-	-	-	-	1 597
1.3 Capacity-building for selected private sector and non-state institutions	108	7	40	2	1 502	91	-	-	-	-	-	-	1 650
1.4 Strengthening the enabling environment, policy, regulations and administrative procedures for agribusiness development	242	33	90	12	395	54	-	-	-	-	-	-	727
2. Enhancing productivity and competitiveness	10 988	24	4 064	9	15 959	36	8 308	5 580	31	-	-	-	44 899
2.1 Investment support for productive links between smallholder farmers and agribusinesses	10 224	26	3 782	10	13 487	34	6 554	5 141	30	-	-	-	39 188
2.2 Support to agribusinesses and business development service enterprises	764	15	283	6	2 141	42	1 523	381	38	-	-	-	5 091
2.3 Support to financial institutions	-	-	-	-	330	53	231	58	47	-	-	-	619
3. Efficient project management, monitoring and evaluation, and citizen engagement	2 691	35	995	13	3 975	53	-	-	-	-	-	-	7 661
3.1 Efficient project management and M&E	2 326	35	860	13	3 475	50	-	-	-	-	-	-	6 662
3.2 Effective communication and citizen engagement	365	37	135	13	500	50	-	-	-	-	-	-	1 000
3.3. Contingency emergency response	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	16 789	27	6 210	10	25 000	40	8 308	5 580	23	-	-	-	61 888

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Table 2

Project costs by expenditure category and financier

(Thousands of United States dollars)

Expenditure category	IFAD loan		IFAD grant		World Bank		Beneficiaries and private sector			Borrower /counterpart			Total Amount
	Amount	%	Amount	%	Amount	%	Cash	In-kind	%	Cash	In-kind	%	
	1. Vehicles	145	25	53	10	374	65	-	-	-	-	-	
2. Equipment and materials	394	55	146	20	182	25	-	-	-	-	-	-	721
3. Consultancies	1 644	36	608	13	2 365	51	-	-	-	-	-	-	4 617
4. Training	1 513	39	560	14	1 806	47	-	-	-	-	-	-	3 879
5. Workshops	723	32	267	12	1 285	57	-	-	-	-	-	-	2 275
6. Grants and subsidies	9 579	23	3 543	9	14 172	34	8 308	5 580	34	-	-	-	41 182
7. Salaries/allowances	1 421	31	526	12	2 565	57	-	-	-	-	-	-	4 512
8. Operating costs	1 371	33	507	12	2 252	55	-	-	-	-	-	-	4 129
Total	16 789	27	6 201	10	25 000	40	8 308	5 580	23	-	-	-	61 888

Table 3

Project costs by component and subcomponent and project year (PY)

(Thousands of United States dollars)

Component/subcomponent	PY1		PY 2		PY3		PY4		PY5		Total Amount
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
1. Institutional capacity-building and strengthening the enabling environment for farmers and state and non-state actors	2 854	31	2 264	24	2 033	22	1 785	19	392	4	9 327
1.1 Strengthening market-oriented smallholder farmer groups for selected commodity value chains	1 316	25	1 342	25	1 362	25	1 334	25	-	-	5 354
1.2 Institutional strengthening for selected government ministries, agencies, and commissions	886	56	418	26	132	8	102	6	59	4	1 597
1.3 Capacity-building for selected private sector and non-state institutions	439	27	307	19	397	24	251	15	256	16	1 650
1.4 Strengthening the enabling environment, policy, regulations and administrative procedures for agribusiness development	213	29	197	27	143	20	97	13	77	11	727
2. Enhancing productivity and competitiveness	6 387	14	10 831	24	10 920	24	10 138	23	6 622	15	44 899
2.1 Investment support for productive links between smallholder farmers and agribusinesses	5 200	13	9 622	25	9 688	25	9 098	23	5 580	14	39 188
2.2 Support to agribusinesses and business development service enterprises	984	19	1 003	20	1 022	20	1 041	20	1 042	20	5 091
2.3 Support to financial institutions	203	33	206	33	210	34	-	-	-	-	619
3. Efficient project management, monitoring and evaluation, and citizen engagement	2 739	36	1 191	16	1 249	16	1 189	16	1 294	17	7 661
3.1 Efficient project management and M&E	2 547	38	995	15	1 049	16	985	15	1 086	16	6 662
3.2 Effective communication and citizen engagement	192	19	196	20	200	20	204	20	208	21	1 000
3.3 Contingency emergency response	-	-	-	-	-	-	-	-	-	-	-
Total	11 981	19	14 286	23	14 201	23	13 112	21	8 307	13	61 888

Project financing and cofinancing strategy and plan

30. STAR-P will be financed by an IDA credit of US\$25 million, an IFAD financing envelope of US\$23 million (comprised of a highly concessional loan and a Debt Sustainability Framework grant) and contributions of US\$4.5 million from the private sector and US\$9.3 million from the direct beneficiaries. In accordance with the World Bank's country financing parameters and as an exception to the IFAD General Conditions for Agricultural Development Financing, taxes can be financed under the project, with no counterpart funds expected from the Government.

Disbursement

31. The funds will flow into a designated account denominated in US dollars in a commercial bank in Liberia acceptable to the Fund. Separate designated accounts will be opened for each financier to avoid co-mingling of funds as well as ease bank reconciliations. With regards to the LACF, the Fund's manager will be allowed to operate an operational account to manage the matching grant scheme. STAR-P will use the traditional methods of disbursement, which depend on the submission of statements of expenditure to the World Bank and replenishment of project accounts accordingly. The maximum authorized allocation will be determined for the designated account so as to avoid liquidity problems.
32. Given that the World Bank will be designated as the cooperating institution, review and authorization of withdrawal applications from the IFAD accounts will be undertaken by it.

Summary of benefits and economic analysis

33. The project's incremental benefits are estimated for a 20-year period by applying a discount rate of 6 per cent to reflect the opportunity cost of capital. Under these assumptions, the overall economic internal rate of return is 23 per cent. The net present value is US\$51.5 million. A sensitivity analysis was conducted to test the robustness of these indicators against changes in key parameters.

Exit strategy and sustainability

34. STAR-P project formulation aims at ensuring the sustainability of activities and benefits after project completion. The project's exit strategy is therefore built into the project design and is also reflected in the theory of change. Key elements of the exit strategy include that:
- (a) The project aims at strengthening FBOs to enable them to collectively plan production, purchase inputs and sell their goods through stable private sector engagement;
 - (b) The public sector will be strengthened with improved capacities to support smallholder farmers and other value chain players. These improved capacities will help enable the public sector to continue the support after project closure; and
 - (c) Through policy engagement, an improved policy framework more favourable towards smallholder producers will enhance the sector's opportunities in the future and enable smallholders to continue to improve their socio-economic situation after project closure.

III. Risks

A. Project risks and mitigation measures

35. The main risks and mitigation measures are as following:

Table 4

<i>Risk</i>	<i>Risk rating</i>	<i>Mitigation measures</i>
Political/governance	High	Liberia is characterized as being fragile. A key political challenge is to eliminate entrenched patterns of elite capture. Mitigation measures include independent management of the LACF to ensure impartiality in financing matching grants.
Institutional capacity	Medium	Liberia's weak institutional capacities limit the quality of its public service delivery. The project will provide institutional capacity-building under subcomponent 1.2.
Fiduciary: financial management	Medium	The capacity and implementation readiness for financial planning are recognized as significant weaknesses in Liberia and need to be closely monitored.
Fiduciary: procurement	Medium	Procurement officers will be competitively recruited, with capacity-building and support provided upon request, and supervision and checks undertaken regularly.
Environment and climate	Medium	Mainstreaming of climate change mitigation and adaptation practices will be undertaken. No large-scale oil palm plantations will be established.

B. Environment and social category

36. World Bank safeguards procedures will apply to the project. The following documents have been developed: (i) Environmental and Social Management Framework; (ii) Pest Management Plan; and (iii) Resettlement Policy Framework.
37. Some large-scale oil palm plantations have received criticism for unsustainable practices. The STAR-P will only finance smallholder plantations; no subproject with any potential adverse environmental or social impacts will be financed. It should also be noted that the oil palm is native to West Africa and that palm oil is an integral part of the local cuisine. The project is identified as category B.

C. Climate risk classification

38. Safeguards against climate vulnerabilities are built into the project activities, notably in the rice value chain – including the introduction of improved production techniques and lowland rehabilitation – and in the oil palm value chain, including a focus on the rehabilitation/replanting of plantations rather than expanding to new, currently forested areas. A climate risk assessment has been undertaken by the World Bank.

D. Debt sustainability

39. The risk of debt distress for Liberia is considered to be moderate, with total debt stock accounting for 25 per cent of GDP, composed mostly of multilateral loans. However, Liberia remains a fragile country, vulnerable to external shocks. Moreover, the outcomes of the last consultation and surveillance mission from the International Monetary Fund in 2019 noted negative economic and financial trends that could eventually impact Liberia's ability to meet its external obligations.

IV. Implementation

A. Organizational framework

Project management and coordination

40. A project implementation unit (PIU) will be established within the existing project management unit under the Ministry of Agriculture, to implement the project in partnership with this ministry and its county officials.
41. The responsibilities of the PIU will include: project planning and management; financial management; procurement; M&E; communication and knowledge management; supervision of project activities; facilitating linkage with

governmental, private sector and development partner institutions; and integrating project experience into policy engagement.

Financial management, procurement and governance

42. Financial management. A financial management assessment was conducted for the project, in accordance with the World Bank directive. Given that the project management unit is currently managing the fiduciary functions for World Bank- and IFAD-financed projects, the project will build on past financial management arrangements in World Bank-financed projects, which are assessed as adequate for ensuring: (i) that the funds are used only for the intended purposes and in an efficient and economical way; (ii) the preparation of accurate, reliable, and timely periodic financial reports; (iii) the safeguarding of the project's assets; and (iv) that fiduciary assurances are provided through an independent audit of the project. The control risk is assessed as moderate. The overall residual financial management risk for the project is assessed as high, but is reduced to moderate because of the articulated measures for risk mitigation and external auditing by the Government's General Auditing Commission.
43. World Bank and IFAD funds will be executed according to a *pari passu* arrangement that will be established in the restructured IDA financing agreement and the IFAD financing agreement. The *pari passu* shall tentatively be 48 per cent for IFAD and 52 per cent for the World Bank.
44. Procurement. The recipient will carry out procurement under the project in accordance with the World Bank's procurement regulations, and will adhere to the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, and to other provisions stipulated in the financing agreements. The project will use the World Bank's Systematic Tracking of Exchanges in Procurement, an online tool for the planning and tracking of all procurement transactions.
45. Governance. A steering committee will be established, and will include representatives of the relevant ministries and agencies, public and private sector institutions, non-state actors, and youth and women's organizations. It will be chaired by the Ministry of Agriculture.

B. Planning, monitoring and evaluation, learning, knowledge management and communication

46. The project will build on the PIU M&E systems set up under past World Bank projects. An initial assessment of the PIU M&E capacities highlighted the need for staff training and the use of software packages to improve M&E efficiency. Among other capacity-building initiatives, staff will be trained through the IFAD-initiated Programme in Rural M&E, which aims to enhance staff capacity to monitor and report on project results.
47. The project's logical framework will be the main tool for supporting results-based monitoring, reporting and learning. While the World Bank results framework will be used, parallel reporting will be undertaken to IFAD's Operational Results Management System. Knowledge management will be integrated into the M&E system.

Innovation and scaling up

48. Innovation. The project will facilitate the provision of services by oil palm concessions to neighbouring communities, by including these communities in outgrower schemes. In addition, in order to mitigate the risk of outside interference in the decisions of the matching grant scheme, the project aims to provide matching grants through a professionally managed fund – a novelty in the country.

49. Scaling up. The project builds on and will bring to scale the approaches of previous World Bank and IFAD projects,³ which supported smallholder FBOs in productivity growth and market linkages in the tree crop and rice value chains. The STAR-P will work with existing FBOs established under these projects. There will be ample opportunity to scale up the project at a later stage, by using the LACF model for matching grants in other geographic areas or in other value chains.

C. Implementation plans

Implementation readiness and start-up plans

50. The IDA credit financing agreement became effective in late June; the recruitment of staff for the PIU is under way. Project start-up is therefore imminent. Execution of IFAD funds is not expected to encounter delays once the IFAD financing has become effective. The restructuring of the project following the approval of IFAD funds is expected to take place in the fourth quarter of 2019, in the context of which IFAD and the World Bank will jointly update the project implementation manual.

Supervision, midterm review and completion plans

51. The World Bank and IFAD will conduct joint supervision and implementation support to enhance the project's impact. A midterm review will be conducted halfway into the project implementation period, with a completion report to be prepared after the project completion date.

V. Legal instruments and authority

52. A STAR-P financing agreement between the Republic of Liberia and IFAD will constitute the legal instrument for extending the proposed financing to the recipient.
53. The Republic of Liberia is empowered under its laws to receive financing from IFAD.
54. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

55. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan for an amount of sixteen million seven hundred ninety thousand United States dollars (US\$16,790,000) and a Debt Sustainability Framework grant for an amount of six million two hundred and ten thousand United States dollars (US\$6,210,000) to the Republic of Liberia and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

³ Including the West Africa Agricultural Productivity Programme, the Smallholder Tree Crop Revitalization Support Project and the Agriculture Sector Rehabilitation Project.

Negotiated financing agreement

(Negotiations concluded on 22 July 2019)

DSF Grant No: _____

Loan No: _____

Project name: Smallholder Agriculture Transformation and Agribusiness Revitalization Project (STAR-P) ("the Project")

The International Fund for Agricultural Development (the "Fund" or "IFAD")
and
Republic of Liberia (the "Borrower/Recipient")

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

WHEREAS the Borrower/Recipient has requested a loan and a grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS the International Development Association (herein referred to as "IDA") has agreed to extend financing (the "IDA Financing") to the Borrower/Recipient in the amount of twenty five million United States dollars (USD 25 million) to assist in co-financing the Project on terms and conditions to be set forth in an Agreement (the "IDA Financing Agreement") between the Borrower/Recipient and IDA.

Section A

1. The following documents collectively form this Agreement: this document, the Programme 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, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement, except for the provisions identified in Section E paragraph 4 below. 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 Debt Sustainability Framework (DSF) Grant and a Loan (the "Financing") to the Borrower/Recipient which the Borrower/Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. (a) The amount of the DSF Grant is six million two hundred and ten thousand USD (USD 6 210 000)

(b) The amount of the loan is sixteen million seven hundred ninety thousand USD (USD 16 790 000).

2. The loan shall be free of interests but bear a service charge of one point forty six per cent (1.46%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board. Principal is to be repaid at four point five per cent (4.5%) of the total principal per annum for years 11 to 30, and one per cent (1%) of the total principal per annum for

years 31 to 40. Principal repayments are payable semi-annually. The rate is fixed for the life of the loan based on the related charge in force at the time of approval of the loan.

3. The Loan Service Payment Currency shall be in US dollar.
4. The first day of the applicable Fiscal Year shall be July 1 of each year.
5. Payments of principal and service shall be payable on each 15 February and 15 August.
6. The arrangements for the Designated Accounts denominated in USD (the "Designated Accounts") opened by the Borrower/Recipient through which the proceeds of the IFAD Financing shall be channelled and the operational bank accounts shall be detailed in the IDA Disbursement Letter.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture (MoA).
2. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

Section D

1. The Loan shall be administered by the IDA as the Cooperating Institution and the Project shall be supervised jointly by the IDA and the Fund until the Closing Date of the IDA Financing currently set at 30 November 2024 or such later date as the Fund may designate by notice to the Borrower/Recipient. Thereafter, the Loan shall be administered and the Project shall be supervised by the Fund.
2. A Mid-Term Review shall be conducted by IFAD and IDA as specified in Section 8.03 (b) and (c) of the General Conditions.

Section E

1. The following are designated as additional grounds for suspension of this Agreement: The IDA Financing Agreement shall have been suspended.
2. The following are designated as additional grounds for cancellation of this Agreement: the IDA Financing Agreement shall have been cancelled.
3. The following are designated as additional conditions precedent to withdrawal:
 - (a) the Project Implementation Manual (PIM) has been prepared to the satisfaction of the Fund;
 - (b) the Borrower has signed up to IFAD's Client Portal;
 - (c) The Project accounting software has been installed and duly set-up;
 - (d) The key Project staff has been duly appointed;
 - (e) The entry into force of a cooperation agreement (Letter of Appointment) between the World Bank and IFAD.
4. The following provisions of the General Conditions shall be replaced to read as follows:

- (a) Sections 7.05 (Procurement): all goods, works and consultants services required for the Project and to be financed out of the proceeds of the financing shall be procured in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" (May 2004, revised in October 2006), the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" (May 2004) and the provisions stipulated in Section III, Schedule 2 of the IDA Financing Agreement.
 - (b) Section 7.01 (b) (ii) and Article 8 (Implementation Reporting and Information): the Borrower/Recipient, shall monitor and evaluate the progress of the Project and prepare Reports, as well as Annual Workplans and Budgets (AWPBs), in accordance with Section II (A), Schedule 2 of the IDA Financing Agreement.
5. This Agreement is subject to ratification by the Borrower/Recipient.
6. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Minister for Finance and Development Planning
Ministry of Finance and Development Planning
Broad Street
P.O. Box 10-9013
Monrovia, Liberia

For the Fund:

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

This Agreement, [dated [click and type]], has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient and shall enter into force on the date of countersignature.

THE REPUBLIC OF LIBERIA

Samuel D. Tweah, Jr
Minister for Finance and Development Planning

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Programme Description

1. The Project development objectives and activities shall be the same as described in Schedule 1 to the IDA Financing Agreement, as such agreement may be amended by the parties thereto from time to time. The IFAD funds co-finance Components 1, 2 and 3 of the Project with the exception of Subcomponent 3.3. Contingency emergency response. In addition, the IFAD funds will finance a pilot on kitchen gardens for a subset of beneficiaries.

2. The Project shall be implemented in accordance with the provisions of Section I (Institutional Arrangements) of Schedule 2 to the IDA Financing Agreement, as such agreement may be amended by the parties thereto from time to time, and Article V of the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated December 14, 2018.

Schedule 2

Allocation Table

1. (a) Allocation of Loan and Grant Proceeds. The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category. All eligible expenditures belonging to the categories below will be apportioned on a 73:27 pari passu basis between the Loan Financing and the Grant Financing.

Category	Loan Amount Allocated in USD	Grant Amount Allocated in USD	Percentage (inclusive of taxes)
I. Goods, works, non-consulting services, Training Costs and Incremental operating costs under parts 1, 3.1 and 3.2 of the Project;	7 210 000	2 670 000	Note A, Note B
II. Matching funds under part two of the project;	9 580 000	3 540 000	Note A, Note B
Total	16 790 000	6 210 000	

Note A: the proportion of IFAD to WB financing is 48% to 52% on a cumulative disbursement basis taking into account the eligibility of expenditures in the Project implementation period and the 6 month winding down period to IFAD closure date.

Note B: taxes are eligible for IFAD financing in accordance with Article 11.01.(c) of the General Conditions for Agricultural Development Financing.

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

I) Category I. includes expenditures related to Vehicles, Equipment and Materials, Consultancies, Training, Workshops, Salaries and Allowances and Operating Costs.

II) Category II. includes expenditures related to grant and subsidies.

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 Borrower/Recipient to request withdrawals from the Grant Account if the Borrower/Recipient has defaulted in the performance of any 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 Programme:

1. Accounting software. The Project will use a customized accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Memorandum of Understandings (MoUs). Within six (6) months of entry into force of the Financing Agreement, the project will enter into MoUs with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. Planning, Monitoring and Evaluation. The Borrower/Recipient shall ensure that a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
4. Gender and youth. The Borrower/Recipient shall ensure that the concerns of women and youth are given due consideration in implementing the Project and that the quotas for women and youth participation established in the Project Implementation Manual are met.
5. Indigenous People Concerns. The Borrower/Recipient shall ensure that the concerns of Indigenous Peoples (IPs) are given due consideration in implementing the Project and, to this end, shall ensure that:
 - (a) the Project is carried out in accordance with the applicable provisions of the relevant IP national legislation;
 - (b) indigenous people are adequately and fairly represented in all local planning for Project activities;
 - (c) IP rights are duly respected;
 - (d) IP communities, participate in policy dialogue and local governance;
 - (e) The terms of Declarations, Covenants and/or Conventions ratified by the Borrower/Recipient on the subject are respected;
 - (f) The Project will not involve encroachment on traditional territories used or occupied by indigenous communities.
6. Environment and Social Safeguards. The Borrower/Recipient shall ensure that the Project will be implemented in compliance with the safeguards provisions specified in the IDA agreement and shall ensure that: (a) all Project activities are implemented in strict conformity with the Borrower/Recipient's relevant laws/regulations (b) all Project activities give special consideration to the participation and practices of ethnic minority population in compliance with IFAD's Policy on Indigenous Peoples (2009), as appropriate; (c) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Project. In the event of unforeseen land acquisition or involuntary resettlement under the Project, the Borrower/Recipient shall immediately inform IDA and the Fund and prepare the necessary planning documents, to be disclosed on IFAD website and at local level; (d) women and men shall be paid equal remuneration for work of equal value under the Project; (e) recourse to child labour is not made under the Project; (f) fair treatment, non-discrimination, and equal opportunity of project workers (g) the measures included in the Gender Action Plan prepared for the

Project are undertaken, and the resources needed for their implementation are made available, in a timely manner; (h) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Project are duly taken; and (i) easily accessible and responsive project-level grievance redress mechanism is established and operates effectively.

7. Fraud and Corruption. The Borrower/Recipient shall ensure that the Project is carried out in accordance with the provisions of the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15 2006 ("Anti-Corruption Guidelines"). For the purposes of this Agreement, a finding of corruption pursuant to the provisions of the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" shall be deemed a finding of corruption under the "IFAD Policy on Preventing Fraud and Corruption in its activities and operations" as may be amended from time to time.
8. Sexual Harassment, Sexual Exploitation and Abuse. The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.
9. Use of Project Vehicles and Other Equipment. The Borrower/Recipient shall ensure that:
 - (a) all vehicles and equipment procured under the Project are used only for Project implementation;
 - (b) the types of vehicles and equipment procured under the Project are appropriate to the needs of the Project; and
 - (c) all vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.

Logical framework

Narrative Summary	Key Performance Indicators				Means of Verification			Assumptions
	Name	Baseline (Y0)	Mid-Term (Y3)	End Target (Y5)	Source	Frequency	Responsibility	
Outreach	Number of direct project beneficiaries	0	20,000	38,350	Baseline, MTR, Completion Survey, PCR	PY1, PY3, PY5, Annually	WB/IFAD-PIU	Commitment of all stakeholders to participate in poverty reduction efforts
	Number of women beneficiaries reached	0	7,000	12,356	Baseline, MTR, Completion Survey, PCR	PY1, PY3, PY5, Annually	WB/IFAD-PIU	
Project Development Objective								
Increase agricultural productivity and promote commercialization of smallholder farmers	Increase in yield per targeted Value-Chain: Rice; disaggregated by gender (Percentage)	0	10.00	20.00	Baseline, MTR, Completion Survey	PY1, PY3, PY5,	WB/IFAD-PIU, survey providers	Government policies are stable, global demand for selected value chains and their commodity prices stay attractive.
	Increase in yield per targeted Value-Chain: Oil-Palm; disaggregated by gender (Percentage)	0	10.00	20.00	Baseline, MTR, Completion Survey	PY1, PY3, PY5	WB/IFAD-PIU, survey providers	
	Increase in yield per targeted Value-Chain: Vegetables; disaggregated by gender (Percentage)	0	10.00	20.00	Baseline, MTR, Completion Survey	PY1, PY3, PY5	WB/IFAD-PIU, survey providers	
	Volume of annual sales (Mt) of rice produced by the beneficiary farmers' group disaggregated by gender (MT/year)	0	0.50	0.75	Baseline, MTR, Completion Survey	PY1, PY3, PY5	WB/IFAD-PIU, survey providers	
	Volume of annual sales (Mt) of oil palm produced by the beneficiary farmers' group disaggregated by gender (MT/year)	0.28	2.0	4.10	Baseline, MTR, Completion Survey	PY1, PY3, PY5 Annually	WB/IFAD-PIU, survey providers	
	Volume of annual sales (Mt) of vegetables produced by the farmers' group disaggregated by gender (MT/year)	0.20	1.0	1.60	Baseline, MTR, Completion Survey,	PY1, PY3, PY5 Annually	WB/IFAD-PIU, survey providers	

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Narrative Summary	Key Performance Indicators				Means of Verification			Assumptions
	Name	Baseline (Y0)	Mid-Term (Y3)	End Target (Y5)	Source	Frequency	Responsibility	
Component 1: Institutional Capacity Building and Strengthening Enabling environment for farmers/state/non state								
Outcome: 1 Strengthened market-oriented smallholder farmer groups for selected commodity value chains	Number of Business Development Plans (BDPs) developed	0	750	1090	Project MIS, PIU progress report	Quarterly, Bi-annual, Annually	WB/IFAD-PIU	Communities are involved and responsive to interventions made
	Number of Business Development Plans developed for women and youth	0	300	400	Project MIS, PIU progress report	Quarterly, Bi-annual, Annually	WB/IFAD-PIU	
Output	Number of beneficiaries receiving capacity building training (disaggregated by gender)	80	30,000	42,640	Project MIS, PIU progress report	Quarterly, Bi-annual, Annually	WB/IFAD-PIU	
	Number of agribusiness capacity strengthened (SMEs and large) during matching grant implementation	30	110	190	Project MIS, PIU progress report	Quarterly, Bi-annual, Annually	WB/IFAD-PIU	
	Client days of training provided (disaggregated by gender)	400	30,000	40,000	Baseline, MTR, Completion Survey,	FY1, PY3, PY5, Annually	WB/FAD-PIU	
Component 2: Financial and Technical Assistance for Enhancing Productivity and Competitiveness								
Outcome 2: Improved smallholders' integration in the value chains targeted by the project.	Percentage of capacity utilization rate of post-harvest processing facilities	10.00	30.00	50.00	Baseline, MTR, Completion Survey, PIU progress report	FY1, PY3, PY5, Annually	WB/FAD-PIU	Stakeholders including agribusinesses keep interest in integrating smallholders in value chains.
	Number of off-take arrangements delivered and sustained between FBOs and Buyers (by value chain)	0	100	200	Baseline, MTR, Completion Survey, PIU progress report	Annually	WB/IFAD-PIU	
	Number of productive market linkages sustained after one year of approval	0	90	160	Baseline, MTR, Completion Survey, PIU progress report	Annually	WB/FAD-PIU	

Narrative Summary	Key Performance Indicators				Means of Verification			Assumptions
	Name	Baseline (Y0)	Mid-Term (Y3)	End Target (Y5)	Source	Frequency	Responsibility	
	Farmers adopting improved agricultural technology (CRI, Number)	0	25,000	35,000	Baseline, MTR, Completion Survey, PIU progress report	FY1, PY3, PY5, Annually	WB/FAD-PIU	
	Farmers adopting improved agricultural technology - Female (CRI, Number)	0	7,000	11,550	Baseline, MTR, Completion Survey, PIU progress report	FY1, PY3, PY5, Annually	WB/IFAD-PIU	
	Farmers adopting improved agricultural technology - male (CRI, Number)	0	15,000	23,100	Baseline, MTR, Completion Survey, PIU progress report	FY1, PY3, PY5, Annually	WB/FAD-PIU	
	Percentage of farmers using market information (Percentage)	0.00	30.00	50.00	Baseline, MTR, Completion Survey, PIU progress report	FY1, PY3, PY5, Annually	WB/IFAD-PIU	
Output	Farmers reached with agricultural assets or services (CRI, Number)	0	25,000	35,000	Project MIS, PIU Project report	Quarterly, Bi-annual, Annually	WB/IFAD-PIU	
	Farmers reached with agricultural assets or services - Female (CRI, Number)	0	7,000	11,550	Project M&E system, PIU progress report	Quarterly, Bi-annual, Annually	WB/FAD-PIU	
	Number of Matching Grants approved	0	750	1,062	Project MIS, PIU progress report	Quarterly, Bi-annual, Annually	WB/IFAD-PIU	
	Number of Agrifinance products and services (credit lines, risk guarantees) developed by Financial Institutions	0	5	9	Baseline, MTR, Completion Survey, PIU progress report	Annually	WB/IFAD-PIU	

* Relevant indicators will be mapped to IFAD's Core Indicators and be reported regularly through ORMS.