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Enabling poor rural people
to overcome poverty

President's report

Proposed loan and grant to the Lebanese Republic for the

Hilly Areas Sustainable Agricultural Development Project

Executive Board — Ninety-seventh Session
Rome, 14-15 September 2009

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

Directors are invited to contact the following focal point with any technical questions about this document:

Abdelaziz Merzouk
Country Programme Manager
telephone: +39 06 5459 2634
e-mail: a.merzouk@ifad.org

Queries regarding the dispatch of documentation for this session should be addressed to:

Deirdre McGrenra
Governing Bodies Officer
telephone: +39 06 5459 2374
e-mail: d.mcgrenra@ifad.org

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Abbreviations and acronyms

FSC	farmers' service centre
PMU	project management unit
WUA	water users' association

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Lebanese Republic for the Hilly Areas Sustainable Agricultural Development Project, as contained in paragraph 36.

Map of the project area

Lebanon

Hilly Areas Sustainable Agricultural Development Project



Source: Map compiled by IFAD

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.

Lebanese Republic

Hilly Areas Sustainable Agricultural Development Project

Financing summary

Initiating institution:	IFAD
Borrower:	Lebanese Republic
Executing agency:	Ministry of Agriculture – The Green Plan
Total project cost:	US\$16.64 million
Amount of IFAD loan:	SDR 2.60 million (equivalent to approximately US\$4 million)
Amount of IFAD grant:	SDR 0.40 million (equivalent to approximately US\$0.60 million)
Terms of IFAD loan:	18 years, including a grace period of 3 years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually
Cofinancier:	OPEC Fund for International Development
Amount of cofinancing:	US\$8.40 million
Terms of cofinancing:	Loan on ordinary terms
Contribution of borrower:	US\$1.75 million
Contribution of beneficiaries:	US\$1.88 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Proposed loan and grant to the Lebanese Republic for the Hilly Areas Sustainable Agricultural Development Project

I. The project

A. Main development opportunity addressed by the project

1. The project addresses the opportunities available to farmers of the hilly areas that have been neglected and/or affected by the devastating July 2006 war to increase their output and income through: (i) raising productivity, improving quality of produce and lowering production costs for existing farming systems, which are based mostly on fruits and vegetables; (ii) adding value through post-harvest support services to increase farm profitability and income; and (iii) enhancing processing and marketing services with local enterprises and generating employment to assist those without sufficient land resources. The project tackles the major constraint for the development of the Lebanese agriculture sector: the lack of water.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide to the Lebanese Republic a loan in the amount of SDR 2.60 million (equivalent to approximately US\$4 million) on ordinary terms, and a grant in the amount of SDR 0.40 million (equivalent to approximately US\$0.60 million) to help finance the Hilly Areas Sustainable Agricultural Development Project. The loan will have a term of 18 years, including a grace period of 3 years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually.

Relationship to the IFAD performance-based allocation system (PBAS)

3. The allocation defined for the Lebanese Republic under the PBAS is US\$4.8 million over the three-year allocation cycle (2007-2009).

Relationship to national medium-term expenditure framework criteria

4. The present project is fully integrated into the Government's medium-term expenditure framework.

Country debt burden and absorptive capacity of the State

5. Lebanon is classified as a "green" or low-risk country in terms of debt sustainability. Despite its vulnerabilities, Lebanon has achieved a strong macroeconomic performance, helped by prudent policies and an improvement in the political and security situation after the May 2008 Doha agreement. Real GDP growth exceeded 8 per cent in 2008 and the debt-to-GDP ratio declined by 6 percentage points to 162 per cent of GDP. The Government's repayment record for IFAD loans is satisfactory.

Flow of funds

6. IFAD financing will be made available through the Ministry of Finance to the Green Plan. The latter will channel funds to the project accounts in accordance with the Green Plan procedures and based on approved annual workplans and budgets.

Supervision arrangements

7. The project will be supervised directly by IFAD.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

8. No exceptions are foreseen.

Governance

9. The following planned measures are intended to enhance the governance aspects of the IFAD financing: (i) adoption of a participatory and demand-driven approach under the project with appropriate mechanisms for beneficiary and local government participation in targeting; (ii) annual independent audit of accounts and financial statements in accordance with international standards; and (iii) direct supervision and implementation support provided by IFAD.

C. Target group and participation

Target group

10. The target group will be comprised of the poor smallholders of various hilly areas and communities directly or indirectly affected by the July 2006 war. The project will focus on the following zones: Akkar-Dannieh, North Baalbeck and Hermel, South and Lower Litani, and the Mount Lebanon and other areas inhabited by the target population. Project beneficiaries will be selected from the estimated 24,000 poor and very poor households living in these areas.

Targeting approach

11. In accordance with the IFAD Policy on Targeting and the Framework for Gender Mainstreaming in Operations, the project will adopt a targeting approach based on the overarching geographic targeting and gender targeting procedures, coupled with self-targeting, direct targeting, enabling, empowerment, and capacity-building mechanisms for the various project components/activities.

Participation

12. The project is based on participatory and systematic identification of hill lake sites and investment opportunities for farmers' service centres (FSCs) in the selected municipalities, prioritized with respect to their potential impact on poverty, and their returns in terms of investment sustainability, institutional viability and rural employment generation.

D. Development objectives

Key project objectives

13. The overall goal of the project is to reduce rural poverty by substantially increasing the agricultural productivity and income of the targeted households in the project area. This would be achieved through: (i) improvements in soil and water management and development of small- and medium-scale water harvesting and soil and water conservation measures; (ii) improvements in agricultural productivity and market linkages for smallholder farmers facilitated by the technical support services provided; and (iii) strengthening the capacities of the project implementing agencies and farmers' organizations.

Policy and institutional objectives

14. In addition to local capacity-building, the project will foster an enabling environment for mainstreaming best practices in sustainable land management into national development strategies and programmes, mainly by reviewing existing policies and the legal framework for water users' associations (WUAs) and engaging with other donors to assist the Government in updating the legal framework for WUAs and advocating its adoption.

IFAD policy and strategy alignment

15. Project design has benefited from experiences and lessons learned in Lebanon and elsewhere in the region. The project is in line with the strategic thrusts of the IFAD country strategic opportunities paper defined in 2000, with respect to improved water use efficiency, increased value added for agricultural products, promotion of grassroots organizations and empowerment of rural women. Furthermore, it is aligned with the various objectives of the IFAD Strategic Framework 2007-2010.

E. Harmonization and alignment

Alignment with national priorities

16. The project is fully aligned with the Government's objectives of rural poverty alleviation and post-conflict economic recovery in rural areas, together with its priorities for water resources development and management, and the introduction of sustainable agricultural extension and marketing support services through public-private partnership. The project will help put into operation important elements and priorities of the national agriculture strategy adopted in 2005 and the five-year work plan that served as a basis for the request from the Government for financing for this project.

Harmonization with development partners

17. In addition to the project cofinancing of US\$8.4 million from the OPEC Fund for International Development, the project will pursue a collaborative framework for execution that comprises the national coordination arrangements for inter-donor and donor-Government dialogue and the local government modality, entrenched in the community and municipality planning systems for the selection of subproject investments and for the rationalization and harmonization of external development assistance. Through this framework the project will seek synergies between the project activities and the efforts of associated international and bilateral donor players in regional and rural development.

F. Components and expenditure categories

Main components

18. The project has three components: (i) water and soil conservation development; (ii) technical support to farmers; and (iii) project coordination and management.

Expenditure categories

19. There are five expenditure categories: (i) civil works is by far the most important category, at 45 per cent of project costs; (ii) vehicles and equipment; (iii) technical assistance, studies, workshops and training; (iv) recurrent costs, including operation and maintenance, and salaries and other operating costs; and (v) unallocated.

G. Management, implementation responsibilities and partnerships

Key implementing partners

20. These will be: (i) the Ministry of Agriculture as the lead agency and responsible for the project; (ii) the Green Plan, under the auspices of the Ministry of Agriculture, responsible for implementing water and soil conservation development, and for overall project coordination and management (components 1 and 3); (iii) the Directorate of Studies and Coordination, under the Ministry of Agriculture, responsible for implementing technical support to farmers (component 2); (iv) national and local NGOs; (v) municipalities; (vi) grass-roots institutions; and (vii) beneficiaries in private business ventures, private-sector consultants and representatives of local institutions of higher learning.

Implementation responsibilities

21. The Ministry of Agriculture, through its autonomous development agency the Green Plan, will be responsible for project oversight. The President of the Green Plan Executive Committee (GP-EC) will act as the project director. The project director will be fully responsible and accountable for carrying out the project activities. A project manager will be appointed as the head of the project management unit (PMU) within the Green Plan. The project manager would report to the President of the GP-EC for administrative support and for access to the project steering committee. At the field level, the key implementing units will consist of the field multidisciplinary teams to be deployed to the focus areas. They will be the link between the PMU, the regional offices of the Green Plan and the Ministry of Agriculture, and local stakeholders such as the farmers, communities, NGOs, FSCs.

Role of technical assistance

22. The capacity of the country to implement IFAD-financed projects is satisfactory, which minimizes the need for international technical assistance. Local experts will collaborate in various project elements, such as assisting FSCs, WUAs and farmers' cooperatives, introducing modern agricultural technologies, and supporting agribusiness, rural small and medium-sized enterprises and agroprocessing.

Status of key implementation agreements

23. The PMU will operate within the Green Plan on the basis of agreed annual workplans and budgets. Contracting, which will be used for most implementation activities, will commence once the project become effective, and will follow Government and IFAD procurement procedures. This will entail engaging the services of implementation partners – under results-based service contracts in accordance with the terms of the financing and grant agreements.

Key financing partners and amounts committed

24. The total project cost is US\$16.64 million over six years. The sources of financing are IFAD loan and grant (US\$4.60 million or 28 per cent), OPEC Fund for International Development (US\$8.40 million or 51 per cent), the Government (US\$1.75 million or 10 per cent) and beneficiaries (US\$1.88 million or 11 per cent).

H. Benefits and economic and financial justification**Main categories of benefits generated**

25. The main expected benefits will consist of increased farmers' incomes from improved crop performances. Benefits will accrue from: (i) increased crop yields, mostly high-value fruits and vegetables; (ii) reduced losses during post-harvest; (iii) a larger proportion of marketed farm produce; (iv) improved quality of products; and (v) more employment opportunities.

Economic and financial viability

26. Since project activities will be mostly demand-driven, an overall economic and financial analysis is unfeasible. Farm and enterprise models prepared during design do, however, show satisfactory returns.

I. Knowledge management, innovation and scaling up**Knowledge management arrangements**

27. The project knowledge management and communication responsibilities are managed by the monitoring and evaluation (M&E) and knowledge management (for M&E) officers in the PMU. They cover the compilation, presentation and improved dissemination of knowledge to the project target groups. Compilation and dissemination of project information will also be facilitated by the country project management team and by IFAD to all other country stakeholders. The project will be directly involved in the various regional knowledge networking initiatives supported by IFAD, including KariaNet¹ and CaMaRI.²

Development innovations that the project will promote

28. The innovations of this project include: (i) the establishment and sustainable management of the FCSs as a model for the high quality of integrated services offered to farmers in terms of extension and marketing support, assisting farmers' organizations to transform themselves into enterprises and the linking of various public and private institutions to farmers; and (ii) the change in the Green Plan's approach to local development and sustainable land management, in terms of targeting, delivering and implementing integrated sustainable land management packages, and results-based M&E.

¹ Knowledge Access in Rural Inter-connected Areas Network.

² Capacity-Building in Managing for Results and Impact (CaMaRI).

Scaling up approach

29. The validation and scaling up of technological and institutional innovations are embedded in the project and augur well for future expansion. They concern mainly the integrated system of small hill lake and microirrigation schemes and the FSCs. Additionally, experiences and lessons learned will be internalized and mainstreamed into national strategies, policies and development programmes.

J. Main risks**Main risks and mitigation measures**

30. The project faces four main risks: (i) delays in parliamentary ratification of the financing agreement due to political reasons; (ii) technical risks related to selection of hill lake sites and inadequate competencies of the national consulting engineering firms; (iii) marketing constraints for commodities supported by FSCs and sustainability of FSCs; and (iv) required coordination with other ongoing projects fails to occur and synergies do not materialize. The project will seek to mitigate these risks in the following ways: (i) the IFAD grant will finance the first year of implementation; (ii) the project implementation manual will detail rigorous site selection criteria and the assistance of the Ministry of Energy and Water will minimize the risks; (iii) sound appraisal and feasibility studies will be conducted for FSCs; and (iv) cooperation and knowledge sharing by the IFAD country team will be strengthened. Additionally, issues such as community mobilization and FSC sustainability will be given special attention by IFAD during direct supervision missions.

Environmental classification

31. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact.

K. Sustainability

32. Post-project sustainability will be based on a minimum reliance on government support after the initial investment, and the capacity-building and strengthening of producers' organizations phase supported by the project. The project exit strategy will focus on the sustainability of planned investments, which will be assured through beneficiary participation and ownership. By the end of the project, WUAs will be fully in charge of the operation and maintenance of the irrigation and other infrastructure built under the project. Similarly, the FSCs will be managed by independent cooperatives on a commercial basis.

II. Legal instruments and authority

33. Project financing and grant agreements between the Lebanese Republic and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing and grant agreements is attached as an annex.
34. The Lebanese Republic is empowered under its laws to receive financing from IFAD.
35. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

III. Recommendation

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

RESOLVED: that the Fund shall make a loan on ordinary terms to the Lebanese Republic in an amount equivalent to two million six hundred thousand special drawing rights (SDR 2,600,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Lebanese Republic in an amount equivalent to four hundred thousand special drawing rights (SDR 400,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement and grant agreement for the Hilly Areas Sustainable Agricultural Development Project

(Negotiations concluded on 7 July 2009)

FINANCING AGREEMENT

Loan Number: _____

Project Title: Hilly Areas Sustainable Agricultural Development Project (HASAD)
(the "Project")

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

and

The Republic of Lebanon (the "Borrower")

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

hereby agree as follows:

WHEREAS

(A) the Borrower has requested a loan, as defined in Section B herein from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

(B) the Fund has agreed to extend to the Borrower a grant ("the Grant") in the principal amount of four hundred thousand Special Drawing Rights to assist in financing the Project on terms and conditions to be set forth in an agreement between the Borrower and the Fund (the "Grant Agreement"); and

(C) the Borrower intends to obtain from the Organization of the Petroleum Exporting Countries Fund for International Development ("OFID") a loan (the "Co-financing") approximately in the principal amount of eight million four hundred and ten thousand United States dollars to finance Component 1 (Water and Soil Conservation Development) of the Project on terms and conditions to be set forth in an agreement between the Borrower and OFID (the "Co-financing Agreement").

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009 as may be amended from time to time (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 loan to the Borrower (the "Loan") to finance Component 2 (Technical Support to Farmers) and 3 (Project Coordination and Management) of the Project, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is the equivalent of two million six hundred thousand Special Drawing Rights (2 600 000 SDR).
2. The Loan is granted on ordinary terms.
3. The Loan Interest Payment Currency shall be in United States dollars.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and interest shall be payable on each 1 June and 1 December.
6. The Borrower shall open and thereafter maintain in a bank proposed by the Borrower and accepted by the Fund, a current account for Project operations (the "Project Account"). The Green Plan (GP), on behalf of the Borrower, shall be fully authorized to operate the Project Account in accordance with the GP procedures for the administration of accounts.
7. The Borrower shall bear all taxes that may be due in connection with any payment made under this Financing Agreement.
8. The Borrower shall provide a counterpart contribution in kind equivalent to approximately three hundred thousand United States dollars (300 000 USD).

Section C

1. The Lead Project Agency (LPA) shall be the Ministry of Agriculture (MOA) who shall implement the Project through:
 - (a) the GP who shall be responsible for overall management and coordination of the Project and implementation of Component 1 (Water and Soil Conservation Development) and Component 3 (Project Coordination and Management); and
 - (b) the Directorate of Studies and Coordination (DSC) of the MOA who shall be responsible for the implementation of Component 2 (Technical Support to Farmers).
2. The following are designated as additional Project Parties: Non-governmental organizations (NGOs) and the private sector.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Loan shall be administered and the Project supervised by the Fund.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The Project Director has been removed from the Project without the prior concurrence of the Fund.
 - (b) The Co-financing Agreement has failed to enter into full force and effect and substitute funds are not available to the Borrower on terms and conditions acceptable to the Fund.
 - (c) The right of the Borrower to withdraw the proceeds of the Co-financing has been suspended, cancelled or terminated, in whole or in part, or the Co-financing has become due and payable prior to the agreed maturity thereof; or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
 - (d) The Grant Agreement has failed to enter into full force and effect and substitute funds are not available to the Borrower on terms and conditions acceptable to the Fund.
 - (e) The Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.
2. The following is designated as an additional general condition precedent to withdrawal:
 - (a) No withdrawals shall be made until the PIM shall have been approved by the Fund in draft and a copy of the PIM as adopted by the LPA, shall have been delivered to the Fund.
3. This Agreement is subject to ratification by the Borrower.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

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

For the Borrower:

Ministry of Finance
Riad El-Solh Square,
3rd Floor
Beirut, Lebanon

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 Borrower.

For the Fund

For the Borrower

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit the poor smallholders of various hilly regions and communities of the territory of the Borrower directly or indirectly affected by the July 2006 war. The Project shall focus on the following zones: the Akkar-Dannieh, North Baalbeck and Hermel, the South and Lower Litani, the Mount Lebanon and other areas where the Target Population is present (the "Project Area").

2. *Goal and Objectives.* The goal of the Project is to reduce rural poverty by substantially increasing agricultural productivity and income of the target group in the Project Area through: (i) improvements in soil and water management and development of small and medium-size water harvesting and soil and water conservation measures; (ii) improvements in agricultural productivity and market linkages for small farmers by provision of technical support services; and (iii) strengthening the capacities of the Project implementing agencies and farmer organizations.

3. *Components.* The Project shall consist of the following Components:

Component 1 – Water and Soil Conservation Development

3.1. The Project shall support the development of small-scale irrigation schemes and reservoirs supplied by harvested runoffs and spring flows. The scheme sites shall be selected through a participatory approach based on appropriate socio-economic and technical eligibility criteria defined in the PIM. This Component shall be achieved through the following two sub-components:

- (a) Sub-component Mobilization and Distribution of Water. The Project shall support the mobilization of a sufficient quantity and efficient use of water for irrigation in the Project Area through the following interventions:
 - (i) Construction of small hill lakes on a pilot basis for storing water from springs, runoffs and harvested water for irrigation by small groups of farms. This sub-component shall also support irrigation networks to be located downstream of the hill lakes sites.
 - (ii) Support for irrigation networks to deliver water to the farm gates of two hill lakes (Kfar Mechki and Hermel) constructed under the Irrigation Rehabilitation and Modernisation Project (IRMP) financed by the Fund.
 - (iii) Development of terracing and stone retaining walls.
 - (iv) Construction of small earth/concrete reservoirs for storing water to be used for supplemental on-farm irrigation mainly from an existing well or irrigation canals for individual small farms.
- (b) Sub-component Institutional Strengthening and Technical Assistance. This sub-component shall support the following:
 - (i) Two Field Multi-Disciplinary Teams (FMTs) each composed of three persons and, amongst each FMT, one person shall be seconded from the GP.

- (ii) Technical assistance for the hill lakes.
- (iii) Consulting engineering services for the preparation of feasibility studies, detailed designs and supervision of construction.

Component 2 – Technical Support to Farmers

3.2. The Project shall provide demand-driven agricultural extension and marketing support as well as irrigation advisory services to farmers and capacity building of the farmers' groups and associations. Marketing support shall include provision of such services as market facilitation, grading and packaging and refrigerated storage. These services would be made available through at least three Farmer Service Centers (FSCs) to be established in the Project Area. The FSCs shall also select relevant agriculture sub-sectors, identify development plans over the value chain and coach the farmers in creating their own enterprises. The FSCs shall provide advice for access to the necessary legal and technical back-up and guide the farmers to the most suitable financing institution and assist them in preparing and implementing successful business plans.

3.3. The Component foresees the provision of technical assistance and training for extension, market research and promotion, business planning assistance to develop potential opportunities; technology and advice on accessing credit to assist producers in the initial uptake of activities. Support shall be provided for training of the trainers and farmers.

Component 3 – Project Coordination and Management

This Component shall support the establishment and operation of a Project Management Unit (PMU) at national level. The PMU shall be responsible for the coordination and management of Project activities in accordance with the AWPB.

II. Implementation Arrangements

4. Project Steering Committee (PSC)

4.1. *Establishment and Composition.* The Borrower shall establish a PSC. The PSC shall be composed *inter alia* of the Director General of MOA or his/her representative, one representative of the Ministry of Finance, one representative of the Ministry of Energy and Water (MOEW), one representative of the Council for Development and Reconstruction (CDR) and the President of the GP Executive Committee. The PSC shall be chaired by the Minister of Agriculture.

4.2. *Responsibilities.* The PSC shall provide overall guidance for the implementation of the Project activities at the national level and shall be responsible for the approval of the AWPBs as well as other key policy decisions.

5. Project Management Unit (PMU)

5.1. *Establishment.* A PMU shall be established within the GP. The President of the GP Executive Committee shall act as the Project Director and shall assume the responsibility and accountability of carrying out the Project activities in accordance with relevant national legislation.

5.2. *Composition.* A Project Manager shall be recruited as the head of the PMU. The Project Manager shall report to the Project Director. In addition to the Project Manager, the PMU shall be composed of the following officers either appointed or recruited: a financial manager, a marketing specialist, a civil engineer as water and soil conservation (WSC)

coordinator for the implementation of Component 1 (Water and Soil Conservation Development), an agriculturist for the implementation of Component 2 (Technical Support to Farmers), a monitoring and evaluation knowledge management officer (M&E/KM), an assistant to the M&E/KM officer, a procurement officer, an accountant and an administrative assistant.

5.3. *Responsibilities.* The PMU shall be responsible for the day-to-day operational management of the Project including, coordination of planning and monitoring of progress and impact. The PMU shall ensure that all components are implemented in a timely, coordinated and coherent manner in order to meet the Project's stated objectives efficiently and effectively. To this end, the PMU shall (i) initiate Project activities; (ii) oversee the planning and implementation of Project activities; (iii) prepare consolidated AWPBs; (iv) review on a regular basis the status of implementation of the Project activities with a view to adopting corrective measures if necessary; (v) coordinate and consolidate periodical reports from implementing units, participating entities and implementation partners; (vi) provide technical backstopping; (vii) monitor and evaluate Project progress and problems; (viii) keep the LPA and the Fund informed on Project implementation; (ix) liaise with relevant ministries and departments of the Borrower, NGOs, private sector organizations, donor-funded projects and donors and other stakeholders in implementation; (x) contract the technical service providers and other implementation partners to provide services under the Project.

5.4. *Selection of PMU staff.* The PMU staff shall be recruited on a competitive basis using procedures acceptable to the Fund. The selected candidates shall be approved by the Fund prior to the issuance of contracts. Upon approval by the Fund, candidates shall be offered an initial two-year contract renewable yearly on the basis of satisfactory performance and evaluation. All PMU staff performances shall be assessed annually by the Project Manager in consultation with the Project Director and the Fund.

6. Regional Committees

6.1. *Establishment and Composition.* Three Regional Committees shall be established by the MOA in the three following zones of the Project Area: Akkar-Dannieh, North Baalbeck and Hermel, the South and Lower Litani. Each Regional Committee shall be composed of representatives of MOA's regional service office, the GP regional office, FSC and FMTs. Each Regional Committee shall be chaired by the head of the regional office of the GP and shall report to the Project Director.

6.2. *Responsibilities.* The Regional Committees shall be responsible for the coordination of the Project activities in each of their respective region.

7. Field Multi-Disciplinary Teams (FMTs)

7.1. *Establishment and Composition.* Two FMTs shall be established by the MOA. Each FMT shall be composed of a socio-economist as team leader, an irrigation engineer and an agriculture engineer, and shall work under the supervision of the WSC coordinator of the PMU and in close coordination with the relevant regional directors of the GP and the MOA. For each FMT, one agriculture engineer shall be seconded from the GP.

7.2. *Responsibilities.* Together with the WSC coordinator of the PMU, the FMTs shall be responsible for the hill lakes selection in accordance with criteria defined in the PIM. The FMT shall also be responsible for community mobilization, gender mainstreaming, beneficiaries' selection in accordance with criteria defined in the PIM, establishment of water management groups, monitoring of Project activities, training of farmers. The FMTs shall ensure linkage between the regional offices of the GP and the MOA as well as with local stakeholders such as farmers, communities, NGOs and the FSCs.

7.3. *Selection of FMT staff.* The FMT staff shall be recruited on a competitive basis using procedures acceptable to the Fund. The selected candidates shall be approved by the Fund prior to the issuance of contracts. Upon approval by the Fund, candidates shall be offered an initial two-year contract renewable yearly on the basis of satisfactory performance and evaluation. All FMT staff performances shall be assessed annually by the Project Manager in consultation with the Project Director and the Fund.

8. Farmer Service Centers (FSCs) and Management Board (MB)

8.1. *Establishment and Composition.* At least three FSCs shall be established in the Project Area by NGOs contracted by the Project in accordance with the applicable provisions of the General Conditions. The FSCs shall be managed by a MB who shall review and approve the FSCs business plans, semi-annual progress reports and plans for provision of extension and marketing support services. The MB shall monitor the performance of the FSCs and NGOs and shall report the results to the PMU. The composition of the MB shall include representatives of the Union of Cooperatives, MOA regional office and the PMU. The composition of each FSC shall include an extension/advisory expert.

8.2. *Responsibilities.* The FSCs shall operate on a commercial basis and shall be responsible for providing services such as storage facilities, market preparation and marketing activities. The FSCs shall provide support to local farmers to improve their irrigation, water management and production practices, adopt new techniques, make use of better planting materials and varieties and generally improve their farm management through practical field based extension and advisory services. The FSCs shall develop income generating services and to this end, shall concentrate on the development of a packaging or processing unit according to the needs assessment and business plan proposed by the participating NGOs.

9. Project Implementation Manual (PIM)

9.1. *Preparation.* The PMU on behalf of the LPA shall prepare a draft PIM. The draft PIM shall include, among other things:

- (i) Terms of reference and implementation responsibilities of Project staff, consultants and likely service providers and implementation agencies;
- (ii) Selection criteria for scheme sites and sub-projects under Component 1 (Water and Soil Conservation Development);
- (iii) Project operational and financial procedures, including participatory planning, implementation and monitoring procedures;
- (iv) Monitoring and evaluation system and procedures.

9.2. *Approval and Adoption.* The LPA shall cause the PMU to forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM, substantially in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund.

10. Implementation of Project Components

10.1. The implementation responsibility of Project activities under Component 1 (Water and Soil Conservation Development) shall rest with the GP and the PMU. The WSC coordinator, under the supervision of the Project Manager, shall be in charge of the implementation of the civil works as well as the feasibility studies and detailed engineering design. Service providers, including engineering firms, shall be contracted in accordance with this Agreement.

Together with the FMTs, the WSC coordinator shall participate in the selection of the sites. The FMT shall undertake the implementation of the institutional strengthening and technical assistance activities of Component 1 (Water and Soil Conservation Development). Water User Associations or Local Committees shall be established during the participatory programming phase of the civil works supported by the Project and shall assume responsibility for the operation and maintenance of the hill lakes and associated irrigation networks through agreed rules and procedures.

10.2. The implementation of the Project activities under Component 2 (Technical Support to Farmers) shall rest with the MOA, through the DSC, in collaboration with the Executive Committee of the GP. NGOs contracted under this Agreement shall implement the FSCs activities.

Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures (as such are defined in Section 4.08 of the General Conditions) to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Percentage of Eligible Expenditures to be financed
I. Civil Works	220 000	100% net of taxes, co-financing, beneficiary contribution and counterpart financing
II. Vehicles and Equipments	470 000	100% net of taxes, co-financing, beneficiary contribution and counterpart financing
III. Technical Assistance, Studies, Workshop and Training	820 000	100% net of taxes, co-financing, beneficiary contribution and counterpart financing
IV. Recurrent Costs		100% net of taxes, co-financing, beneficiary contribution and counterpart financing
(a) Salaries	510 000	
(b) Operation and Maintenance	320 000	
V. Unallocated	260 000	
TOTAL	2 600 000	

(b) Definitions:

“Salaries” include the salaries for the contracted staff and the incentives and field allowances for the public civil servants assigned to the Project.

GRANT AGREEMENT

Grant Number: _____

Project Title: Hilly Areas Sustainable Agricultural Development Project (HASAD)
(the "Project")

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

and

The Republic of Lebanon (the "Recipient")

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

hereby agree as follows:

WHEREAS

(A) the Recipient has requested a grant, as defined in Section B herein from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

(B) the Fund has agreed to extend to the Recipient a loan ("the Loan") in the principal amount of two million six hundred thousand Special Drawing Rights to assist in financing the Project on terms and conditions to be set forth in an agreement between the Recipient and the Fund (the "Financing Agreement"); and

(C) the Recipient intends to obtain from the Organization of the Petroleum Exporting Countries Fund for International Development ("OFID") a loan (the "Co-financing") approximately in the principal amount of eight million four hundred and ten thousand United States dollars to finance Component 1 (Water and Soil Conservation Development) of the Project on terms and conditions to be set forth in an agreement between the Recipient and OFID (the "Co-financing Agreement").

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009 as may be amended from time to time (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 "Grant"), 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 the equivalent of four hundred thousand Special Drawing Rights (400 000 SDR).

2. The Recipient shall open and thereafter maintain in a bank proposed by the Recipient and accepted by the Fund, a current account for Project operations (the "Project Grant Account"). The Green Plan (GP), on behalf of the Recipient, shall be fully authorized to operate the Project Grant Account in accordance with the GP procedures for the administration of accounts.

3. The Recipient shall bear all taxes that may be due in connection with any payment made under this Grant Agreement.

4. The Recipient shall provide a counterpart contribution in kind equivalent to approximately three hundred thousand United States dollars (300 000 USD).

Section C

1. The Lead Project Agency (LPA) shall be the Ministry of Agriculture (MOA) who shall implement the Project through:

- (a) the GP who shall be responsible for overall management and coordination of the Project and implementation of Component 1 (Water and Soil Conservation Development) and Component 3 (Project Coordination and Management); and
- (b) the Directorate of Studies and Coordination (DSC) of the MOA who shall be responsible for the implementation of Component 2 (Technical Support to Farmers).

2. The following are designated as additional Project Parties: Non-governmental organizations (NGOs) and the private sector.

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

Section D

The Grant shall be administered and the Project supervised by the Fund.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

- (a) The Project Director has been removed from the Project without the prior concurrence of the Fund.
- (b) The Co-financing Agreement has failed to enter into full force and effect and substitute funds are not available to the Recipient on terms and conditions acceptable to the Fund.
- (c) The right of the Recipient to withdraw the proceeds of the Co-financing has been suspended, cancelled or terminated, in whole or in part, or the Co-financing has become due and payable prior to the agreed maturity thereof; or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
- (d) The Financing Agreement has failed to enter into full force and effect and substitute funds are not available to the Recipient on terms and conditions acceptable to the Fund.
- (e) The Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent

of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

2. This Agreement shall enter into force in accordance with Section 13.01 of the General Conditions.

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

For the Fund:

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

For the Recipient:

Ministry of Finance
Riad El-Solh Square,
3rd Floor
Beirut, Lebanon

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.

For the Fund

For the Recipient

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit the poor smallholders of various hilly regions and communities of the territory of the Recipient directly or indirectly affected by the July 2006 war. The Project shall focus on the following zones: the Akkar-Dannieh, North Baalbeck and Hermel, the South and Lower Litani, the Mount Lebanon and other areas where the Target Population is present (the "Project Area").

2. *Goal and Objectives.* The goal of the Project is to reduce rural poverty by substantially increasing agricultural productivity and income of the target group in the Project Area through: (i) improvements in soil and water management and development of small and medium-size water harvesting and soil and water conservation measures; (ii) improvements in agricultural productivity and market linkages for small farmers by provision of technical support services; and (iii) strengthening the capacities of the Project implementing agencies and farmer organizations.

3. *Components.* The Project shall consist of the following Components:

Component 1 – Water and Soil Conservation Development

3.1. The Project shall support the development of small-scale irrigation schemes and reservoirs supplied by harvested runoffs and spring flows. The scheme sites shall be selected through a participatory approach based on appropriate socio-economic and technical eligibility criteria defined in the PIM. This Component shall be achieved through the following two sub-components:

- (a) Sub-component Mobilization and Distribution of Water. The Project shall support the mobilization of a sufficient quantity and efficient use of water for irrigation in the Project Area through the following interventions:
 - (i) Construction of small hill lakes on a pilot basis for storing water from springs, runoffs and harvested water for irrigation by small groups of farms. This sub-component shall also support irrigation networks to be located downstream of the hill lakes sites.
 - (ii) Support for irrigation networks to deliver water to the farm gates of two hill lakes (Kfar Mechki and Hermel) constructed under the Irrigation Rehabilitation and Modernisation Project (IRMP) financed by the Fund.
 - (iii) Development of terracing and stone retaining walls.
 - (iv) Construction of small earth/concrete reservoirs for storing water to be used for supplemental on-farm irrigation mainly from an existing well or irrigation canals for individual small farms.
- (b) Sub-component Institutional Strengthening and Technical Assistance. This sub-component shall support the following:
 - (i) Two Field Multi-Disciplinary Teams (FMTs) each composed of three persons and, amongst each FMT, one person shall be seconded from the GP.

- (ii) Technical assistance for the hill lakes.
- (iii) Consulting engineering services for the preparation of feasibility studies, detailed designs and supervision of construction.

Component 2 – Technical Support to Farmers

3.2. The Project shall provide demand-driven agricultural extension and marketing support as well as irrigation advisory services to farmers and capacity building of the farmers' groups and associations. Marketing support shall include provision of such services as market facilitation, grading and packaging and refrigerated storage. These services would be made available through at least three Farmer Service Centers (FSCs) to be established in the Project Area. The FSCs shall also select relevant agriculture sub-sectors, identify development plans over the value chain and coach the farmers in creating their own enterprises. The FSCs shall provide advice for access to the necessary legal and technical back-up and guide the farmers to the most suitable financing institution and assist them in preparing and implementing successful business plans.

3.3. The Component foresees the provision of technical assistance and training for extension, market research and promotion, business planning assistance to develop potential opportunities; technology and advice on accessing credit to assist producers in the initial uptake of activities. Support shall be provided for training of the trainers and farmers.

Component 3 – Project Coordination and Management

This Component shall support the establishment and operation of a Project Management Unit (PMU) at national level. The PMU shall be responsible for the coordination and management of Project activities in accordance with the AWPB.

II. Implementation Arrangements

4. Project Steering Committee (PSC)

4.1. *Establishment and Composition.* The Recipient shall establish a PSC. The PSC shall be composed *inter alia* of the Director General of MOA or his/her representative, one representative of the Ministry of Finance, one representative of the Ministry of Energy and Water (MOEW), one representative of the Council for Development and Reconstruction (CDR) and the President of the GP Executive Committee. The PSC shall be chaired by the Minister of Agriculture.

4.2. *Responsibilities.* The PSC shall provide overall guidance for the implementation of the Project activities at the national level and shall be responsible for the approval of the AWPBs as well as other key policy decisions.

5. Project Management Unit (PMU)

5.1. *Establishment.* A PMU shall be established within the GP. The President of the GP Executive Committee shall act as the Project Director and shall assume the responsibility and accountability of carrying out the Project activities in accordance with relevant national legislation.

5.2. *Composition.* A Project Manager shall be recruited as the head of the PMU. The Project Manager shall report to the Project Director. In addition to the Project Manager, the PMU shall be composed of the following officers either appointed or recruited: a financial manager, a marketing specialist, a civil engineer as water and soil conservation (WSC)

coordinator for the implementation of Component 1 (Water and Soil Conservation Development), an agriculturist for the implementation of Component 2 (Technical Support to Farmers), a monitoring and evaluation knowledge management officer (M&E/KM), an assistant to the M&E/KM officer, a procurement officer, an accountant and an administrative assistant.

5.3. *Responsibilities.* The PMU shall be responsible for the day-to-day operational management of the Project including, coordination of planning and monitoring of progress and impact. The PMU shall ensure that all components are implemented in a timely, coordinated and coherent manner in order to meet the Project's stated objectives efficiently and effectively. To this end, the PMU shall (i) initiate Project activities; (ii) oversee the planning and implementation of Project activities; (iii) prepare consolidated AWPBs; (iv) review on a regular basis the status of implementation of the Project activities with a view to adopting corrective measures if necessary; (v) coordinate and consolidate periodical reports from implementing units, participating entities and implementation partners; (vi) provide technical backstopping; (vii) monitor and evaluate Project progress and problems; (viii) keep the LPA and the Fund informed on Project implementation; (ix) liaise with relevant ministries and departments of the Recipient, NGOs, private sector organizations, donor-funded projects and donors and other stakeholders in implementation; (x) contract the technical service providers and other implementation partners to provide services under the Project.

5.4. *Selection of PMU staff.* The PMU staff shall be recruited on a competitive basis using procedures acceptable to the Fund. The selected candidates shall be approved by the Fund prior to the issuance of contracts. Upon approval by the Fund, candidates shall be offered an initial two-year contract renewable yearly on the basis of satisfactory performance and evaluation. All PMU staff performances shall be assessed annually by the Project Manager in consultation with the Project Director and the Fund.

6. Regional Committees

6.1. *Establishment and Composition.* Three Regional Committees shall be established by the MOA in the three following zones of the Project Area: Akkar-Dannieh, North Baalbeck and Hermel, the South and Lower Litani. Each Regional Committee shall be composed of representatives of MOA's regional service office, the GP regional office, FSC and FMTs. Each Regional Committee shall be chaired by the head of the regional office of the GP and shall report to the Project Director.

6.2. *Responsibilities.* The Regional Committees shall be responsible for the coordination of the Project activities in each of their respective region.

7. Field Multi-Disciplinary Teams (FMTs)

7.1. *Establishment and Composition.* Two FMTs shall be established by the MOA. Each FMT shall be composed of a socio-economist as team leader, an irrigation engineer and an agriculture engineer, and shall work under the supervision of the WSC coordinator of the PMU and in close coordination with the relevant regional directors of the GP and the MOA. For each FMT, one agriculture engineer shall be seconded from the GP.

7.2. *Responsibilities.* Together with the WSC coordinator of the PMU, the FMTs shall be responsible for the hill lakes selection in accordance with criteria defined in the PIM. The FMT shall also be responsible for community mobilization, gender mainstreaming, beneficiaries' selection in accordance with criteria defined in the PIM, establishment of water management groups, monitoring of Project activities, training of farmers. The FMTs shall ensure linkage between the regional offices of the GP and the MOA as well as with local stakeholders such as farmers, communities, NGOs and the FSCs.

7.3. *Selection of FMT staff.* The FMT staff shall be recruited on a competitive basis using procedures acceptable to the Fund. The selected candidates shall be approved by the Fund prior to the issuance of contracts. Upon approval by the Fund, candidates shall be offered an initial two-year contract renewable yearly on the basis of satisfactory performance and evaluation. All FMT staff performances shall be assessed annually by the Project Manager in consultation with the Project Director and the Fund.

8. Farmer Service Centers (FSCs) and Management Board (MB)

8.1. *Establishment and Composition.* At least three FSCs shall be established in the Project Area by NGOs contracted by the Project in accordance with the applicable provisions of the General Conditions. The FSCs shall be managed by a MB who shall review and approve the FSCs business plans, semi-annual progress reports and plans for provision of extension and marketing support services. The MB shall monitor the performance of the FSCs and NGOs and shall report the results to the PMU. The composition of the MB shall include representatives of the Union of Cooperatives, MOA regional office and the PMU. The composition of each FSC shall include an extension/advisory expert.

8.2. *Responsibilities.* The FSCs shall operate on a commercial basis and shall be responsible for providing services such as storage facilities, market preparation and marketing activities. The FSCs shall provide support to local farmers to improve their irrigation, water management and production practices, adopt new techniques, make use of better planting materials and varieties and generally improve their farm management through practical field based extension and advisory services. The FSCs shall develop income generating services and to this end, shall concentrate on the development of a packaging or processing unit according to the needs assessment and business plan proposed by the participating NGOs.

9. Project Implementation Manual (PIM)

9.1. *Preparation.* The PMU on behalf of the LPA shall prepare a draft PIM. The draft PIM shall include, among other things:

- (i) Terms of reference and implementation responsibilities of Project staff, consultants and likely service providers and implementation agencies;
- (ii) Selection criteria for scheme sites and sub-projects under Component 1 (Water and Soil Conservation Development);
- (iii) Project operational and financial procedures, including participatory planning, implementation and monitoring procedures;
- (iv) Monitoring and evaluation system and procedures.

9.2. *Approval and Adoption.* The LPA shall cause the PMU to forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM, substantially in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund.

10. Implementation of Project Components

10.1. The implementation responsibility of Project activities under Component 1 (Water and Soil Conservation Development) shall rest with the GP and the PMU. The WSC coordinator, under the supervision of the Project Manager, shall be in charge of the implementation of the civil works as well as the feasibility studies and detailed engineering design. Service providers, including engineering firms, shall be contracted in accordance with this Agreement.

Together with the FMTs, the WSC coordinator shall participate in the selection of the sites. The FMT shall undertake the implementation of the institutional strengthening and technical assistance activities of Component 1 (Water and Soil Conservation Development). Water User Associations or Local Committees shall be established during the participatory programming phase of the civil works supported by the Project and shall assume responsibility for the operation and maintenance of the hill lakes and associated irrigation networks through agreed rules and procedures.

10.2. The implementation of the Project activities under Component 2 (Technical Support to Farmers) shall rest with the MOA, through the DSC, in collaboration with the Executive Committee of the GP. NGOs contracted under this Agreement shall implement the FSCs activities.

Schedule 2

Allocation Table

1. *Allocation of Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures (as such are defined in Section 4.08 of the General Conditions) 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)	Percentage of Eligible Expenditures to be financed
I. Civil Works		100% net of taxes, co-financing, beneficiary contribution and counterpart financing
II. Vehicles and Equipments	80 000	100% net of taxes, co-financing, beneficiary contribution and counterpart financing
III. Technical Assistance, Studies, Workshop and Training	175 000	100% net of taxes, co-financing, beneficiary contribution and counterpart financing
IV. Recurrent Costs		100% net of taxes, co-financing, beneficiary contribution and counterpart financing
(a) Salaries	65 000	
(b) Operation and Maintenance	40 000	
V. Unallocated	40 000	
TOTAL	400 000	

(b) Definitions:

“Salaries” include the salaries for the contracted staff and the incentives and field allowances for the public civil servants assigned to the Project.

Key reference documents

Country reference documents

Republic of Lebanon - Social Action Plan, 2007

United Nations Development Programme - Poverty, growth and inequality in Lebanon: Executive Summary, October 2007

IFAD reference documents

Project design document (PDD) and key files

Environmental and Social Assessment Procedures, 2009

Republic of Lebanon COSOP (2000)

IFAD Strategic Framework 2007-2010

IFAD Decision Tools for Rural Finance (2003)

IFAD Policy on Rural Finance (2009)

IFAD Policy on Targeting

Various Learning Notes (Gender; Project Targeting; Rural Finance; Designing for Implementation; Monitoring and Evaluation; and Sustainability)

Other miscellaneous reference documents

World Bank, Lebanon Country Assistance Strategy, 2005. Report 34463

Delegation of the European Commission to Lebanon, European Neighbourhood and Partnership Instrument: Country Strategy Paper 2007-2013

Logical framework

Narrative Summary	Outputs/Key Indicators	Means of Verification	Assumptions/Risks
Goal			
Reduce rural poverty by substantially increasing agricultural productivity and income of the targeted households	<ul style="list-style-type: none"> Reduction in the prevalence of malnutrition among children under five (weight for age, height for age, weight for height). Households with improvement in household assets ownership index. Increased agriculture-based income of women and men in the household (by 20%). 	<ul style="list-style-type: none"> Baseline and impact surveys, UNICEF data. National livelihood and poverty surveys. Project progress reports. Completion assessment. 	<ul style="list-style-type: none"> Minimum internal and external shocks; Economic growth.
Purpose/Objective			
Improved livelihoods and income for 6,280 farm households through an increase in the quantity, quality and marketing of agricultural production.	<ul style="list-style-type: none"> % increase in water availability for agriculture in the targeted areas; % increase in household income from agriculture; % increase in area cultivated with high-value crops; % increase in market share of smallholder farmers. 	<ul style="list-style-type: none"> Project progress and financial reports. Mid-term review. Completion assessment. IFAD direct supervision. Direct feedback from beneficiaries. 	<ul style="list-style-type: none"> FSCs are able to access the market and ensure a sustainable demand and supply chain. Satisfactory performance of PMU, MDT and FSC.
Outcomes/Component			
Component 1: Improvement in soil and water management and development of small/medium-size water harvesting and soil and water conservation measures.	1.1 Water availability increased by 890 000 m³ through water harvesting works. <ul style="list-style-type: none"> Construction of least 20 small lakes and 2 medium-size lakes and 50 earth and 50 concrete reservoirs construction. 	<ul style="list-style-type: none"> Progress reports / supervision reports. Field visits. Direct feedback from beneficiary farmers. Field visits by PSC and IFAD. 	<ul style="list-style-type: none"> Sustainable functioning of farmer groups managing the structures. Rigorous selection criteria for selection of the sites for the hill lakes by PMU and FMTs .
	1.2 Irrigated areas increased by 350 ha. <ul style="list-style-type: none"> Irrigation distribution systems installed, area served, and volume of water delivered. Terraces and stone retaining walls installed, area improved. 		
	1.3 Farmers' groups formed to operate and maintain irrigation & water harvesting works <ul style="list-style-type: none"> Number and membership of farmers groups managing water infrastructures, gender disaggregated. 		
	1.4 Technical assistance provided for improved irrigation and soil and water conservation practices. <ul style="list-style-type: none"> Training sessions delivered to the FMTs and held for farmers. Studies, detailed designs and supervision for hill lakes construction produced. 		
Component 2: The provision of sustainable technical, marketing, and organizational support services by the FSCs resulting in improved incomes through better agricultural productivity and marketability of the 4500 targeted households.	2.1 At least 3 FSCs established to provide demand-driven marketing and extension services <ul style="list-style-type: none"> Number of farmers trained and adopting extension messages. 4500 of the targeted households receive FSC extension services. FSC performance results developing in line with business plan forecasts. 	<ul style="list-style-type: none"> Field supervision reports. FSCs progress and financial reports. Field visits by PMU and IFAD. Direct feedback from beneficiary farmers. NGOs reports Secondary information on marketing and export from the focus areas. 	<ul style="list-style-type: none"> Availability of qualified NGOs for the management of FSCs; Farm households are receptive and engage in project activities. Market access and demand secured. Favourable prices to motivate farmers Cooperation among farmers Legal and social challenges are overcome.
	2.2 Extension and marketing support in focus areas results in improved income and production <ul style="list-style-type: none"> Farmer production capability and income in as a direct result of the FSC support. Number of farmers adopting production practices that reflect market demand. 		
	2.3 FSCs operate efficiently and provide services on a commercial basis to ensure sustainability <ul style="list-style-type: none"> A minimum of 25% of the farmers of the project area use FSC services in year 1. By 5th year, FSCs recover 100% of their recurrent costs. 		
	2.4 Market linkages established and farmer marketing channels improved in focus areas. <ul style="list-style-type: none"> Annual increase in quantity of local produce marketed by FSCs. Number of long-term supply contracts established between FSC and farmers in project focus areas. 		
	2.5 Increased collaboration with other FSCs and relevant institutions, projects, and private sector. <ul style="list-style-type: none"> FSC linked with any national network of extension support and market information services Regular contact with Ministry of Agriculture at regional and national level. 		
	2.6 Development of Farmers' groups and associations is supported and strengthened. <ul style="list-style-type: none"> Number of participating farmer groups established and strengthened. By end of year 2, 100% of participating farmers groups and associations attained proper legal status 		
	Component 3: Project efficiently coordinated and managed to better support results and implementation.		

2

