President’s report

Proposed grant to the Republic of Liberia for the

Agriculture Sector Rehabilitation Project
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:

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### Abbreviations and acronyms

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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>ASRP</td>
<td>Agriculture Sector Rehabilitation Project</td>
</tr>
<tr>
<td>CBO</td>
<td>community-based organization</td>
</tr>
<tr>
<td>PCU</td>
<td>project coordination unit</td>
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</tbody>
</table>
Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant to the Republic of Liberia for the Agriculture Sector Rehabilitation Project, as contained in paragraph 36.
Map of the project area

The Republic of Liberia
Agriculture Sector Rehabilitation Project (ASRP)
Republic of Liberia

Agriculture Sector Rehabilitation Project

Financing summary

Initiating institution: African Development Bank
Recipient: Republic of Liberia
Executing agency: Ministry of Agriculture
Total project cost: US$24.3 million
Amount of IFAD grant: SDR 3.15 million (equivalent to approximately US$5.0 million)
Cofinancier(s): African Development Bank (AfDB), through the African Development Fund (ADF) and Fragile States Facility (FSF)
Amount of cofinancing: ADF: US$17.6 million
FSF: US$0.72 million
Terms of cofinancing: Grant
Contribution of recipient: US$0.58 million
Contribution of beneficiaries: US$0.41 million
Appraising institution: IFAD
Cooperating institution: Directly supervised by IFAD
Proposed grant to the Republic of Liberia for the Agriculture Sector Rehabilitation Project

I. The project

A. Main development opportunity addressed by the project

1. Liberia is recovering after being ravaged by a fourteen-year civil war that has left it a fragile state. Eight-six per cent of Liberia’s rural households live in poverty and eighty per cent of these are in turn moderately or highly food-insecure. The Agriculture Sector Rehabilitation Project (ASRP) will restore capital lost at the household level by channelling direct benefits to vulnerable beneficiary groups and providing support for the short-term recovery of rural communities and their farming systems, while laying the foundations for long-term rehabilitation and participatory development.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide a grant to the Republic of Liberia in the amount of SDR 3.15 million (equivalent to approximately US$5 million), to help finance the Agriculture Sector Rehabilitation Project.

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

3. The allocation defined for Liberia under the PBAS is US$2.25 million over the 2007-2009 allocation cycle. Adopting the post-conflict approach already used by IFAD and others such as the International Development Association, US$2.5 million has been granted to Liberia, bringing the total allocation for the 2007-2009 cycle to US$5.0 million.

Country debt burden and absorptive capacity of the State

4. The total country debt as of 15 October 2009 amounts to approximately US$19.6 million. At its session in December 2008 the IFAD Executive Board approved the Fund’s contribution to debt relief in the amount of SDR 13.8 million (US$21.0 million) and the provision of up to 100 per cent of debt relief during the interim period. Under the IFAD debt sustainability framework, Liberia is classified as a "red light" country, meaning that it is eligible for 100 per cent grant financing.

Flow of funds

5. The IFAD grant will be channelled to a designated bank account denominated in United States dollars to be opened with a commercial bank acceptable to the Fund.

Supervision arrangements

6. The project will be directly supervised by IFAD. With the help of the Ministry of Agriculture, IFAD will coordinate supervision missions with the AfDB. The country programme manager will lead the supervision missions, which will comprise a team of experts identified according to project needs.

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

7. No exceptions to the IFAD General Conditions are foreseen.

Governance

8. The following planned measures are intended to enhance the governance aspects of the IFAD grant: (i) procurement of goods and services will be based on competitive bidding and will conform to the applicable IFAD guidelines; (ii) project accounts will undergo annual audits, based on international standards, by a reputable accounting firm acceptable to IFAD; (iii) project personnel and implementation partners will be recruited under performance-based contracts and evaluated each year using precise
performance indicators; (iv) the IFAD policy on fraud and corruption will be strictly applied and observed; (v) annual supervision missions will be organized with the stakeholders to examine project performance; and (vi) an international technical assistant will support the Government through the project coordination unit (PCU) in carrying out key procurements and following up the fiduciary aspects.

C. Target group and participation

Target group

9. In accordance with the IFAD Policy on Targeting, the project will directly reach and benefit approximately 10,000 farming households. In compliance with the Government's principle of inclusive development, the primary target group of the project will be the most vulnerable rural households. Traditionally, most of these households have been socially excluded — especially those headed by women — and have comparatively less ability to recover from the devastating impacts of war.

Target Areas

10. The IFAD-funded project will concentrate its interventions in Grand Cape Mount, Bomi, Montserrado and Grand Bassa, where a number of the poor small-scale rice and cassava farmers are located.

Targeting approach

11. A combination of targeting measures will be used: (i) commodity and geographical targeting. Rice and cassava will be the only two supported crops because of their predominance in household consumption and food security; and (ii) self-targeting. Where possible, existing community-based organizations (CBOs) such as farmers’ associations and other community groups, will be engaged to self-define the highly vulnerable households within local communities. The implementing partners (local and international NGOs) and the communities themselves will exercise oversight and moral suasion to ensure pro-poor targeting and compliance with the conditions of access to IFAD grant assistance.

Participation

12. The IFAD financing will assist the selected CBOs only if requested to do so by community structures. Selected CBOs will receive support once they have co-signed a memorandum of understanding specifying the roles, the rules and the commitment of targeted households with the implementing partner, the representative of the Ministry of Agriculture at the county level (the county agricultural coordinator) and the PCU. NGOs will support and follow up implementation at the local level. Beneficiaries will be given progressive responsibility in developing other activities through the CBO (marketing with purchase-for-progress, agroprocessing, etc).

D. Development objectives

Key project objectives

13. The project’s overarching development goal is to reduce post-conflict poverty and food insecurity, and improve the livelihoods and living conditions of rural communities. IFAD financing will be aimed at: (i) restoring capital lost at the household level through channelling direct benefits to vulnerable beneficiary groups; and (ii) providing short-term support for the recovery of rural communities and their farming systems.

Policy and institutional objectives

14. The ASRP will support the Ministry of Agriculture in better coordinating activities in the field at the county level and in strengthening ministerial staff capacities in terms of extension services and project supervision. This will contribute to reinforcing the impact and sustainability of investment in agriculture in Liberia.
IFAD policy and strategy alignment

15. The project complies with the IFAD Policy on Crisis Prevention and Recovery as it will carry out development interventions that build community resilience by helping to protect and restore people's livelihoods. The project also complies with the IFAD Strategic Framework 2007-2010, in particular with the focus on improving the livelihoods of the rural poor by strengthening their own organization and enabling them to access productive technologies and resources.

E. Harmonization and alignment

Alignment with national priorities

16. The proposed project is consistent with the objectives enshrined in Liberia’s poverty reduction strategy paper (2008-2011) and the Food and Agriculture Policy and Strategy with its main focus on restoring agricultural capacity. The project is consistent with pillars II, III and IV of the poverty reduction strategy paper and the World Bank/AfDB Joint Assistance Strategy.

Harmonization with development partners

17. The project is to be cofinanced by IFAD and AfDB (through the African Development Fund and the Fragile States Facility), and the two sets of activities will complement each other. Through various activities and, especially, direct supervision, missions will be coordinated with the cofinancier and other donors to ensure that results are disseminated and best practices replicated.

F. Components and expenditure categories

Main components

18. The project has three components: (i) agricultural infrastructure rehabilitation (AfDB-funded); (ii) rehabilitation of productive capacity (IFAD-funded); and (iii) project management (IFAD-AfDB cofinanced).

Expenditure categories

19. There are five disbursement categories: (i) goods (39.6 per cent); (ii) services (47.5 per cent); (iii) personnel (7.4 per cent); (iv) operating costs (1.5 per cent); and (v) unallocated (4 per cent).

G. Management, implementation responsibilities and partnerships

Key implementing partners

20. The following partners will be involved in project implementation: AfDB, the Ministry of Agriculture (at the national, county and district levels), the Central Agricultural Research Institute, the Ministry of Gender and Development, international and national NGOs, CBOs, community groups and relevant local government bodies.

Implementation responsibilities

21. The Ministry of Agriculture will be the lead agency for the ASRP. The PCU will be directly responsible for the daily project execution. At the local level, the project will be implemented by NGOs in coordination with the decentralized offices of the Ministry of Agriculture (county agricultural coordinators, district agricultural officers and clan technicians). The Central Agricultural Research Institute will be responsible for certifying all procured planting material (rice and cassava) and will supervise seed and cassava planting materials multiplication.

Role of technical assistance

22. The Ministry of Agriculture will receive technical assistance in (i) facilitating a quick start of the project, and (ii) supporting and training national staff.

Status of key implementation agreements

23. Agreements that have been negotiated with the different partners and stakeholders will be signed at the start of the project. The provisions relating to cooperation with
service providers will be taken into account in the annual work plans and project budgets.

**Key financing partners and amounts committed**

24. The overall AfDB contribution is US$18.3 million, which amounts to 75.4 per cent of the total project cost, while the IFAD contribution of US$5.0 million equates to 20.5 per cent. The Government contribution is valued at about US$0.58 million (2.4 per cent of the total project cost). The remainder of the cost (amounting to about US$0.41 million) will be met by the beneficiaries (in-kind contribution) and represents about 1.7 per cent of the total project cost.

**H. Benefits and economic and financial justification**

**Main categories of benefits generated**

25. The direct benefits for the target groups will be: (i) enhanced food security and food availability; (ii) better knowledge of improved agroeconomic practices; and (iii) for those farmers producing surplus or trading animals, a potentially higher income. The communities will indirectly benefit from the ASRP through an increased awareness of a number of essential issues, enhanced food availability, the acquisition of skills that could be replicated for the benefit of the whole community, and community empowerment as a result of managing their own resources in a more efficient manner. Since rice is the so-called “political crop” that contributed to past conflicts, the project will not only improve food security but also indirectly address the issues of stability and security. The direct beneficiaries of the project will be 10,000 households, while numerous additional households will benefit indirectly from project activities such as the demonstration plots.

**Economic and financial viability**

26. The incremental project benefits considered in this analysis have been estimated on the basis of crop budgets for rice (upland and lowland), which are expected to increase by 50 per cent simply as a result of using improved seed varieties. Cassava production is also expected to show at least a fourfold increase owing to the use of selected varieties. The average annual net income of beneficiary farm households generated from crop sales will rise from US$130 (without the project) to roughly US$568 by 2013 and will have reached a level of US$1,016 per household by 2014 when the project is fully developed. In addition to the net income increase, the project is expected to generate new jobs equivalent to about half a million person days.

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

**Knowledge management arrangements**

27. A knowledge management network will be established for the project financed by IFAD. Harmonization of the monitoring and evaluation (M&E) system for the project will provide consistent data for input into the Government’s databases. Information about experiences and success stories will be more effectively shared through educational and communications activities, while internet access will be facilitated with the help of the Ministry of Planning and Economic Affairs. New technologies will be disseminated through actions that link targeted training, demonstrations and exchange visits.

**Development innovations that the project will promote**

28. The following aspects are viewed as generators of innovation in Liberia: (i) the distribution of ASRP packages consisting of a combination of seeds, planting materials, and small animals and birds that will produce immediate effects on food security and enhance the income of farmers; (ii) the new practice of distributing packages among households based on reimbursement in kind by beneficiaries to their communities; (iii) the setting up of legislation for a sustainable seed certification system that will greatly improve the quality of seeds in the country and will have a direct impact on agriculture production and productivity; (iv) the
introduction of the method of supporting households of women through hiring young people in the local communities to help them clear land for cultivation.

**Scaling-up approach**

29. If the intervention is successful, it will be replicated in the four other counties covered by the ASRP.

**J. Main risks**

**Main risks and mitigation measures**

30. The project faces three main risks: (i) weak capacity of the government institutions, particularly the Ministry of Agriculture and its organs, which will be mitigated by the provision of technical assistance together with the necessary equipment and training for ministry personnel; (ii) delays in procurement and delivery of agricultural inputs and implements, which will be mitigated by the support of the technical assistant and contract NGOs in procuring and distributing the package components, and in conducting the planned training activities. The Inter-Agency Procurement Services Organization of the United Nations will be requested to procure the vehicles; and (iii) failure of the implementing agency to attract qualified staff, which will be mitigated by providing the recruited staff with adequate wages to maintain motivation.

**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. The project exit and sustainability strategy are developed at four levels: (i) Level 1 – the farm household. The project will adopt the prevailing production system and provide only quality packages in such quantities that will be profitable to farmers and increase their income; (ii) Level 2 – the CBO. The project will strengthen the CBOs and train their members to play a central role in project implementation and in economic development activities as a whole; (iii) Level 3 – the research institution. The Central Agricultural Research Institute will be supported in overseeing the seed certification process, and in multiplying the foundation seeds and testing them under local conditions; and (iv) Level 4 – the Ministry of Agriculture. The staff of the Ministry of Agriculture and its decentralized organs at the county and district levels will be equipped and trained to carry out their jobs more effectively and efficiently.

**II. Legal instruments and authority**

33. A project financing agreement between the Republic of Liberia and IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy of the negotiated financing agreement is attached as an annex.

34. The Republic of Liberia 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 provide a grant to the Republic of Liberia in an amount equivalent to three million one hundred and fifty thousand special drawing rights (SDR 3,150,000) 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: "Agriculture Sector Rehabilitation Project"

(Negotiations concluded on 23 November 2009)

Grant Number:

Project Title: Agriculture Sector Rehabilitation Project (the “Project”)

The International Fund for Agricultural Development (the “Fund” or “IFAD”) and

The Republic of Liberia (the “Recipient”)

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

hereby agree as follows:

Preamble

The IFAD Grant shall help finance certain activities of the Agriculture Sector Rehabilitation Project, initiated and co-financed by the African Development Bank (AfDB).

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).

2. The Fund’s General Conditions for Agricultural Development Financing dated 29 April 2009, as 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 “Financing”), which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Grant is SDR 3 150 000.

2. The first day of the applicable Fiscal Year shall be 1st July.

3. There shall be a Project Account opened in a commercial bank mutually agreed by the Parties, to be administered by the Project Coordination Unit (PCU).

4. The Recipient shall provide counterpart financing in kind for the Agriculture Sector Rehabilitation Project, in the amount of USD 0.58 million.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture (MOA).
2. The following are designated as key additional Project Parties: The Central Agricultural Research Institute (CARI), selected non governmental organizations (NGOs) and community based organizations (CBOs).

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

Section D

The Grant will be administered and the Project supervised by IFAD.

Section E

1. The following is designated as additional ground for suspension of this Agreement:

   The right of the Recipient to withdraw the proceeds of the Co-Financing Agreement with the AfDB has been suspended, cancelled or terminated, in whole or in part, or any event has occurred which, with notice or the passage of time, could result in the foregoing.

2. The following are designated as additional specific conditions precedent to withdrawal:

   (a) The draft Implementation Manual shall have been approved by the Fund.

   (b) The Project staff financed by the Grant shall have been identified and IFAD’s non objection obtained.

   (c) The contracts with the selected NGOs shall have been approved by the Fund.

   (d) The Project Account shall have been opened.

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

   For the Fund:          For the Recipient:
   
   President                          Minister
   International Fund for Agricultural Development Ministry for Finance
   Via Paolo di Dono 44 Broad Street
   00142 Rome, Italy P.O. Box 9013
                        Monrovia, Liberia

   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 (Kanayo F. Nwanze, President) For the Recipient (Authorized Representative)
Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. Target population. The IFAD Project funded activities will reach and benefit the most vulnerable rural farming households in the counties of Grand Cape Mount, Bomi, Montserrado and Grand Bassa, especially those households headed by women and have comparatively less ability to recover from war devastating impacts.

2. Goal. The Goal of the Project is to reduce post-conflict poverty and food insecurity, and improve livelihoods and living conditions of rural communities.

3. Objective. The main objectives of the Project are to restore capital lost at the household level through channelling direct benefits to vulnerable beneficiary groups and to support short-term recovery of rural communities and their farming systems, while laying the basis for long-term rehabilitation and participatory development.

4. Components. The Project shall consist of the following Components.

   (a) Agriculture Infrastructure Rehabilitation. This component is financed by the AfDB. The activities under this Component include the rehabilitation of water management infrastructure and feeder roads and the development of community infrastructure.

   (b) Rehabilitation of Productive Capacity. This component is financed by the Fund and has three main objectives (i) improve food security through increased food production; (ii) increase, in a sustainable manner, the main staple crops rice and cassava produced in Liberia, and (iii) ensure a better household nutrition at the village level.

This component may be divided in the following subcomponents:

(b.1) Sub-Component A. Capacity building of targeted households at grassroots level

This subcomponent targets farmers/community groups and/or CBOs to enable them to optimise the use of inputs that will be provided by the Project.

Activities under this Sub-Component are linked to the input distribution programme which is part of Sub-Component B and include (i) mobilization and capacity building of community facilitators, which intend to put in place a participatory development process by building up skills of process facilitators who will support productive activities; (ii) trainings to targeted groups to help increase their control over production inputs, resources and incomes earned from farming, which includes the use, management and maintenance of inputs, storage and preservation of food items, training in poultry and small ruminants rearing and vocational trainings for the youth; and (iii) the creation of awareness among targeted communities of the need for greater self-reliance; encouraging savings mobilization, forming potential partnerships with youth volunteers in the rural areas, providing vocational trainings, strengthening the educational system and providing health and HIV/AIDS awareness.
(b.2) Sub- Component B. Recapitalization of the targeted households

This sub-component targets farmers/ community groups and/or CBOs by providing them with a package of basic inputs consisting of improved rice seeds, cassava cuttings, and a set of poultry and small ruminants so as to facilitate an increase in agricultural production and food security through provision of basic agricultural inputs, technical advises and follow-ups.

Activities under this Sub-component include (i) providing of a recapitalisation package which will consist of basic agricultural inputs to the targeted population; (i) putting in place adequate implementation modalities to ensure timely distribution of the packages to all beneficiaries (ii) ensuring the sustainable supply of inputs for packages and that purchases of required food crops are made locally, making local purchase of small livestock where possible, establishing a structured, viable and sustainable seed production system and supporting the seed production certification system (iv) exploring the possibility of potential partnerships with the World Food Programme Purchase for Progress Scheme.

(c) Project Management

The Project shall be managed by an autonomous Project Coordination Unit (PCU), set up under the supervision of the MOA, which shall be directly responsible for Project coordination and execution. Its operational costs will be covered by resources from both IFAD and AfBD. The existing Food Security and Nutrition Technical Committee shall serve as the National Steering Committee, which shall give guidance on policy matters related to the Project.

II. Implementation Arrangements

1. Lead Project Agency

   1.1 Designation. The MOA in its capacity as Lead Project Agency, shall have overall responsibility for the implementation of the Project.

   1.2. Responsibilities. The MOA's responsibilities shall include, among others, chairing the National Steering Committee; providing support to the PCU for the design; implementation and coordination of Project activities; supervising the PCU and mobilizing resources and providing technical, administrative and financial support to the PCU.

2. National Steering Committee (NSC)

   2.1. Designation. The existing Food Security and National Technical Committee (FSNTC) shall be designated to act as NSC and shall provide guidance on policy matters during Project implementation. The NSC shall be chaired by the MOA and composed by the representatives designated by the MOA, including representatives from the beneficiaries.

   2.2. Responsibilities. The NSC’s responsibilities shall include, among others, supporting the PCU for design, implementation and coordination of Project interventions; ensuring conformity with the Recipient’s policy and strategy in the agricultural sector and approving annual work plans and budget.
3. **Project Coordination Unit**

3.1. **Establishment**: The MOA shall establish an autonomous Project Coordination Unit (PCU), which shall be directly responsible for Project Coordination and execution. Its operational costs will be covered by resources from both IFAD and AfBD. The PCU shall be responsible for the daily Project execution.

3.2. **Responsibilities.** The PCU’s responsibilities shall include, among others, providing overall planning, supervision, monitoring and coordination of Project activities; providing guidance in Project implementation; preparing the annual work plans and budget and procurement plans and procuring goods and services in accordance with the terms of this Agreement.

3.3. **Composition.** The PCU shall be composed of a Project Coordinator and the technical and support staff required for Project implementation. IFAD Financing shall cover in addition the recruitment of three specialists to be decided by the Fund, who shall be exclusively dedicated to IFAD financed activities. The PCU staff shall be recruited under an initial one year (s) performance based contract, that may be extended subject to satisfactory performance evaluation.

4. **Technical Partners**

4.1. **Research Services**: CARI shall be responsible for certifying all procured planting material; supervision of seeds and planting materials multiplication; and research activities.

4.2. **Extension Services**: The Extension Division of the MOA shall be responsible for provision of extension services at central level, while the County and District Agricultural Coordinators shall be responsible at the county and district level, respectively.

4.3. **Implementing Partners**: International, national and local NGOs, private and public service providers shall be involved in agricultural extension services. These shall be contracted directly and their main responsibilities include implementing the Project in accordance with the Memorandum of Understanding (MOU) or contract agreements signed between each implementing partner and the CPU; achieving the desired impacts at target group level and applying best practices; sharing experiences with beneficiaries and PCU staff; working in a participatory manner to transfer competencies and promoting good governance; linking the target groups with other service providers.

5. **Recapitalisation package**

5.1. A package of basic agricultural inputs shall be provided to identified households in the targeted area. Each household shall receive a simple package consisting of good quality high-yielding rice seeds, improved cassava cuttings of high-yielding varieties, a poultry set, and a set of small ruminants. The beneficiaries shall ensure that the initial grant of inputs is properly managed and there is a proper redistribution of inputs among the members of the group and that training courses and capacity building activities are attended and properly supported. The package shall have to be reimbursed by each beneficiary to the CBO under the supervision of the IPs.

5.2. The IFAD financing shall only support the selected CBO if requested by community structures and only if they have signed a MOU specifying the roles, the rules and the commitment of the targeted households with the implementing partner (INGO), the representative of MoA at county level (CAC) and the PCU.
6. **Ensuring the sustainable supply of inputs for package**

6.1 All purchases of the required crop inputs shall be made locally, with rice seed and cassava being obtained through the seed production system (Seed Banks) and managed/certified by CARI. Small livestock shall be purchased locally where possible.

6.2 To ensure the supply of improved rice seed the Project shall support CARI in the establishment of a structured, viable and sustainable seed production system. IFAD financing shall support the seed production certification system through a MOU with CARI/MOA. CARI shall be responsible for obtaining and screening new improved varieties of rice and cassava sourced from different research organisations in the region. After testing and screening it shall be solely responsible for the production of rice foundation seed, the oversight and management of seed certification. The certified seed produced by the Seed Banks shall be made available to the targeted groups.
1. **Allocation of Grant Proceeds.** The Table below sets forth the Categories of Eligible Expenditures to be financed by the Grant and the allocation of the amounts of the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Grant Amount Allocated (expressed in SDR)</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>I. Vehicles, Equipment and Goods</td>
<td>1 250 000</td>
<td>100% net of taxes</td>
</tr>
<tr>
<td>II. Technical Assistance, Studies and Training</td>
<td>1 500 000</td>
<td>100% net of taxes</td>
</tr>
<tr>
<td>III. Salaries allowances and operating costs</td>
<td>280 000</td>
<td>100% net of taxes</td>
</tr>
<tr>
<td>IV. Unallocated</td>
<td>120 000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3 150 000</strong></td>
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2. **Start-up Costs.** Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the conditions precedent to withdrawal shall not exceed an aggregate amount of USD 200 000.
Schedule 3

Special Covenants

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

Tax Exemption. The Recipient shall, to the fullest extent possible, exempt proceeds of the Grant from all taxes. Any amount that cannot be exempted, shall be paid in cash by the Recipient. (This does not apply to income tax to be paid by Project staff).
Key reference documents

- Government PRS 2008-2011
- Government and UN Joint Programme on Food Security and Nutrition (2008)
- IFAD Post-Conflict and Recovery Strategy
- AfDB preparation and appraisal reports (December 2008 and March 2009)
## Logical framework

<table>
<thead>
<tr>
<th>DEVELOPMENT GOAL = IMPACT (3rd LEVEL RESULT)</th>
</tr>
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</table>
| Reduction of post-conflict rural poverty and food insecurity, and improvement of livelihoods of rural communities on a sustainable basis. | • Reduction in rural households below the poverty line.  
• Reduction dependence of target households on food aid. |
| PRS and MDG Progress and Monitoring Reports. | • Overall political and economic situation remains stable. |

<table>
<thead>
<tr>
<th>PROJECT OBJECTIVE = IMPACT (3rd LEVEL RESULT)</th>
</tr>
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| Food security and rural livelihoods improved in project area (in the 4 counties covered by IFAD) on a sustainable basis. | • Number of households that have improved food security and households livelihood situation  
• National and local household income and poverty studies.  
• National Food Security and Nutrition surveys. |
| Economic and political Stability leading to peace in the country.  
• Good Governance and economic reforms are conducive to poverty reduction.  
• Commitment of all stakeholders |

### Component 2: Rehabilitation of Productive Capacity

<table>
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<tr>
<th>OUTCOME 2.1 = (2nd LEVEL RESULT)</th>
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| Farmers have regained and increased their production and productive capacity. | • Rice quantity produced in target areas increased by at least 50%.  
• Cassava quantity produced in target areas increased by at least 50%. |
| Project progress reports. | • Timely availability of resources and logistics to procure and deliver the inputs to beneficiaries  
• Land tenure system in project counties does not pose any limitations to project activities  
• Targeted communities are responsive to interventions made. |

<table>
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<tr>
<th>Output 2.1.1 = (1st LEVEL RESULT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity increasing technologies and production systems have been introduced.</td>
</tr>
<tr>
<td>Project progress reports.</td>
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<thead>
<tr>
<th>Output 2.1.2</th>
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</table>
| Community groups strengthened and target/vulnerable group empowered to optimize the use of the inputs provided by the project | • 10000 households have received rehabilitation and basic capacity building support.  
• Women and the youth have received skills training. |
| Project progress reports. | • Farmers/community groups operate in a conducive environment and without political interference. |

### Component 3: Project Management

<table>
<thead>
<tr>
<th>OUTCOME 3</th>
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</table>
| Efficient and effective Project management and M&E activities at national and local (grassroots) level carried out and sector coordination improved. | • Over 60% of project targets achieved within the planned timeframe.  
• Corrective measures are taken for all plan deviations (e.g. revising activities or implementation schedules, budget reallocation). |
| Project progress reports.  
• Project monitoring reports.  
• Minutes of coordination meetings and documentation on exchange of information. | • Stability and peace in the country.  
• Qualified MOA/PCU staff available National decentralization policy implemented as planned. |

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<thead>
<tr>
<th>Output 3.1</th>
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</table>
| Efficient and effective Project planning and coordination mechanisms established. | • AWPBs submitted to MOA/NST, IFAD and AfDB as scheduled  
• Procurement plans timely submitted to IFAD  
• Audit reports and financial statements submitted to IFAD. |
| AWPBs and Project progress reports.  
• Audit reports and financial statements as scheduled | • All relevant stakeholders remain committed to the project goals throughout the implementation period. |

<table>
<thead>
<tr>
<th>Main Activities</th>
</tr>
</thead>
</table>
| PUCU fully staffed and equipped  
AWPB submitted to Gol and IFAD by the end of the 11th month of each Project year  
Quarterly, half-yearly and annual progress report prepared according to required formats and submitted on time |
| Project progress reports and M&E reports prepared in a timely manner, as input into project progress and terminal reports.  
• All relevant stakeholders remain committed to the project goals throughout the implementation period. |

<table>
<thead>
<tr>
<th>Output 3.2</th>
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</table>
| Efficient and effective M&E mechanisms established. | • PUCU fully staffed and equipped  
AWPB submitted to Gol and IFAD by the end of the 11th month of each Project year  
Quarterly, half-yearly and annual progress report prepared according to required formats and submitted on time |
| Project progress reports and M&E reports submitted to MOA as scheduled | • All relevant stakeholders remain committed to the project goals throughout the implementation period. |

<table>
<thead>
<tr>
<th>Main Activities</th>
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</thead>
<tbody>
<tr>
<td>Prepare M&amp;E Plan + Carry out baseline surveys + Prepare M&amp;E reports + Carry out Mid-term Review (MTR) + Carry out internal Project evaluation + Carry out Project audit</td>
</tr>
</tbody>
</table>
| • All baseline surveys carried out as indicated in the M&E Plan, M&E reports prepared in a timely manner, as input into project progress and terminal reports.  
• Timely Audit reports are available |
| Project M&E Plan, Baseline survey reports, M&E reports, MTR report  
• Internal Project evaluation report  
• Audit Reports | • All relevant stakeholders remain committed to the project goals throughout the implementation period. |