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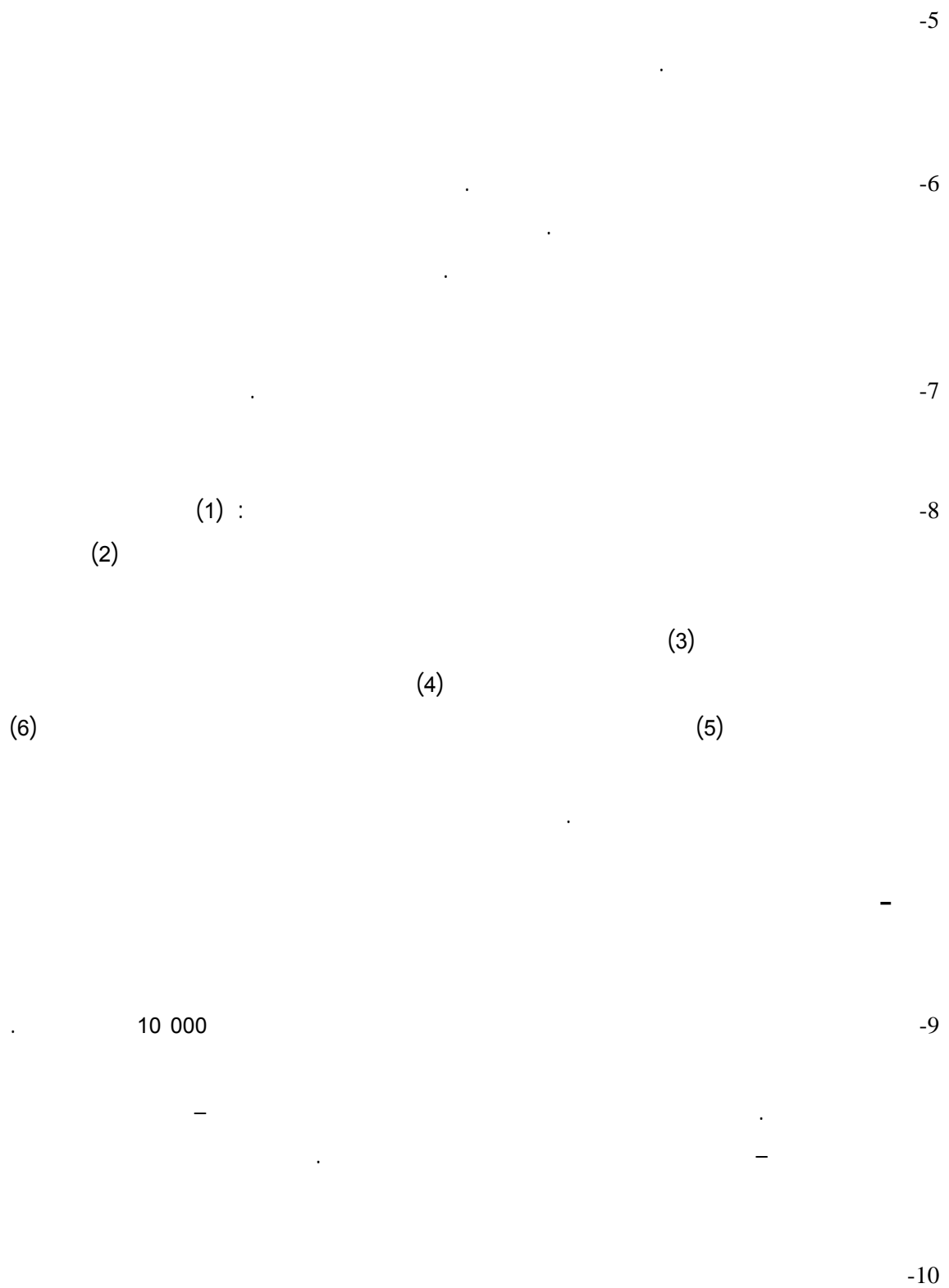
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Negotiated financing agreement: "Agriculture Sector Rehabilitation Project"

(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:

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

For the Recipient:

Minister
Ministry for Finance
Broad Street
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 establish 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.

Schedule 2*Allocation Table*

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:

Category	Grant Amount Allocated (expressed in SDR)	Percentage
I. Vehicles, Equipment and Goods	1 250 000	100% net of taxes
II. Technical Assistance, Studies and Training	1 500 000	100% net of taxes
III. Salaries allowances and operating costs	280 000	100% net of taxes
IV. Unallocated	120 000	
TOTAL	3 150 000	

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
- National Food Security and Nutrition Strategy (2008)
- 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

NARRATIVE SUMMARY	VERIFIABLE INDICATORS*	SOURCES OF VERIFICATION	ASSUMPTIONS AND RISKS
DEVELOPMENT GOAL = IMPACT (3rd LEVEL RESULT) Reduction of post-conflict rural poverty and food insecurity, and improvement of livelihoods of rural communities on a sustainable basis.	<ul style="list-style-type: none"> Reduction in rural households below the poverty line. Reduction dependence of target households on food aid. 	<ul style="list-style-type: none"> PRS and MDG Progress and Monitoring Reports. 	<ul style="list-style-type: none"> Overall political and economic situation remains stable.
PROJECT OBJECTIVE = IMPACT (3rd LEVEL RESULT) Food security and rural livelihoods improved in project area (in the 4 counties covered by IFAD) on a sustainable basis.	<ul style="list-style-type: none"> Number of households that have improved food security and households livelihood situation 	<ul style="list-style-type: none"> National and local household income and poverty studies. National Food Security and Nutrition surveys. 	<ul style="list-style-type: none"> 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			
OUTCOME 2.1 = (2nd LEVEL RESULT) Farmers have regained and increased their production and productive capacity.	<ul style="list-style-type: none"> Rice quantity produced in target areas increased by at least 50%. Cassava quantity produced in target areas increased by at least 50%. 	<ul style="list-style-type: none"> Project progress reports. 	<ul style="list-style-type: none"> 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.
Output 2.1.1 = (1st LEVEL RESULT) Productivity increasing technologies and production systems have been introduced.	<ul style="list-style-type: none"> Number of farmers supported by Project interventions whose production has significantly increased. 	<ul style="list-style-type: none"> Project progress reports. 	<ul style="list-style-type: none"> Target communities are responsive to interventions made.
Output 2.1.2 Community groups strengthened and target/vulnerable group empowered to optimize the use of the inputs provided by the project	<ul style="list-style-type: none"> 10000 households have received rehabilitation and basic capacity building support. Women and the youth have received skills training. 	<ul style="list-style-type: none"> Project progress reports. 	<ul style="list-style-type: none"> Farmers/community groups operate in a conducive environment and without political interference.
Component 3: Project Management			
OUTCOME 3 Efficient and effective Project management and M&E activities at national and local (grassroots) level carried out and sector coordination improved.	<ul style="list-style-type: none"> 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). 	<ul style="list-style-type: none"> Project progress reports. Project monitoring reports. Minutes of coordination meetings and documentation on exchange of information. 	<ul style="list-style-type: none"> Stability and peace in the country. Qualified MOA/PCU staff available National decentralization policy implemented as planned.
Output 3.1 Efficient and effective Project planning and coordination mechanisms established.	<ul style="list-style-type: none"> AWPBs submitted to MOA/NST, IFAD and AfDB as scheduled Procurement plans timely submitted to IFAD Audit reports and financial statements timely submitted to IFAD 	<ul style="list-style-type: none"> AWPBs and Project progress reports. Audit reports and financial statements 	<ul style="list-style-type: none"> All relevant stakeholders remain committed to the project goals throughout the implementation period.
Main Activities Establish PCU and convene Project Inception Workshop + Prepare and implement communication strategy + Convene regular ASRP Steering Committee meetings + Conduct Annual Review and Planning Workshops + Prepare Annual Work Programmes and Budgets (AWPBs) + Prepare Progress Reports	<ul style="list-style-type: none"> PCU 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 	<ul style="list-style-type: none"> Communication strategy developed Project inception report. NSC Minutes. Meeting summary records. AWPB Project progress reports 	<ul style="list-style-type: none"> All relevant stakeholders remain committed to the project goals throughout the implementation period.
Output 3.2 Efficient and effective M&E mechanisms established.	<ul style="list-style-type: none"> Project progress reports and M&E reports submitted to MOA as scheduled. 	<ul style="list-style-type: none"> Project M&E reports and data. 	<ul style="list-style-type: none"> All relevant stakeholders remain committed to the project goals throughout the implementation period.
Main Activities Prepare M&E Plan + Carry out baseline surveys + Prepare M&E reports + Carry out Mid-term Review (MTR) + Carry out internal Project evaluation + Carry out Project audit	<ul style="list-style-type: none"> All baseline surveys carried out as indicated in the M&E Plan, M&E reports prepared in a timely manner, as in input into project progress and terminal reports. Timely Audit reports are available 	<ul style="list-style-type: none"> Project M&E Plan, Baseline survey reports. M&E reports, MTR report Internal Project evaluation report Audit Reports 	<ul style="list-style-type: none"> All relevant stakeholders remain committed to the project goals throughout the implementation period.

