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Enabling poor rural people  
to overcome poverty

## **President's memorandum**

### **Proposed supplementary financing to the Republic of Liberia for the**

### **Agriculture Sector Rehabilitation Project**

#### **Note to Executive Board representatives**

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**For: Approval**

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed supplementary financing to the Republic of Liberia for the Agriculture Sector Rehabilitation Project, as contained in paragraph 22 and the modifications to the financing agreement as contained in paragraph 18.

## **President's memorandum**

### **Proposed supplementary financing to the Republic of Liberia for the Agriculture Sector Rehabilitation Project**

#### **I. Background**

1. This memorandum seeks approval for supplementary financing in the amount of US\$2.5 million, equivalent to approximately SDR 1.66 million, as a highly concessional loan to the Government of the Republic of Liberia for the Agriculture Sector Rehabilitation Project (RP) approved by the Executive Board in December 2009.
2. As indicated in the relevant President's report (EB 2009/98/R.26/Rev.1), the project is financed by IFAD with a grant of SDR 3.15 million. The proposed supplementary financing to RP would be in the amount of approximately SDR 1.66 million (equivalent to US\$2.5 million) from funds made available to Liberia under the performance-based allocation system (PB) allocation for 2013-2015. The supplementary financing would be allotted to the Government of Liberia through the RP specifically for the IFAD-financed rehabilitation of productive capacity component.
3. The supplementary financing proposal was foreseen in the results-based country strategic opportunities programme (RB-COSOP) for 2011-2015 and is aligned with the COSOP's three strategic objectives: (i) smallholder farmers' access to inputs and skills is improved; (ii) smallholder households' access to markets is improved; and (iii) smallholders' organizational capacities and access to Ministry of Agriculture extension services are improved. Through the ASRP, IFAD aims to ensure that these objectives are implemented in a sustainable manner and contribute to the institutional development objectives of the Comprehensive Africa Agriculture Development Programme (CAADP) and national policies as set forth in the Liberia Agriculture Sector Investment Programme. The supplementary financing will support the reinforcement of: (i) extension services; and (ii) institutional capacities of farmers' organizations to enable them to safeguard their interests.

#### **II. Justification and rationale**

4. The supplementary financing will contribute to the achievement of the overall project goal to reduce post-conflict poverty and food insecurity, and improve the livelihoods and living conditions of rural communities.
5. The ASRP was implemented following a 20-year interruption in IFAD support as a consequence of the civil war, and was conceived as a response to a situation of immediate urgency and food insecurity. It was designed to 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 also laying the foundation for long-term rehabilitation and participatory development.

6. Implementation of the IFAD-financed component of the project has been commendable, with disbursement of 78 per cent of the financing approved in December 2009. At midterm, the project was assessed overall to have met its yearly physical targets, and has already achieved the overall target for the delivery of goods and services to 10,000 targeted smallholder farmers. Restoration of agricultural assets is broadly being achieved with provision of improved planting materials, and to a lesser extent, of improved livestock. In terms of laying the basis for long-term development, the establishment and organization of 498 farmers' groups/community-based organizations (CBOs), around 453 demonstration plots, training of 446 community facilitators and the successful implementation of an exchange approach for the provided inputs are creating the conditions for sustainable smallholder agricultural development. Progress towards this objective and towards an increase in the benefits accruing to farmers from the improved agricultural inputs will largely be determined by the successful development of a longer-term approach. This would entail direct provision by decentralized government agencies of agricultural advisory services to farmers' groups. Given the project's efforts and the need to enhance farmers' production, productivity and value added, there is strong justification to continue to support and build on existing CBOs.
7. However, as the original ASRP completion date approaches, the institutional context of this still fragile state remains a major challenge, as there has not been sufficient opportunity and time to address this weakness, particularly at the county and district level, given the competing and urgent need for improved local extension services to farmers.
8. In response to the Government's request and identification by the project of the need for better quality technical support and services, it is now critical to build on the existing activities of ASRP and focus on establishing a sustainable and replicable approach for extension service delivery to strengthen institutional capacity – including that of the Ministry of Agriculture at field level – to supervise and monitor extension services provided to farmers. Based on discussions with the Ministry and other stakeholders, the way forward for IFAD's engagement in Liberia would be to continue support under supplementary financing in order to pilot the provision of extension services to farmers through the existing CBOs, which would provide the framework for full-fledged follow-up at project completion.
9. The pilot would be aimed at addressing existing extension service gaps by promoting and establishing CBO-centred, demand-driven and participatory extension support services, in collaboration with farmers' organizations, notably the Farmers' Union Network.
10. The objective of the pilot is to develop an approach that: (i) is institutionally replicable at the national scale; (ii) is institutionally and financially sustainable for future interventions; (iii) promotes extension and advisory services that are farmer-centered, participatory, demand-driven and result-oriented; and (iv) builds complementarity across both farmers' organizations and the Ministry of Agriculture to enable farmers to benefit from relevant services.
11. In line with the current policy of the Ministry and the goals and objectives of ASRP, a two-pronged approach will be adopted by:
  - (a) Developing the capacity of the Farmers' Union Network to work directly with farmers and CBOs on extension issues; and
  - (b) Supporting the Ministry at county and district levels in order to: (i) build the capacity of the Farmers' Union Network to provide extension services (training of extension staff); and (ii) supervise, monitor and evaluate the Farmers' Union Network's activities and propose corrective measures.

12. The pilot will be implemented by the Farmers' Union Network through county extension officers, district extension officers and community facilitators in the four counties targeted by ASRP (Bomi, Grand Bassa, Grand Cape Mount and Montserrado). All extension staff will be recruited by the Farmers' Union Network (on performance-based contracts), with support from the Ministry and the existing project implementation unit (PIU). The project will provide financial and technical support for training, equipment and all necessary materials to carry out duties and activities. District diagnostic surveys will be undertaken, and these will inform priorities and decisions on the way forward for demonstration plots and activities, covering two agricultural cycles.
13. Finally, this proposal also addresses the lack of Ministry of Agriculture staffing at county and district levels through provision of incentives, equipment and technical assistance to aid the Ministry in their supervision and monitoring functions. Monitoring and evaluation (M&E) will be ensured by both the Farmers' Union Network and the Ministry's county agricultural coordinator and will measure: (i) improvement observed in terms of technical and managerial capacity of farmers; (ii) increases in production; and (iii) income generation at the farm and village levels. A baseline survey will be undertaken jointly by the Farmers' Union Network and the Ministry of Agriculture. Monthly and quarterly reporting and analysis of lessons learned will be used to improve the approach and the pilot exercise.
14. The project will continue to be implemented by the PIU and in line with the procedures approved by IFAD. The PIU has an established track record in managing IFAD projects and the risk assessment undertaken in the last quarter of 2012 rated the financial management arrangements in place as medium risk. The PIU will submit annual workplans and budgets, semi-annual and annual progress reports, annual consolidated project financial statements and audit reports in accordance with IFAD guidelines on project audit. The project will follow IFAD disbursement guidelines as outlined in the letter to the borrower and the disbursement handbook.
15. The PIU will enter into a subsidiary agreement with the Farmers' Union Network which will be subject to no objection by IFAD. The subsidiary agreement will outline the disbursement and reporting conditions. Funds advanced will be monitored by the PIU, while the release of advances and their justification will be monitored by IFAD. The Farmers' Union Network activities will be included in the audit terms of reference to ensure full compliance with IFAD's fiduciary responsibility.

### III. Project costs

16. The total revised project cost is approximately US\$26.8 million. The sources of financing are: (i) IFAD, with an initial grant of SDR 3.15 million, and the proposed supplementary loan of approximately SDR 1.66 million (US\$2.5 million); (ii) the African Development Bank, with US\$18.3 million; (iii) the Government, with counterpart financing amounting to US\$0.6 million; and (iv) beneficiaries, with a contribution of US\$0.4 million. It is proposed that the supplementary financing be allocated to existing expenditure categories as per the table below.

<i>Expenditure category</i>	<i>Loan amount allocated (expressed in approximate SDR terms)</i>	<i>Percentage of eligible expenditures to be financed, net of tax</i>
I. Vehicles, equipment and goods	150 000	100%
II. Technical assistance, studies and training	1 193 000	100%
III. Salaries, allowances and operating costs	151 000	100%
IV. Unallocated	166 000	
<b>Total</b>	<b>1 660 000</b>	

17. The supplementary loan will be extended to the Republic of Liberia on highly concessional terms. Changes in the amounts allocated to the current expenditure categories will be reflected in schedule II of the amended financing agreement.

#### **IV. Proposed modifications to the financing agreement**

18. Upon the agreement of the Executive Board, the financing agreement will be amended to reflect the supplementary IFAD financing. This financing strengthens the financing plan initially agreed at design and does not imply any modification of the project description. No new category will be created as all the funds from the proposed supplementary loan will be used to increase the support to the ongoing IFAD-financed ASRP activities.

#### **V. Legal instruments and authority**

19. An amendment to the current financing agreement between the Republic of Liberia and IFAD will constitute the legal instrument for extending the proposed supplementary financing to the borrower.
20. The Republic of Liberia is empowered under its laws to receive financing from IFAD.
21. I am satisfied that the proposed supplementary financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

#### **VI. Recommendation**

22. I recommend that the Executive Board approve the proposed supplementary financing according to the terms of the following resolution:

RESOLVED: that the Fund shall provide a supplementary loan to the Republic of Liberia in an amount equivalent to approximately one million six hundred and sixty thousand special drawing rights (SDR 1,660,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President