

Document: EB 2015/LOT/P.38/Sup.1
Date: 17 December 2015
Distribution: Public
Original: English

E



Republic of Liberia

Tree Crops Extension Project

Negotiated financing agreement

Negotiated financing agreement: "Tree Crops Extension Project"

(Negotiations concluded on 7 December 2015)

Loan Number: _____

Grant Number: _____

Project Title: Tree Crops Extension Project ("the Project")

The Republic of Liberia (the "Borrower/Recipient")

and

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

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

hereby agree as follows:

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, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. 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 and an Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund Grant (the "ASAP Grant") to the Borrower/Recipient (collectively the "Financing") which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1.
 - A. The amount of the Loan is nine million four hundred eighty thousand Special Drawing Rights (SDR 9 480 000).
 - B. The amount of the ASAP Grant is three million two hundred eighty thousand Special Drawing Rights (SDR 3 280 000).
2. The Loan shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semiannually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.
3. The Loan Service Payment Currency shall be the United States Dollar.

4. The first day of the applicable Fiscal Year shall be 1 July.
5. Payments of principal and service charge shall be payable on each 15 May and 15 November.
6. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of one million eight hundred fifty five thousand United States Dollars (USD 1 855 000) in the form of payment of taxes and duties and provision of office facilities.
7. There shall be two accounts designated to receive funds in advance (Designated Accounts) denominated in USD; one for the Loan proceeds (Loan Designated Account) and one for the ASAP Grant proceeds (ASAP Grant Designated Account), to be maintained in the Central Bank of Liberia.
8. There shall be two Project Accounts denominated in USD and maintained in banks acceptable to the Fund and administered by the Project Implementation Unit (PIU), one for the IFAD loan and one for the ASAP Grant.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture (MoA).
2. Other Project Parties include the Cooperative Development Agency (CDA) as well as the Liberia Produce Marketing Corporation (LPMC) or its successor, the Liberia Agriculture Commodities Regulatory Authority (LACRA), under their respective mandates, and the identified Private Sector Partners.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Financing will be administered and the Project directly supervised by the Fund.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) any institutional changes have been made by the Borrower/Recipient to the Project Steering Committee or the Project Implementation Unit, including the transfer, suspension, or termination of key PIU staff without the Fund's prior no-objection, and the Fund has determined that such changes are likely to have a material adverse effect on the Project; and
 - (b) the Project Implementation Manual, or any provision thereof, has been abrogated, waived, suspended, or amended without the prior consent of the Fund and the Fund has determined that this is likely to have a material adverse effect on the Project.
2. The following are designated as additional general conditions precedent to withdrawal:
 - (a) the Project Coordinator, Finance Manager, and Procurement Specialist shall have been duly appointed; and
 - (b) The Project Implementation Manual shall have been approved by IFAD.

3. This Agreement is subject to ratification by the Borrower/Recipient.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

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

For the Fund:

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

This Agreement, dated _____, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

THE REPUBLIC OF LIBERIA

Authorized Representative

THE INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

ADAPTATION FOR SMALLHOLDER AGRICULTURE
PROGRAMME TRUST FUND

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Goal.** The overall development goal of the Project is to improve the livelihoods and climate change resilience of rural households in Nimba County.
2. **Objective.** The development objective of the Project is to improve incomes and climate change resilience of smallholder cocoa producers in Nimba County.
3. **Target group.** The beneficiaries of the Project will be 11,000 stakeholders of the cocoa value chain, of which (i) 8,000 cocoa smallholders who are members of kuu groups and Farmer Field Schools (FFS); (ii) approximately 2,400 (30%) other farmers who will also benefit from roads, input supply and market linkages, and (iii) 600 beneficiaries as a result of job creation along the value chain. In order to select the 8,000 cocoa smallholders, the Project will be using a self-targeting approach, combined with tools to ensure inclusiveness of youth, women, war wounded and Ebola survivors.
4. **Activities.** The Project will adopt a value chain approach to link cocoa farmers, organized at grassroots level in kuu groups and FFS, to markets and services through cooperatives and Private Sector Partners (PSPs). Building on the achievements and lessons learnt from the IFAD co-financed Smallholder Tree Crop Revitalization Support Project (STCRSP) in Lofa county, the main innovations in the Project design are: (a) the organization of farmers at the grassroots level in order to enhance their bargaining power, (b) the integration of climate change resilience and related institutional capacity building in the approach; (c) additional focus on the supply chain for new genetic material of cocoa; (d) additional focus on post-harvest aspects and quality of cocoa; (e) additional focus on services delivery by the cooperatives to their members; (f) the combination of basic revitalization of plantations with enhanced revitalization and replanting, (g) additional focus on measures to include women and promote their access to benefits; and (h) the use of a long-term growth path for institutional capacity building of the cooperatives, combined with more systematic institutional capacity building of cooperatives and institutional auditing. Specifically, the three main outcomes are: (i) increased quantity and quality of cocoa sold and higher price received by smallholders; (ii) improved access to markets and reduced transportation costs, and; (iii) improved service provision to cocoa farmers for value chain development.
5. **Components.** The Project will consist of four Components, (A) Revitalization of cocoa plantations; (B) Rehabilitation and maintenance of roads; (C) Service provision for value chain development, and; (D) Project coordination, monitoring and evaluation.

II. Implementation Arrangements

1. **Lead Project Agency.** The Lead Project Agency shall be the Ministry of Agriculture (MoA) of the Republic of Liberia, with overall responsibility for the implementation of the Project.
2. **Project Management.** The Programme Management Unit (PMU) of MoA shall delegate the functional and day-to-day implementation and coordination responsibilities for the Project to the PIU, responsible for the implementation of all IFAD-financed projects in Liberia.

3. The main institutional parameters shall be as follows. The IFAD-PIU will ensure day-to-day management of the Project. In addition, the Project will also establish a County PIU in Nimba County. Implementation arrangements of the Project will be harmonized with those of the IFAD STCRSP. For the revitalization and replanting of plantations, the County PIU will coordinate the mobilization of kuu groups and FFS. These FFS will be encouraged to become members of the district cooperatives. In addition, Memoranda of Agreement will be signed with PSPs and cooperatives in order to ensure access to markets and services. The Central Agricultural Research Institute (CARI) will be responsible for enhancing the supply chain of improved planting material.
4. National Steering Committee. The National Steering Committee (NSC) of STCRSP will also serve as NSC for the Project. The NSC shall orient the strategy of the Project, oversee planning, review progress and impact and ensure linkages with related projects, government services and relevant value chain stakeholders. The PMU will be the secretariat of the NSC. The draft AWPB will be submitted to the NSC for clearance and then submitted to IFAD for comments and final non-objection.
5. Component Implementation. The main implementing partners (IP) of the Project will be: (a) the selected cooperatives who will engage in business agreements with the kuu groups and FFS; (b) at least two PSPs, who will engage in Public-Private Partnerships with the Project and the cooperatives; (c) the CARI; (d) other specialized service providers, including national and international consulting firms and NGOs, commercial financial institutions and others. Under Component A, cocoa revitalization of farms will take place from Project Years (PY) 1 – 4. For Component B, the rehabilitation of roads will take place in PY2 and PY3 and preparatory works will start in Y1. The Project will use the implementation mechanism developed by STCRSP, namely: (a) recruitment of engineers in the County-PIU that will be responsible for preparation of tender documents, supervision of works and putting in place a maintenance programme; and (b) support to the Ministry of Public Works (MPW) in order to undertake supervision missions. Private companies will be contracted through a competitive process for the works, making use of the Contractors Classification and Certification System developed by MPW. The Environmental Protection Agency (EPA) will be responsible for assessing the environmental impact, which will be limited as only existing roads will be rehabilitated. Under Component C, the approach to enhance the institutional capacity of cooperatives will be less supply-driven, more bottom-up, while defining also clear responsibilities of the cooperatives in their partnership with the Project and with the grassroots groups.
6. The coordination, management and M&E of Project activities will be under the responsibility of the PIU responsible for IFAD-financed projects, reporting to the MoA and the MFDP. At the County level, the Project will liaise with the decentralized establishment of the MoA and the Cooperative Development Agency. The County Agricultural Coordinator (CAC) and District Agricultural Officers (DAOs) will monitor implementation of Components A and C. The County Resident Engineer (CRE) will liaise with the Project for implementation and monitoring of Component B. An Memorandum of Understanding (MoU) will be signed with the Project in order to define roles and responsibilities. Project staff shall be subject to the applicable tax domestic legislation of the Borrower including income tax and social security. The Monrovia PIU will consolidate an Annual Work Plan and Budget (AWPB) for each Project Year, on the basis of proposals from the County PIU. The AWPB will include: (i) a detailed description of planned project activities during the coming project year, and the sources and uses of funds thereof; (ii) an 18-months procurement plan for items to be procured through IFAD financing, and; (iii) indicators and associated targets extracted from the logical framework.
7. Project Start-up Phase. To facilitate a prompt start-up, withdrawals of up to USD 200 000 may be made to incur expenditures related to the Project start-up before the satisfaction of the additional general conditions precedent to withdrawal. The start-up funds will include: (i) Updating of the Project Implementation Manual including the financial procedures, accounting and procurement manual; (ii) Preparation of the first

AWPB and procurement plan; (iii) Organization of a start-up workshop; (iv) Fine-tuning of the accounting software as necessary to automate all required financial reports and extended Statements of Expenditure (SOEs); (v) Finalization of the scope of work and the terms of references (ToRs) of the internal auditor as well as report format, and (vi) Finalization of the Agreement/MoU templates to be used with the implementing partners.

8. Project Implementation Manual. The PIU shall prepare a draft Project Implementation Manual (PIM) and shall forward it to the Fund for its non-objection. If the Fund does not comment on the draft PIM within thirty (30) days after receipt, it shall be deemed to have no objection. The PIM, or any provision thereof, may not be waived, suspended, terminated, amended or modified without the prior agreement of the Fund.

Schedule 2

Allocation Table

1. Allocation of Loan and Grant Proceeds. The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category. All amounts are 100 % net of taxes, Government contribution and beneficiary contribution:

Category	Loan Amount Allocated in SDR	ASAP Grant Amount Allocated in SDR
I. Works: warehouses (and buildings)	70 000	70 000
II. Goods, services and inputs (including Equipment and Materials and vehicles)	2 660 000	1 690 000
III. Training and Workshops	1 750 000	210 000
IV. Consultancies (and Services)	1 605 000	700 000
V. Salaries and allowances	1 640 000	85 000
VI. Operation costs	820 000	205 000
Unallocated	935 000	320 000
Total	9 480 000	3 280 000

2. The allocation of eligible expenditures between the Loan and the ASAP grant shall be clearly specified by activity and expenditure category in the PIM and in the AWPB.

3. No amounts may be transferred to the implementing partners before a Memorandum of Agreement satisfactory to the Fund between the respective implementing partner and the Project have entered into effect.

4. The Borrower/Recipient shall ensure that independent auditors audit all proceeds of the Financing transferred to the implementing partners and all expenditures incurred by them in accordance with International Standards on Auditing. The audit shall disclose separately the receipt and uses of the Financing in a format acceptable to the Fund and shall be delivered to the PIU in a timely manner to enable the PIU to provide the Fund with a consolidated audit report in the manner which the Fund shall specify.