
President's memorandum
Proposed additional financing
Republic of Liberia
Smallholder Agriculture Transformation and
Agribusiness Revitalization Project (STAR-P)

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Action: The Executive Board is invited to approve the recommendation for the proposed additional financing contained in paragraph 73.

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- I. Updated logical framework incorporating the additional financing
- II. Updated summary of the economic and financial analysis

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Financing summary

Initiating institution:	World Bank
Borrower/recipient:	Republic of Liberia
Executing agency:	Ministry of Agriculture
Total project cost:	US\$107.1 million
Amount of original IFAD loan	US\$16.8 million
Terms of original IFAD loan:	Highly concessional
Amount of original IFAD grant	US\$6.2 million
Terms of original IFAD grant:	Debt Sustainability Framework (DSF) highly concessional grant
Amount of additional IFAD loan	US\$28.71 million
Terms of additional IFAD financing:	80 per cent on super highly concessional terms: Maturity period of 50 years, including a grace period of 10 years starting from the date of approval by the Executive Board. No interest rate; 0.10 per cent fixed service charge 20 per cent on highly concessional terms: Maturity period of 40 years, including a grace period of 10 years starting from the date of approval by the Executive Board. Amortization of the highly concessional loan as follows: (i) 2 per cent from years 11 to 30; and (ii) 4 per cent from years 31 to 40.
Cofinancier:	World Bank
Amount of cofinancing:	US\$25 million
Terms of cofinancing:	Loan
Original contribution of beneficiaries:	US\$9.4 million
Additional contribution of beneficiaries:	US\$5.7 million
Contribution of the private sector	US\$4.5 million
Additional contribution of borrower:	US\$0.8 million
Financing gap	US\$10 million
Amount of original IFAD climate finance:	US\$6.5 million
Amount of additional IFAD climate finance:	US\$7.5 million
Cooperating institution:	World Bank

I. Background and project description

A. Background

1. Following several years of civil war and the Ebola crisis in 2014–2016, the Liberian economy has been on the path to recovery. However, a number of challenges persist, including widespread food insecurity, limited access to safe drinking water and sanitation, and low levels of agricultural production and productivity. The COVID-19 pandemic exacerbated these vulnerabilities across the country, producing further negative impact.
2. The Smallholder Agriculture Transformation and Agribusiness Revitalization Project (STAR-P) was designed with a focus on the economic empowerment of rural poor farmers as reflected in the Five-year Liberia National Development Plan – the Pro Poor Agenda for Prosperity and Development (PAPD), developed in 2018.
3. STAR-P was approved by the World Bank Board of Directors on 15 January 2019, for total financing of US\$25 million, and IFAD financing of US\$23 million was added in September 2019. The financing agreement was signed on 21 November 2019 and since then the project has been cofinanced on a *pari-passu* basis by IFAD and the World Bank.
4. In April 2022, the Government of the Republic of Liberia requested access to the full allocation for the Twelfth Replenishment of IFAD's Resources (IFAD12) period under the performance-based allocation system (PBAS) in the amount of US\$26.04 million, and to US\$2.67 million in funds remaining from the Rural Community Finance Project (RCFP). These additional funds were requested for scaling up STAR-P interventions, particularly in the rice and horticultural sectors, both priorities for the country.

B. Original project description

5. The project development objective is to increase agricultural productivity and commercialization of smallholder farmers for the horticulture, palm oil and rice value chains in nine counties (Bomi, Gbarpolu, Grand Cape Mount, Grand Gedeh, Lofa, Margibi, Maryland, Nimba and Sinoe).
6. The target beneficiaries are approximately 38,350 smallholder farmers. Intermediate beneficiaries include agribusinesses and business development services enterprises with business links with smallholder farmers in the targeted value chains.
7. The project is organized around three components:
 - **Component 1.** Institutional capacity-building and strengthening the enabling environment for farmers and state and non-state actors.
 - **Component 2.** Enhancing productivity and competitiveness.
 - **Component 3.** Efficient project management, monitoring and evaluation, and citizen engagement.

II. Rationale for additional financing

A. Rationale

8. The project development objective remains relevant and fully aligned with the current priorities of the Government given its focus on rural poverty, food insecurity and youth unemployment. The recent global food security crisis, precipitated by the COVID-19 pandemic and the conflict in Ukraine, has increased the need for public sector interventions to address rising inflation, poverty, malnutrition and food insecurity, and strongly justifies the scaling up.
9. Demand is increasing countrywide for matching grants to finance the business plans of farmer-based organizations (FBOs), including technical assistance, equipment and goods. Given that the Liberia Agriculture Commercialization Fund

(LACF) funded by STAR-P is already up and running, the additional financing will enable the project to respond to this demand.

10. In response to the COVID-19 pandemic, the project implemented the contingent emergency response component (CERC) consisting of the procurement and distribution of agricultural inputs and processing equipment, reaching 20,328 smallholder farmer beneficiaries across the country. The geographical extension planned under the additional financing will allow the programme to target all CERC beneficiaries, complementing the support they have already received.
11. The additional financing will also cover complementary investments in small-scale infrastructure, through community-driven initiatives, and in technologies and innovations. In addition, the project's expansion into additional counties will stimulate complementarities with other IFAD and World Bank projects, deepening and sustaining the impact of ongoing and recently closed projects.
12. The proposed additional financing will be invested over four years, extending the project completion date from 30 September 2025 to 30 September 2029.

Special aspects relating to IFAD's corporate mainstreaming priorities

13. **Nutrition.** Food insecurity and malnutrition remain a challenge in Liberia. Specifically, 32 per cent of Liberia's population is classified as moderately or severely chronically food-insecure and stunting levels are 29.8 per cent.¹ Two in three children under 5 years old and one third of women of reproductive age are anaemic.
14. Through the additional financing, the project will reach counties with the highest levels of stunting (River Gee, Grand Bassa, Bong and Rivercess). Vulnerable households will be supported with interventions that increase the availability and consumption of nutritious and diversified foods, including through social and behaviour change communication (SBCC). Women-headed households with children under 5 years old, adolescent girls, and pregnant and lactating women, will be prioritized.
15. **Gender.** Women smallholder farmers are constrained by challenges such as limited access to productive resources, illiteracy and uneven workload at the household level. To better address key issues related to gender imbalances, the project hired a gender and social development officer, and the value chains to be supported, particularly horticulture, were selected to increase women's participation and empowerment.
16. The scaling up will allow the project to reach more beneficiaries with targeted gender sensitive interventions. A centre of excellence for women smallholder farmers is also proposed, with the objective of strengthening skills, knowledge and capacities, as well as provide leadership development training and address gender inequalities.
17. **Youth.** Young people (aged 18 to 35) are disproportionately affected by unemployment or informal employment, especially in rural areas. The project addresses these issues by setting quotas of at least 30 per cent for youth participation, priority access to matching grants for rural youth entrepreneurs and skills development training. In addition, the project will engage with the Government to improve the overall business environment in agriculture, which is expected to make the sector more attractive to youth participation.
18. **Climate change and environment.** The key constraints affecting the Liberia agricultural sector are climate change and unsustainable natural resources management. The additional financing will propose effective and efficient adaptation and mitigation measures and natural resources management options to reduce the risk of negative environmental effects. The additional financing will further strengthen climate adaptation approaches and mitigation measures for rice

¹ Global Nutrition Report 2021.

and oil palm production to enhance the climate resiliency of production and to minimize climate risks.

19. In line with IFAD11 mainstreaming commitments, the project has been validated as:
- Including climate finance;
 - Nutrition-sensitive.

B. Description of geographical area and target groups

20. STAR-P was originally designed to cover nine counties targeting rice, horticulture and palm oil value chains. Given an increasing number of requests coming from rural farmers for matching grants, the additional financing will be used to scale up the project to an additional six counties, covering the entire country.
21. The original project targets 38,350 smallholder farmer members of an FBO or a cooperative (or willing to become a member). Other beneficiaries include agribusinesses and business development services having business links with smallholder farmers. As per the original targeting strategy, beneficiaries include a minimum of 30 per cent women and 30 per cent youth.
22. The project, once scaled up, will reach an additional 35,525 beneficiaries, including: (i) 16,825 smallholder farmers, members of FBOs and cooperatives as beneficiaries of matching grants; (ii) 12,000 rural people benefiting from community action plans (CAPs); (iii) 1,700 rural people benefiting from matching grant support for micro, small and medium-sized enterprises; and (iv) 5,000 smallholder farmers benefiting from direct support for improving production. Total project beneficiaries will be 73,875 households, representing 435,862 rural people.

C. Components, outcomes and activities

23. In accordance with the project logical framework and theory of change, STAR-P has three components that will not change with the additional financing.
24. **Under component 1 (Institutional capacity-building and strengthening the enabling environment for farmers and state and non-state actors)** the project seeks to strengthen the capacity of FBOs, cooperatives, private sector operators and public agencies to effectively and efficiently deliver priority services to promote value chain development.
25. **Subcomponent 1.1 (Strengthening market-oriented smallholder farmer groups for selected commodity value chains).** At the time of the midterm review, the project had mobilized 20,328 beneficiaries, including 170 FBOs. Considering that the targeted FBOs are at different stages of maturity, the additional financing will allow for the adoption of a differentiated approach to sustain and support their growth, including the provision for subsidized production inputs and tailored training. Special attention will be given to women and youth.
26. **Under subcomponent 1.2 (Institutional strengthening for selected government ministries, agencies and commissions),** the project has already implemented some activities to build the capacity of staff of the Ministry of Agriculture (MoA), Cooperative Development Agency, Liberia Agriculture Commodities Regulatory Authority, the Ministry of Commerce and Industry, and the Ministry of Finance and Development Planning.
27. Through the additional financing, the project will promote the development of the digital advisory platform under the MoA to facilitate STAR-P beneficiaries' access to information on production and markets. The project will identify private sector and civil society partners to customize information on specific crops, weather advisories and market opportunities around specific value chains, linking input suppliers on the platform.²

² [Liberia Desk-Study.pdf \(digitalgreen.org\)](#); Lessons from Chamka App, under ASPIRE Project (IFAD) in Cambodia.

28. **Under subcomponent 1.3: Capacity-building for selected private sector and non-state institutions**, STAR-P has already engaged with several non-state institutions such as the Farmer Union Network of Liberia, the Liberian Business Association, the Agribusiness Investment Network, the National Rice Federation of Liberia, and others. Through the additional financing, the project will consolidate this approach by promoting value chain engagement forums to enhance coordination, communication and commercial linkages among value chain actors.
29. **Under subcomponent 1.4: Strengthening the enabling environment, policy, regulations and administrative procedures for agribusiness development**, the project has already supported the development of the Draft National Agriculture Mechanization Strategy, the Draft National Rice Development Strategy (NRDS II), and the development of the National Oil Palm Strategy and Action Plan. The additional financing will contribute mainly to the implementation of the national multisector nutrition action plan.
30. **Component 2: Enhancing productivity and competitiveness**. Under this component, the project provides matching grants for smallholder farmers, agribusinesses and financial institutions under LACF. To date, the fund has approved and partially funded 24 business plans, for a total amount of around US\$2.5 million, benefiting small and medium-sized enterprises (SMEs), cooperatives and FBOs in the three targeted sectors.
31. The additional financing will increase the project scope by providing a larger number of matching grants across the country. It will also strengthen LACF operations through the development of a digital platform to support farmers and FBOs³ accessing the matching grant mechanism, and to facilitate management of business plans by the LACF. Component 2 is implemented through four windows.
32. **Window 1** provides matching grants to finance FBO business plans in aggregation schemes for rice and horticulture, and off-takers and processors.
33. Under the additional financing, the amount of the funds available for matching grants to FBOs will be increased to respond to the needs of additional farmers' groups in all counties. The project will also target additional vulnerable households through the establishment of kitchen gardens, complemented by SBCC.
34. Further, the proposed additional financing will also support the implementation of CAPs to be financed through the LACF, for the construction or rehabilitation of eligible small-scale infrastructure for both production and marketing (water catchments, irrigation systems, agro-processing, storage facilities, access to solar energy).
35. **Window 2** provides matching grants to FBOs participating in out-growers alliances for oil palm. These activities will be scaled up modestly to increase the number of smallholder farmers' beneficiaries of out-grower schemes and to provide specialized technical support for regional trade with neighbouring countries.
36. **Window 3** the LACF cofinances investment proposals by agribusinesses and SMEs. The additional financing will increase the number of SME beneficiaries (particularly those led by youth and women), and contribute to developing business forums between SMEs and FBOs and cooperatives.
37. A digital market e-commerce platform will be promoted under the MoA to enable the commercialization of produce. The project will also identify opportunities to engage with mobile network operators to integrate mobile payments solutions with the platform.
38. **Window 4** supports the development of suitable financing products and services for the targeted value chains. Through the additional financing, the project will provide financial institutions with accounting software and related technical

³ This will also support improved quality and standardization of business plans.

assistance. The project will prioritize the rural community financial institutions (RCFIs) already supported through the Rural Community Finance Project (RCFP).

39. **Component 3: Efficient project management, monitoring and evaluation, and citizen engagement.** This component aims at facilitating effective and efficient project management, monitoring and evaluation (M&E). The additional financing will be used to recruit a few additional staff such as county focal persons to cover additional counties and a nutrition officer.

D. Costs, benefits and financing

Project costs

40. The total cost of STAR-P including both original and additional financing is estimated at US\$107.1 million. This amount breaks down as follows: (i) an International Development Association (IDA) loan of US\$25 million; (ii) the IFAD original financing of US\$23 million (US\$16.8 million as a loan and US\$6.2 million as a grant); (iii) IFAD additional financing of US\$28.7 million; (iv) private sector financing for US\$4.5 million; (v) contributions from beneficiaries of US\$15.1 million (both in cash and in kind); (vi) government contributions of US\$0.8 million in the form of a tax exemption; and (vii) a financing gap of US\$10 million for investments under component 2. The financing gap may be sourced through subsequent PBAS cycles or the Borrowed Resource Access Mechanism (BRAM) (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or by cofinancing identified during implementation.
41. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is estimated at US\$7.48 million. This is fully validated as adaptation finance, qualifying this proposal as having adaptive capacity.
42. **Financing by components:** (i) component 1 – institutional capacity-building and strengthening the enabling environment for farmers, state and non-state actors, will receive US\$7.4 million (17 per cent of the additional financing); (ii) component 2 – financial and technical assistance to enhance productivity and competitiveness will account for US\$34.1 million (75 per cent of the additional financing); and (iii) component 3 – project coordination and M&E will account for US\$3.7 million (8 per cent of the total additional financing).

Table 1

Original and additional financing summary

(Thousands of United States dollars)

	<i>Original financing</i>	<i>Additional financing</i>	<i>Total</i>
IFAD loan	22 991		22 991
IFAD additional financing		28 710	28 710
IDA	25 009		25 009
Cofinancier financing gap		10 000	10 000
Beneficiaries/private sector	13 888	5 722	19 610
Borrower/recipient	-	824	824
Total	61 888	45 255	107 143

Table 2
Additional financing: project costs by component (and subcomponent) and financier
 (Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>Additional IFAD loan</i>		<i>Beneficiaries</i>			<i>Financing gap</i>		<i>Borrower/recipient</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Cash</i>	<i>In kind</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
1. Institutional capacity-building and strengthening the enabling environment for farmers and state and non-state actors											
1.1. Strengthening market-oriented smallholder farmer groups for selected commodity value chains	5 471	90						609	10	6 079	13.4
1.2. Institutional strengthening for selected government ministries, agencies and commissions	1 042	95						59	5.3	1 100	2.4
1.3. Capacity-building for selected private sector and non-state institutions	274	100						0		274	0.6
1.4. Strengthening the enabling environment, policy, regulations and administrative procedures for agribusiness development	19	90						2	10	21	
2. Enhancing productivity and competitiveness											
2.1. Investment support for productive links between smallholder farmers and agribusinesses	15 734	51	631	4 670	17	10 000	32	52	0.2	31 087	68.7
2.2. Investment support to agribusinesses and business development service enterprises	865	67		420	33			0		1 285	2.8
2.3. Support to financial institutions	1 676	61						-		1 676	3.7
3. Efficient project management, monitoring and evaluation, and citizen engagement											
3.1. Efficient project management and M&E	3 485	98						87	2.4	3 572	7.9
3.2. Effective communication and citizen engagement											
3.3. Contingency emergency response	143	100						16	10	159	0.4
Total	28 710	63	631	5 091	13	10 000	22	824	22	45 255	100

Table 3
Additional financing: project costs by expenditure category and financier
 (Thousands of United States dollars)

Expenditure category	Additional IFAD loan		Beneficiaries			Borrower/recipient		Financing gap		Total	
	Amount	%	Cash	In kind	%	Amount	%	Amount	%	Amount	%
1. Vehicles	77	100								77	0.2
2. Equipment and materials	4 379	92				427	8			4 806	11
3. Consultancies	2 994	93				226	7			3 221	7.3
4. Training	1 276	92				112	8			1 387	3
5. Workshops	749	93				58	7			807	2
6. Grants and subsidies	15 248	49.2	631	5 091	18.5			10 000	32.3	30 969	68
7. Salaries and allowances	2 226	100								2 226	6
8. Operating costs	1 760	100								1 760	4
Total	28 710	63	631	5 091	14	824		10 000	22	45 255	100

Table 4
Project costs by component and project year (PY)
 (Thousands of United States dollars)

Component/subcomponent	PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8	PY9	Total
1. Institutional capacity-building and strengthening the enabling environment for farmers and state and non-state actors										
1.1. Strengthening market-oriented smallholder farmer groups for selected commodity value chains	1 316	1 342	1 362	1 334	-	2 591	2 601	509	378	11 433
1.2. Institutional strengthening for selected government ministries, agencies and commissions	886	418	132	102	59	653	284	81	83	2 697
1.3. Capacity-building for selected private sector and non-state institutions	439	307	397	251	256	117	51	58	48	1 924
1.4. Strengthening the enabling environment, policy, regulations and administrative procedures for agribusiness development	213	197	143	97	77	10	11	-	-	747
2. Enhancing productivity and competitiveness										
2.1. Investment support for productive linkages between smallholder farmers and agribusinesses	5 200	9 622	9 688	9 098	5 580	7 605	7 975	8 428	7 039	70 236
2.2. Investment support to agribusinesses and business development service enterprises	984	1 003	1 022	1 041	1 042	317	317	322	330	6 377
2.3. Support to financial institutions	203	206	210	-	-	876	326	300	175	2 296
3. Efficient project management, monitoring and evaluation, and citizen engagement										
3.1. Efficient project management and M&E	2 547	995	1 049	1 062	1 086	954	769	917	855	10 234
3.2. Effective communication and citizen engagement	-	-	-	-	-	-	-	-	-	-
3.3. Contingency emergency response	192	196	200	204	208	39	39	40	41	159
Total	11 981	14 286	14 201	13 188	8 307	13 161	12 373	10 655	8 949	107 103

Financing and cofinancing strategy and plan

43. The original IDA cofinancing remains unchanged from design at US\$25 million. Total contributions from other cofinanciers amounted to US\$13.8 million: US\$4.5 million from the private sector and US\$9.3 million from beneficiaries. With the additional financing, cofinancing increases to US\$20.4 million, comprising contributions from beneficiaries (US\$15 million), the private sector (US\$4.5 million) and the Government (US\$0.8 million). A financing gap of US\$10 million will need to be filled by other development partners to finance CAPs and FBOs in the rice and horticulture value chains.

Summary of benefits and economic analysis

44. STAR-P was originally designed to increase agricultural productivity and commercialization of smallholder farmers for three selected value chains: horticulture, palm oil and rice. With the additional financing, STAR-P will yield an estimated economic internal rate of return (EIRR) of 30 per cent and have a positive economic net present value of US\$66.6 million (at an average discount rate of 12 per cent). Accordingly, the project will be highly profitable from an economic standpoint.
45. The sensitivity analysis indicates that the project is highly resilient to an increase in costs and a reduction in benefits. In fact, if benefits were reduced by 10 or 20 per cent, the project would still yield an EIRR of 28 per cent in the first scenario, and 25 per cent in the second.

Exit strategy and sustainability

46. Several elements of the project exit strategy are already incorporated into STAR-P:
- The strengthening of FBOs and cooperatives to enable them to engage in commercially sustainable activities, including with the private sector.
 - Support to public sector institutions through capacity-building, to allow smallholder farmers to receive support even after project completion.
 - Development of policies to create a favourable environment for smallholder farmers to access opportunities in the targeted value chains for oil palm, horticulture and rice.
 - Implementation of the LACF to enable FBOs to access matching funds. The LACF is meant to become the mechanism through which most agricultural financing will be channelled.
 - Support to rural finance institutions will contribute to more sustainable organizations able to finance the rural sector.

III. Risk management

A. Risks and mitigation measures

47. **Country context.** At design, the risks were assessed as high. Although the country has recently showed some political stability, Liberia's limited fiscal capacity, high poverty rates and limited economic opportunities portend a high risk to peace. Targeting of youth combined with citizen engagement and dialogue should contribute to a more socially inclusive society.
48. **Environmental risks.** Potential environmental risks are assessed as moderate, and are not expected to increase with the additional financing. They relate mainly to the expansion of tree crop farms, which could potentially displace forest land. For this reason, the project supports concessionaires and/or large-scale farmers that establish out-grower schemes by replanting old plantations of surrounding palm oil smallholders, and providing seedlings, fertilizer and extension services.

49. **Institutional capacity for implementation and sustainability.** The risk that the executing agency lacks adequate resources, processes and systems to manage the project effectively is deemed moderate, which is an improvement from the rating at design. The project has supported the MoA through capacity development of key agencies and also through policy development.
50. **Monitoring and evaluation arrangements.** The risk that the executing agency's M&E processes and systems are weak or insufficient is considered high. The project M&E system is weak; however, IFAD and the World Bank are providing implementation support to improve this function.
51. **Project procurement.** The risk that the borrower's regulatory and institutional capacity and practices are inadequate to conduct procurement in a manner that optimizes value for money is deemed high. However, IFAD and the World Bank are willing to provide capacity-building support to the project implementation unit (PIU).
52. **Fiduciary risks.** At the time of the midterm review, overall fiduciary risks were assessed as ranging from moderate to substantial. In particular, high turnover among PIU staff, low levels of disbursement and the timely submission of audit reports remain challenges. To mitigate them, new staff have been recruited to head the finance department, while the PIU has been trained in disbursement arrangements to improve performance.

B. Environment and social category

53. Environmental and social risk is confirmed as moderate, as per design. The project will continue to use the World Bank Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework, which contains a check list for screening each subproject during implementation and outlines safeguards to put in place. Environmental and social management plans and resettlement action plans will be developed and submitted for approval prior to undertaking activities.
54. The gap analysis of the ESMF against IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) guidelines shows that IFAD and the World Bank share a similar approach in managing social, environmental and climate change impacts. Both institutions use a risk-based approach that applies increased oversight and resources to complex projects and promotes increased responsiveness to changes through adaptive risk management and stakeholder engagement.
55. The project is expected to have a positive social impact at the household and community levels. Project activities will lead to an increase in household incomes for participating farmers and improved agriculture-related capacity, and may result in monetary and non-monetary benefits at the community level.

C. Climate risk classification

56. The climate risk is currently confirmed as moderate, with the main climate impacts being unpredictable precipitation and increasing temperatures. For each crop, a tailored approach will be designed to tackle climate risks as detailed in the original SECAP and ESMF. Mitigation approaches will apply to all crops, but particularly to oil palm production, given high greenhouse gas emissions produced throughout the value chain.
57. By reducing the impact of climate extremes on crops and diversifying farming systems, the project will directly reduce climate-related impacts. By building safeguards against deforestation into the project design, the risk of environmental impacts related to deforestation in the target communities will also be reduced or eliminated.
58. Implementing adaptation and mitigation measures in Liberia remains, however, a challenge due to: (i) lack of real time and reliable climatic data; (ii) the small

number of empirical studies on the impacts of climate change; (iii) poor knowledge of potential adaptation and mitigation measures at the ministerial level; and (iv) lack of available climate financing. The additional financing will then strengthen the project knowledge and capacities on climate change, through sensitization, training and knowledge sharing.

IV. Implementation

A. Compliance with IFAD policies

59. The project is aligned with the country strategic opportunities programme (COSOP) for Liberia 2020–2024, in particular the objective of enhancing the performance and inclusiveness of value chains, and contributes to the three strategic objectives of the IFAD Strategic Framework 2016–2025.
60. The programme is aligned with IFAD’s Inclusive Rural Finance Policy (2021) as it seeks to strengthen RCFIs capacity to serve the smallholder target market on a sustainable basis. Scaling up STAR-P will ensure increased adherence of the project to IFAD mainstreaming themes, particularly climate, women, youth and nutrition, in alignment with IFAD mainstreaming policies and strategies.

B. Organizational framework

Management and coordination

61. As per the project design, a PIU has been established within the MoA to implement the project under the supervision of the World Bank. Project management and coordination arrangements will not change and will be spearheaded by the PIU and supervised by the World Bank.

Financial management, procurement and governance

62. **Financial management.** The financial management arrangements of the original design will remain in place for the additional financing. The PIU manages the fiduciary aspects of the project, and is also responsible for the preparation and submission of the interim financial reports (IFRs) every quarter. The interim unaudited financial reports, statements of sources and uses of funds, and audited annual financial statements will be shared systematically and on a timely basis by the project with the World Bank and IFAD. The MoA internal auditors will undertake internal audit activities on a risk basis, and will submit the internal audit reports in a timely manner.
63. For IFAD funds, a separate designated account will be opened in a commercial bank in Liberia. The project cost tables present the detailed breakdown of costs between the cofinanciers, World Bank, IFAD, farmers, the private sector and the Government. The finance team will be responsible for tracking and reporting on all contributions to the project, including in-kind contributions. The PIU will prepare an annual workplan and budget (AWPB) and will constantly monitor the project’s implementation progress and expenditures against it.
64. The absorption of the proposed additional financing will be monitored closely. The composition of the new PIU staff is already leading to a positive performance in terms of planning and disbursement as they provide forecasts of implementation activities and will continue to do so in their IFRs going forward.
65. **Procurement.** Procurement of works, goods and services will continue to be done under the MoA and the PIU in accordance with World Bank procurement guidelines. The procurement team, composed of an international procurement specialist, a procurement officer and a procurement specialist, will remain the same. The World Bank will be responsible for the supervision of procurement, using its own mechanisms; however, at the midterm review in May 2022, it was agreed that IFAD will profit from more reporting on the status of procurement implementation.

C. Monitoring and evaluation, learning, knowledge management and strategic communication

66. **Planning, monitoring and evaluation.** The project will build on the existing M&E system used for results tracking and project management. The project will prepare AWPBs in a consultative manner reflecting the inputs of beneficiaries and other stakeholders. The AWPBs will be prepared in a timely manner to allow for approval by the national steering committee.
67. The M&E system is consistent with IFAD's core outcome indicator guidelines and aligned to the PIU's results framework and requirements. The M&E system will be comprehensive to accommodate the varied results reporting requirements of IFAD and the World Bank.
68. Each unit within the PIU will be responsible for knowledge management (KM). The M&E unit will play a lead role in the creation and collation of knowledge products while the communications unit will facilitate the dissemination of knowledge products to all stakeholders. The project will develop a KM action plan linked to the comprehensive knowledge management strategy of the PIU. In particular, lessons learned will be used to improve project's implementation manuals, concepts, strategy and management.

D. Proposed amendments to the financing agreement

69. The financing agreement will be amended to incorporate the additional financing of US\$28.71 million which, together with the original financing, will bring the total IFAD contribution to US\$51.71 million.

V. Legal instruments and authority

70. A financing agreement/amendment letter between the Government of the Republic of Liberia and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. The signed financing agreement will be amended following approval of the additional financing.
71. The Government of the Republic of Liberia is empowered under its laws to receive financing from IFAD.
72. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

73. I recommend that the Executive Board approve additional financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on super highly concessional terms to the Republic of Liberia in an amount of twenty-two million nine hundred sixty-seven thousand seven hundred seventy-two United States dollars (US\$22,967,772) 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 loan on highly concessional terms to the Republic of Liberia in an amount of five million seven hundred forty-one thousand nine hundred forty-three United States dollars (US\$5,741,943) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Updated logical framework incorporating the additional financing

Results Hierarchy	Indicators					Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	New End target	Source	Frequency	Responsibility	
Outreach STAR-P	1.b Estimated corresponding total number of households members					Monitoring reports/MIS system	Quarterly/Annually	PMU/Partners	The project interventions/ activities are implemented as scheduled with strong buy-in of public and private actors and effective participation of targeted beneficiaries
	Household members - Number of people		118 000	226 265	435 862				
	1.a Corresponding number of households reached					Monitoring reports/MIS system	Quarterly/Annually	PMU/Partners	
	Women-headed households - Households			11505	22 163				
	Households – Households		20 000	38350	73 875				
	1 Persons receiving services promoted or supported by the project					Monitoring reports/ MIS system	Quarterly/Annually	PMU/Partners	
	Males – Males		13000	25994	51 713				
	Females – Females		7000	12356	22 162				
	Young - Young people		7000	12356	22 162				
	Total number of persons receiving services - Number of people		20000	38350	73 875				
Project Goal Improved livelihoods and food security for smallholder farmers in the rice and oil palm value chains	Increase in beneficiary assets					Baseline, MTR, Completion Survey	Mid-term and completion	WB/IFAD-PIU	
	Increase in beneficiary assets - Percentage (%)				20				
	Proportion of target population below the minimum level of dietary energy consumption by gender						Mid-term and completion	WB/IFAD-PIU	

	Population below the minimum level of dietary energy consumption - Percentage (%)				TBD		Baseline, MTR, Completion Survey			
Development Objective Increase agricultural productivity and promote commercialization of smallholder farmers	§ Increase in yield per targeted Value-Chain; Rice disaggregated by Gender and youth						Thematic studies, project-specific/national surveys	Baseline, MTR, Completion	WB/IFA D-PIU	Government policies are stable, global demand for selected value chains and their commodity prices stay attractive.
	Percentage (%)	0	10	20	20					
	Increase in yield per targeted ValueChain: Oil-Palm; disaggregated by gender and youth(Percentage)						Thematic studies, project-specific/national surveys	Baseline, MTR, Completion	WB/IFA D-PIU	
	Increase in yield: Oil Palm - Percentage (%)	0	10	20	20					
	Increase in yield per targeted ValueChain: Vegetables; disaggregated by gender and youth (Percentage)						Thematic studies, project-specific/national surveys	Baseline, MTR, Completion	WB/IFA D-PIU	
	Increase in yield: Vegetables - Percentage (%)	0	10	20	20					
	Volume of annual sales (Mt) of rice produced by the beneficiary farmers' group disaggregated by gender and youth (MT/year)						Thematic studies, project-specific/national surveys	Baseline, MTR, Completion	WB/IFA D-PIU	
	Mt of rice – Number	0	0.5	0.75	1					
	Volume of annual sales (Mt) of oil palm produced by the beneficiary farmers' group disaggregated by gender and youth (MT/year)						Thematic studies, project-specific/national surveys	Baseline, MTR, Completion	WB/IFA D-PIU	
	Mt of Oil Palm – Number	0.28	2	4.1	4					
	Volume of annual sales (Mt) of vegetables produced by the farmers' group disaggregated by gender and youth (MT/year)						Thematic studies, project-specific/national surveys	Baseline, MTR, Completion	WB/IFA D-PIU	
	Mt of vegetables – Number	0.2	1	2	2					
	1.2.4 Households reporting an increase in production						IFAD COI Survey	Baseline, MTR, Completion	WB/IFA D-PIU	
Total number of household members - Number of people		115 787		259 039						
Households - Percentage (%)		32		60						

	Women-headed households – Households		4906		13 172				
	Households – Households		19 625		43 905				
	1.2.8 Women reporting minimum dietary diversity (MDDW)								
	Women (%) - Percentage (%)		25	50	50	IFAD COI Survey	Baseline, MTR, Completion	PMU, service provider	
	Women (number) – Females		15 700		36 588				
	Households (%) - Percentage (%)		25		50				
	Households (number) – Households		15 700		36 588				
	Household members - Number of people		92 630		215 866				
Outcome Outcome 1 (Component 1): Strengthened market oriented smallholder farmer groups for selected commodity value chains	Household reporting satisfaction with project-supported services (SF 2.1)					IFAD COI Survey	Baseline, MTR, Completion	WB/IFA D-PIU	Communities are involved and responsive to interventions made
		Percentage of households		45%	75%				
	Household reporting the ability to influence decision making of local authorities /project service providers (SF 2.2)					IFAD COI Survey	Baseline, MTR, Completion	WB/IFA D-PIU	
		Percentage of households		25%	50%				
	Number of Business Development Plans (BDPs) developed					Project MIS, PIU progress report	Quarterly, Biannual, Annually	WB/IFA D-PIU	
		Number of BDPs – Number	0	750	1090				
Number of Business Development Plans developed for women and youth					Project MIS, PIU progress report	Quarterly, Biannual, Annually	WB/IFA D-PIU		
	Number of BDPs – Number	0	300	400				700	
Output 1.1. Strengthened market-oriented	Number of persons receiving capacity building training (disaggregated by gender)					Project MIS, PIU progress report	Quarterly, Biannual, Annually	WB/IFA D-PIU	Communities are involved and responsive to interventions
		Number of Persons – Number	80	30000	42640				

smallholder farmer-groups	Number of agribusiness capacity strengthened (SMEs and large) during matching grant implementation					Project MIS, PIU progress report	Quarterly, Biannual, Annually	WB/IFAD-PIU	made
	Number of agribusiness – Number	30	110	190	240				
	Client days of training provided (disaggregated by gender)								
	Client days - Number	400	30000	40000	60000	Baseline, MTR, Completion Survey	Quarterly, Biannual, Annually	WB/IFAD-PIU	
Outcome Outcome 2 (Component 2): Improved smallholders' integration in the value chains targeted by the project.	Percentage of capacity utilization rate of post-harvest processing facilities					Baseline, MTR, Completion Survey, PIU progress report	Baseline, Mid-term, Completion, Annually	WB/IFAD-PIU	Stakeholders including agribusinesses keep interest in integrating smallholder's in value chains
	Percentage of capacity utilization rate - Percentage (%)	10	30	50	50				
	Number of off-take arrangements delivered and sustained between FBOs and Buyers (by value chain)					Baseline, MTR, Completion Survey, PIU progress report	Annually	WB/IFAD-PIU	
	Number of arrangements - Number	0	100	200	350				
	Number of productive market linkages sustained after one year of approval					Baseline, MTR, Completion Survey, PIU progress report	Annually	WB/FAD-PIU	
	Number of linkages - Number	0	90	160	280				
	Percentage of farmers using market information (Percentage)					Baseline, MTR, Completion Survey, PIU progress report	Baseline, Mid-term, Completion, Annually	WB/IFAD-PIU	
	Percentage of farmers - Percentage (%)	0	30	50	60				
		Number of persons with new jobs/employment opportunities				Completion survey, PIU progress report	Completion, Annually	WB/IFAD-PIU	
		No of persons (Male/female)	0			1500			
1.2.2 Households adopting improved agricultural technology					IFAD COI Survey	Baseline, MTR, Completion	WB/IFAD-PIU		
	Number of household	0						44 325	
	Number- total household members	0						261 518	
	Percentage of household	0	31.3					60	
Output 2.1: Improved	Farmers reached with agricultural assets or services (CRI, Number)							WB/FAD-PIU	Stakeholders Including
		Females - Number	0	7000	11550	21000			

smallholders' integration in the value chains targeted by the project.	Total - Number of people	0	25000	35000	70000	Project M&E system, PIU progress report	Quarterly, Biannual, Annually		agribusinesses keep interest in integrating smallholders in value chains
	Youth - Number		7000	11550	21000				
	Number of Matching Grants					Project MIS, PIU progress report	Quarterly, Bi-annual, Annually	WB/IFAD-PIU	
	Approved - Number	0	750	1062	2000				
	1.1.3 Rural producers accessing production inputs and/or technological packages					Project MIS, PIU progress report	Quarterly/Annually		
	Males - Males		17 105		35 856				
	Females - Females		7 331		15 367				
	Young - Young people		7 331		15 367				
	Total rural producers - Number of people		24 436		51 223				
	1.1.4 Persons trained in production practices and/or technologies					Project MIS, PIU progress report	Quarterly/Annually	WB/FAD-PIU	
	Men trained in crop - Males	0	15000	23100	33 613				
	Women trained in crop - Females	0	7000	11550	14 406				
	Total persons trained in crop - Number of people	0	22000	34650	283 311				
	1.1.8 Households provided with targeted support to improve their nutrition					Project MIS, PIU progress report	Quarterly/Annually	PMU	
	Total persons participating - Number of people		23 480	5000	40 631				
	Males - Males		3480		2 032				
	Females - Females		20 000		38 600				
	Households - Households	0	23 480	5000	40 631				
	Household members benefitted - Number of people		129 682		239 724				

Young - Young people							
Number of Agrifinance products and services (credit lines, risk guarantees) developed by Financial Institutions					Project MIS, PIU progress report	Annually	WB/IFAD-PIU
Number of Agrifinance products and services - Number	0	5	9	9			

Updated summary of the economic and financial analysis

- Several financial models were developed at project design to determine the financial viability of STAR-P. All crop models used were found financially viable to be able to seek for additional funds. As part of the AF analysis, these models have been reviewed again and their financial viability has been reconfirmed. The table below summarizes the financial viability assessment for STAR-P.

Table A
Financial cash flow models

		Farm models' net incremental benefits (in US\$)				
		Crop Models				
		Rice Rehab Model	Rice Model Non-Rehab	Oil Palm Model - Medium input	Oil Palm Model - High input	Hot Pepper
PY1		633	212	-	-	290
PY2		1,498	940	(45)	762	502
PY3		1,876	1,253	728	1,583	883
PY4		1,876	1,253	728	1,583	883
PY5		1,876	1,253	728	1,583	883
PY6		1,876	1,253	728	1,583	883
PY7		1,876	1,253	728	1,583	883
PY8		1,876	1,253	728	1,583	883
PY9		1,876	1,253	728	1,583	883
PY10		1,876	1,253	728	1,583	883
IRR/**						
NPV (\$)		10,085	6,495	3,171	7,609	4,573

** ERR does not compute in models without negative cashflow

- Table B provides overall project costs by components and beneficiaries. The total project costs have been estimated at US\$ 107.1 million over a ten-year project implementation period. The cost per beneficiary has been estimated at US\$ 246 and cost per household has been estimated at US\$ 1,450. It is estimated that up to 73,875 households will be impacted by the project implementation (equivalent to 435,862 beneficiaries). The following table summarizes the expected outcomes of the project interventions and indicators linked to Log-frame targets.

Table B
Project costs and log frame targets

PROGRAMME COSTS AND INDICATORS FOR LOGFRAME					
TOTAL PROGRAMME COSTS (in million USD)			107.1		
Beneficiaries	435,862	people	73,875	Households	
Cost per beneficiary	246	USD x person		1,450	USD
Components and Cost (USD million)			Average increase in Rural income per	WOP (\$)	WP (\$)
A. Institutional Capacity Building for Farmers, State-and Non-State	17		Average increase in income per HH per year		
B. Financial and Technical Assistance to enhance Productivity and	79				
C. Project Coordination, Monitoring and Evaluation	11				
Total	107.1				

3. Table C provides the expected yield per hectare for the models used to estimate the project viability. WOP represents the without project yield levels while WP represents the with project situation. As part of the AF analysis, these have been validated. It also summarizes some of the main input prices included in the models.

Table C
Main assumptions and shadow prices

C)		MAIN ASSUMPTIONS & SHADOW PRICES				
	Output	land Size	Yields (Annually) Kg		Price (\$)	
			WOP	WP		
FINANCIAL	Rice Rehab Model	1 Ha	1,500	3,500	1.20	
	Rice Model Non-Rehab	1 Ha	1,500	2,900	1.20	
	Oil Palm Model - Medium input	1 Ha	6,800	8,000	0.20	
	Oil Palm Model - High input	1 Ha	11,050	13,000	0.20	
	Hot Pepper	1 Ha	2,000	4,000	0.50	
Economic					Disc. Rate (opp. Cost of capital)	12%
	CF for unskilled and family labour	0.96			Discount rate on saving/deposit accounts	12%

4. Table D shows the phasing year after year cumulating up to 73,875 beneficiaries by year ten.

Table D
Beneficiary adoption rates and phasing

Beneficiary Phasing	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Total
No of beneficiary HH - Cumulative		10,000	17,000	27,000	38,000	48,000	58,000	68,000	73,875	73,875	73,875
Adoption rate		10%	25%	35%	45%	50%	50%	50%	50%	50%	50%

5. Table E below presents the net incremental benefit of the project. Net incremental costs include all project costs. The analysis shows that the project has the capacity to generate an Economic Rate of Return (ERR) of 30 per cent with a Net Present Value (NPV) of US\$ 66.6 million.
6. The ERR of 30% is justified because of the low base situation. This is normal for very low income countries such as Liberia. For very low income countries, any investment tends to yield higher rates of return compared to countries that are at a higher level of economic development. For very low income countries, the marginal propensity to add benefits is much higher. In fact, at original design that was spear headed by the WB, the ERR was already high, at 22%. The incremental financing has since resulted into the change in targets and the number of beneficiaries. The log-frame has been appropriately adjusted.

Table E
Economic cash flow

Beneficiary Phasing	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Total	
No of beneficiary HH - Cumulative		10,000	17,000	27,000	38,000	48,000	58,000	68,000	73,875	73,875	73,875	
Adoption rate		10%	25%	35%	45%	50%	50%	50%	50%	50%	50%	
Average farm incremental income		29	242	421	421	421	421	421	421	421	421	
Total farm benefits		287,484	4,110,006	11,365,675	15,996,135	20,205,644	24,415,153	28,624,662	31,097,749	31,097,749	-	
Project Economic Costs												
Investment Costs	9,206,806	11,360,226	11,070,401	10,015,300	5,648,850	10,747,469	10,203,252	8,644,052	7,090,979			
Recurrent Costs	1,729,580	1,609,520	1,609,520	1,577,770	1,548,520	983,805	912,525	912,525	912,525	456,262		
Total Project Costs	10,936,386	12,969,746	12,679,921	11,593,070	7,197,370	11,731,274	11,115,777	9,556,577	8,003,504	456,262		
Total Incremental Income	-	10,936,386	12,682,262	8,569,915	227,395	8,798,765	8,474,370	13,299,377	19,068,086	23,094,245	30,641,487	30,641,487
Discount rate %											12%	
Economic Rate of Return											30%	
Net Present Value											66,652	

7. Table F below presents a sensitivity analysis that has been carried out to test the robustness of the above results. The outcomes are presented in table below. The

sensitivity analysis investigates the effect of fluctuations in project costs, benefits and delays in implementation on the NPV and EIRR. It shows the economic impacts that a decrease in project benefits of up to 30 per cent will have on the project's viability. A sensitivity analysis shows that the EIRR drops to 25 per cent with a 20 per cent increase in project costs. a 10 per cent increase in costs yields a high EIRR of value 27 per cent, and a delay of project aggregated benefits by one to two years still yields a high ERR of 24 per cent and 20 per cent respectively. The overall analysis shows that the economic viability of the project remains attractive by preserving positive NPV and EIRR in each case.

Table F
Sensitivity analysis

Sensitivity analysis				
	%	IRR	NPV (US\$)	Link between project costing and lograme indicators
Base Scenario		30%	66,652	
Decrease of Project benefits	-10%	28%	58,907	The risk that existing or possible future environmental conditions/future climate variabilities or extreme events (e.g. earthquake, volcano eruption, land erosion, salinity, siltation etc.) may have significant adverse impacts on food and nutrition security, agricultural productivity, access to markets, value chains, infrastructure, and/or the incidence of pests and diseases, resulting in increased vulnerability or deterioration of target populations' livelihoods and ecosystems leading to reduced benefits.
	-20%	25%	47,983	
	-30%	24%	43,236	
Cost Increase	10%	27%	60,820	The risk that macroeconomic policies, such as monetary, fiscal, debt management/sustainability, and trade resulting in high inflation, low foreign exchange reserves, large fiscal deficits, debt distress), undermining government capacity to mobilize counterpart funding, and significantly impacting market dynamics of value chains, including market prices and profit margins for project.
	20%	25%	54,989	
	30%	23%	49,158	
1 Delay of benefits		24%	50,175	The country's political developments that may result in delays or the potential reversal of key political decisions and commitments (including approval and implementation of laws and regulations, and timely counterpart funding) that underpin the project benefits.
2 Delay of benefits		20%	35,522	
Increase of benefits	10%	33%	79,148	The macroeconomic policies, such as monetary, fiscal, debt management/sustainability, and trade resulting in stable inflation & foreign exchange reserves, enhancing government capacity to mobilize counterpart funding, and significantly impacting market dynamics of value chains, including market prices and profit margins for project.
	20%	35%	91,644	