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Enabling poor rural people  
to overcome poverty

## **President's report**

### **Proposed loan to the Republic of Liberia for the**

### **Smallholder Tree Crop Revitalization Support Project**

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

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Executive Board — 104<sup>th</sup> Session  
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**For: Approval**

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## **Abbreviations and acronyms**

CAADP	Comprehensive Africa Agriculture Sector Investment Program
CAC	county agricultural coordinator
DAO	district agricultural officer
LASIP	Liberia Agriculture Sector Investment Program
M&E	monitoring and evaluation
PCU	project coordination unit
PMU	programme management unit
STCRSP	Smallholder Tree Crop Revitalization Support Project

# Map of the project area

## Republic of Liberia

### Smallholder Tree Crop Revitalization Support Project - STCRSP

President's report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

11-10-2011

## Republic of Liberia

### Smallholder Tree Crop Revitalization Support Project (STCRSP)

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Republic of Liberia
<b>Executing agency:</b>	Ministry of Agriculture
<b>Total project cost:</b>	US\$24.95 million
<b>Amount of IFAD loan:</b>	SDR 10.5 million (equivalent to approximately US\$16.9 million)
<b>Terms of IFAD loan:</b>	Highly concessional
<b>Proposed cofinancier(s):</b>	Private-sector entity identified by the borrower and agreed by IFAD
<b>Amount of proposed cofinancing:</b>	US\$5.1 million
<b>Terms of proposed cofinancing:</b>	Parallel cofinancing
<b>Contribution of borrower:</b>	US\$2.0 million
<b>Contribution of beneficiaries:</b>	US\$0.923 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed loan to the Republic of Liberia for the Smallholder Tree Crop Revitalization Support Project, as contained in paragraph 49.

## **Proposed loan to the Republic of Liberia for the Smallholder Tree Crop Revitalization Support Project (STCRSP)**

### **I. Strategic context and rationale**

#### **A. Country and rural development and poverty context**

1. Liberia is classed as a least developed country. In 2010 GDP per capita was US\$400 and 83.8 per cent of Liberians were living on less than US\$1.25 per day. In recent years, Liberia has experienced real growth rates of 9.5 per cent (2007), 7.1 per cent (2008) and 4.5 per cent (2009). The main exports are rubber, timber, iron, diamonds, gold, cocoa and coffee, for a total value of US\$238.8 million (2008).
2. An estimated 73 per cent of the poor live in rural areas and 56 per cent of the rural population fall below the extreme poverty line. Liberia is classified by the Food and Agriculture Organization of the United Nations (FAO) as a low-income food-deficit country, with 50.5 per cent of the population being food-insecure or highly vulnerable to food insecurity. The Liberian population stood at 3.79 million in 2008; 47 per cent of the population is under 15 years of age. Liberia has a gross primary school enrolment rate of approximately 90 per cent, with literacy reaching 41.6 per cent for women and 57.5 per cent for men.
3. The Government of Liberia's priority strategies are the poverty reduction strategy, which covers the period 2008-2011, and the agricultural strategy, referred to as the Liberia Agriculture Sector Investment Program (LASIP). In line with the Comprehensive Africa Agriculture Development Programme (CAADP) established under the New Partnership for Africa's Development (NEPAD), four priority investment programmes have been identified in the LASIP: (i) food and nutrition security; (ii) competitive value chains and market linkages; (iii) institutional development; and (iv) land and water development. The Ministry of Agriculture is hindered by its centralized management structure and lack of assets, which results in limited extension services. However, agricultural development is seen as the national priority for economic development and poverty reduction and benefits from strong donor support at various levels.
4. Although agriculture is the largest employer in the country (70 per cent of the national workforce) and the largest contributor to GDP (around 61.3 per cent), small-scale farmers are among the poorest people in the country. The agricultural sector faces major constraints and challenges, at the level of both farmers and institutions, including: (i) low yields as a result of poor access to technologies; (ii) limited access to inputs and markets; (iii) inadequate road infrastructure; (iv) low participation of smallholders in value chains; and (v) poor extension services and limited capacities of farmers' organizations.

#### **B. Rationale and alignment with government priorities and RB-COSOP**

5. The Government of Liberia requested IFAD to contribute to the LASIP, program 1 Food and nutrition Security, Sub program 3 Smallholder Tree Crops and

Agro-forestry Development. The Government considers the agricultural sector to be the driver of growth, with the revitalization of the tree crops subsector being particularly important. The project is considered particularly relevant given trends in the international market (demand, prices) and the potential yields that could be attained. The project will contribute directly to the four pillars of the poverty reduction strategy and to the LASIP formulated in alignment with the CAADP.

6. The STCRSP is the first project of the pipeline established by the 2011-2015 results-based country strategic opportunities programme (RB-COSOP) for Liberia approved by the IFAD Executive Board in September 2011. The project will contribute to the three strategic objectives of the RB-COSOP: (i) increased access to inputs for production; (ii) improved marketing of outputs; and (iii) capacity-building. In addition, the project consolidates and complements the ongoing IFAD operations focused on food security in Liberia, with a view to achieving a long-term increase in income for smallholder farmers.

## **II. Project description**

### **A. Project area and target group**

7. The project will reach the most vulnerable rural farming households in the county of Lofa. Targeting will focus on: (i) poor smallholders with less than two hectares of land and relying on subsistence farming; (ii) households headed by women; (iii) young people; and (iv) war-wounded and disabled.
8. In Liberia, the average household size is 5.1 people. An estimated 31 per cent of households are headed by women. In the project area, 66 per cent of household members above the age of 14 are self-employed in agriculture, almost 25 per cent are students and 5 per cent have no occupation. Household income comes from tree crop sales (39 per cent) and food crop sales (38 per cent). Other sources of income include agricultural farm labour, petty commerce and remittances. In Lofa, 80 per cent of households grow only cocoa. Eighty per cent of cocoa farmers plan to rehabilitate their abandoned cocoa plantations. The population of Lofa is estimated at 276,860.

### **B. Project development objective**

9. The development objective of the STCRSP is to reduce post-conflict poverty and food insecurity, and improve the livelihoods and living conditions of rural communities. The specific objectives of the project are to: (i) raise the quantity sold and price received by poor farmers through plantation rehabilitation; (ii) improve access to markets through road rehabilitation; and (iii) reinforce the extension services of the Ministry of Agriculture and private providers, and strengthen farmers' organizations.
10. The expected outcomes are: (i) 15,000 smallholders sell high quality cocoa/coffee through market arrangements with the private sector; (ii) approximately 276,860 Lofa inhabitants are provided with road access to market centres; and (iii) farmers' organizations and Ministry of Agriculture extension services are able to work together to prepare and implement support activities.
11. The impact for the primary target groups will take the form of improved food security and living conditions; it will be assessed under the IFAD Results and Impact Management System (RIMS) through third-level indicators such as household asset ownership and child malnutrition, as well as food security.

### **C. Components/outcomes**

12. The STCRSP has four components: (i) coffee and cocoa revitalization; (ii) rehabilitation of farm-to-market roads; (iii) institutional capacity-building; and (iv) project management.

13. **Coffee and cocoa revitalization.** Approximately 15,000 hectares of cocoa/coffee plantations will be rehabilitated using a value chain model. Two pilot approaches will be adopted in the primary processing and commercialization of farmers' produce: (i) a private-sector organic value chain model to be implemented by a private-sector entity incorporated in Liberia; and (ii) a conventional (non-organic) value chain model to be implemented by three cooperatives selected through a transparent and participatory process. The county agricultural coordinator (CAC) and district agricultural officers (DAOs) will be fully involved in the training of farmers through farmer field schools under both approaches. The selected private-sector entity will sign a memorandum of understanding with the project coordination unit (PCU) and all farmers involved, with the prior approval of IFAD. Under the non-conventional (organic) approach, farmer beneficiaries will pay back 40 per cent of the costs of tree crop rehabilitation.
14. **Rehabilitation of farm-to-market roads.** Approximately 315 km of farm-to-market roads will be rehabilitated in Lofa to facilitate the access of smallholders to external assistance for their farming activities, as well as market access. The roads to be rehabilitated will be identified based on the Lofa County Development Agenda, other donor initiatives and priorities expressed by the cocoa/coffee producer cooperatives. It is envisaged that this component will be carried out by Hifab, a private consultancy currently implementing the Liberian Swedish Feeder Road Project financed by the Swedish International Development Cooperation Agency in Lofa. Hifab would be contracted through a sole source contract in accordance with the applicable procurement procedures. If Hifab is not contracted, another entity will be selected in accordance with the procurement procedures. Routine maintenance of roads will be carried out by village committees that will be trained, strengthened, equipped, remunerated and supervised by Hifab – or another entity – and a resident engineer in Lofa, with monitoring by the PCU. Cocoa/coffee farmers will finance the maintenance system through contributions to the cooperative or private company.
15. **Institutional capacity-building.** The three cooperatives involved in component 1 will be supported through strengthened financial and institutional management; the Ministry of Agriculture will be supported at the county and district levels through the CAC and the DAOs, which will also be provided with support in the carrying out of their activities. The cooperatives will also be provided with working capital as part of their business plan.
16. **Project management.** This component includes all the required implementation arrangements for the project.

### **III. Project implementation**

#### **A. Approach**

17. The project focuses on both production and marketing in an inclusive manner through a value-chain and market-oriented approach. In a context where marketing opportunities are limited, an integrated strategy was considered to be the most appropriate, involving a private entity that was already active in cocoa and coffee marketing and export. Market analysis also pointed to greater interest in organic production than in conventional production given the premium added to the unit price. The STCRSP will foster the production of high quality output and will support smallholders in linking with the market to receive higher prices for their produce and increase their incomes.
18. IFAD will test two approaches for the rehabilitation of plantations. The first approach is based on a partnership with a private-sector exporter (organic) to fast track activities and accelerate the impact of the project. The organic private-sector exporter will provide technical, management and marketing support and will ensure the farmers are fully equipped. The private-sector exporter has the advantage of



being immediately operational and market-oriented. The second approach will work with three other cooperatives and a conventional private exporter (non-organic). Sustainable linkages will be forged to expand the production of cocoa/coffee plantations, strengthen farmers' organizations and the Ministry of Agriculture in order to provide better extension services and enhance the marketing and commercialization of production through contracted private companies, thereby enabling farmers to increase, improve and sell their production.

## **B. Organizational framework**

19. The key implementing partners will be the Ministry of Agriculture, the CACs and the DAOs, a private-sector entity (such as Hifab) and farmers' organizations.
20. Overall implementation of the STCRSP will be undertaken by the PCU established within the programme management unit (PMU) of the Ministry of Agriculture. The private-sector entity and the farmers' organizations will implement the tree crops rehabilitation. The rehabilitation of roads will be undertaken by Hifab or another entity in collaboration with the Ministry of Public Works and the resident engineer. The CACs and the DAOs will provide extension services and monitor the agricultural indicators in the county.
21. The capacities of the farmers' organizations, the CACs and the DAOs will be strengthened based on a capacity-building plan that is already established. International NGOs or technical assistants will implement the capacity-building plan for the farmers' organizations.

## **C. Planning, monitoring and evaluation, and learning and knowledge management**

22. The PCU will be in charge of the overall planning and monitoring of the project. The monitoring and evaluation (M&E) system is highly participative and will be integrated into the M&E system of the CAADP/LASIP. The monitoring functions will be shared with the implementing partners, the farmers' organizations, the communities and the CACs/DAOs; all will be trained to gather relevant information on the STCRSP indicators. Evaluation and baseline studies will be outsourced to specialized consulting firms or institutions.
23. The information and knowledge produced is shared with the Agriculture Donor Working Group and other stakeholders. The PCU is responsible for knowledge management and for identifying lessons learned from the difficulties encountered, the solutions formulated and/or implemented to overcome these difficulties, and the successes achieved.
24. Special events to share the knowledge generated will take place during: (i) project reviews; (ii) yearly consultative county meetings with all stakeholders; (iii) joint planning workshops with stakeholders; (iv) national and international conferences and workshops; (v) exchange visits to sister projects in the region and successful projects of other donors; and (vi) participation in fairs, World Food Day and similar events. The STCRSP includes regional knowledge networking activities and exchange visits to neighbouring countries.

## **D. Financial management, procurement and governance**

25. The functions of financial management and procurement for the overall project will be performed by the PCU. The STCRSP will be integrated into the PMU's existing financial management system for IFAD-financed projects. Loan proceeds will be transferred to the general revenue account of Liberia. From there, they will be transferred to a project account to be opened with a commercial bank mutually agreed by the borrower and IFAD.
26. The PCU will follow IFAD financial management and procurement guidelines and procedures. Financial statements will be audited in accordance with international

auditing standards by external auditors with qualifications and experience satisfactory to IFAD.

27. Progress has been made in the area of governance in recent years although some issues remain in financial management. Mitigating measures are described in paragraph 36.

### E. Supervision

28. The IFAD-financed activities will be directly supervised by IFAD. Supervision missions will be undertaken at least twice a year jointly with the Ministry of Agriculture, the Ministry of Finance and the implementing partners. Where possible, supervision missions will be connected to RB-COSOP reviews in order to facilitate the evaluation of progress made in implementing the country strategy for Liberia.

## IV. Project costs, financing, benefits

### A. Project costs

29. The total project cost, including physical and price contingencies, is estimated at US\$24.95 million. The total baseline costs amount to US\$23.93 million, while physical contingencies account for US\$0.95 million and price contingencies for US\$0.06 million. The foreign exchange component is estimated at US\$5.9 million of the total project costs.
30. The main assumptions include: (i) a local inflation rate of 10 per cent; (ii) an average international inflation rate of 0.1 per cent for the five years; (iii) exchange rates for the years 2012 to 2015 of 69 Liberian Dollars (LRD) to one United States dollar up to project start, then LRD 79.7/US\$1, LRD 87.5/US\$1, LRD 96.2/US\$1 and LRD 105.7/US\$1; and (iv) physical contingencies set at 10 per cent for civil works.
31. Component 1 accounts for 29.7 per cent of total costs (US\$7.4 million); component 2 for 44.7 per cent (US\$11.1 million); component 3 for 13.5 per cent (US\$3.3 million); and component 4 for 12.1 per cent (US\$3.0 million).

### B. Project financing

32. The STCRSP will be financed by: (i) a highly concessional IFAD loan of SDR 10.5 million (approximately US\$16.9 million or 67.6 per cent); (ii) cofinancing from a private-sector entity of US\$5.1 million (20.6 per cent); (iii) a contribution from the Government of US\$2.0 million (8.1 per cent) to cover taxes and duties; and (iv) contribution in-kind and in cash of the beneficiaries for an amount of US\$0.923 million (3.7 per cent).

**Table: Breakdown of financing by component (USD '000)**

	GoL		Private Company		IFAD		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes	Duties & Taxes
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%			
1. Cocoa&Cofee Revitalization	752	10.1	5 131	69.2	1 388	18.7	149	2.0	7 420	29.7	1 682	4 987	752
2. Rehabilitation from Farm to Market Roads	531	4.8	-	-	10 068	90.3	553	5.0	11 153	44.7	2 159	8 463	531
3. Institutional Building	189	5.6	-	-	2 948	87.8	221	6.6	3 358	13.5	1 416	1 753	189
4. Project Management	549	18.1	-	-	2 476	81.9	-	-	3 025	12.1	658	1 818	549
Total PROJECT COSTS	2 021	8.1	5 131	20.6	16 881	67.6	923	3.7	24 956	100.0	5 915	17 020	2 021

### C. Summary benefit and economic analysis

33. Direct benefits expected from the project interventions include: (i) improved access to inputs, services and information for farmers; (ii) higher production yields, lower post-harvest losses, improved quality and value addition for farmers; (iii) higher

prices, reduced transaction costs and new marketing opportunities; (iv) reduced transportation costs; (v) improved extension services; (vi) strengthened farmers' organizations; and (vii) creation of employment for young people in rural areas.

34. The base case economic rate of return (ERR) is estimated at 32 per cent. Total investment in plantation rehabilitation amounts to US\$1.65 million for 15,000 beneficiaries. The rehabilitation of roads will represent an investment of US\$8.0 million and should benefit the entire population of the project area (an estimated 276,860 inhabitants). Capacity-building of the Ministry of Agriculture, at the level of CACs and DAOs, and of the three cooperatives, will represent an investment of US\$3.3 million. The main element leading to a possible increase in project costs is linked to component 2 but should be limited and is mitigated through provision for physical contingencies set at 10 per cent.

#### **D. Sustainability**

35. The following elements of the STCRSP will ensure sustainability of the benefits: (i) implementation through existing institutions; (ii) emphasis on creating an enabling environment for the private/public sector implementing partners to continue their operations beyond the project; (iii) the demand-driven approach supporting activities that are commercially viable and fully integrated in a local and regional market economy; (iv) capacity-building and technical assistance at various levels in order to strengthen the key actors; (v) involvement of the private sector and development of farmers' organizations to reinforce the value chains and provide long-term marketing opportunities; (vi) the payback mechanism for tree crop rehabilitation with farmers' contributions; (vii) phasing of financial support to the cooperatives based on their business plan; and (viii) a realistic road maintenance system adapted to the local characteristics and based on community participation.

#### **E. Risk identification and mitigation**

36. The project faces two main risks: (i) poor governance; and (ii) weak capacity of local institutions. They will be addressed through the following mitigation measures: direct contracting procedures; use of IFAD procurement guidelines; strengthening of training and control systems related to financial management; regular supervision missions; external audits; use of accounting software already in place; technical assistance; ad hoc technical audits; and well-focused, specific capacity-building plans.

### **V. Corporate considerations**

#### **A. Compliance with IFAD policies**

37. The STCRSP is in line with the IFAD climate change, targeting and partnership strategies; as a result, activities and monitoring are gender sensitive. The STCRSP targets the poorer population in rural areas with the potential to move out of poverty. Implementation is based on a participatory approach and the project, through the involvement of private investors, supports public/private partnership.
38. The project will focus on women and young people through several operational mechanisms: (i) selection criteria for each project activity with minimum quotas for women and young people (tree crop and road rehabilitation, strengthening and development of farmers' organizations, Ministry of Agriculture's capacity-building plan); (ii) a self-targeting and participatory approach; (iii) gender mainstreaming, including training and awareness-raising; (iv) information, education and communication; (v) an efficient M&E system; and (vi) a two-pronged complaints mechanism for beneficiaries. In order to ensure optimally targeted support through project activities, organizations involved in gender-related projects, such as the German Agency for International Cooperation (GIZ), the Rights and Rice Foundation, and the Ministry of Gender and Development, were consulted and actively involved in the design of the project.

39. The project has been classified as Category B in line with IFAD's administrative procedures for environmental impact assessment in the project cycle. The STCRSP is likely to create a net positive impact on the environment and no further environmental impact assessment is required. The project will endeavour to further improve on this positive impact through the mainstreaming of modern organic agriculture. The STCRSP objectives are consistent with the national priorities for agricultural development, thereby ensuring the country's commitment to the project.

## **B. Alignment and harmonization**

40. The STCRSP will directly contribute to the four pillars of the poverty reduction strategy. It will also contribute to the following CAADP/LASIP programmes: (i) food and nutrition security, particularly the increased production and productivity component; (ii) competitive value chain and market linkages, specifically the components addressing the rehabilitation and expansion of rural roads, and market and enterprise development; and (iii) institutional development, particularly the components addressing the rebuilding of the Ministry of Agriculture and improved coordination and management.
41. The STCRSP was designed based on the ongoing interventions in the tree crop sector and the programme area and extensive discussions with other donors in order to capitalize on lessons learned, foster synergies and avoid duplications. The Agriculture Donor Working Group serves as a discussion forum for all donors involved in the agricultural sector. The members share detailed information on their activities and areas of interventions, and are regularly informed of the progress made.
42. The project will enhance harmonization and coordination at the central and decentralized levels by supporting the Ministry of Agriculture, CACs and DAOs in holding quarterly meetings with donors. These meetings will enable donors to share information about the project approach and results, and to harmonize and coordinate implementation modalities within the framework of the Paris Declaration on Aid Effectiveness. At the central level, the STCRSP will be implemented by the Ministry of Agriculture's PMU, which brings together all donor programmes in the agricultural sector to foster synergies and complementarities.

## **C. Innovations and scaling up**

43. The STCRSP's approach is innovative because it involves different types of stakeholders (at the local and national levels, public and private entities) and makes a specific contribution in linking all the different actors in the value chain for a market-oriented revitalization of the cocoa and coffee sectors. The following innovative features can be highlighted: (i) private-public partnership with cofinancing of the private sector; (ii) the payback mechanism for tree crop rehabilitation; and (iii) the community-based road maintenance system.
44. In particular, the STCRSP introduces several innovations included in the RB-COSOP for Liberia: (i) adaptation of the successful approach implemented in the tree crop sector in Sierra Leone and Sao Tome and Principe, with contractual arrangements with organic trading companies. These marketing arrangements are innovative in Liberia and will ensure the buying of production. Farmers will also benefit from the best practices and quality standards of private companies, which should increase production and competitiveness; and (ii) support provided to a CAC in the decentralization of the Ministry of Agriculture, which is involved as implementing partner.

## **D. Policy engagement**

45. The STCRSP will include policy dialogue at the national level on the following issues: (i) land tenure; (ii) decentralization of the Ministry of Agriculture; and (iii) the road maintenance system. With regard to land, the project will support the

Land Commission in piloting the creation of a database of customary tribal certificates in Lofa, as a prerequisite to the validation of land ownership in the county. On decentralization, it will support one CAC and seven DAOs to ensure the delivery of decentralized extension services according to the Ministry of Agriculture mandate and decentralization process. The STCRSP will also work closely with the Ministry of Public Works in road rehabilitation and maintenance at the county level.

## **VI. Legal instruments and authority**

46. A project financing agreement between the Republic of Liberia and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as an annex.
47. The Republic of Liberia is empowered under its laws to receive financing from IFAD.
48. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

## **VII. Recommendation**

49. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall make a loan on highly concessional terms to the Republic of Liberia in an amount equivalent to ten million five hundred thousand special drawing rights (SDR 10,500,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

## Negotiated financing agreement

Loan Number: \_\_\_\_\_

Project Title: Smallholder Tree Crop Revitalization Support Project (the "Project")

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

and

The Republic of Liberia (the "Borrower")

(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), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).
2. The General Conditions for Agricultural Development Financing of the Fund, 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 Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

### Section B

1. The amount of the Loan is SDR 10 500 000.
2. The Loan is granted on highly concessional terms.
3. The Loan Service Payment Currency shall be USD.
4. The first day of the applicable Fiscal Year shall be 1<sup>st</sup> July.
5. Payments of principal and service charge shall be payable on each 15 May and 15 November.
6. The Loan proceeds shall be transferred to the General Revenue Account of the Borrower. There shall be a Project Account in a commercial bank mutually agreed by the Parties.
7. The Borrower shall provide counterpart financing in the amount of approximately USD 2.02 million. 2

**Section C**

1. The Lead Project Agency shall be the Ministry of Agriculture (the "MOA").
2. The following are designated as key additional Project Parties: Project Coordination Unit (PCU); Farmer Based Cooperatives; Country Agricultural Coordinators (CACs); an experienced private sector entity (Component 1); Hifad or another entity (Component 2).
3. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

**Section D**

The Loan 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 Borrower has removed the Project Coordinator and/or the Financial Management Specialist without approval of the Fund.

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

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

(b) The Project Account shall have been duly opened.

3. This Agreement is subject to ratification by the Borrower.
4. 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 Borrower:

Minister  
Ministry of Finance  
Broad Street  
P.O. Box 9013  
Monrovia, Liberia

This agreement, dated \_\_\_\_\_ has been prepared in English and in six (6) original copies three (3) for the Fund and three (3) for the Borrower.

\_\_\_\_\_  
For the Fund

\_\_\_\_\_  
For the Borrower

## **Schedule 1**

### *Project Description and Implementation Arrangements*

#### **I Project Description**

1. *Target population.* The Project will reach the most vulnerable rural farming households in the Lofa County ("the Project Area"). The Project will particularly target: (i) poor smallholders with less than 2ha of farm; (ii) female-headed households; (iii) youth; and (iv) war-wounded and disabled.
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 rehabilitating plantations, improving access to markets, and strengthening MOA extension services and farmers-based organizations (FBOs).
4. *Components.* The Project shall consist of the following four I components.

#### A. Component 1: Cocoa and Coffee Rehabilitation

This Component will aim to recapitalize around 50% of the cocoa/coffee small holder in the Project Area. The strategy under this Component will be based on: (i) rehabilitation of productive capacity of existing areas of cocoa and coffee; (ii) training of farmers to improve farm operations from production, post-harvest to marketing, and (iii) organising farmer groups and linking them with the private sector.

The criteria for selection of farmers will be based on willingness to rehabilitate; size and status of the farm; vulnerability; age and sex. The approaches to be tested are two:

- (a) private sector organic value chain model, to be undertaken by an experienced private sector entity incorporated in Liberia which satisfies the criteria mentioned in the Project Implementation Manual. The private sector entity will be contracted in accordance with the provisions applicable to this Financing Agreement, with the prior approval of the Fund. This private sector entity will work with approximately 5 000 farmers following an organic production approach, adhering to procedures and practices internationally recognised for the organic production and post-harvesting of cocoa and coffee. The selection criteria of the private sector entity will be detailed in the Project Implementation Manual. The selected entity will enter into a Memorandum of Understanding (MOU) with the PCU and all farmers benefitting from this approach, with the prior approval of the Fund.
- (b) conventional (non-organic) value chain model, which will be undertaken by three selected farmer based cooperatives which will be supported to capacitate around 10 000 smallholder farmers in identified districts of the Project Area. Three cooperatives will be selected in accordance with a participatory and transparent process as described in paragraph C, below. Cooperatives will select villages and in each village they will select a village cooperative agent. The village cooperative agent will register all interested farmers, after which a contract –or similar arrangement- will be signed between the cooperative and the farmer for the rehabilitation of his plantation. The Project will finance the cooperatives' initial working capital for the first three years of implementation of Project activities.



Support to tree crop rehabilitation and production will be organised on a credit basis and it is expected that around 40% of the rehabilitation cost will be recovered. Farmers will receive a copy of the reimbursement statement by the PMU. An account will be opened in commercial bank specifically for receiving reimbursement from farmers and this will feed into the working capital of cooperatives to ensure their capacity in the long term.

#### B. Component 2: Rehabilitation of Farm to Market Roads

This Component will aim to rehabilitate and ensure routine maintenance of around 315 km of farm to market roads in the Project Area to facilitate smallholders access to external assistance for their farming activity and access to markets for inputs and sale of their products.

It is envisaged that the rehabilitation of roads will be implemented by Hifad, a private consultancy entity that has been selected through a competitive open procedure by Sida Liberia Feeder Roads Rehabilitation Project (LSFRP) for the rehabilitation of roads on other areas of the country, whose procurement processes are compatible with those of IFAD. Hifad would be selected under sole source contract in accordance with procurement procedures applicable to this Financing Agreement. If Hifad's contracting proves not to be possible, another entity will be selected following the applicable procurement procedures for the Project. The selected entity will sign a MoU with the PCU, with the prior approval of the Fund.

The road selection will be based on the identification done by the Lofa County Development Agenda regarding roads with urgent priority. The primary consideration for the selection of roads will be (i) existing roads linking smallholder tree crop farming communities to market; (ii) compliance with applicable regulations for the development of such roads; and (iii) optimal benefit for Project targeted population. The selection procedures will be described in the PIM.

This Component also includes the establishment of a maintenance system that will ensure effectiveness, sustainability and communities' involvement. The PCU Engineer and the Country Resident Engineer (CRE) –in coordination with the selected entity- will carry out an assessment to determine the maintenance level required. The system includes two types of maintenance:

- (a) Routine maintenance, which shall be provided starting on the third year of Project Implementation Period. This kind of maintenance will be financed with the beneficiaries' contribution to the Project and will be undertaken based on Local Maintenance Committees. The selected entity for the implementation of the rehabilitation of roads, will sensitise, organize and train the Local Committees, in collaboration with the PCU Engineer and CRE.
- (b) Periodic maintenance. Required for major road defects every 4-8 years. A periodic maintenance of approximately 105 kms. the road rehabilitated under the Project will be financed with resources available from IFAD financing in the fifth year of Project Implementation Period.

#### C. Component 3: Institutional Capacity Building

This Component will be focused on supporting the institutional development of three farmer based cooperatives in terms of strategy, management and development and on supporting the MOA at county and district level to ensure that CACs and DAOs are able to undertake their responsibilities under the Project.

#### Support to farmer based cooperatives:

An analysis based on a participatory and transparent process will select three functioning farmer based cooperatives as the ones receiving the institutional capacity building support under this Component. The selection criteria will be detailed in the Project Implementation Manual.

A programme for each cooperative has been developed which focuses on: strengthening the organizational and institutional capacity; provision of advisory support to cocoa and coffee farmer members and purchase of their products; marketing of cocoa/coffee to local traders and export to international markets; and involvement in road maintenance. The capacity building package that each cooperative will receive from the MOA includes equipment; basic infrastructure; staff salaries for three years; initial working capital; and training and technical assistance. Two sort of technical assistance will be provided by local partner or external experts in: (i) financial management and institutional development and (ii) technical areas related to cocoa production.

#### Support to MOA at county and district level

The CAC and seven identified DAOs related to the cocoa and coffee sector will be reinforced in three important areas: (i) monitoring and evaluation; (ii) extension services to farmers, cooperatives and private sector; and (iii) coordination of interventions in the cocoa and coffee sectors. The capacity building that they will receive includes equipment; staff training and support in staffing, by increasing the current staff with youth professionals.

#### D. Component 4: Project Management

The Project will be implemented through the implementation arrangements specified in Section II, below.

The objectives of this Component are to (i) ensure an effective strategic and operational planning and monitoring of the Project; (ii) ensure an efficient coordination amongst the components of the Project and among Project Parties and (iii) adequately monitor the implementation of the Project.

### **II Implementation Arrangements**

#### 1. Lead Project Agency

1.1 *Designation.* The Ministry of Agriculture (MOA) is designated as the Project Implementation Agency and shall have overall responsibility for the implementation of Project activities.

1.2 *Responsibilities.* The MOA responsibilities shall include among others: (i) chairing the Programme Management Unit (PMU) Steering Committee (the "SC"); (ii) providing support to the PMU and PCU for design, implementation and coordination of activities related to the Project; (iii) supervising the PMU and PCU; (iv) controlling and releasing funds received from the Ministry of Finance ("MOF"); (v) mobilizing resources, and providing technical, administrative and financial support to the PMU and PCU; (vi) conducting the performance appraisal of the Project Coordinator and the Financial Management Specialist; (vii) coordinating donor interventions under its jurisdiction with other Ministries; and (viii) ensuring timely approval by MOF of project disbursement requests.

## 2. Country Agricultural Coordinators (CACs) and District Agricultural Officers (DAOs)

2.1 The MOA will carry out its extension services responsibilities at local level through the CACs and DAOs.

2.2 The CAC responsibilities shall include: (i) planning the implementation of the Project activities with the MOA staff and other Project Parties; (ii) supervising the activities of the MOA staff; (iii) verifying and processing the data submitted by the MOA field staff; (iv) drafting progress reports on the Project activities and submitting them to the MOA; (v) providing feedback to field officers after processing and analysing the data obtained; (vi) assisting field staff in training the beneficiaries; and (vii) organizing program review meetings at the county level and participating in program review meetings at the national level.

2.3 The DAO responsibilities shall include: (i) collecting the field data; (ii) submitting progress reports to the CAC; (iii) assisting farmers in improving their performance; (iv) training farmers in participatory monitoring techniques; and (v) participating in program review meetings.

## 3. The Programme Management Unit (PMU) and the PMU Steering Committee (SC)

3.1 The PMU is a unit set up within the MOA in charge of coordinating the implementation of all donor funded projects in Liberia.

3.2 *Responsibilities and composition of the PMU SC.* The PMU SC shall provide guidance on any high level policy matters during Project implementation. The PMU SC is a Ministerial Committee chaired by the MOA and include representatives of the beneficiaries and representatives of the private sector. The PMU SC will meet at least twice a year for Project related activities.

The PMU SC responsibilities shall include: (i) providing support to the PMU and PCU for design, implementation and coordination of project interventions; (ii) ensuring that Project is aligned with Borrower's policy and strategy in the agricultural sector; (iii) approving the annual work plans and budget (AWPBs) and the progress reports; (iv) endorsing agreements or arrangements negotiated between the Borrower and the Fund or other co-financer of the Project; (v) endorsing modifications to project design or implementation arrangements proposed by the Borrower, the MOA or the PMU; etc.

3.3. Responsibilities of the PMU. The PMU shall be responsible for the coordination of project management. Its responsibilities shall include: (i) providing overall planning, supervision, monitoring and coordination of the Project activities; (ii) providing guidance in terms of the implementation of the Project activities; (iii) preparing final AWPBs and procurement plans based on the ones prepared by PCU; (iv) establishing and maintaining linkages with other government ministries, donors and service providers; (v) monitoring the progress of the Project activities.

## 4. Project Coordination Unit (PCU)

4.1 PCU. The PCU already operating for the Agriculture Sector Rehabilitation Project (ASRP) will be designated as the PCU for the implementation of activities of ASRP and this Project. The PCU shall be directly responsible for daily Project implementation.

4.2. Composition. The PCU staff will be complemented with the required staff in order to implement the Project together with the ASRP. The staff required for PCU will include a Project Coordinator ; a Financial Management Specialist; a procurement specialist; an

accountant; an administrative officer; a monitoring and evaluation officer; an agri-business officer; a civil engineer; and other administrative staff.

4.3 Responsibilities. The PCU's responsibilities shall include, among others, planning, supervising and implementing Project activities; preparing draft annual work plans and budget and procurement plans for the PMU; carrying out the required procurement for implementation of Project activities, in accordance with the Fund's applicable procedures and regulations.

4.4 *Field Office*. The PCU shall establish a field office in Lofa for the implementation of field activities. Among its responsibilities, it shall: (i) plan field activities; (ii) monitor and provide guidance to other Project Parties; (iii) collect data within the monitoring and evaluation framework; (iv) establish links with the CAC and the DAOs; and (v) provide regular feedback to the PCU.

The staff of the field office shall include a civil engineer; a tree crop specialist; an institutional specialist; and a local young professional.

## 5. Farmer Based Cooperatives

5.1 Selection. Three Farmer Based Cooperatives will be selected on the basis of an open transparent process to participate in Project implementation and the criteria to be detailed in the Project Implementation Manual.

5.2 The selected Farmer Based Cooperatives will support the implementation of part of Component 1, participating in the conventional (non-organic) value chain model and will receive capacity building under Component 3.

## 6. Experienced Private Sector entity to support implementation of Component 1

6.1 An experienced private sector entity incorporated in Liberia which satisfies the criteria stated in the Project Implementation Manual will implement the private sector organic value chain model under Component 1.

6.2 The private sector entity will be contracted in accordance with the procurement provisions applicable to this Financing Agreement and with the prior approval of the Fund. The selected entity will enter into a MOU with the PCU and all farmers benefitting from this approach, with the prior approval of the Fund

## 7. Hifad (Component 2)

7.1 It is envisaged that part of Component 2 will be implemented by Hifad, which would be selected through a sole source contract under the Fund's applicable procurement guidelines.

7.2 If contracting Hifad does not materialize, the rehabilitation of roads will be carried out by another entity selected in accordance with the Fund's applicable procurement guidelines.

7.3 Hifad or the other selected entity will sign a MOU with the PCU, with the prior approval of the Fund. 8

## Schedule 2

### *Allocation Table*

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Percentage
I. Civil works	5 350 000	100% net of taxes and beneficiaries contribution
II. Equipment, goods and materials	1 250 000	100% net of taxes
III. Technical assistance	1 140 000	100% net of taxes
IV. Salaries, allowances and operating costs	1 710 000	100% net of taxes
Unallocated	1 050 000	
<b>TOTAL</b>	<b>10 500 000</b>	

## Schedule 3

### *Special Covenants*

1. *Suspension of the Right to Request Withdrawals.* 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 Loan 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.

2. *Tax Exemption.* The Recipient shall, to the fullest extent possible, exempt proceeds of the Loan from all taxes. Any amount that cannot be exempted, shall be paid in cash by the Recipient.

3. *Taxes of Project Staff.* Project staff shall be subject to the applicable tax domestic legislation of the Borrower –including income tax and social security.

# Logical framework

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS AND RISKS
<b>IMPACT</b>			
Empower the rural poor to increase their food security and improve their livelihoods, in the counties covered by IFAD, on a sustainable basis.	<ul style="list-style-type: none"> <li>- 15 000 smallholder farmers have an improved household assets ownership index based on additional assets (at least 25%female &amp; 50% youths) (RIMS)</li> <li>- 20% reduction in child malnutrition prevalence in the targeted smallholder farmers' households (RIMS)</li> <li>- 25% of targeted smallholder farmers' households report an improvement of food security (duration and frequency of hungry season)</li> </ul>	<ul style="list-style-type: none"> <li>- MDG progress report</li> <li>- WFP Food security and analysis report</li> <li>- WFP Vulnerability Analysis and Mapping</li> <li>- LISGIS surveys</li> </ul>	<ul style="list-style-type: none"> <li>- Overall political and economic situation remains stable</li> </ul>
<b>DEVELOPMENT OBJECTIVE</b>			
Incomes of targeted cocoa and coffee smallholder producers have increased	<ul style="list-style-type: none"> <li>- income generated by cocoa and coffee multiplied by at least 5 for 80% of the targeted smallholder farmers (at least 25% female &amp; 50% youths)</li> <li>- cocoa and coffee prices received by targeted smallholder farmers on local markets are multiplied by at least 2 for 80% of the targeted smallholders (at least 25% female &amp; 50% youths)</li> <li>- cocoa and coffee sales by targeted smallholder farmers are multiplied by at least 3 (at least 25% female &amp; 50% youths)</li> </ul>	<ul style="list-style-type: none"> <li>- Project impact assessment studies and surveys</li> <li>- National and local household income and poverty studies</li> </ul>	<ul style="list-style-type: none"> <li>- Stability and peace in the country.</li> <li>- Conducive macro-economic reforms for income generating activities and poverty reduction</li> <li>- Commitment of all stakeholders to support income generating for smallholders and participate in poverty reduction efforts</li> <li>- Stable cocoa/coffee prices on international markets</li> </ul>
<b>COMPONENT 1: Cocoa/Coffee Revitalization</b>			
<b>OUTCOMES COMPONENT 1</b> Increased quantity and quality for the targeted cocoa and coffee smallholder producers	<ul style="list-style-type: none"> <li>- cocoa/ coffee production multiplied by at least 3 for 80% of targeted smallholder farmers (at least 25% female &amp; 50% youths) (RIMS)</li> <li>- percentage of bad beans reduced by 50% for 80% of targeted smallholder farmers (at least 25% female &amp; 50% youths)</li> </ul>	<ul style="list-style-type: none"> <li>- Project progress reports</li> <li>- Ad-hoc surveys</li> </ul>	<ul style="list-style-type: none"> <li>- Timely availability of resources &amp; logistics to procure and deliver the inputs to beneficiaries</li> <li>- Land tenure system in project counties does not pose any limitations to project activities</li> <li>- Targeted communities are involved and responsive to interventions made</li> </ul>
<b>OUTPUTS COMPONENT 1</b> - Improved production practices are introduced - Primary processing with high quality standards is facilitated for targeted cocoa/coffee farmers	<ul style="list-style-type: none"> <li>- 15 000 cocoa and coffee smallholder farmers use improved cocoa and coffee production practices (at least 25% female &amp; 50% youths) (RB COSOP)</li> <li>- 15 000 smallholder farmers have access to drying, storage and/or packaging facilities (at least 25% female &amp; 50% youths)</li> </ul>	<ul style="list-style-type: none"> <li>- Project progress reports.</li> </ul>	<ul style="list-style-type: none"> <li>- Target communities are involved and responsive to interventions made.</li> </ul>
<b>COMPONENT 2: Rehabilitation of Farm-to-Market Roads</b>			
<b>OUTCOMES COMPONENT 2</b> - Increased quantity of the cocoa and coffee sold by targeted smallholders on the market	<ul style="list-style-type: none"> <li>- selling on the local and export market multiplied by at least 3 for 80% of the targeted smallholder farmers (at least 25% female, 25% youths) (RB COSOP)</li> <li>- decrease of losses/damage in the cocoa and coffee produce</li> </ul>	<ul style="list-style-type: none"> <li>- Project progress reports</li> <li>- Ad-hoc surveys</li> </ul>	<ul style="list-style-type: none"> <li>- Timely availability of resources and logistics to procure and deliver the inputs to beneficiaries</li> <li>- Targeted communities are involved</li> </ul>

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS AND RISKS
- Improved quality of the cocoa and coffee sold by targeted producers on the market	when reaching the market divided by 2 for 80% of targeted smallholder farmers		and responsive to interventions made
<b>OUTPUTS COMPONENT 2</b> - Targeted cocoa/coffee smallholders and rural population have a regular and timely access to local and export markets	- 80% of farm to market roads rehabilitated are passable all year round (RB COSOP, RIMS) - 80% of targeted smallholder farmers report selling their cocoa/coffee produce on the local and/or export market	- Project progress reports - Implementing partners progress reports - Supervision missions	- Target communities are involved and responsive to interventions made.
<b>COMPONENT 3: Institutional Capacity Building</b>			
<b>OUTCOMES COMPONENT 3</b> - Increased in the production sold by targeted farmers on local and/or export markets through the cooperatives	- 20% of the targeted cocoa and coffee producers sell their production through group arrangements (at least 25% female & 50% youths) (RB COSOP) - 3 agreements link cooperatives and standard commodity and/or fair trade private buyers (RB COSOP)	- Project progress reports - Ad-hoc surveys	- National decentralization policy implemented as planned - Targeted communities, Ministry of Agriculture & Ministry of Public Works are involved & responsive to interventions made
<b>OUTPUTS COMPONENT 3</b> - Targeted cocoa and coffee smallholder producers are organised in sustainable cooperatives for marketing - CAC and DAO are able to provide technical advice to targeted cocoa/coffee producers and cooperatives	- 3 cooperatives have a legal status and a board ( at least 25% female members & 25% female in leadership positions) (RIMS) - 3 cooperatives are profitable and finance recurrent costs - 80% the targeted cocoa and coffee farmers receive technical advice from the CAC and DAO at least once every quarter (at least 25% female & 50% youths) (RIMS)	- Project progress reports	- Target communities are involved and responsive to interventions made
<b>COMPONENT 4: Project Management</b>			
<b>OUTCOMES COMPONENT 4</b> - Project objectives are achieved within the planned timeframe - The PMU has acquired extensive experience in project management	- 100% of the project objectives are achieved within 2012-2016	- Project completion report - PMU capacities assessment	- Stability and peace in the country. - Availability of qualified and/or trainable staff for the MOA/PMU
<b>OUTPUTS COMPONENT 4</b> - Efficient project implementation and planning e.g. Corrective measures are anticipated and taken for all plan deviations (revising activities schedules, adapting implementation mechanisms, reallocating budget)  - Operational coordination mechanisms - Effective M&E mechanisms established	- 80% of the activities planned in the AWPB are implemented - 80% of the yearly budget is disbursed - 25% progress made towards the objective every year - Monthly reports on data and lessons learned are available - Yearly reporting on RIMS is provided - National/District Steering Committees meet at least twice a year to discuss and approved the AWPB and progress reports	- Project progress reports - Minutes of coordination meetings - Supervision mission aide memoires	- All relevant stakeholders remain committed to the project goals throughout the implementation period