



AFRICAN DEVELOPMENT BANK GROUP

PROGRAM: EMERGENCY FOOD PRODUCTION PROGRAM

COUNTRY: REPUBLIC OF LIBERIA

APPRAISAL REPORT

July 2022

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RDGW/AHAI/COLR/PGCL DEPARTMENTS
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CURRENCY EQUIVALENTS

As of June 2022

1 UA	=	LRD 204.84
1 UA	=	<u>USD</u> 1.35
1 USD	=	LRD 151.77

FISCAL YEAR

1st January to 31st December

WEIGHTS AND MEASURES

1 metric tonne	=	2204 pounds (lbs)
1 kilogram (kg)	=	2.200 lbs
1 meter (m)	=	3.28 feet (ft)
1 millimeter (mm)	=	0.03937 inch (“)
1 kilometer (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund
AFFPF	African Emergency Food Production Facility
AfDB	African Development Bank
CAADP	Comprehensive Africa Agriculture Development Programme
CBL	Central Bank of Liberia
CFRA	Country Fiduciary Risk Assessment
ESIA	Environmental and Social Impact Assessment
EU	European Union
ECF	Extended Credit Facility
GDP	Gross Domestic Product
GIZ	German Agency for International Cooperation
GNI	Gross National Income
GoL	Government of Liberia
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
IPR	Implementation Progress Report
JICA	Japan International Cooperation Agency
LASIP II	Liberia Agriculture Sector Investment Plan II
MoA	Ministry of Agriculture
MDRI	Multilateral Debt Relief Initiative
MSME	Micro, Small and Medium Enterprises
NGO	Non-Government Organization
PAPD	Pro-Poor Agenda for Prosperity and Development
PCR	Project Completion Report
PBO	Program-Based Operations
PFM	Public Financial Management
PFMU	Public Financial Management Unit
PSC	Project Steering Committee
SIDA	Swedish International Development Cooperation Agency
TAAT	Technologies for African Agricultural Transformation
UA	Unit of account
USAID	United States Agency for International Development

PROGRAM INFORMATION

INSTRUMENT AEFPPF Sector Budget Support

PBO DESIGN TYPE Single operation

GRANT INFORMATION

Client's information

RECIPIENT: Republic of Liberia
EXECUTING AGENCY: Ministry of Agriculture

Financing plan

Country	Source	Amount (UA)	Instrument
Liberia	TSF Pillar I	4 million	Grant
TOTAL COST		4 million	

Timeframe - Main stepping stones (expected)

Program approval	July, 2022
Effectiveness	August, 2022
Completion	June, 2024
Closing date	December 2024

I INTRODUCTION: THE PROPOSAL

1.1 Management submits the following Report and Recommendation on a proposed grant to the Republic of Liberia for UA four million to finance the Liberia Emergency Food Production Program in Liberia from the resources of the Transition Support Facility Pillar I Grant. This amount is meant to come from the TSF unallocated reserves. This is a Sector Budget Support under the African Emergency Food Production Facility (AEFPF) and will be implemented from 2022 to 2024. The program was appraised from 13th to 15th June 2022. It comes in response to a 26th May 2022 request from the Government of Liberia for support. The design of the program is informed by good practice principles on conditionality and Bank Group provisions on non-concessional debt accumulation policy for ADF grants and the heavily indebted poor countries (HIPC)/Multilateral Debt Relief Initiative (MDRI) beneficiaries. The program will assist the Government of Liberia by contributing to reducing food insecurity through direct smart subsidies to vulnerable farmers. Its operational policy objective is to strengthen Government policies for sustainable and climate-resilient agricultural development. The program will: i) improve food and nutrition security in Liberia; and ii) improve the regulatory environment for climate-smart agricultural input use.

II CONTEXT

2.1 *Economic, Agricultural, and Social Context*

2.1.1 **Macro-economic and Fiscal Impact Analysis:** Liberia is a low-income country with a GNI per capita of USD 580 in 2019 and per capita income of USD 583 in 2020, thus most Liberians remain poor, with a poverty rate of 50.9%. Although the economy is in recovery from the COVID-19 pandemic, the country remains vulnerable to shocks. Real GDP grew by 3.3% in 2021, against a contraction of 3.0% in 2020, driven by agriculture, mining, and construction, mainly because of improved macroeconomic policy management and reopening of the economy. Inflation eased from 17% in 2020 to 8% in 2021, driven by a 15.9% decline in food inflation from 30.0% in 2020 to 14.1% in 2021. The Central Bank of Liberia (CBL) cut the policy rate to 20.0% in August 2021 from 25.0%, to stimulate economic activity. The exchange rate appreciated by 6.05% from Liberian dollar (LRD)162.34 per USD in December 2020, to 153.52 per USD in March 2022, attributable to increased foreign inflows. A tight fiscal policy, since the adoption of the Extended Credit Facility (ECF) program in 2019, has been maintained, despite spending pressures created by the impact of the COVID-19 pandemic. The fiscal deficit, including grants, is estimated to narrow to 3.2% of GDP in 2021, from 3.6% in 2020, mainly because of good revenue performance that increased to 17.8% of GDP in 2021, from 13.8% in 2020, due to improved tax collection. Grants declined to 12.9% of GDP in 2021, from 15.3% in 2020. The current account deficit widened to 22.2% of GDP in 2021, from 21.4% in 2020, on account of a widening trade deficit as imports increased.

2.1.2 The economic outlook is positive, but potential risks exist. The economy is forecast to grow, driven by expansion in mining, services, manufacturing, and agriculture, at 3.5% in 2022 and 4.5% in 2023, lower than projected because of the war in Ukraine. Inflation should ease to 8.0% in 2022 and 7.1% in 2023, while the fiscal deficit is forecast to narrow to 2.8% of GDP in 2022 and 1.9% in 2023. The current account deficit is forecast to marginally widen to 22.6% and 22.9% of GDP in 2022 and 2023. Downside risks include a prolonged pandemic and slow vaccine rollout, and divers impacts of the war in Ukraine (inflation, fuel prices, exchange rates, interest rates, and revenue mobilization). The ability of the Government of Liberia (GoL) to cushion the impact of the fuel price surge on economic activity in general and GDP growth in particular by subsidizing fuel prices is constrained by limited fiscal space. Furthermore, Liberia's staple starch is bread, and any increase in the price of wheat will affect its domestic price, hence, the welfare of the population. These issues suggest that it is unlikely that the projected decline in inflation in Liberia will be possible.

2.1.3 Agricultural, Food and Nutrition Security Impact Analysis: Agriculture is a major sector in Liberia's economy, contributing about 26% to GDP. The major crops are natural rubber, rice, cassava, bananas, and palm oil. The prolonged conflict of 20 years ago, compounded by the Ebola crisis, resulted in chronic food insecurity and severe nutritional deficits. Some 49% of Liberia's population are considered food insecure, and childhood malnutrition is persistent; 35% of children under 5 are stunted and 15% of them are underweight. Food insecurity is more a rural phenomenon, though agriculture remains the most important source of livelihood for over 50% of the population. Liberia depends heavily on food imports, and rice, the staple grain for most of the population, is imported on a large scale. About 81% of food for a household is sourced from markets and food-related expenditures for an average household constitute 60% of the household budget. Liberia's dependence on food imports exacerbates its vulnerability to external price shocks and drains scarce foreign exchange. The impacts of the war in Ukraine are expected to aggravate food insecurity and increase the risk for low-income populations to slide deeper into poverty. The Pro-poor Agenda for Prosperity and Development (2018-2023) prioritizes agriculture as central to economic transformation of the country.

2.1.4 Agriculture is affected by increases in the prices of imported inputs. The war in Ukraine, rising energy costs, and the continued fallout from the COVID-19 pandemic were already destabilizing the fertilizer sector. Further escalation in fertilizer prices will be untenable for smallholder farmers. As supply of fertilizers decline and prices increase, food prices will escalate making it mandatory for food import dependent countries, such as Liberia, to maximize efforts to boost local production in a bid to avert the impact on food and nutrition security.

2.1.5 Social Impact Analysis: Liberia's HDI value places the country 175th of 189 countries and in the low human development category. Up to 62.9% of the population are multidimensionally poor, while an additional 21.4% are classified as vulnerable to multidimensional poverty. The Gender Inequality Index (GII) score for Liberia is 0.650, ranking it 175th out of 187 countries. Women are the main suppliers of labor to Liberia's agricultural sector and are engaged along the value chain. Despite this, gender inequalities persist. In response to COVID-19, the Government's social protection program comprised cash transfers to rural households, especially women-headed ones, and electricity subsidies for micro-, small-, and medium-sized enterprises (MSMEs). Prices of basic commodities have, however, remained high. Rising food costs and shortages will broaden social inequities, as poor households and marginalized populations (the elderly, orphaned and those living with disabilities) will be disproportionately impacted. Infant nutrition (cereals) will be highly impacted with a need to switch quickly to affordable and equally nutritious options. School feeding programs will also face challenges in providing adequate nutritious food. Rising energy prices will significantly affect the profitability of MSMEs, leading to job losses and will also lead to higher reliance on wood fuel.

III RATIONALE AND KEY DESIGN ELEMENTS

3.1 Rationale

3.1.1 Link with Bank Strategy and the Authorities' Food Security Response: The project will use Sector Budget Support as the applicable financing instrument, which will enable the Bank to support Government through policy and institutional reforms relating to fertilizers and agrochemical usage. The choice of this instrument is informed by: (i) the need for a quick-disbursing instrument to reverse the food crisis caused by the war in Ukraine; and (ii) it will help to address the policy actions and institutional reforms to support economic recovery and build resilience against future food crises. The project is aligned to the Ten-Year strategy and contribute directly to meeting the objectives of the Feed Africa Strategy of the High 5 Agenda and the ADF-15 priorities, specifically strategic pillar II: "human, governance and institutional capacity development for inclusive growth and job

creation”. The project is also aligned with the Bank’s Strategy on “addressing Fragility and Building Resilience in Africa. It is aligned to all three pillars of the AEFPP and conforms to the Bank’s Climate Change and Green Growth Policy and Strategy (2021-2030), which prioritizes investment in climate resilient technologies. The project is fully aligned with Priority Area 2 of the Bank’s Country Strategy Paper (CSP) (2019 – 2023) – Improving economic governance and enhancing private sector development where the CSP places emphasis, building resilience of vulnerable population, supporting youth development and empowering women.

3.1.2 The project links to Government food security strategies, including: (i) the National Food Security and Nutrition Strategy (2015); (ii) the GoL Pro-poor Agenda for Prosperity and Development 2018-2023; (iii) the Liberia Agricultural Sector Investment Plan II (LASIP II) 2018-22; and (iv) Liberia’s Nationally Determined Contribution (NDC) which commits the country to “develop incentives and programs to promote **climate resilient seeds**” and to “develop facilities and climate smart technologies to **promote postharvest and value addition practices**”. Finally, the proposed project aligns with and supports the government’s food security response objective of facilitating access to agricultural inputs for production.

3.2 **Collaboration and Coordination with Partners:** Several international and bilateral Development Partners (DPs) are active in Liberia, potentially for collaboration, including the World Bank, IMF, USAID, the EU, France, GIZ, Ireland, JICA, China, and SIDA, as well as agencies of the UN system. The Liberia National Aide and NGO Policy of 2020 provides a framework for donor coordination. It guides the principles and goals of projects to meet national objectives and is a reference for the management of official development assistance.

This project will seek close collaboration with the agriculture working sector group as part of its objective to help safeguard food systems. It will also seek additional funds through links and complements with existing interventions in the country, such as the AU Special Emergency Assistance Fund project in Liberia.

3.3 **Meeting the Eligibility Criteria**¹ The project meets the five eligibility criteria for Sector Budget Support:

- (i) Government commitment: The Liberia Agriculture Sector Investment Plan 2 (LASIP - 2) covering the period 2017 to 2025 and the Pro-Poor Agenda for Prosperity and Development (2018-23) guides Government’s efforts to address poverty;
- (ii) The GoL macroeconomic framework includes an ongoing program with the IMF, the ECF, which is on track;
- (iii) Political stability of the country recipient;
- (iv) Ability to overcome any fiduciary risk, including through mitigation measures; and
- (v) The National Aid Policy of 2018, which guides harmonization of aid with development partners, especially through the Cooperating Partners Group (CPG), the main dialogue group of heads of development agencies. Among others, the Agriculture Sector Working Group is a forum for sector dialogue. Annex 2 summarizes how each criterion has been met.

3.4 **Application of Good Practice Principles on Conditionality:** These have been applied and performance monitoring will use country systems. While the resources will support the 2022/2023 national budget, use of a special account method will reduce fiduciary risks associated with weak Public Financial Management (PFM systems). The resources from the program will contribute to providing predictable financing for addressing food shortages, while contributing to achieving macroeconomic stability.

¹ If the PBO is a CRBS, some eligibility criteria might be waived. As per the provisions of the PBO policy, this should be also clearly justified.

IV THE PROPOSED PROGRAM

4.1 Program/Project Goal and Purpose

4.1.1 The principal objective of the program is to increase climate resilient food production in Liberia to mitigate the impact of the war in Ukraine by supporting farmers and Government with resources. The program will contribute to achieving short-term food security at household and national level, and thereby help to support economic stability and social welfare. The specific objective of the project is to assist the Government by contributing to increasing climate resilient food production, through direct smart subsidies (subsidies that create incentives for private sector investment in the inputs market without distorting the market) to vulnerable farmers.

4.2 Program Component

4.2.1 The Program is the Bank's contribution to the Government's response to the rising food prices caused by the disruptions of the Ukraine war. It will focus on climate resilient production, harvesting, and the marketing of rice. A grant amounting to UA 4 million from the resources of the Transition Support Facility Pillar I Grant has been earmarked for this purpose. The Government, through the Ministry of Agriculture, will provide smart subsidies to reduce the cost of certified climate resilient rice seeds and fertilizers available to smallholder farmers, as well as extend support to climate smart post-harvest management and marketing of rice over two cropping seasons. The Bank's resources will enable Government to facilitate farmers' access to improved seeds, agro-chemicals, and fertilizer.

4.2.2 Challenges and Constraints: The drivers of the rapid increases in food prices include declining local food production, disruptions in global food supply chains due to COVID-19 pandemic, insecurity and depreciation of the Liberian dollar are compounding the food insecurity situation in the country. These have been further aggravated by the war in Ukraine with its attendant effect on global food, fuel and fertilizer. Low productivity for rice in Liberia is due to insufficient and inconsistent supply of high-yielding seed variety, inadequate use of fertilizers and sub-optimal extension services.

4.2.3 Policy Actions and Intermediate Outcomes: In line with government priorities, the program will target the main outcome of increasing agricultural production and productivity of rice towards rice self-sufficiency in Liberia. The main indicators include the following i) The budget allocation for the input supply program to be increased for FY 2022; ii) Review Plant Protection and Regulatory Services Policy and develop an implementation strategy; (iii) support the implementation of a) Seed Development and Certifications Regulations and Act; b) Fertilizer Regulations and Act; c) Act for National Food & Feed Quality & Safety of Liberia; and d) National Rice Development Strategy of Liberia. Detailed outcomes are presented in the results framework in Annex 1.

4.3 Financing Needs

4.3.1 The total estimated resource envelope for the FY2022 national budget is USD 785.6 million, expected to be generated from domestic and external revenue sources. Out of this, tax revenues constitute USD 492.2 million, non-tax revenue comprises USD 148.4 million, and external resources account for USD 145 million. Liberia remains vulnerable to shocks from the external sector due to low external buffers. The current account balance as a percentage of GDP excluding grants for 2021 was 36.1%. Grants are essential for mitigating the country's external vulnerabilities.

4.3.2 The allocation to the agriculture sector has been low over the past years, including in the 2022 budget: USD 8.5 million, representing 1.1% of the total budget. This remains far below the AU target that requests member countries to allocate at least 10% of their national budgets to agriculture and rural development annually.

Table 2: Government FY 2021/2022 Fiscal Framework

		(USD '000)	
		FY 2020/2021	FY2022*
A	Total revenue and grants	587.8	324.9
	<i>Of which: grants (excl. budget support)</i>	30.4	51.1
B	Total expenditure and net lending	641.5	321.1
	<i>Of which: interest payments</i>	91.6	40.3
	<i>Of which: capital expenditure</i>	31.5	51.7
C	Overall balance (cash basis) (A + B)	1,337.19	645.99
D	Accumulation of arrears	-	-
E	Overall balance (commitment basis) (-C + D)	1,337.19	645.99
F	External financing (net – minus Bank)	102.9	-
G	Domestic financing (net)	5.0	-
H	Bank contribution	-	-
I	Financing (F + G+H)	107.9	-
J	Financing gap (-E - H), financed by:	(53.7)	3.9
K	X	-	-
L	Y	-	-
M	Others	-	-
O	Residual financing gap (I – J – K – L)	54.2	3.9

* Figures provided is at end May 2022 and subject to change when reconciled.

4.4 Program Beneficiaries

4.4.1 The direct beneficiaries of the project are 10,000 farmers and 40,000 indirect beneficiaries (at least 30% female) who will be provided with smart subsidies, and rice value chain actors, as well as the Government that will receive resources to support and improve the regulatory environment for agricultural development. The project will indirectly benefit the people of Liberia by providing food and nutrition security, thereby reducing the adverse effects of the Ukraine war on social and economic stability and climate impacts.

4.5 Prior Actions, Tranche Release Conditions or Triggers²

4.5.1 Prior to Board approval, documentary evidence on the prior actions presented in Table 3 below will have been met and submitted to the Bank. All the prior actions and triggers are drawn from the policy matrix jointly agreed between the Government and the AfDB during the program appraisal mission. The program is a single disbursement operation.

Table 3: Prior Actions and Required Evidence

Policy Objectives	Prior Actions	Evidence
To scale up food production and prevent food insecurity	Confirmation of budget allocation for the input supply scheme	Submission of the Letter from the Minister of Finance and Development Planning confirming the increase in allocation in the 2022 FY and forwarding the relevant evidence of the budget allocation.

4.6 Policy Dialogue

4.6.1 Specific policy reforms, and demands for key policy dialogue, which came out strongly during the appraisal of the operation, include the need to fast-track funding to address the immediate food crisis, while encouraging agricultural policies and strategies that will increase resilience in the future. The Bank has, thus, engaged in policy dialogue on strategic issues critical to addressing the main

² If the operation is a multi-year programmatic operation or programmatic financing operation over more than one year, then a table with the tranche conditions or triggers for the subsequent years should be included.

challenges in the agricultural sector and breaking the cycle of food insecurity. The Government took appropriate short-term actions to protect vulnerable groups during the food crisis, and critical steps towards future reforms pertaining to food security. The Bank will remain engaged with the Government and development partners to create an enabling environment with agribusiness policies and regulations that foster competitiveness and participation in priority agricultural value chains.

4.7 Impact on Gender, Fragility/Resilience, Poor, and Vulnerable Groups

4.7.1 Fragility and Resilience Analysis: Liberia has experienced marginal, but inequitable economic growth. Food insecurity increased during COVID 19 and is now exacerbated by the Ukraine-Russia war.

The Emergency Food Production Program will build resilience by assisting the Government to contribute to reducing the food gap through direct smart subsidies to vulnerable farmers, including female-headed households who comprise the larger share of vulnerable farmers in the rural areas. The project addresses sustainable and long-term development of the agriculture sector, particularly from the policy reform perspective, by creating an enabling environment for both institutional and individual farmers mainly in rural areas. This will help to unlock the potential of the agriculture sector to develop, create jobs, and enhance income opportunities and reduce food imports. The Program needs to support life skills in agriculture and employment programs that have the potential to reduce young people's vulnerabilities, drug use, and violence, and will help to address overall fragility and build resilience. At the same time, it will help to develop the institutional and policy frameworks to create sustainable jobs and livelihoods in the agriculture sector to help foster peace/security and build resilience.

4.7.2 Gender Analysis: This project is categorized as GEN III (3) on the Bank's Gender Marker System and is aligned with the Bank's Gender Strategy (2021-2025) specifically on increasing women's access to productive resources such as agricultural inputs, technology, and finance. The project is also aligned with Liberia's National Gender Policy (2018-2022) and Liberia's Pro-Poor Agenda for Prosperity and Development (2018-2023). Women are the main suppliers of labor to Liberia's agriculture/agri-business and are engaged in production, processing, and sale of products, yet they are affected disproportionately by rising food and fuel prices, have inequitable access to production chains, and have limited access to land. Thus, the project will seek to increase women's access to agricultural inputs. Policy actions will ensure that women and vulnerable populations are meaningfully empowered to participate and benefit from agricultural value chains and social protection programs. The gender impacts of the project will be monitored to capture positive changes and lessons learnt.

4.8 Impact on other Areas

4.8.1 Climate change: The proposed project is classified as Category 2 in the Bank's Climate Safeguard System, which means it may be vulnerable to climate change impacts. As a budget support operation providing direct smart subsidies to farmers for certified seeds and fertilizers for rice production, consideration will be taken to ensure climate-smart interventions are implemented, given the sensitivity of rice production in Liberia to climate impacts. In line with Liberia's priorities in the Nationally Determined Contribution (NDC) and the Bank's Climate Change and Green Growth Strategy (2021-2030), the project will ensure adoption of climate resilient certified seeds to reduce vulnerability and development of facilities and climate smart technologies to promote postharvest and value addition practices. The project will also provide support for education and training on agricultural climate risks and adaptation solutions for vulnerable groups and extension agents. This complementary support to farmers will be critical to the smart subsidies of certified seeds and fertilizers. Policy and regulatory interventions will ensure improvement in research and knowledge management capacities to support climate-smart agriculture and resilient land management.

4.8.2 Environmental and Social Safeguard: The classification of the project is Category 2 based on the nature of the proposed project activities, as guided by the Bank's Integrated Safeguard Tracking System (ISS). This categorization is consistent with the Liberian National Environmental Management Act since the activity of the supply of fertilizer for nutrient management is listed under Annex 1 of the ACT, which fall under Category I1 (Agriculture Projects). The proposed project's activities to be financed by the Bank include production of rice to mitigate the impact of the war in Ukraine through the provision of smart subsidies to reduce the cost of certified rice seeds and fertilizers available to smallholder farmers, as well as providing support for post-harvest management and marketing of rice over two cropping seasons. The project activities are expected to have moderate environmental and social risks and impacts associated with the supply, storage, and usage of fertilizers to increase yields during rice cultivation.

As per the Bank's ISS provision for short-term emergency relief operations, and AEFPPF-supported operations, Liberia will be exempted from preparing and disclosing E&S documents prior to Board approval. Neither will the Bank have to disclose Liberia's E&S documents prior to submission of these operations to the Board. To guarantee the quality and sustainability of operations eligible for AEFPPF funding, the operations will be subject to standard environmental and social due diligence (categorization, insertion of relevant E&S recommendations/measures in appraisal reports, ESCON, insertion of E&S clauses in the financing agreement) on a fast-track basis. However, post-environmental audits will be undertaken to ensure compliance with the Bank's ISS. Given this is an emergency operation, no E&S instrument is required to be prepared and disclosed before Board approval.

Hence no required studies will be done before Board, however, due to the procurement, transportation, storage and the application of fertilizers on the Project, which would generate health and pollution risks that could arise from the inappropriate use of fertilizers and the poor management, the borrower will be guided by good agricultural practices for the management and proper application of fertilizers. In conformity with the Bank ISS for Category 2 Projects, quarterly E&S implementation and annual E&S performance audit reports will be shared with the Bank and stakeholders. The prepared ESCON/NOCES confirms the project's compliance with the Bank's environmental and social requirements before approval and conditions and requirements as contained in the funding agreement.

V IMPLEMENTATION AND LEGAL DOCUMENTS

5.1 Implementation, Monitoring, and Evaluation

5.1.1 The Ministry of Finance and Development Planning will be the grant recipient on behalf of the Republic of Liberia, while the Ministry of Agriculture (MoA) will be the implementing agency. The Ministry of Agriculture will be responsible for beneficiary identification and monitoring the program. A Project Steering Committee (PSC), chaired by the Minister of Agriculture and including senior officials from relevant Ministries, will be established to provide policy guidance. A representative of the Farmers Union of Liberia will also be on the PSC, which will ensure timely implementation and monitoring of recommendations and be responsible for the overall strategic direction and oversight guidance of the program, as well as approving key project documents such as Annual Workplan and Budget.

5.1.2 The MoA as the implementing agency, will be responsible for M&E and will provide quarterly implementation progress reports to the Bank and a Project Completion Report (PCR) within 6 months of completion of the project. Robust M&E modalities will be put in place and aligned to the broader objectives of the AEFPPF. The Bank will carry out two (2) supervisory missions per year to assess progress in terms of realization of products and effects as well as administrative and financial performance.

5.1.3 The Technology for African Agriculture Transformation (TAAT) will play the role of technology delivery and brokerage in the country, including making climate smart technologies available. TAAT will also assist in scaling existing technologies and supporting policy interventions. The intervention of TAAT will achieve the objective of enhancing food productivity and increase in food production volume.

5.2 *Financial Management, Disbursement and Procurement*

5.2.1 **Financial Management:** The Ministry of Finance and Development Planning (MFDP) for Liberia will have overall responsibility for the administrative, financial, and accounting management of the Sector Budget Support (SBS) resources.

5.2.2 **Treasury Management, funds flow and disbursement method:** The SBS funds will be disbursed in a single tranche subject to the fulfilment of the conditions specified in the legal agreement. The grant resources will be transferred from the Bank in a single tranche into a dedicated USD denominated Special Account (SA) to be opened at the Central Bank of Liberia (CBL) by the Accountant General of Liberia, with the approval of the Ministers of Finance and Development Planning, as a transit into the Government of Liberia (GOL) USD Operating Account (of the Consolidated Fund/ CF). The GOL shall be required to confirm to the Bank the transfer of funds into the SA, within 30 days upon receipt of funds. **The flow of funds audit reports for the Covid-19 Crisis Response Budget Support (CRBS) and Economic Governance Reform and Competitiveness Support Program (EGRCSP) II are yet to be submitted to the Bank by the GOL and these shall form conditions prior to disbursement.** All disbursements will follow the procedures outlined in the Bank's *Disbursement Handbook March 2020*.

5.2.3 **External Audit:** The Programme funds transferred into the USD Operating Account (of the Consolidated Fund/ CF) are fungible and the expenditure cannot be distinguished from other CF expenditures, and in accordance with the Bank's Policy on PBOs the audit will follow country systems, the proceeds will be audited by the the Auditor General (AG) of Liberia as part of the annual audit of the GOL accounts. Aside the assurance from the review of the annual audit reports issued by the AG of Liberia on the CF, the AG will be required to undertake a flow of funds audit to confirm inter alia the timing and accuracy of funds transferred into the CF. The audit will be conducted in accordance with audit TORs approved by the Bank. The audit reports on the flow of funds audit will be submitted to the Bank within six months after the end of the financial year during which the disbursement occurred.

5.2.4 **Procurement management:** The Liberia public procurement system is underpinned by the Public Procurement and Concessions Act (PPCA) of 2005 which was amended and reinstated in 2010. The procurement system in Liberia is still facing some challenges that lead to an overall substantial procurement risk. This said, there is a positive trend observed these recent years namely increase in the compliance of procurement plan submission to the regulatory body for approval, progress made in the initial activities for rolling out the e-procurement road map including the completion of e-procurement strategy, enhanced transparency in the public procurement space, improvement in the procurement performance monitoring and continuous engagement of the private sector by the Public Procurement and Concession Commission (PPCC) is increasing the competition and advancing the progress of the procurement system.

This program is a sector budget support operation, and its implementation does not raise any direct issues concerning the procurement of goods, works and services with regards to the Bank's Procurement Methods and Procedures, however all public procurement undertaken in response to this emergency sector budget operation should conform to the public procurement requirements of the country. The procurement arrangements for the activities implemented under this sector budget support program will be undertaken using Government's systems within the applicable law and regulations without any exceptions.

The various government institutions operating in the agriculture sector applies the same procurement law and regulations of the country system without any exceptional sector specific procurement practices. The review of available audit reports as indicated in the annex of this document do not present any observations that could differentiate the sector risk from the country one and thus the sector risk is also substantial.

5.2.5 Procurement Oversight Requirement: The Bank will require that the Ministry of Agriculture and its allied agencies will form part of the auditees for the financial year in which this operation funds are disbursed and utilized. The General Auditing Commission (GAC) will therefore submit procurement compliance audit report covering the agriculture sector which will be an extract from its main audit report for the referred financial year, this procurement report will be due in 9months after the closure of this budget support operation.

5.3 Legal Documentation

5.3.1 The Programme will be financed with a proposed TSF Pillar I Grant of UA 4 million (“Grant”) in one tranche expected to be disbursed in September 2022. For the purposes of providing the tranche, the Fund will enter into a Protocol of Agreement (“Agreement”) with the Republic of Liberia (“Recipient”) of UA 4 million from the Recipient’s TSF Pillar I allocation. The Protocol of Agreement shall be governed by the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund (“General Conditions”), as amended.

5.4 Conditions Associated with the Bank’s Intervention

5.4.1 The Protocol of Agreement shall enter into force subject to fulfilment of the provisions of section 10.01 of the General Conditions. Specifically, the Agreement shall enter into force on the date of its signature by the Fund and the Recipient.

Section 3.04. **Condition Precedent to Disbursement of the Single Tranche:** In addition to the provisions of Section 3.01 (*Entry into Force*) of this Agreement, the obligation of the Fund to make the disbursement of the single tranche of the Grant shall be subject to the satisfaction of the following condition by the Recipient:

- (a) Submission of the evidence of the opening of a foreign currency (US Dollars (USD)) special account (the “Special Account”) in the Central Bank of Liberia for the deposit of the proceeds of the Grant, in form and substance satisfactory to the Fund; and
Submission of evidence of the Audit reports for the Covid-19 Crisis Response Budget Support (CRBS) and Economic Governance Reform and Competitiveness Support Program (EGRCSP) II Programs by the Recipient.

5.5 Compliance with Bank Group Policies

5.4.1 The programme complies with applicable Bank Group policies and guidelines including the Policy on Program-Based Operations (PBOs) and Operational Guidelines on the Programming, Design and Management of Program-Based Operations.

5.4.2 The Fund’s obligation to disburse the Grant of UA 4 million shall be conditional upon the Recipient providing evidence in form and substance acceptable to the Fund of the foreign currency account for the receipt of the proceeds of the Grant at the treasury.

5.6 Risk Management

POTENTIAL RISKS	RATING	MITIGATION MEASURES
Unavailability of certified seeds and fertilizers locally.	Medium	Government will be allowed to import certified seeds and fertilizers from regional and international markets and from large scale companies currently producing these inputs.
Fiduciary risk involved in the provision of resources through country's systems.	Medium	The Government had given the commitment that the entire resources would be transferred from the Consolidated Fund Account to the Ministry of Agriculture for the sole purpose of implementation of the project activities.
Politicization and delays in identifying target beneficiaries.	Low	Government will engage cooperating partners, and Non-Government Organization (NGOs) in identifying vulnerable households as project beneficiaries. Where possible, the program will promote the use of innovation and ICT platforms for delivery of these inputs and technologies to farmers.

VI – RECOMMENDATION

It is recommended that the Board of Directors of the African Development Bank and the African Development Fund as Administrators of the Transition Support Facility approve that a TSF Pillar I Grant not exceeding UA four million (UA 4,000,000) be made available to the Government of Liberia for the purposes and subject to the conditions stipulated in this report within the context of the African Emergency Food Production Facility (AEFPF).

ANNEXES

Annex 1: RESULTS FRAMEWORK

RESULTS FRAMEWORK FOR THE EMERGENCY FOOD PRODUCTION SUPPORT PROGRAM

A PROJECT INFORMATION					
PROJECT TITLE AND SAP CODE: P-LR-AA0-013					
COUNTRY: Liberia					
PROJECT GOAL: Increase food production in Liberia to mitigate the impact of the war in Ukraine					
PROJECT ALIGNMENT WITH COUNTRY AND AEPF:	a) Country ambition: The project is aligned with the National Food Security and Nutrition Strategy (2015) which focuses on increasing availability, access and utilization of food and strengthening the institutional system.				
	b) AFCREF: Reducing vulnerability to food insecurity through input supply of seeds and fertilizers as well as policy reforms to aid bottlenecks in agricultural production.				
	c) Alignment indicators: Increase in food production, number of farmers benefiting from inputs (disaggregated by sex), number of policies harmonized for supply of and accessibility to seeds and fertilizers.				
B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	UNIT	BASELINE [2020/2021]	TARGET AT COMPLETION [Q1 2023]	MEANS OF VERIFICATION	FREQUENCY OF REPORTING
OUTCOME 1: Increased agricultural productivity					
OUTCOME INDICATOR 1.1: Yield of rice	Mt/ha	2.48 Mt/ha	3.5 Mt/ha	Project Reports, MoA reports, Household surveys	Annual
OUTCOME INDICATOR 1.2: Improved food availability	Mt	0	14,000 Mt	Project Reports, MoA reports,	Quarterly
OUTPUT 1: Increased access to agricultural input					
OUTPUT INDICATOR 1.1 Quantity of fertilizers subsidized	Mt	0	3,000 Mt	Project Reports, MoA reports.	Quarterly
OUTPUT INDICATOR 1.2 Quantity of certified rice seeds subsidized	Mt	0	4,000 Mt	Project Reports, MoA reports.	Quarterly
OUTPUT INDICATOR 1.3 Number of beneficiaries supported with smart subsidies (disaggregated by gender)	Number	0	40,000 (30% female)	Project Reports, MoA reports.	Quarterly
OUTPUT 2: Support to policy environment					
OUTPUT INDICATOR 2.1: Plant Protection and Regulatory Services Policy reviewed, and an implementation strategy developed	Number	0	1	Project Reports, MoA reports.	Quarterly
OUTPUT INDICATOR 2.2: Implementation of strategies					
1). Seed Development and Certifications Regulations and Act		0	1		
2). Fertilizer Regulations and Act	Number	0	1	Project Reports, MoA reports.	Quarterly
3). Act for National Food & Feed Quality & Safety of Liberia		0	1		
4). National Rice Development Strategy of Liberia		0	1		

Annex 2: Meeting the Eligibility Criteria for the PBO

Prerequisites	Country Eligibility
<p><i>Government Commitment</i></p>	<p>Government is committed to address underlying factors that impinge on poverty reduction. In the medium term, a Pro-Poor Agenda for Prosperity and Development (2018-23) was developed and guides Government’s efforts to address poverty. At sector level, agriculture is a major sector in Liberia’s economy, contributing about 26% to GDP, employing more than 50% of the workforce and providing valuable export income. The country has a climate favorable for farming, vast forests, and abundant water resources. However, with low farm yields and poor agricultural practices, over half of foodstuffs are imported, with rice accounting for around 80% of food imports. Despite notable investments over the past decade, efforts to resuscitate the agricultural sector, particularly the rice value chain, has yielded limited results mainly attributed to weak infrastructure, limited technology adoption, and a weak private sector. The Government of Liberia hence formulated the Liberia Agriculture Sector Investment Plan 2 (LASIP - 2) covering the period 2017 to 2025. The proposed project seeks to foster Public Private Partnerships to promote investment for key export crops including rubber, palm oil and cocoa. The Government also promulgated the Special Economic Zones Act in October 2017. The purpose of the Act is to regulate the establishment, development, operations, maintenance, and management of single, multiple, and mixed use special economic zones in Liberia. The Government is leveraging on this Act to establish Special Commodity Processing Zone (SCPZ) in Liberia and build relevant skills in value addition and modernization of the agriculture sector.</p> <p>Despite the rich fisheries resources with an area of 186 322 square km of Exclusive Economic Zone (EEZs), Liberia is a net importer of fish with high levels of food insecurity. Capacity to manage fisheries is weak with low-level technical resources to produce blue economy cross-sectoral strategies in the broader context for fishery development planning, integrated coastal zone management and marine spatial planning. The fisheries sector could contribute significantly to food security and job creation through enhanced production, conservation planning, and value chain development.</p> <p>In the absence of a short-term Government plan to address the food crisis, the LASIP-2 supported by enabling pieces of legislation and strategies will guide the design and implementation of the sector budget support.</p>
<p><i>Macroeconomic framework</i></p>	<p>The Liberian economy is on a path of recovery after the COVID-19 impact; however, it remains vulnerable to shocks. Real GDP is estimated to grow by 3.3% in 2021, against a contraction of 3.0% in 2020 due to the COVID-19 pandemic. This growth is driven by agriculture, mining, and construction, mainly because of improved macroeconomic policy management and reopening of the economy. The Central Bank of Liberia (CBL) cut the policy rate to 20.0% in August 2021, from 25.0% to stimulate economic activities. The exchange rate appreciated by 6.05% in March 2022, attributable to increased foreign inflows. Liberia has maintained tight fiscal policy since the adoption of the ECF program in 2019, despite spending pressures created by the impact of the COVID-19 pandemic.</p> <p>The outlook is positive, but potential risks exist. The economy is forecast to grow at 3.5% in 2022 and 4.5% in 2023, lower than what was originally projected due to the Russian- Ukraine crises. The growth will be driven by expansion in mining, services, manufacturing, and agriculture. Due to its sound macroeconomic policies, inflation is projected to ease to 8.0% in 2022 because of exchange rate stability; and fiscal deficit is forecast to narrow to 2.8% of GDP in 2022 as a result of the projected increase in revenue and on expenditure restraint. The current account deficit is forecast to marginally widen to 22.6% of GDP in 2022 as imports increase to support infrastructure rebuilding. Downside risks include adverse impact of the Ukraine-Russia crisis on inflation, fuel prices, the exchange rate, interest rate, and revenue mobilization. Furthermore, Liberia is a large consumer of bread, thus any increase in the price of wheat will affect the domestic price of bread and hence the welfare of the people.</p>

Prerequisites	Country Eligibility
	<p>The financial sector is shallow and remains vulnerable to economic instability. The sector has continued to endure the effect of high non-performing loans (NPLs) with 21.2% in 2020, among the highest in the region, compared to 16.2% at the end of 2019. The accommodative monetary policy stance improves liquidity and supports the recovery.</p> <p>The IMF supported ECF program adopted in 2019 has helped to improve the macroeconomic policy environment focusing on sound fiscal discipline and proper liquidity management to mitigate the underlying structural economic challenges. The third review the ECF was completed in December 2021 and focused on restoring macroeconomic stability to lay the foundations for sustainable inclusive growth and addressing weaknesses in governance.</p> <p>The 2021 Debt Sustainability Analysis showed that debt distress indicators for external debt do not cross thresholds that would indicate high-risk, but external borrowing space is limited. Total public debt was found to be sustainable given the authorities' commitment to prudent fiscal policy going forward and because much of it is owed to the CBL at reasonable interest rates, but nonetheless, the present value of total public debt relative to GDP is high and risks of debt distress accordingly deemed high. Government is committed to refrain from central bank borrowing, non-concessional external borrowing, and non-transparent modes of budget financing, such as advance payments from large taxpayers. The authorities remain committed to debt transparency, in line with the new requirements under the IMF's Debt Limit Policy</p>
<i>Political stability</i>	<p>Liberia is a multi-party democracy. The country conducted its 1st peaceful democratic elections in December 2018. The ruling Coalition for Democratic Change (CDC) enjoys majority in Senate with 18 seats from 15 seats in 2017 elections. This win has given Government a strong position to push for key socio-economic and governance reforms. A referendum was also held in parallel to the senatorial elections and the country voted to reduce the duration of the presidential term of office from 6 years to 5 years.</p> <p>Liberia's checkered political history has long affected the country's capacity for effective security institutions, which have relied on international support to maintain peace and stability. Since the withdrawal of international peacekeepers in 2018, high levels of criminality have persisted in the presence of a culture of impunity, drug abuse, and high unemployment. Much of the crime is perpetrated by disorganized and amateur groups. Mob justice is a serious issue that results from perceptions that the police and judiciary respond poorly to crime.</p> <p>Poor access to public services, a lack of economic opportunities, and high rates of poverty make it difficult for the government to improve the business environment and increase incomes. With about half of the population residing in major cities such as Monrovia, Greenville, and Buchanan, the poverty gap is growing between the poor and the booming middle class. This affects the equality of citizens' access to public goods and services such as education, health care, electricity, and water supply.</p> <p>Civil society in Liberia has strong organizational capacity but the ability to move people to core centers is weakened partly by poor infrastructure. Social cohesion is made more fragile by moderate levels of exclusion based on ethnicity, religion, and/or identity. With a youth unemployment rate at 2.9%, Liberia's scores for youth and gender marginalization are low, but the reliability of the statistics is not established. A high proportion of the active work force has only vulnerable employment without access to a pension, insurance policies, sick benefits, or job security.</p>
<i>Satisfactory fiduciary risk assessment</i>	<p>Since the inception of the ECF-supported program, considerable progress has been made in strengthening processes and improving transparency, notably in PFM. More reforms are in the pipeline, though some of them have fallen behind schedule and are not as strong as originally envisaged. Drafts of the Whistleblower and Witness Protection Act, the Liberia Anti-Corruption Commission (LACC) Act, and amendments to the Code of Conduct have been passed by the Legislature's</p>

Prerequisites	Country Eligibility
	<p>lower chamber and the authorities commit to their adoption by December 2022. The draft LACC Act gives the LACC first-tier prosecutorial powers. The Public Procurement and Concessions Commission (PPCC) has published all large public procurement contract awarded in FY2020, along with key information on winning companies and their legal owners, which are also beneficial owners to the best of its knowledge. The posting of contracts and key information pertaining to FY2021 is now underway.</p> <p>The publication of the audits of the government’s Annual Financial Statements is progressing but still behind schedule. The FY2018 and FY2019 reports were published, but the FY2020 draft statement was delayed and was published 2021. The challenge with compiling timely and reliable financial reports remains incomplete documentation or delayed submission to the audit commission. The government launched an Electronic Document Management System in 2020, which should help ensure a better-quality report.</p> <p>Much improved public financial management (PFM) practices should be built upon. The resumption of regular meetings of the Liquidity Management Committee and the Treasury Management Committee, financial budgets better aligned with available resources, the clean-up of the public payroll, wider use of the integrated financial management information system (IFMIS), and the move to quarterly reconciliation are important achievements to be closely guarded going forward. The government is committed to avoiding the recurrence of arrears on debt service by issuing payment orders to the CBL well in advance and authorizing it to utilize resources outside the debt service account if necessary. To further strengthen expenditure control, the MoF DP was expected to issue a circular making it mandatory for government contracts to be accompanied by IFMIS-generated purchase orders to be valid. It would push ahead with making the TSA fully operational by finalizing its account structure and closing the accounts of all pertinent ministries, agencies, and commissions (MACs) at commercial banks and transferring the balances to the TSA.</p> <p>Upon expiry of the National PFM Strategy and Action Plan 2017–2020, Government is in the process of developing its successor Plan. A consultant, with support from the World Bank, is being engaged. The draft PFM Act is currently before legislature seeking amendments in identified critical areas, which will correct some lapses in the system.</p> <p>The Banks Country Fiduciary Risk Assessment of 2019 rates PFM risks as substantial in Liberia. This is because of the wide institutional and capacity weaknesses that undermine effective implementation of PFM systems. An independent Public Expenditure and Financial Accountability was undertaken in 2020 but official results are not yet published. Liberia has the Public Finance Management Act of 2012 in place that governs the management of public resources. A solid foundation has been laid in IT-based modernization of PFM systems with the introduction of Integrated Financial Management Information System (IFMIS), Civil Service Management System (CSMS), and establishment of a Treasury Single Account (TSA), the Standard Integrated Government Tax Administration System (SIGTAS) and the Automated System for Customs Data Administration (ASYCUDA). The public procurement system of Liberia has seen improvements resulting in the 2010 amendment of PPCC Act of 2005, and its provisions and system are more aligned to international best practice.</p>
<i>Harmonization</i>	<p>The National Aide Policy of 2018 provides a framework for donor coordination in Liberia and ensures the advancement of the principles of the Paris Declaration (2005), the Accra Agenda for Action (2008) and Busan Partnership for Effective Development Corporation (2011). The PAPD implementation arrangement includes Sector Working Groups (SWGs) and Technical Working Groups (TWGs) in various sectors including agriculture. Government leads these coordination groups while Development Partners (DPs) are co-chairs. There are several</p>

Prerequisites	Country Eligibility
	<p>Development Partners (DPs) active in Liberia³ and donor coordination groups of which Cooperating Partners Group (CPG) is the main dialogue group of heads of institutions. The AfDB was the Chair of the CPG from July 2019 to June 2020. The CPG and other forums provide the Bank with a platform to engage in dialogue with development partners and the GoL on a range of issues, including economic, financial, social development and sectoral issues. The Bank has its place as a leading partner and partner of choice in Liberia, particularly in transport, energy, agriculture sectors and PFM.</p>

³ Including World Bank, IMF, UN, USAID, EU, EIB, Sweden, Germany, and China

Annex 3: Letter of Development Policy



OFFICE OF THE DEPUTY MINISTER
FOR ECONOMIC MANAGEMENT

REPUBLIC OF LIBERIA
MINISTRY OF FINANCE & DEVELOPMENT PLANNING
P.O. BOX 10-9016
1000 MONROVIA, 10 LIBERIA



GOL/MFDP-DMEM/ 2-2/AJF/srb/49/'22

July 1, 2022

Dr. Akinwumi Adesina
President
African Development Bank
Abidjan, Cote d'Ivoire

Dear Dr. Adesina

RE: Letter of Development Policy

1. Introduction

I present my esteem compliments for and on behalf of the Government and the people of Liberia. I would like to extend to you my deepest gratitude for the robust and sustained support the African Development Bank continued to provide to Liberia. We appreciate the Bank's approval of the African Emergency Food Production Facility to support the African countries mitigate the food insecurity situation arising from the war in Ukraine.

The impact of COVID 19 on rice production and supply chains, exacerbated by the consequences of the war in Ukraine, constitutes an additional threat to the country's food security and recalls the urgency of accelerating this food security objective. It is in this context, the Government of Republic of Liberia is implementing a response and resilience plan to secure, in the short term, the country's supply of basic products, and to promote policy mechanisms to facilitate input supply and effective extension services for increased yield in the long term.

This Letter of Development Policy provides a review of recent economic developments and performance of the Liberia economy in the face of COVID 19 fight, rising food insecurity due to war in Ukraine and recovery measures. It also provides a contextual analysis of the impacts of war in Ukraine on the Liberia Agriculture and provides policy measures Government has put in place to address these challenges. We are grateful of the support being provided to us by development

National Vision: One People, One Nation United For Peace & Sustainable Development

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partners, but our needs remain significant. It is in this context that we seek the Bank's support to strengthen our capacity to address these challenges.

2. Recent Macroeconomic Developments and outlook

The Liberian economy is on a path of recovery after the impacts of the COVID-19 pandemic. However, the country remains vulnerable to shocks. Real GDP grew by 3.3% in 2021, against a contraction of 3.0% in 2020, due to the COVID-19 pandemic. This growth is driven by agriculture, mining, and construction, mainly because of improved macroeconomic policy management and reopening of the economy. Inflation eased from 17% in 2020 to 8% in 2021, driven by a 15.9% decline in food inflation, from 30.0% in 2020 to 14.1% in 2021. The Central Bank of Liberia (CBL) cut the policy rate to 20.0% in August 2021, from 25.0%, to stimulate economic activities. The exchange rate appreciated by 6.05% from Liberian dollar (LRD)162.34 per U.S. dollar in December 2020, to 153.52 per U.S dollar in March 2022, attributable to increased foreign inflows. Liberia has maintained tight fiscal policy since the adoption of the Extended Credit Facility (ECF) program in 2019, despite spending pressures created by the impact of the COVID-19 pandemic. Fiscal deficit including grants is estimated to narrow to 3.2% of GDP in 2021, against 3.6% in 2020, mainly due to good revenue performance. Revenue increased to 17.8% of GDP in 2021, up from 13.8% of GDP in 2020, on account of improved tax collection. Grants declined to 12.9% of GDP in 2021, from 15.3% of GDP in 2020. The current account deficit widened to 22.2% of GDP in 2021, from 21.4% of GDP in 2020, on account of a widening trade deficit as imports increased.

The economic outlook is positive, but potential risks exist. The economy is forecast to grow at 3.5% in 2022 and 4.5% in 2023, lower than what was originally projected, due to the Russian-Ukraine crises. Growth will be driven by expansion in mining, services, manufacturing, and agriculture. Inflation is projected to ease to 8.0% in 2022 and 7.1% in 2023, because of exchange rate stability. The fiscal deficit is forecast to narrow to 2.8% of GDP in 2022 and 1.9% in 2023, on the projected increase in revenue and on expenditure restraint. The current account deficit is forecast to marginally widen to 22.6% and 22.9% of GDP in 2022 and 2023, as imports increase to support infrastructure rebuilding. Downside risks include a prolonged pandemic and slow vaccine rollout; adverse impact of the Ukraine-Russia crisis on inflation, fuel prices, the exchange rate, interest rate, and revenue mobilization. The ability of the GoL to cushion the impact of the fuel price surge on economic activity in general and GDP growth in particular by subsidizing fuel price is constrained by limited fiscal space. Furthermore, Liberia is a large consumer of bread, therefore, any increase in the price of wheat will affect the domestic price of bread, and hence, the welfare of the population. Given the above, it is unlikely that the projected decline in inflation in Liberia will be possible. In Liberia, the food crisis is likely to create an adverse shock to both inflation and activity, amid already elevated price pressures.

The economy has undergone slow economic transformation between 2000 to 2019, shifting from agriculture to services and industry. The share in value added of agriculture declined from 40% in

2000, to 20% in 2019¹. Similarly, the share of total employment of agriculture declined from 75% in 2000, to 50% by 2019. In contrast, the share of services in total value added increased from 40% to 50% and that of industry from 25% to 30% during the same period. Similarly, the share in total employment of services increased from 20% to 50%, while that of industry also increased from 7% to 15%. This means that labour is moving from agriculture to services and industry. However, the proportion of labour moving into services is significantly higher than that of industry. This is despite the higher labour productivity in industry, suggesting that movement of labour is not guided by labour productivity differential. With significantly higher proportion of the labour force still trapped in low productivity agriculture, there is potential to move more labour out of traditional agriculture into industry (e.g., agro-industry) by improving agriculture productivity and investing in sectors with higher labour absorptive capacity. Therefore, to ensure rapid and inclusive economic transformation, Liberia needs to deepen policy reforms and increase investment in the enablers for economic transformation including infrastructure development, private sector development, improved governance, and human capital focusing on relevant skills development.

3. Government's Economic Recovery Plan.

Mitigating the impact of the threat posed by the virus on the domestic economy poses a significant challenge for the country as this is coming at a time when we are struggling to resuscitate growth and increase the Government's revenue; reduce inflation and curtail the increase in the Government's recurrent expenditures; narrow the budget and current account deficits; and maintain debt at a sustainable level. The economy is expected to be worst hit and the achievement of our Pro-Poor Agenda for Prosperity and Development (PAPD) are at risk. To cushion the economy from the severe impact of the viral outbreak, we have developed a short-term economic stabilization plan titled: Liberia Economic Recovery Plan (LERP), to place us on the path of achieving a significant portion of the PAPD objectives. The objectives of this plan are as follow: (i) Protect nascent economic recovery after almost two years of macroeconomic volatility; (ii) Provide critical support to health and related sectors directly dealing with the pandemic; (iii) Protect the soundness of the Memorandum of Economic and Financial Policies (MEFP) and the Extended Credit Facility (ECF) which were placing the country on a path to recovery and growth; (iv) Cushion inevitable revenue collapse arising from the economic disruptions wreaked by the pandemic; (v) Secure national budget credibility and shelter national budget execution from COVID-19 expenditure derailment; and (vi) Provide stimulus relief for key sectors hardest hit by the pandemic.

4. Current Situation of agriculture in Liberia

Agriculture is a major sector in Liberia's economy, contributing about 26% to GDP, employing more than 50 percent of the workforce and providing valuable export income. Liberia's major crops are natural rubber, rice, cassava, bananas and palm oil. The prolong period of conflict compounded by the effects of the Ebola crisis resulted in chronic food insecurity and severe

¹ Source: African Development Bank statistics and World Development Indicators database.

nutritional deficits. Many Liberians continue to suffer from food insecurity and inadequate nutrition, especially in rural areas. About 49 percent of Liberia's population are considered food insecure, and malnutrition of children persist, with 35 percent of children under 5 years of age stunted and 15 percent of them underweight. Food insecurity prevails more in rural areas, and agriculture remains the most important source of livelihood for the average Liberian, accounting for 67 percent of the population. Liberia heavily depends on food imports, and rice, the staple grain for most of the population, is imported on a large scale. About 81 percent of food for a household is sourced from markets and food related expenditures for an average household constitute 60 percent of household budget. Liberia's dependence on food imports intensifies its vulnerability to external price shocks and drains scarce foreign exchange. The impacts of the war in Ukraine are expected to aggravate food insecurity and increase the risk for low-income population to slide deeper into poverty.

The agriculture sector is being affected by an increase in the prices of imported inputs occasioned by the war in Ukraine. Ukraine and Russia are net exporters of fertilizers, and Belarus, one of Russia's allies, accounts for another 16% of the global market share of potash exports. Reductions in the manufacturing and shipment of fertilizers from Russia are not the only element that are raising prices for African farmers. The energy crisis and the continued fallout from the COVID-19 pandemic were already destabilizing the fertilizer sector. Rapid rise in energy prices have a direct knock-on effect on the volume of fertilizer produced, leading to escalation in fertilizer prices to levels that smallholder farmers can hardly afford. As supply of fertilizers and food prices increase, food import dependent countries such as Liberia must step up efforts to boost local production to avert the impact on food and nutrition security.

5. Government's policy intervention

The food system analysis of Liberia identified four priority areas of intervention towards sustainable transformation of Liberia's food system:

- Addressing the limited food production in Peri-urban areas: The proposed levers for achieving this include:
 - Improve coordination of Peri Urban Agriculture by creating a multi-stakeholder platform
 - Create awareness and promote peri urban farming
 - Introduce peri-urban gardeners and farmers to more modern production technologies
 - Support peri-urban famers and gardeners with enterprise and business planning skills
 - Improve aggregation and agrolistics for peri-urban farmers
 - Assist Urban and Peri Urban farmers to better organize themselves
- Improving the adoption of sustainable and resilient production practices: The proposed levers for achieving these include:
 - Provide seed capital to de-risk transition to more sustainable and resilient agricultural practices
 - There is need for on-farm applied research on sustainable and resilient agricultural practices
 - An awareness campaign should be launched

- Diversifying dietary patterns and improving food and nutrition security: The proposed levers for achieving these include:
 - Advocacy to address systemic factors that are driving up the cost of nutritious foods
 - Incentives and support for stallholders to diversify into livestock production
 - A clear policy, investment and support strategy for small family farms
- Greater private sector and youth involvement in the food and cash crop value chain: The proposed levers for achieving these include:
 - Business and economic inclusion strategy for SMEs in agriculture and food system
 - A national agribusiness strategy and programs that address challenges of youth participation
 - Incentives for private sector investment in youth participation in agricultural and food system

7. Enhanced efficiency and accountability in use of AEFPP resources.

The Government wishes to assure you that measures have been put in place to ensure that financial resources received for the food insecurity mitigation measures are used for the intended purpose and are accounted for. Government will use existing Public Financial Management system for these purposes. Commitment is made for high levels of transparency and accountability for the use of funds and also mitigating and combating corruption.

8. Conclusion

Let me re-iterate that the Government of Liberia is committed to working with the African Development Bank in succeeding the fight against food insecurity in Liberia.

Please accept the assurances of my highest esteem.

Sincerely,



Augustus J. Flomo
Deputy Minister

Annex 4: Bank Group's On-going Project Portfolio by country

Liberia: Approved and Ongoing Portfolio as of June, 2022								
	Project Title	Date Approved	Closing Date	Amount Approved (M UA)	Amount Approved (M USD)	Amount Disbursed (M UA)	Amount Disbursed (M USD)	Financing Source/Instrument
Agriculture and Rural Development				16.81	22.69			
1	Scaling up the Participation of SMEs in the Secondary Wood Processing Industry	14.09.2018	30.06.2022	0.70	0.94	0.70	0.94	FAPA Grant
2	Smallholder Agriculture Development for Food and Nutrition Security	07.06.2021	31.03.2026	6.00	8.10	0.09	0.12	ADF Grant GASFP Grant
3	Special Agro-Industrial Processing Zones	20.10.2021	31.12.2026	10.11	13.65	0.00	00	ADF Loan/Grant
Power/Energy				79.99	107.96			
4	CLSG-Rural Electrification -Liberia	06.11.2013	31.12.2022	17.96	24.24	2.98	4.02	ADF Loan TSF Grant
5	CLSG Electricity Interconnection	06.11.2013	31.12.2022	8.10	10.93	3.70	4.99	ADF Loan
6	Liberia Energy Efficiency and Access	13.12.2016	30.06.2023	30.93	41.75	16.60	22.41	ADF/NTF/TSF Loan EU-AITF/GEF Grant
7	Renewable Energy for the Electrification of Liberia	31.10.2019	30.06.2025	23.00	31.04	1.20	1.62	ADF/SREP
Social				1.0	1.35			
8	Results-Based Management – Monitoring and Evaluation of Public Health Activities in Liberia	29.11.2021	31.12.2023	1.0	1.35	0.0	0.0	TSF Grant
Transport				202.40	273.18			
9	Paving Fishtown - Harper Road Phase I	04.09.2013	30.06.2023	42.04	56.74	33.40	45.08	TSF Grant ADF/NTF Loan
10	MRU Road Development and Transport Facilitation Project – Phase I	18.12.2014	30.06.2022	52.08	70.29	41.30	55.74	ADF/TSF Loan
11	MRU Road Development and Transport Facilitation Project – Phase I- <i>additional Loan</i>	03.06.2015	31.12.2022	24.80	33.47	19.06	25.73	ADF Loan
12	MRU – Road Development and Transport Facilitation Project Phase II	19.09.2018	30.06.2023	45.98	62.06	10.20	13.77	ADF/TSF/ EIB Loan TSF/EU Grant
13	MRU – Road Development and Transport Facilitation Project Phase III	23.03.2022	31.03.2026	37.5	50.61	0.00	0.00	ADF/TSF Loan & ADF Grant
Multisector- Governance, Technical Assistance and Capacity Building				14.39	19.42			
14	Integrated Public Finance Management Reform Project Phase II	30.01.2017	29.12.2021	6.26	8.45	4.69	6.33	ADF/TSF Grant
15	Technical and Capacity Building Assistance project to the Government of Liberia	13.09.2018	30.06.2022	1.00	1.35	0.99	1.34	TSF Grant
16	Enhancing Climate Information Systems for Resilient Development	21.01.2022	28.02.2027	7.13	9.62	0.0	0.00	GCF/CDSF Grant
TOTAL (UA million)				314.59		134.91	(43%)	
TOTAL (USD million)					440		189	

Annex 5: Agriculture Sector Analysis

Overview of Agriculture and Food Security in Liberia

In Liberia, agriculture is a major sector of the country's economy valued at 26.2% of GDP and employs more than 70% of the population and provides a valuable export for one of the world's least developed countries. The sector is very important for women as they are widely employed in it in comparison to the economy as a whole. The country has a climate favorable to farming, vast forests, and an abundance of water resources. Half of Liberia's total landmass is forest (4.9 million hectares) and 47% is arable land, although most of this is upland pasture. The nation consists of flat, coastal plains and dwarf mountains further inland in the northeast. The 'slash and burn' technique is used extensively to convert woodland into rice paddies, often at the expense of biodiversity. However, with low farm yields and poor agricultural practices, over half of foodstuffs are imported, with net agricultural trade at -USD 33 million in 2016.

The major crops in Liberia are natural rubber, rice, cassava, bananas, and palm oil. Historically, other commodities such as cocoa, coffee, fruits and vegetables have also been important, alongside cassava and rice (the staple food). Food accounts for 22% of agricultural GDP, and livestock for 14%. However, with low farm yields and poor agricultural practices, over half of Liberia's food is imported with rice accounting for over 80%.

The prolong period of civil conflict compounded by the effects of the Ebola crisis resulted in chronic food insecurity and severe nutritional deficits. Many Liberians continue to suffer from food insecurity and inadequate nutrition, especially in rural areas. 49 % of the Liberian population are considered food insecure and malnutrition of children persist, with 35 % of children under 5 years of age stunted and 15 % of them underweight. Food insecurity is more prevailing in rural areas, and agricultural production remains the most important livelihood for the average Liberian, involving 67 % of the population. Liberia heavily depends on food imports, and rice, the staple grain for most of the population, is imported on a large scale. 81 % of food for a household is sourced from markets and food related expenditures for an average household constitute 60 % of household budget. Liberia's dependence on food imports intensifies its vulnerability to external price shocks. The impacts of COVID-19 are expected to aggravate the food insecurity situation and increase the risk for the low-income population to fall deeper into poverty.

Impact of the Ukraine War on Food Security/Agriculture

Many African countries depend on Ukraine and Russia for wheat, maize, sunflower oil, and barley. Ukraine and Russia are major exporters of these agricultural commodities accounting for 30% of the world's wheat, 27% of barley, 17% of maize and 70% of sunflower oil. With the war in Ukraine, the prices of these grains and oil seeds have soared globally with wheat futures increasing by 44% between January and April 2022. On the African continent, prices of wheat have increased by 42% in Egypt, 31% in Tunisia, 25% in Nigeria, 24% in Tanzania and 17% in Kenya. With the global disruption by the war in Ukraine, there is an estimated supply gap of 30 million metric tons (MT) of wheat, maize, and oil seeds on the continent. Russia also accounts for 15% of the global trade in nitrogenous fertilizers and 17% of exports of potash fertilizer and is a major supplier of fertilizer to the African continent. The war in Ukraine has deepened the shortfall in fertilizer, driven prices higher, lowered accessibility, thereby threatening agricultural production as many countries head into the planting season. Fertilizer is three to four times more expensive in most African countries compared to 2020 and there is a 2 million MT gap in fertilizer supply on the continent. Energy prices are high and climbing, and the risk that food prices will continue to rise is very real.

Annex 6: Lessons (from previous or similar operations, engagements in the country and/or sectors supported)

Key lessons learnt from food crises and emergency responses from Bank operations, revolve around three axes: i) operations design; ii) implementation modalities; and iii) risk management. These lessons have been incorporated in the design of the proposed operation including those summarized below.

Key issues	Lessons learned
Country ownership of reforms	PBOs should support implementation of reforms which are country led and fully supported by governments.
Financing instrument	Use of the Crisis Response Budget Support was the most appropriate instrument as it was processed within shortest period possible with some waivers on steps to be followed. It is quick-disbursing and hence helped Government to meet its financing needs for addressing the socio-economic impact of the pandemic.
Program monitoring and reporting	It is very important for the government to set up clear M&E databases so that data for program monitoring and reporting, including on gender mainstreaming, is readily available.
Program coordination and reporting	Clear coordination and reporting mechanisms must be put in place to ensure that Government periodically report on progress being made. PBOs should be launched and focal points at MOF and other relevant ministries must be identified before implementation starts.
Responsiveness to crisis	The COVID-19 response was processed within three months and helped in responding to crisis due to waivers the Bank provided in processing the operation. This helped the Bank to respond to the crisis and assist in reducing the fiscal gaps and saving lives.
Program awareness and capacity building	Key stakeholder MACs such as Auditor General's Office (GAC) and beneficiaries should be sensitized on PBOs so that they become fully aware of their roles and responsibilities.
Sustainability of reforms	While there is limited scope for policy dialogue under crisis response budget support, the various policy measures under the PBO helped in building capacity of government to implement the policies that would assist in sustaining the program impact. It is however important that parallel or complementary support in the form of technical assistance and institutional support be provided to strengthen sustainability of reforms.

ANNEX 7: SUMMARY OF COUNTRY FIDUCIARY RISK ASSESSMENTS (CFRA)-LIBERIA

Public Financial Management (PFM)

1. The PEFA 2020 report noted marginal improvements in the general PFM systems of Liberia since 2016. The cumulative effects of key challenges slowed the pace of PFM reforms; the challenges include inter alia: weak control environment; the impact of the prolonged Ebola Virus Disease (EVD); low human resource capacity especially at the operational levels; power and connectivity problems; Covid-19 pandemic disruptions; financial resource shortfalls; frequent in-year budget adjustments; insufficient controls over payroll; expenditure commitment and other non-salary, and non-adherence to internal controls. **Nonetheless**, with the support of partners, **a solid foundation was laid in Information Technology (IT) based modernization, automating some key PFM systems** with the Integrated Financial Management Information System (IFMIS), Civil Service Management System (CSMS), the Standard Integrated Government Tax Administration System (SIGTAS), and the Automated System for Customs Data Administration (ASYCUDA). There are improvements in budgeting areas especially, budget credibility, comprehensiveness and transparency, and consistency with policy-based budgeting as guided by the PFM Act 2009 and related regulations. Major transformation was experienced with the creation of Liberia Revenues Authority (LRA) (under the LRA Act 2013), improving budget Predictability and control. Regarding Treasury sub-system the PEFA 2016 review indicated that consolidation of TSA balances held in the Central Bank Liberia (CBL) takes place frequently and the balances of Controller and Accountant General (CAG) accounts are swept into the Consolidated Fund and reversed for normal transactions. **However, the Bank's CFRA assessment in 2019 noted that, there is no direct interface between IFMIS and the CBL banking platform**, thus access to the platform is granted to the Ministry of Finance and Development Planning (MFDP) for daily requisition and upload of bank statements onto IFMIS for reconciliation and consolidation of government cash balances. **In addition, there is no ring-fenced mechanism regarding donor funds maintained at the CBL or supposed to be linked to the TSA, which had resulted in instances of violations and refunds.** The accounting and financial reporting has improved significantly due to the **deployment and rollout of IFMIS to 50 M&As (out of 107) representing 85% of total central government expenditure, improving the quality of financial data. The IFMIS budget preparation model is not yet functional, and the approved budget is uploaded onto IFMIS for execution with the aid of a mapping table, which at times result in coding mismatches and classification challenges. There are also network connectivity issues with number of M&As unconnected to IFMIS. The CFRA assessment in 2019 and updated in 2020, observed that data entry clerks at the Accounting Services Unit (ASU) of MFDP, have been assigned to unconnected M&As to help process financial data and perform quarterly reconciliations to improve data integrity.**

2. Payroll status has improved with **the establishment of Civil Service Management System (CSMS) in 2014, which electronically links with payroll records, and interfaced with IFMIS, enabling quicker payroll production using the HRM module in IFMIS. There are some internal controls issues around payroll processing, fragmentation of pay scales, numerous non-standard allowances (some processed outside the HR system), and the military payroll is not part of the CSMS. The IFMIS fixed asset module has not yet been activated to improve the security and record keeping of government on its assets.** Also, donor financed projects are generally accounted for outside IFMIS. The Internal Audit Agency (IAA), under the Internal Audit Agency Act of 2013 had seen improvements and its staff had been deployed to key M&As and four major treasury unit counties, which accounts for approximately 85% of the national budget, at the time of the CFRA assessment in 2020. **The IAA is inclined towards risk based and compliance audits, as opposed to a preponderance**

for pre-audits and substantive testing of transactions. The IAA is currently focused on payroll and fixed assets audits, which posing alarming challenges on central government budget.

3. The Auditor General (AG) strides to meet her statutory mandate despite budget, logistic and infrastructure constraints. Compliance with ISSAs has remained paramount and the audit coverage, is usually about 80% of entire government expenditure, **but the timeliness of audit has been experiencing serious delays due to lack of documentation by the CAG.** The AG also carries out audits of some donor funded projects, procurement, performance, and systems audits. **Development partners continue to offer significant support to strengthen the capacity of the GAC and IAA, aimed at improving the country’s fiduciary environment.** **The 2016 PEFA review recorded low,** legislative, and executive follow up on implementation of audit recommendations, consistent with the Bank’s assessment. **The PAC had been effective since its establishment in 2014, conducting reviews and published five (5) consolidated AG reports and more than 400 audit reports including specialized audits.** There is wider coverage of public hearings with the media, civil society, and the counties.

4. Despite the above challenges, the GoL is committed to improving the PFM system through reforms articulated in the National PFM Strategy and Action Plan 2017–2020, aligned with the National Development Agenda Pro-Poor Agenda for Prosperity and Development (PAPD) 2018–2023, with various initiatives supported by donors. The draft PFM Act is currently before legislature seeking amendments in identified critical areas, which will correct some lapses in the system. **The Bank’s assessment rated the overall fiduciary risk regarding PFM in Liberia as substantial (summarized in Table 1 below).**

Table1 – Summary of the level of fiduciary risk associated with the PFM Sub-systems in Liberia.

Elements	Average Development Capacity Rating (based on 2016 PEFA indicators & 2017 updates)	Average Development Capacity Rating (based on April 2019 mission)	Current Risk Assessment	Trajectory
1. Budget				
1.1 The Budget sub-system capacity is adequate to plan (formulate) budgets for the programs and projects	1.2	1.5	Substantial	↑
1.2 The Budget sub-system capacity is adequate to execute budgetary control of programs or projects	1.6	1.6	Moderate	—
2. Treasury				
2.1 The Treasury sub-system capacity is adequate to manage the inflow of resources and disbursements of aid funds.	1.7	0.8	High	↓
2.2 The Single Treasury Account is an appropriate and reliable way to administer aid funds	1.5	1.5	Substantial	—
3. Accounting Recording and Reporting				
3.1 The Financial Accounting sub-system is sound, and capacity is adequate to record program and/or project transactions and account for their progress and financial status.	1.4	1.4	Substantial	—
	1.5	1.5	Substantial	↑
3.2 Financial Management information systems have flexibility to accommodate specific reporting requirements of programs and projects and have procedures in place to ensure timeliness and quality of information produced.	0.0	0.0	High	-

3.3 The Financial Accounting sub-system has an integrated Fixed Assets module for the proper recording and control of assets purchased with program / project funds.	1.5	1.8	Moderate	↑
3.4 The Accounting sub-system maintains up to date records of the country's borrowings.	1.0	1.5	Substantial	↑
3.5 The Accounting systems are secure against deliberate manipulation of data and/or accidental loss of or corruption of data.				
4. Internal Control				
4.1 The Internal Control sub-system capacity is adequate to control the financial operations of programs and projects.	1.2	1.0	Substantial	↓
4.2 Competition, value for money and controls in procurement are adequate	1.0	1.2	Substantial	↑
4.3 The Internal Audit function capacity is adequate	2.2	2.4	Moderate	↑
5. External Scrutiny and Audit				
5.1 The SAI has the level of "independence" needed to enable it to effectively fulfil its functions.	0.70	0.70	High	—
5.2 The SAI has the capacity to meet its audit mandate	1.0	1.5	Substantial	↑
Key- Below 0.75 = High Risk; Between 0.76-1.50 = Substantial Risk; Between 1.51-2.50 = Moderate Risk; Above 2.51=Low Risk				

CFRA - Procurement Summary for Sector Budget Support

5. Liberia's public procurement framework is underpinned by the Public Procurement Concessions Act (PPCA) of 2005 as amended in year 2010. The latest CFRA review conducted in 2019 by the Bank based on the OECD MAPS methodology (which full report is available) shows that the public procurement system presents a level of overall risk deemed "Substantial". However, there are reinforced public procurement initiatives and activities of government that the Public Procurement Concession Commission is spearheading to ensure continuous improvement of the system including the operationalization of the e-procurement road map which is currently making study progress with the support of the Bank.

6. Summary of the results and conclusions on the risk factors relating to the Liberia Public Procurement System

Pillar I - Legislative and Regulatory Framework

While the procurement legislative and regulatory framework establishes a reliable and internationally aligned procurement best practices that is anchored on: comprehensive and transparent legal and institutional framework; clear and standardized procurement procedures and standard tender documents; independent control system; proficient procurement staff; and anti-corruption measures, there are important issues that need to be addressed. The main risk with this pillars are: (i) Regulations of 2005 not amended to conform with the 2010 Procurement law; (ii) Absence of conditions under which state owned enterprises can be allowed to bid in competition with others from private sector; (iii) absence of implementation mechanism of revision of provision of the Act for a specific tender process due to its nature (defense, security, and monetary policy) of the needs; (iv) absence of obligation for publishing procurement plans; (v) Limited coverage and/or inadequate definitions of prohibited practices (*i.e., the law does not mention obstructive practices; the definition of corruption is not in line with what is comprehensively covered and agreed at international level*); (vi) Absence of requirement for sharing procurement audit outcome with the public. In view of the risks identified above, the risk rating attributed to Pillar I is "**Moderate**".

Pillar II-Institutional Framework and Management Capacity

The procurement institutional framework is comprehensive and structured, however, the distribution of key functions among different entities is not appropriate and create a situation of conflict of interest. Consequently, the risk identified with this pillar are :(i) Involvement of the regulatory body in operations; (ii) the Public Procurement Concession Commission (PPCC) has capacity constraint and inadequate logistics that is affecting its efficient and effective delivery; (iii) The PPCC lack of human resources with adequate procurement capacity. In the light of the above inadequacies of the system, the overall risk rating for this pillar is “**Substantial**”.

Pillar III - Procurement Operations and Market Practices

The PPCA, 2010 as amended and reinstated provides adequate provisions for competitive procurement processes with focus on ensuring value-for-money. This said, many practices that depart from the Act and best practices have been noticed and need to be improved. Based on these practices, the following risks have been identified with this pillar: (i) Contract awards are not effectively and systematically published in practice whilst this is requested by the law; (ii) Lack of co-ordination of procurement plans and payment system leading to delays in payment on contracts that turn to affect the performance of the procurement system. In relation to the risks identified above, the risk rating attributed to Pillar III is “**Moderate**”.

Pillar IV- Accountability, Integrity, and Transparency

The overall oversight and audit function including the complaint mechanism in the country has been rated to be independent and satisfactory to support the procurement function, however risks exist. The risk associated with this pillar are :(i) Audits reports submissions encounter delays and procurement audits are not carried out regularly as required by the Act; (ii) Available audit reports of public agencies indicates lapses in internal controls and non-adherence to required procedures in procurement processes and expenditures; (iii) Audit recommendations are also not systematically implemented and the expected sanctions of stakeholders in breach of the Act is absent; (iv) the CARP is not adequately resourced. In view of the risks identified above, the risk rating attributed to Pillar IV is **Substantial**.

7. Governance- Levels of Corruption: The country’s performance across various governance indicators has been mixed in recent years due to weak low quality of public administration institutional capacities and also perceived high level of corruption. There are some initiatives of GoL supported by some DPs as well as recommended mitigating measures in the mid to long term to be implemented to further mitigate the overall fiduciary risk. **The overall governance ranking in Liberia is substantial.**

Overall country fiduciary risk: The Bank’s assessment concluded that the overall country fiduciary risk of Liberia (**comprising of PFM, Procurement and Governance**) is **Substantial**.

Agriculture Sector Specific Risk Review

The agriculture sector and its activities implementation system including public procurement structures has been assessed with emphasis on the Ministry of Agriculture which is the main institution that implements the activities of the sector as well as other agriculture-based institutions like Central Agriculture Research Institute (CARI). The procurement regime of the Ministry and its allied agencies is aligned to the country’s procurement system and do not adopt any exceptional practices aside the national procurement system. The assessment also sampled some number of audit reports on the sector issued by Liberia’s General Auditing Commission (GAC) including the Management Economic Recovery of Liberia Rice Farmers in Ebola Affected Counties (ERLRFEAC) Project audit report dated June 2019, Compliance Audit of the Central Agriculture Research Institute audit report dated October 2020. The conclusions of these GAC audits had adverse findings including fertilizer and farm equipment procurement

infractions leading to qualified audit opinions. In addition, other audits and reports from private auditing firms and other institutions covering development partners projects were reviewed and similar adverse findings observed. In the light of this it is concluded that the sector's risk rating is Substantial.

Annex 8: Gender Analysis and Gender Action Plan for the Liberia Africa Emergency Food Production Facility (AEFPF)

Introduction

This project is categorized as GEN III on the Bank's Gender Marker System and is aligned to the Bank's Gender Strategy (2021-2025) specifically on increasing women's access to productive resources such as agricultural inputs, technology, and finance. The project is aligned with Liberia's National Gender Policy (2018-2022) which has a strategic action on creating and strengthening the institutional capacity of female producers and engagement in value chain development (production, processing, distribution, and business development) and business associations.

The Africa Gender Index (2019) gives Liberia a score of 0.506 with significant gaps in women's empowerment and representation. The Gender Inequality Index (GII) score for Liberia is 0.650, ranking it 175 out of 187 countries in the 2020 Human Development Report. Women continue to experience the negative impacts of gender inequalities worsened by the post-civil war situation and after the Ebola crisis. Most recently, COVID-19 has challenged progress in closing gender gaps and in reducing the country's poverty levels.

Social Analysis

Liberia's HDI value for 2019 is 0.480— which places the country in the low human development category— positioning it at 175 out of 189 countries and territories. In Liberia, 62.9 % of the population are multidimensionally poor while an additional 21.4 % are classified as vulnerable to multidimensional poverty. The prices of basic commodities have remained high, including food, fuel, and transport costs. A worse impact of the Ukraine crisis will be felt by poor households (the majority being female headed) as prices of basic supplies such as oil and wheat are shooting up and shortages are showing on supermarket shelves⁴. In addition, the elderly, orphaned and those living with disabilities will be more exposed to the negative impacts of the crisis. It is expected that infant nutrition (cereals) will be highly impacted with the need to quickly switch to affordable and equally nutritious alternatives. School feeding programs in schools will also face challenges in providing adequate nutritious food which will in turn affect learning and education. Rising energy prices lead to higher transportation costs, electricity, kerosene, and paraffin. This will lead to many women relying on wood fuel, increasing the climate shocks.

The Gender Inequality Index (GII) score for Liberia is 0.650, ranking it 175 out of 187 countries in the 2020 Human Development Report. Women are the main suppliers of labor to Liberia's agricultural sector and are engaged in production, processing, and sale of products. They however continue to experience the negative impacts of gender inequalities worsened by the post-civil war situation and after the Ebola crisis. Most recently, COVID-19 has challenged progress in closing gender gaps and in reducing the country's poverty levels. Rising food and fuel prices on the continent will disproportionately affect MSMEs, but with a more significant impact to be felt by women and youth led or owned MSMEs, especially those in agribusiness and hospitality, as observed in previous crises. The country is prone to natural risks and hazards, particularly floods and storms, and climate change is a serious concern, further exacerbated by land degradation and loss of biodiversity.

⁴ The Guardian April 2nd, 2022

Gender Context Analysis of the Agricultural Sector

Women are the main suppliers of labor to Liberia's agricultural/agri-business sector and are engaged in the planting of crops on the farm, harvesting, product sorting, processing, and packaging and sale of products. In 2019, 38 % of women were employed in agriculture. In Liberia, women are mostly involved in agriculture value chains such as cassava, rice, oil palm and rubber.

Research from the Liberia Country Gender Equality Profile (2021) found that less than 20 % of the total land in the country has a proper title and is registered. Of the 16 % of women and men who own land, 76 % of women and 78 % of men do not have a title or deed of ownership for it. In 2018, the government established the Land Rights Act, giving women equal protection and provision for recognized land rights. However, gaps in the law mean that young, unmarried women who move to their partners' communities do not fully benefit from the law. Women employed in agriculture are more likely than women employed in non-agricultural work to not receive payments: 74.9 % of women earn cash payments for non-agricultural work, whereas only 22.6 % of women working in agriculture earn cash payments. These factors and high levels of rural urban migration have led to women considering working in retail more appealing and a slight decline in women's participation in agriculture.

Women's main contribution to the agricultural labor force is in food crop production (93 %), marketing and trade (85 %), and farm labor (80 %). However, women's additional responsibilities, such as household chores, limit the time available for agricultural work, affecting their food security and that of their children. In Liberia, awareness about climate change is higher among males than females (67 % for males in comparison to 41 % for females). In 2012, the government of Liberia developed a Climate Change Gender Action Plan (CCGAP) to provide a framework for enhancing gender equality in both climate adaptation — the process of adjusting to current or expected climate change shocks and effects — and mitigation — the process of tackling the causes of climate change in order to minimize the possible impacts of environmental hazards.

Access to agricultural financial products and services, inputs and information are provided to both men and women, but most financial institutions require collateral as a security for a loan, which makes it more difficult for women who often do not have control over high value assets as collateral.

NGOs, CBOs, cooperatives, and private entities support government by providing minimum extension and training in targeted counties. Men have more time to participate in extension teaching and learning activities than women in view of the reproductive and multiple roles of women. Basic skills and information for farmers are limited but a few farmers acquire services and agronomic information through active cooperatives, mainly in Nimba, Lofa, and Bong counties. Exploring new ways to ensure women's access to extension services will help to improve agricultural productivity overall and increase household wellbeing.

Women are involved in running of micro small and medium enterprises (MSMEs) and Village Savings & Loan Associations (VSLAs) at community levels. There are many women led MSMEs and cooperatives as well as mixed gender cooperatives where both men, women and youth have equal rights for leadership and decision making. The lack of business and financial management knowledge and skills hinders most women's ability to run robust and profitable companies and compete with male-owned enterprises.

Gender gaps identified in this project include:

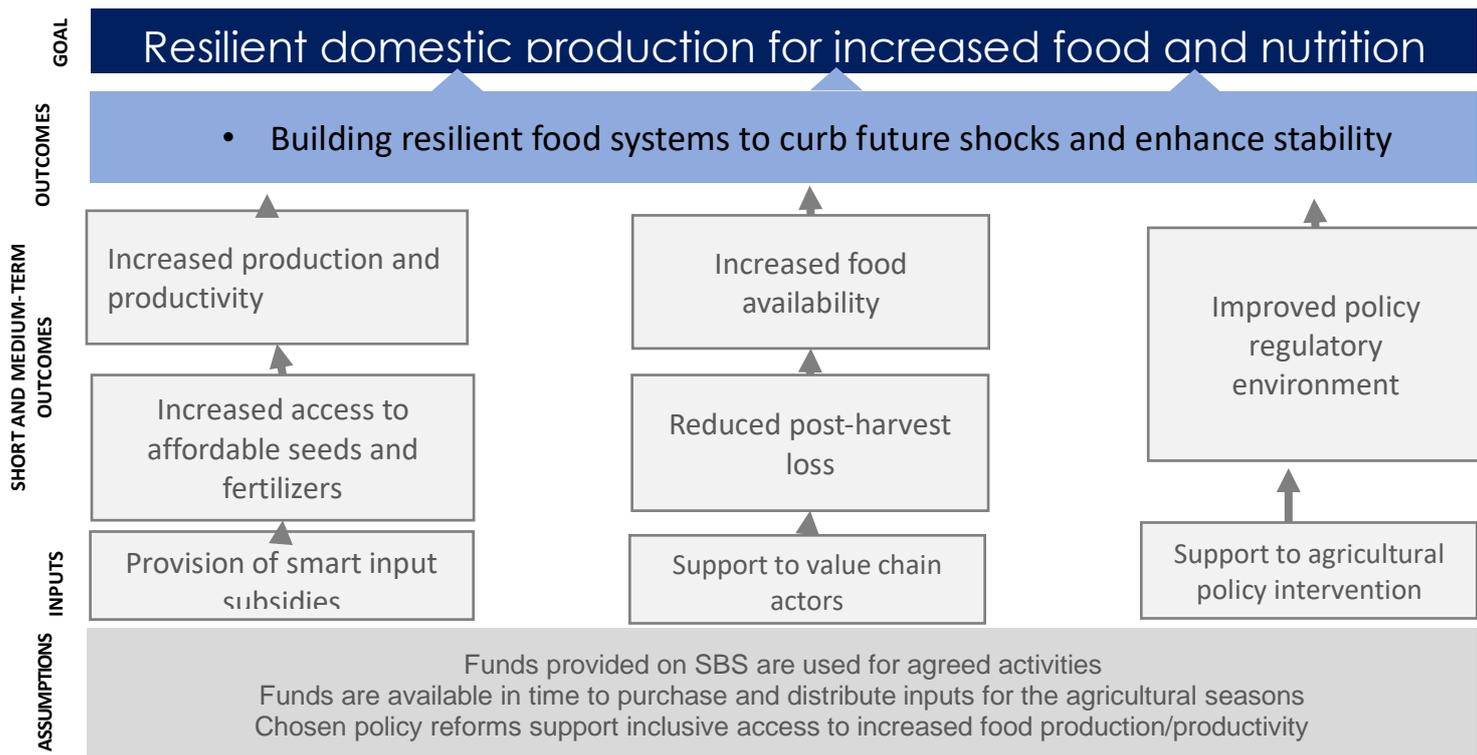
- Multiple gender roles that women have especially in domestic work limit the time and labor available for productive work
- Most women have gaps in knowledge of and access to new modern technologies including access to extension services and training, new seed varieties that are drought tolerant, conservation farming techniques, post-harvest technology and use of modern technology in various production and processing activities.
- Limited access to land despite legal provision and the need for community sensitization on application of the law.
- Women tend to have limited access to finance for productive farming, purchasing raw materials and increasing farm productivity.
- While women farmers are well represented in their ASMEs and cooperatives, intentional actions are needed to ensure that they are meaningfully represented in policy review, dissemination, implementation, and monitoring processes.

This project will work with women's Agribusiness MSMEs, Women's agricultural cooperatives, market associations, agro-dealer networks to increase women's access to agricultural inputs such as certified seeds of climate adapted varieties and fertilizers. Gender mainstreaming will also be required in nutrition sensitive actions and Government stimulus and purchasing programs. Women Project activities will mitigate against increased workloads for women and increased gender-based violence as a result of household tensions that could result from increased incomes from increased production. The project will also mitigate against sexual exploitation abuse and harassment in project operations. Sex disaggregated data will be collected and analyzed. Monitoring of the gender impacts of the project will be undertaken to capture positive changes and lessons learnt.

GENDER ACTION PLAN

PROJECT TITLE	EMERGENCY FOOD PRODUCTION PROGRAM - LIBERIA		
GMS CATEGORY	III		
Outcome	Activities	Budget	Responsibility
Increased agricultural productivity	<ul style="list-style-type: none"> • Identify and work with women’s AMSMEs, Women’s agricultural cooperatives, market associations, agro-dealer networks to increase women’s access to agricultural inputs such as certified seeds of climate adapted varieties, fertilizers, and post-harvest technologies • Ensure equitable access to Government stimulus and purchasing programs • Review and dissemination of policies and strategies includes women’s meaningful participation and highlights the needs and interests of women farmers • Ensure collection and analysis of sex disaggregated data • Monitor women’s workloads and trends in GBV that may be triggered by household tensions that could result from increased incomes from increased production. • Monitoring of the gender impacts of the project will be undertaken to capture positive changes and lessons learnt in project reporting • Ensure that effective measures are in place to prevent sexual exploitation, abuse, and harassment in the project e.g., awareness and sensitization, functional referral mechanisms. 	<i>Incorporated in main budget</i>	PIU
Total		-	

Annex 9: Theory of change



Annex 10: Mandatory annex on M&E arrangements (Monitoring plan)

A. Outcome and output indicators (<i>performance indicators</i>)				
Indicator name	Definition/ description	Methodology for collection	Responsibility for collection	Frequency of reporting
<i>Increased Rice yield</i>	The MT increase in yield of rice harvested per hectare	Data collection from field supervision and household surveys	Ministry of Agriculture	Annual
<i>Improved food availability</i>	Increased quantity in MT of rice available for consumption	Data collection from field supervision and household surveys	Ministry of Agriculture	Quarterly
<i>Number of beneficiaries supported with smart subsidies</i>	Number of farmers who receive subsidised farm inputs	Data collection from field supervision	Ministry of Agriculture	Quarterly

User note for table 1:

1. *Indicator name:* This refers to the exact same indicator name referred to in the results framework.
2. *Definition / Description:* This provides an easy-to-understand and detailed enough definition of each indicator.
3. *Methodology for data collection:* This refers to the specific computation used to provide updated data.
4. *Responsibility for data collection:* This indicates the unit or office responsible for collecting the data at regular intervals.
5. *Results planning.* This indicates the planned/expected targets for each indicator at different stages of the project (at minimum the target data at mid-term and at completion should be specified).
6. Note that baseline and targets for alignment indicators are not mandatory. If not available, operations staff should insert “not available” in the corresponding cell.
7. *Frequency of reporting* should document the periodicity at which data on the indicator is updated. It is recommended to avoid as much as possible to use “end of project” in this column as operations staff s should know in advance of the completion of the project if the project results are on track or if improvement actions are needed

ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)



A. Basic Information ⁵	
Project Title: African Emergency Food Production Facility (AEFPF)	Project "SAP code": P-LR-AA0-013
Country: Liberia	Lending Instrument⁶: DI <input type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input checked="" type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>
Project Sector: Agriculture	Task Team Leader: Mark EGHAN
Appraisal date: 27/06/2022	Estimated Approval Date: 14/07/2022
Environmental Safeguards Officer: Franklin Kuma GAVU/Sekou KAMARA	
Social Safeguards Officer: xxxxx	
Environmental and Social Category: 2	Date of categorization: 27/06/2022
Operation type: SO <input type="checkbox"/> NSO <input type="checkbox"/> PBO <input checked="" type="checkbox"/>	
Is this project processed under rapid responses to crises and emergencies?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Is this project processed under a waiver to the Integrated Safeguards System?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

B. Disclosure and Compliance Monitoring

B.1 Mandatory disclosure	
Environmental Assessment/Audit/System/Others (specify: Pest Management Plan (PMP))	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]
Date of receipt, by the Bank, of the authorization to disclose	[Date]
Date of disclosure by the Bank	[Date]
Resettlement Action Plan/Framework/Others (specify:	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]
Date of receipt, by the Bank, of the authorization to disclose	[Date]
Date of disclosure by the Bank	[Date]
Vulnerable Peoples Plan/Framework/Others (specify:	
Was the document disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]
Date of receipt, by the Bank, of the authorization to disclose	[Date]
Date of disclosure by the Bank	[Date]
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: As per the provision of the African Emergency Food Production Facility paper approved by the Board, the preparation and disclosure of the E&S documents are deferred after Board Approval. They will be prepared and disclosed in-country and by the Bank prior to the implementation of concerned activities.	

B.2. Compliance monitoring indicators	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized and secured?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>

C. Clearance

Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board?
Yes No

1. Prepared by:	Name	Signature	Date
Environmental Safeguards Officer:	Franklin Kuma GAVU / Sekou KAMARA		June 29, 2022
Social Safeguards Officer:	xxxxx		
Task Team Leader:	Mark EGHAN		June 29, 2022
Submitted by:			
Sector Director:	Martin FREGENE		June 30 2022
Cleared by:			
Director SNSC:	Maman-Sani ISSA		02/07/2022

⁵ Note: This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

⁶ DI=Direct Investment; FI=Financial Intermediary; CL=Corporate Loan; BS=Budget Support; GU=Guarantee; RPA=Risk Purchase Agreement; EF=Equity Financing; RBF=Results Based Financing.