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Report No: PAD1372

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 28.9 MILLION  
(US\$40 MILLION EQUIVALENT)

TO THE

REPUBLIC OF SIERRA LEONE

FOR A

SMALLHOLDER COMMERCIALIZATION AND AGRIBUSINESS DEVELOPMENT PROJECT

JANUARY 27, 2016

**Agriculture Global Practice  
Country Department AFCW1  
Africa Region**

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective: December 31, 2016)

Currency Unit = Leone  
5,645 Leones = US\$1  
SDR 10 = US\$0.72164130

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ABC	Agribusiness Center
ADR	Alternative Dispute Resolution
AECF	African Enterprise Challenge Fund
AF	Agribusiness Forum
AfDB	African Development Bank
AfP	Agenda for Prosperity
AGM	Annual General Meeting
ALLAT	Action for Large-Scale Land Acquisition Transparency
APL	Adaptable Program Loan
APU	Agribusiness Promotion Unit
ARAP	Abbreviated Resettlement Action Plan
AWPB	Annual Work Plan and Annual Budget
BoQ	Bills of Quantities
CAS	Country Assistance Strategy
CB	Community Banks
CMU	Country Management Unit
CPF	Country Partnership Framework
DA	Designated Account
DFID	Department for International Development
ECOWAP	Economic Community of West Africa Agriculture Program
ECOWAS	Economic Community of West African States
EPA	Environmental Protection Agency
EOI	Expressions of Interest
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
EVD	Ebola Virus Disease
FA	Framework Agreement
FAO	Food and Agriculture Organization
FAO/CP	Food and Agriculture Organization/Cooperation Program
FBOs	Farmer based organizations
FBS	Fixed Budget Selection
FDI	Foreign Direct Investment
FEWSNET	Famine Early Warning Systems Network
FFS	Farmer Field Schools
FM	Financial Management

FSAs	Financial Service Associations
FY	Fiscal Year
GAFSP	Global Agriculture and Food Security and Program
GDP	Gross Domestic Product
GHG	Green House Gas
GOSL	Government of Sierra Leone
GRM	Grievance Redress Mechanism
IBRD	International Bank for Reconstruction and Development
ICADEP	Inclusive Comprehensive Agricultural Development Program
ICB	International Competitive Bidding
ICT	Information Communication Technologies
ICR	Implementation Completion and Results Report
IDA	International Development Association
IDB	Islamic Development Bank
IEG	Independent Evaluation Group
IFAD	International Fund for Agriculture Development
IFC	International Finance Corporation
IFR	Interim financial report
IRR	Internal Rate of Return
ISDS	Integrated Safeguards Data Sheet
ISP	Implementation Support Plan
IUFRS	Interim Unaudited Financial Report
LBM	Labour-Based Method
LCS	Least Cost Selection
MAFFS	Ministry of Agriculture, Forestry and Food Security
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MIS	Management Information System
MLGRD	Ministry of Local Government and Rural Development
MOTI	Ministry of Trade and Industry
MoFED	Ministry of Finance and Economic Development
MoU	Memorandum of Understanding
MWHI	Ministry of Works, Housing and Infrastructure
NaFFSL	National Federation of Smallholder Farmers of Sierra Leone
NCB	National Competitive Bidding
NCOS	National Center of Specialization
NFRC	National Feeder Roads Committee
NGO	Non-Governmental Organization
NPSC	National Project Steering Committee
NPV	Net Present Value
NSADP	National Sustainable Agricultural Development Program
NPSC	National Project Steering Committee
PAD	Project Appraisal Document
OPRC	Output and Performance-Based Contract
PCU	Project Coordination Unit
PAD	Project Appraisal Document
PDO	Project Development Objective
PFM	Project Fund Manual
PID	Project Information Document
PIM	Project Implementation Manual

POs	Producer Organizations
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
RFQ	Request for Quotation
RMFA	Road Maintenance Fund Administration
RPF	Resettlement Policy Framework
RPSDP	Rural and Private Sector Development Project
SBD	Standard Bidding Document
SCP	Smallholder Commercialization Program
SDR	Special Drawing Rights
SIL	Sector Investment Loan
SLADF	Sierra Leone Agribusiness Development Fund
SLARI	Sierra Leone Agricultural Research Institute
SLeCAD	Sierra Leone Chamber for Agribusiness Development
SLIEPA	Sierra Leone Investment and Export Promotion Agency
SLPMC	Sierra Leone Produce and Marketing Company
SLRA	Sierra Leone Roads Authority
SME	Small and Medium Scale Enterprises
SORT	Systematic Operations Risk Rating Tool
SPAFs	Significantly Project Affected Families
SSS	Single Source Selection
TA	Technical Assistance
TTL	Task Team Leader
WAAPP	West Africa Agricultural Productivity Program
WBG	World Bank Group
WFP	World Food Program

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SIERRA LEONE  
Smallholder Commercialization and Agribusiness Development Project

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## PAD DATA SHEET

*Sierra Leone*

*Smallholder Commercialization and Agribusiness Development Project (P153437)*

### PROJECT APPRAISAL DOCUMENT

Report No.: PAD1372

Basic Information			
Project ID P153437	EA Category B - Partial Assessment	Team Leader(s) Hardwick Tchale, Adesimi Freeman	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [   ]		
	Financial Intermediaries [   ]		
	Series of Projects [   ]		
Project Implementation Start Date February 18, 2016	Project Implementation End Date 31-May-2021		
Expected Effectiveness Date May 18, 2016	Expected Closing Date 30-November-2021		
Joint IFC Yes	Joint Level Complementary or Interdependent project requiring active coordination		
Practice Manager  Simeon Ehui	Senior Global Practice Director  Juergen Voegelé	Country Director  Henry G.R. Kerali	Regional Vice President  Makhtar Diop
<b>Borrower: Ministry of Finance and Economic Development</b>			
Responsible Agency: Ministry of Agriculture, Forestry and Food Security			
Contact: Mr. Francis Sankoh		Title: Chief Agricultural Officer	
Telephone No.: +232 76 657660		Email: farsankoh@yahoo.com	
Project Financing Data(in US\$ Million)			
[   ] Loan	[   ] IDA Grant	[   ] Guarantee	
[ X ] Credit	[   ] Grant	[   ] Other	
Total Project Cost:	55.00	Total Bank Financing:	40.00
Financing Gap:	0.00		



<b>Financing Source</b>	<b>Amount</b>
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	40.00
UK Department for International Development (DFID)	15.00
Total	55.00

**Expected Disbursements (in USD Million)**

Fiscal Year	2016	2017	2018	2019	2020	2021
Annual	5.00	15.00	15.00	12.00	5.00	3.00
Cumulative	5.00	20.00	35.00	47.00	52.00	55.00

**Institutional Data**

**Practice Area (Lead)**

Agriculture

**Contributing Practice Areas**

Trade and Competitiveness; IFC; Transport

**Cross Cutting Areas**

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

**Sectors / Climate Change**

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	55		
Transport	Transport	45		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

**Themes**

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	percent
-------------	-------	---------

Rural development	Rural markets	55
Rural development	Rural services and infrastructure	25
Rural development	Other rural development	20
Total		100

### Proposed Development Objective(s)

3. The project development objective is to promote smallholder commercialization by fostering productive business linkages between smallholder farmers and selected agribusiness firms and other commodity off-takers in Sierra Leone.

### Components

Component Name	Cost (US\$ Millions)
Support for agribusiness-farmer linkages and small and medium scale enterprises along selected agricultural value chains	19.00
Market access improvement	26.00
Capacity building support for state and non-state institutions and producer organizations	6.00
Project coordination, monitoring and evaluation	4.00

### Systematic Operations Risk- Rating Tool (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other	
<b>OVERALL</b>	Substantial

### Compliance

#### Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]

Explanation:			
Does the project meet the Regional criteria for readiness for implementation?			Yes [ X ]    No [   ]
<b>Safeguard Policies Triggered by the Project</b>		<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10			x
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37			x
Projects on International Waterways OP/BP 7.50			x
Projects in Disputed Areas OP/BP 7.60			x
Piloting the Use of Borrower Systems to Address Environmental and Social Issues in Bank-Supported Projects (OP/BP 4.00)			x
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
The Recipient shall, not later than November 30 of each year, prepare and furnish to the Association, an annual program of activities proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the purpose.	<b>Yes</b>	<b>November 30</b>	<b>Annually</b>
<b>Description of Covenant:</b> The Recipient will be required to prepare an annual work plan and budget which will be furnished to the Association on November 30 every year for review and clearance.			
<b>Conditions</b>			
<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>	
Sub-component A.2	The Agricultural Loan Scheme Agreement has been executed on behalf of the Recipient and the Project Implementing Entity in accordance with the provisions of Section I.E of Schedule 2 to this Agreement.	Effectiveness	

**Description of Condition:** The Agricultural Loan Scheme Agreement has been executed on behalf of the Recipient and the Project Implementing Entity (APEX Bank Limited) in accordance with the provisions of Section I.E of Schedule 2 to the Agreement.

Source Of Fund	Name	Type
Sub-components A.1, A.2, B.2 and Component C	The Recipient has adopted the Project Implementation Manual, the Sierra Leone Agri-Business Fund Manual, the Agricultural Loan Scheme Operations Manual, and the Agri-Business Services Matching Grants Operations Manual in accordance with the provisions of Sections I.B, I.D, I.E and I.F of Schedule 2 to this Agreement.	Effectiveness

**Description of Condition:** The Recipient has adopted the Project Implementation Manual, Agribusiness Fund Manual, Agricultural Loan Scheme Operations Manual, Agribusiness services Matching Grants Operations Manual in accordance with the provisions of Section I.B, I.D, I.E and I.F of the Schedule 2 to this Agreement.

Source Of Fund	Name	Type
Sub-Component A.1	The Recipient has recruited the Fund Manager and has established the National Project Steering Committee and the Advisory Committee in accordance with the provisions of Sections I.A of Schedule 2 to this Agreement.	Effectiveness

**Description of Condition:** Recruitment of the Sierra Leone Agribusiness Development Fund Manager and establishment of the Project Steering Committee and Advisory Committee for the Fund in accordance with the provisions of Sections I.A of Schedule 2 of the Agreement.

Sub-Component A.2	The Project Implementing Entity has designated a Project Officer in accordance with the provisions of Section I.A of Schedule 2 to this Agreement.	Effectiveness
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**Description of Condition:** The Project Implementing Entity (APEX Bank Limited) will designate a Project Officer to be responsible for the project activities in accordance with the provisions of Section 1.A of Schedule 2 to this Agreement.

### Team Composition

**Bank Staff**

<b>Name</b>	<b>Role</b>	<b>Title</b>	<b>Unit</b>
Hardwick Tchale	Team Leader (ADM Responsible)	Senior Agriculture Economist	GFADR
Adesimi Freeman	Co-Team Leader	Head	GTCDR
Daniel Rikichi Kajang	Procurement Specialist	Senior Procurement Specialist	GGODR
Sydney Augustus Olorunfe Godwin	Financial Management Specialist	Financial Management Specialist	GGODR
Alari Hasanatu Ijileyoh Mahdi	Team Member	Temporary	GTCDR
Stephen Mukaindo	Counsel	Senior Counsel	LEGAM
Maiada Kassem	Finance Officer	Finance Officer	WFALA
Demba Balde	Safeguards Specialist	Senior Social Development Specialist	GSURR
Franklin Gavu	Environmental Specialist	E T Consultant	GENDR
Joanne Catherine Gaskell	Team Member	Young Professional	GFADR
Juvenal Nzambimana	Senior Operations Officer	Senior Operations Officer	GFADR
Frances Gadzekpo	Senior Operations Officer	Senior Operations Officer	IFC
Mary Agboli	Resident Representative	Resident Representative	IFC
Dave Chalila	Senior Finance Specialist	Senior Finance Specialist	IFC
Olatunji Ahmed	Senior Transport Specialist	Senior Transport Specialist	GTIDR
Adama Taylor	Team Assistant	Team Assistant	AFMSL
Hawanty Page	Senior Program Assistant	Senior Program Assistant	GFADR

<b>Locations:</b> The project will be implemented in all the regions of the country					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Sierra Leone	Northern, Eastern, Southern and Western, including Freetown		X		Actual locations will be determined after an assessment to be done before the project launch.
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Dr. Dunstan Spencer		Agricultural Economist, independent consultant			
Dr. John Terry		Livestock Specialist, independent consultant			



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Before the Ebola virus disease (EVD) epidemic, which hit Sierra Leone, Guinea and Liberia towards the beginning of 2014, Sierra Leone had been making commendable progress since the end of the civil war in 2002.** The Ebola crisis<sup>1</sup> took a heavy economic toll on the country in 2014 and 2015, with much of the economic impact still unfolding in 2015 and beyond. With the advent of Ebola in mid-2014, real GDP contracted over the second half of 2014 by an annualized rate of -1.3 percent, compared with an impressive annualized growth rate of 11.3 percent in the first half of 2014 and 20.7 percent in 2013. The sharp reversal over the second half of 2014 was due to Ebola related effects on the country's main economic activities, including agriculture, industrial mining and services (see Table 1).

Table 1: Sierra Leone - Estimated economic impact of Ebola (Sierra Leone)

	Initial Projection (June 2014)	Preliminary Ebola effects
<i>Real GDP Growth</i>	11.3	4.6
Agriculture	4.8	0.8
Industry	24.9	13.8
of which Mining	(27.3)	(17.1)
Services	7.7	1.7

*Sources: Statistics Sierra Leone, IMF, and World Bank Staff estimates.*

2. **While the Government has developed the Ebola Recovery Strategy to address immediate, short-term effects, there is need to strengthen post-Ebola growth prospects by supporting key sectors such as agriculture.** Ebola has had a negative effect on agricultural production due to labor constraints arising from EVD-related deaths, morbidity, fear and panic, and market distortions (due to quarantines). Furthermore, the impact on agriculture may lead to food insecurity and may also broaden and deepen poverty given that agriculture supports over 80 percent of the rural population. Various assessments on the impact of EVD on agriculture indicate a reduction in food and cash crop production attributed to the epidemic. Food production is likely to be reduced due to labor-related production constraints during the 2014/15 cropping season, a result of higher mortality and/or morbidity and self-imposed restrictions due to the general sense of fear and panic associated with the epidemic, particularly in hard-hit districts (Kenema and Kailahun, Port Loko, Moyamba and Bombali) where quarantines had been enforced since May 2014. A Food and Agriculture Organization (FAO) Rapid Assessment of the impact of Ebola on food security undertaken in 2015 indicates that about 47 percent of farmers claimed that Ebola has had significant adverse effects on farming activities during the 2014/15 agricultural season. The two initial Ebola epicenter districts (Kailahun and Kenema) are considered the bread-basket for the country producing over 20 percent of the national food supply. The two districts also contribute significantly towards the production of key cash crops such as cocoa which have also been

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<sup>1</sup> To date, the epidemic has resulted in 3,955 deaths in Sierra Leone (of which 221 were health workers) with 13,982 having contracted the disease (WHO Situation Report, October 14, 2015). Sierra Leone was declared Ebola-free on November 7, 2015.



affected, mainly in terms of the harvesting and post-harvest handling which may affect the volumes and quality of cocoa exports. Similar assessment undertaken recently by the World Food Program (WFP) also confirms that agricultural output has been reduced by up to 17 percent, especially in the EVD hard-hit districts.

**3. There is need to strengthen the operations of agribusinesses, farmer-based organizations and the stakeholders along the agricultural value-chains.** Many markets for agricultural produce have been disrupted due to the restricted movement of goods. This created a dampening effect on prices in the production areas while creating an upward pressure on prices in the supply constrained areas. For example, an assessment undertaken by WFP shows that rice prices in December 2014 were 15 percent higher than the same time in 2013.<sup>2</sup> This is likely due to supply issues resulting from difficulties in transporting local rice from rural areas to the capital city, Freetown due to formal and informal movement restrictions. Reduced demand, due to limited cash in the rural areas, has invariably affected the farming community including agribusinesses. Furthermore, the slump in iron ore prices (a drop of 40 percent in 2014) and coupled with investor aversion to the Ebola epidemic have posed additional challenges to attracting agricultural investment/foreign direct investment (FDI), which was on an upward trend before the Ebola epidemic.

**4. Furthermore, beyond the Government's post-Ebola recovery plans, there is need for support to establish a sustainable basis for agricultural sector growth in order to diversify the country's economic base.** The country's sustained long-term growth may be hindered by sluggish growth in the key sectors that support the livelihoods of the majority of the population. While the extractives sector has been one of the key contributors to growth, reductions in poverty will depend on key sectors, such as agriculture, that sustainably employ the majority of the population, especially in rural areas. Agriculture supports over 80 percent of the rural population; however, low levels of agricultural productivity render the sector less competitive and depress rural wages, discouraging employment among youth who are the most non/under-employed in the country. For the country to achieve the twin goals of eliminating extreme poverty and boosting shared prosperity, there is need for renewed focus to transform the largely subsistence low-input, low-output agriculture into a more productive and commercialized system capable of creating gainful employment as a basis for broad-based poverty reduction.

## **B. Situations of Urgent Need of Assistance or Capacity Constraints**

**5. The proposed project intervention focuses on the medium to long-term agricultural sector growth.** Acknowledging the devastating impact that Ebola epidemic has put on the sector which is riddled with low productivity and competitiveness, the incidence of the epidemic makes this project intervention much more urgent as it will partially contribute towards the country's post-Ebola recovery.

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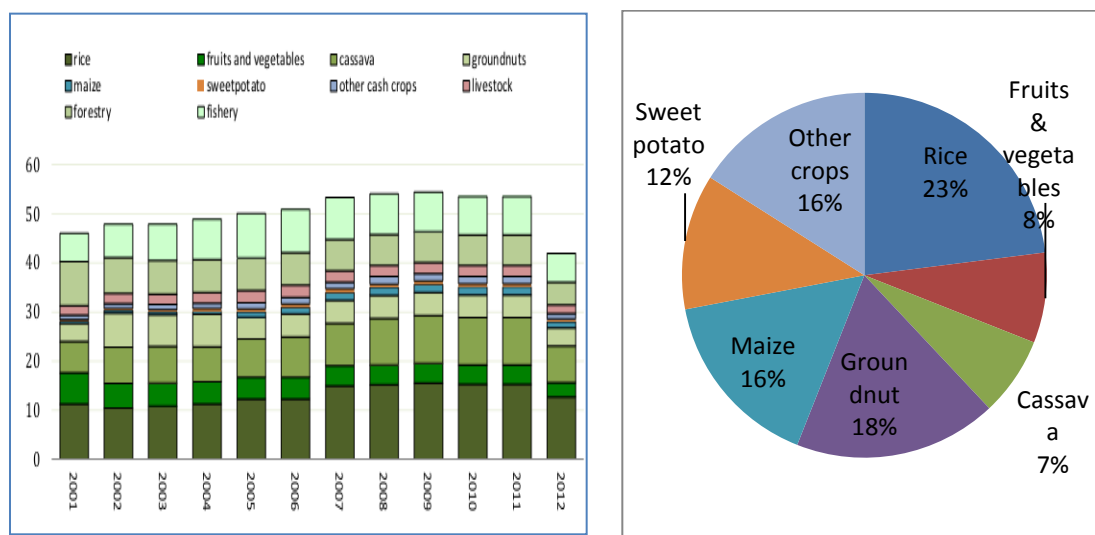
<sup>2</sup> World Food Program, 2015. Markets and Food Security Joint Assessment Mission. February 2015. Jointly undertaken with FAO, Famine Early Warning Systems Network (FEWS NET), Permanent Inter-State Committee for Drought Control in the Sahel (CILSS) and Ministry of Agriculture, Forestry and Food Security (MAFFS).

## C. SECTORAL AND INSTITUTIONAL CONTEXT

6. **Agriculture has been contributing significantly to Sierra Leone’s economy, both before and after the war.** Agriculture’s contribution to GDP has on average been about 51.8 percent since 2003. Agriculture’s contribution increased from 47.9 percent in 2003, to 54.5 percent in 2009 before declining slightly to 52.8 percent in 2011. From 2012 to 2014, agriculture contribution to GDP has been 47.2 percent, 41.0 percent and 39.8 percent, respectively<sup>3</sup>. The relative decline between 2009 and 2014, was driven partially by the expansion of the extractive industry (particularly iron ore) during this period and partially by the decline in the real value contribution to GDP due to fluctuations in both the exchange rate and international commodity prices. According to the Ministry of Agriculture estimates, the sector employs 66 percent of the labor force, and contributes 22 percent of the export earnings.

7. **The agriculture sector is heavily dominated by the production of staple crops, mainly rice and cassava,** accounting for over three-quarters of the sector output. Cash crops such as cocoa, coffee, palm oil and others contribute up to 16 percent by value (see Figure 1). The major challenges for the sector include: low productivity due to lack of improved technologies including agricultural inputs; low levels of value chain integration mainly due to inefficient production systems that undercut competitiveness; lack of access to markets for both inputs and outputs; high interest rates for agricultural finance; low farmers’ organizational capacity; and low institutional capacity, especially for the provision of agricultural research and development and extension services.

Figure 1: Crops contribution to agriculture value-added (%)



Source: Statistics Sierra Leone and MAFFS.

<sup>3</sup> Statistics Sierra Leone, 2014. Report on the Real Gross Domestic Product at 2006 prices and the impact of Ebola Virus Disease on 2014 GDP Projections.

8. **Sector Strategy:** The Government's strategy for agriculture developed in 2010 focused on addressing the sector challenges through the promotion of smallholder commercialization. During the past five years, Government's strategy in agriculture has been driven by the National Sustainable Agriculture Development Plan (NSADP) and the Smallholder Commercialization Program (SCP), which has been a flagship sector program aimed at making agriculture the 'engine' for socio-economic growth through the development of commercial agriculture. The SCP has been focusing on intensification, diversification and commercialization of smallholder agriculture (through improving value-addition and access to marketing). The SCP, which started implementation in 2010, was a five-year program and it is expected to close towards the end of 2015. The Government has been developing its successor program, the Inclusive, Comprehensive Agricultural Development Program (ICADEP) under which there is a component exclusively focusing on commercialization and agribusiness development as a basis for inclusive sector growth.

9. **Challenges for smallholder commercialization:** While the implementation of the SCP over the past five years has led to improvements, particularly in food security, the major challenges affecting the commercialization of smallholder farmers still persist. Sierra Leone agriculture still operates under sub-optimal productivity level, consistent with low-input, low-output subsistence agricultural systems prevalent in most of Sub-Saharan Africa. In general, yields are low but can be much higher with the use of more intensive cultivation methods, improved seeds, agro-chemicals and fertilizers. Yields estimated for most crops are only about a third of the potential productivity levels (e.g. according to FAOSTAT, average cereal yield in 2014 was estimated at 1.7mt/ha). This is the most critical factor affecting profitability and competitiveness, and ultimately the sector growth, as low yields and cost inefficiency invariably affect sector competitiveness. Many of the factors identified as key sector constraints play a role in undermining productivity and competitiveness. The most important factors that affect smallholder commercialization include: lack of access to finance (for inputs and advisory services), inadequate access to effective agricultural input supply systems, low levels of value-chain integration mainly due to market access challenges, low levels of agro-processing mainly due to the limited access and high cost of utilities (water and energy) and high risk and costs of marketing due to unavailability of marketing infrastructure as well as the lack of skills required for commercialization (technical know-how, agri-business management and financial literacy skills).

10. **Opportunities for smallholder commercialization:** The most appropriate approach to promoting smallholder commercialization is to help them build productive partnerships with agribusinesses. Sierra Leone has experienced steady increase in medium to large-scale investment in agriculture, from very low levels during and immediately after the war to an estimated investment of over US\$174 million (about 7 percent of GDP) a decade after the end of the war. From 2010 onwards, Sierra Leone has recorded a sharp increase in the number of agribusiness investors in rice, cocoa, sugar cane, rubber, coffee and oil palm. The private investor database of the Ministry of Agriculture, Forestry and Food Security (MAFFS) has over 85 domestic and foreign enterprises which have already or are intending to invest in agriculture. The Sierra Leone Investment and Export Promotion Agency (SLIEPA) Investment Portal counts over 45 investors, with the total estimated investment of at least US\$60-80 million per annum. Although most of these are in their early phases of development, they are expected to reach full production by 2018, and if sustained, will have a huge impact on sector growth. In addition, domestic private

investment in agriculture is estimated around US\$30-40 million per annum. The domestic investors have middle to large size farms (from 10 ha or more), with farming and non-farming sources of capital, including current and former government employees, traders and Sierra Leoneans in the Diaspora.

Table 2: Summary of prospective anchor agribusinesses operational in Sierra Leone

Commodity value-chain	No. of operational anchor agribusinesses	Location of agribusinesses	Working with out-growers
Oil Palm	>10	Eastern, Southern and Northern Provinces	>80%
Cocoa <sup>4</sup>	>15	Eastern Province	100%
Rice	>50	All Provinces	>80%
Poultry	3	Western Province	100%
Others	>50	All Provinces	>80%

Source: EDS/SLIEPA, 2012; ALLAT, 2013<sup>5</sup>

11. **Although a lot of technical assistance is required to build-up their technical and agribusiness skills of farmers, the establishment of Agribusiness Centers (ABCs) provides a platform upon which to build viable producer organizations.** Since 2010, the MAFFS through the SCP has established and equipped a total of 193 ABCs<sup>6</sup>. These ABCs are operated by 490 Farmer Based Organizations (FBOs), involving a total of about 122,500 farmers, of which 30 percent come from female-headed households. Most of the FBOs, including the ABCs, are less functional because of the challenges related to the management and governance of such institutions. A study undertaken by Richards and Mokuwa (2014) to determine the functionality and viability of ABCs as a way of promoting farming as a business noted that while over 80 percent of the established ABCs are functional, most of the services remain unused (except for rice mills, albeit at lower capacity), many are embroiled in management and governance issues, and many suffer from the lack of a viable business model. Significant effort is required to strengthen their capacity in order to become reliable entities to work with organized supply chains.

12. **In order to support smallholder commercialization, there is need to promote approaches which integrate smallholder farmers into organized supply chains through the creation of viable out-grower schemes.** Integration of smallholder farmers into these value chains through mutually beneficial business partnerships is the most viable way to achieve sustainable income growth. For Sierra Leone, such win-win business relationships with smallholder farmers is not limited only to agribusiness companies. There are other opportunities to create mutually beneficial supply contracts between smallholder farmers (as producers) and the

<sup>4</sup> Most of the investments in cocoa sector are supported by development-partner funded projects (EU, GIZ, WB, IFAD and AfDB) and a few independent agribusinesses.

<sup>5</sup> Who is benefiting? Social and economic impact of large-scale land investments in Sierra Leone: a cost-benefit analysis. Action for Large-Scale Land Acquisition Transparency (ALLAT)

<sup>6</sup> These ABCs were supported under the SCP which has been supported by funding through the Global Agriculture and Food Security Program (GAFSP), International Fund for Agriculture Development (IFAD) and FAO (with funding from the European Union, the Italian government and the Irish government (through Irish Aid).

mining and tourism industry (as potential buyers), as a way to promote the growth pole approach to sustainable socio-economic development. This is one of the viable ways through which smallholder commercialization may be achieved because the smallholder farmers will not only gain markets for their commodities, but will also learn the skills required to operate within organized value-chains.

13. **The World Bank will leverage its extensive experience in supporting smallholder farmers' growth through facilitating the creation of productive alliances.** The World's Bank experience with the financing (by way of matching grants) of rural productive partnerships (defined as agreements between formally organized Producer Organizations (POs) and a commercial buyer) started in 2003 and has since been implemented in Colombia, Bolivia, Panama, Guatemala, Honduras, Brazil, Peru, Mexico, and Jamaica. However, Honduras is the only country where accessing formal credit through a Bank/Financial Institutions loan was a requirement (30 percent of the cost of the business plan). There are also emerging lessons from fairly recent projects in Cameroon, Nepal, Mozambique, Tanzania and Ghana from which lessons have been drawn to inform the design of this project. Furthermore, the Banks-supported Rural and Private Sector Development Project (RPSDP) implemented in Sierra Leone since 2008 also provided important lessons which have informed the design of this proposed project.

#### D. **HIGHER LEVEL OBJECTIVES TO WHICH THE PROJECT CONTRIBUTES**

##### *A. Relationship to Country Partnership Framework and Africa Strategy*

14. **The proposed project is consistent with Sierra Leone's goal of achieving inclusive growth which is one of the key pillars of the country's longer term development strategy - the Agenda for Prosperity (2013-2018).** This is to be achieved through the promotion of agribusiness development as a basis for the commercialization of smallholder farmers. Furthermore, the proposed project is aligned to the new agricultural sector program – the Inclusive, Comprehensive Agricultural Development Program (ICADEP), particularly its components 2 and 3 focusing on commercialization and agribusiness development. Also the project includes specific interventions that are in line with the Government's Ebola Recovery Strategy.<sup>7</sup>

15. **The proposed project is designed to contribute to the World Bank Group's overarching goals of ending extreme poverty and boosting shared prosperity.** The World Bank is committed to helping client countries to promote livelihoods through inclusive economic growth. The project design is meant to help the country achieve the twin objectives through promoting agricultural growth which is inclusive of smallholder farmers. The proposed project remains consistent with the Bank's Country Assistance Strategy for Sierra Leone (FY10-13).<sup>8</sup>

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<sup>7</sup> National Ebola Recovery Strategy (2015-2017) – Government of Sierra Leone.

<sup>8</sup> A Joint Country Assistance Strategy (JCAS) for Sierra Leone covering the period 2010-2013 was adopted by the World Bank, IFC and the African Development Bank to support the PRSP II with its two pillars: a) Human Development; and b) Inclusive Growth (focusing on agriculture). The Bank is preparing the new Country Partnership Framework (CPF) and is currently finalizing the Strategic Country Diagnostics (SCD) as the main input into the CPF formulation.

16. **Since 2004, the Bank and other development partners have supported the implementation of Sierra Leone's agricultural strategy.** In August 2007, the Bank-supported the Sierra Leone Rural and Private Sector Development Project (RPSDP). The objective of the project was to increase production and sales of selected agricultural commodities through improvements in efficiencies along the value chain for targeted beneficiaries. After experiencing effectiveness and implementation delays, the project was eventually restructured in August 2009. The project's performance thereafter improved and the Bank provided additional financing in the amount of US\$20 million in 2011 to further scale up feeder roads rehabilitation, support the cocoa sector, and develop the capacity of farmer based organizations. This project closed on November 14, 2015.

17. **The Bank has also been supporting the country's agricultural strategy implementation through the sub-regional West Africa Agricultural Productivity Program (WAAPP), which is being implemented in 13 countries of the Economic Community of West African States (ECOWAS).** The development objective of the Program is to generate and accelerate the adoption of improved technologies in the participating countries' top agricultural commodity priority areas that are aligned with the sub-region's top agricultural commodity priorities, as outlined in the Economic Community of West Africa Agriculture Program (ECOWAP). The target commodities for WAAPP in Sierra Leone are mangrove rice and cassava. The project is expected to close by June 30, 2016. Other development partners such as the International Fund for Agriculture Development (IFAD), FAO, the African Development Bank (AfDB) and others have been implementing similar projects in support of the sector strategy.

18. **The project design is based upon the conceptual framework presented in detail under the first part of Annex 2.** This project is designed to address various forms of market failure which constrain smallholder agricultural productivity and competitiveness. These include financial market failure which constrain farmers' access to credit, market coordination failure which affect farmers' access to markets, and skills and organizational challenges which increases the transaction cost of working with smallholder farmers. The project will focus on addressing these challenges in order to raise smallholder productivity and improve their access to markets.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

19. The project development objective is to promote smallholder commercialization by fostering productive business linkages between smallholder farmers and selected agribusiness firms and other commodity off-takers in Sierra Leone.

20. This will be achieved through support for interventions aimed at improving agricultural productivity and access to markets as well as development of inclusive smallholder farmer-agribusiness linkages in the targeted project areas of Sierra Leone<sup>9</sup>. The project will focus

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<sup>9</sup> The project will be implemented in all the regions of the country (northern, eastern, southern and western, including Freetown).

its interventions towards helping the agricultural sector to recover quickly from the effects of the Ebola epidemic and to contribute towards higher medium to long-term agricultural growth required to reduce extreme levels of poverty among the smallholder farmers and promote shared growth.

### **Project Beneficiaries**

21. The project will directly benefit 50,000 smallholder farmers, of which 40 percent will be women and youth farmers. The project will also specifically target the activities undertaken by women and youth through the following interventions: (i) ensuring that the criteria for selection of beneficiaries for the fund and matching grants includes up to 40 percent of targeted women and youth producer organizations; (ii) ensuring that there is gender disaggregation in the key performance indicators so that women and youth targeting is adhered to by project implementers; and (iii) inclusion of a Gender Specialist in the Project Coordination Unit to spearhead gender mainstreaming in project activities. Identification and sensitization of these groups will be undertaken through the umbrella organizations (Sierra Leone Chamber for Agribusiness Development (SLeCAD) and the National Federation of Farmers of Sierra Leone (NaFFSL). Other beneficiaries include agribusinesses, and agribusiness SMEs, and officials working in government and other institutions which provide services necessary for smallholder commercialization and agribusiness development in Sierra Leone.

### **PDO Level Results Indicators**

22. The key indicators for the PDO level results are the following:

- (i) Increase in yield of targeted commodities by direct project beneficiaries (mt/ha), disaggregated by gender;
- (ii) Increase in marketed volumes and values of commodities by producer organizations to agribusinesses, percent compared to baseline, disaggregated by gender;
- (iii) Total direct project beneficiaries (number), of which female (%).

## **III. PROJECT DESCRIPTION**

### **A. Project Components**

23. The project aims to promote smallholder commercialization by fostering productive business linkages between smallholder farmers and selected agribusiness firms and other commodity off-takers. Project interventions take into account the high level of heterogeneity of farmers by promoting two inclusive farmer agribusiness linkages models: (i) an out-grower model; and (ii) farmer aggregation model. The out grower model seeks to build on existing business relationships between agribusinesses and smallholder farmers while the farmer aggregation model focus on cases where there is limited business relationship between agribusiness and smallholder farmers or where such a relationship is less well-structured. The project will target four commodity value-chains (rice, cocoa, oil palm and poultry) selected based on their impact on smallholder farmers' incomes and their significant potential for enhancing competitiveness and creating jobs. Even though the primary focus is on these four value chains, the project will support other value chains that demonstrate commercial viability and integrate smallholder farmers in the intervention

areas. This approach creates space for more flexibility for project intervention and enhance the possibility of speeding up project implementation.

24. To achieve significant improvement in agricultural sector productivity and competitiveness in Sierra Leone, project interventions consider the mutually reinforcing role between increased productivity and market access. Thus, in addition to addressing production constraints, project interventions will focus on other critical market failures that constrain productivity, market efficiency and competitiveness. The project will have the following components: (i) Support to agribusiness-farmer linkages and SMEs along selected agricultural value chains; (ii) Market Access Improvement; (iii) Capacity Building for Government and Other Institutions relevant for agribusiness development; and; (iv) Project Coordination, Monitoring and Evaluation.

**25. Component A: Support for agri-business-farmer linkages and small and medium scale enterprises along selected agricultural value chains (US\$19.00 million):** This component aims to strengthen linkages between agribusiness firms and farmers and promote producer associations and SMEs linkages in selected agricultural value-chains. The project will address the various financing needs of value chain actors through the design and implementation of proven agribusiness financing instruments that meet actor's specific financing needs. Thus, project interventions will support a combination of value chain finance, on-lending facilities, and a matching grants scheme. In addition to financing, the project will support advisory services or technical assistance to support priority non-financing constraints identified by value chain actors. This component will be structured into the following two sub-components:

**26. Sub-component A.1. Promoting out-grower model for value-chain financing to selected agri-businesses linked to out-grower schemes (US\$12 million):** This sub-component will help the Government set-up the Sierra Leone Agribusiness Development Fund (SLADF) as a facility for eligible agribusinesses to access competitive value chain finance tailored to their needs required for the provision of productivity enhancing services and market access to out-growers<sup>10,11</sup>. The Fund will be created as a special Designated Account (DA) under the Project Coordination Unit (PCU) and will be linked directly to an independent Fund Manager who will be competitively recruited by the Government of Sierra Leone. The Government of Sierra Leone and the relevant stakeholders will establish an Advisory Committee to provide appropriate governance and oversight over the use of the Fund in accordance with the project objectives. The SLADF structure, operational framework and criteria for the selection of eligible agribusinesses are presented in Annex 7. The Project's Fund Manual will highlight operational details of the SLADF.

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<sup>10</sup> The project will allow for flexibility in the use of different out-grower models (centralized, nucleus estate, multipartite, informal and intermediary) depending on the commodity, the buyer's investment and organizational capacity and skills, the existence of well or not so well managed cooperatives in the area.

<sup>11</sup> The establishment of the SLADF will benefit from experiences and lessons from the International Finance Corporations (IFC's) and World Bank as well as from proven examples investment funds operating in similar contexts in sub-Saharan Africa. These examples include the African Enterprise Challenge Fund (AECF), Africa Agriculture Funds, SME Funds and other social impact investment funds that have invested in similar agribusiness investments in the region.



27. Provision of financing to farmers in the out-grower model will be done through the value chain finance, based on the business relationship between agribusiness companies and smallholder farmers. Financial support will be provided as matching equity or loans depending on the identified business need. The equity or loan will be provided on a 50-50 proportion basis between the fund and agribusiness companies' contribution, which will be either in cash or a combination of cash and sweat equity<sup>12</sup>. Qualifying agribusinesses will be able to access matching equity and in return will provide a defined technology package, advice, improved input supply and an off-take agreement to smallholder farmers included in their out grower schemes. The fund will also support advisory services facility that would provide technical assistance to improve agribusiness sector competitiveness. Off-take agreements will be a pre-condition for support under the project.

28. **Sub-component A.2: Support for farmers' aggregation (US\$7 million):** Under this sub-component, the project will facilitate the inclusion of smallholder farmers who produce for the market, but do not have any structured linkage with off-takers. This model will leverage the gains achieved during previous World Bank supported RPSDP by re-engaging producer organizations, including the Agribusiness Centers (ABCs) established under the Smallholder Commercialization Program (SCP) and other projects supported by other development partners over the past 5-10 years<sup>13</sup>. The project will hire an agribusiness service provider, a private firm or NGO with experience in value chain development, to identify market linkage opportunities, provide critical services to help build the capacity of producer organizations to access assets and markets, and structure value chains development programs that link farmers, SMEs and communities in the project areas to agribusinesses. Given the importance of gender inclusiveness, the project will identify and implement specific mechanisms to target women and youth. For ABCs and Farmer-Based Organizations (FBOs), eligibility criteria will include, among others, the strength of the business plans and the governance arrangements. Those potential ABCs/FBOs which will not be selected in the first round will be supported with capacity building in their weaker areas in order to improve their chances of benefiting during the subsequent funding cycles.

29. The project will provide part of the financing to farmers under this model through a line of credit to the Apex Bank which is a network of rural financial institutions comprising 17 Community Banks (CB) and 51 Financial Service Associations (FSAs).<sup>14</sup> Smallholder farmers supported through this project will be able to access concessional credit through the Apex Bank to help them access improved seed and inputs, which are critical to achieve high productivity. The farmer aggregation model will also provide support to SMEs operating across the entire value chain to help them exploit business linkage opportunities from value chain development. The financing instrument for SMEs will be matching grants, on a 50-50 basis. Smallholder farmers organized in producer organizations will also be eligible to access matching grants. The Project

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<sup>12</sup> Sweat equity will be calculated based on investment already undertaken by agribusinesses related to out-grower arrangements. The project's Fund Manual will clearly define the acceptable criteria for the sweat equity in order to prevent manipulation by the investees.

<sup>13</sup> Since 2010, the MAFFS through the SCP has established and equipped a total of 193 Agri-business Centers (ABCs). These ABCs are operated by 490 Farmer Based Organizations (FBOs), involving a total of about 122,500 farmers, of which 30 percent come from female-headed households.

<sup>14</sup> This Apex Organisation was established through the Rural Financial Services Project implemented by the Ministry of Agriculture, Forestry and Food Security with support from the International Fund for Agricultural Development (IFAD).

Coordination Unit, supported by a firm or NGO with experience in running such grant schemes, will implement the matching grant scheme. Appropriately designed technical assistance will be provided to value chain actors that receive financing support to help build their technical, business, and organizational skills. The project supported value-chain development specialist will help farmers to fulfill their supply obligations based on the understanding of the volume and quality needs of the off-takers. Given the mutually reinforcing role between increased productivity and market access, off-taker contracts or structured agreements between producer organizations and off-taker or agribusiness will be a pre-condition for financing either through a line of credit or matching grant scheme.

30. The project will support piloting of a private-sector agro-input dealer system for up to 20 SMEs to test models that ensure farmers' sustainable access to agricultural inputs. The project will support the development of course manuals for the administration of basic courses to agro-input dealers selected under the Sierra Leone Agro-Input Dealers Association. A Public-Private Dialogue Agribusiness Forum (AF) will be supported in order to effectively address policy and regulatory issues affecting private sector investment in input markets.<sup>15</sup> The pilot program will be implemented for two years, after which a detailed assessment will be done in order to inform possible scaling-up by SMEs and agribusinesses.

31. **Component B: Market access improvement (US\$26 million, of which US\$ 11 million IDA):** The objective of this component is to support the implementation of productive agribusiness-farmer linkages by addressing market access and coordination issues that constraint smallholder productivity and market efficiency. The project will support the rehabilitation of feeder roads that link agribusinesses to smallholder producers and also provide aggregation centers for farmers as well as simple market coordination (through Information, Communication Technologies (ICT) or cell-phone based price information systems).

32. **Sub-Component B.1: Feeder roads rehabilitation and maintenance (US\$25 million, of which US\$ 10 million IDA):** This support will help to link high agricultural production areas to markets. This component will support the rehabilitation, spot improvements and maintenance of 500-600 km of feeder roads using performance-based contracts. This sub-component also include construction of river crossing structures. Specific focus will be on those rural roads that link markets to production areas with high volumes of perishable crops and produce. In addition, the project will scale-up the capacity of the district assemblies to undertake maintenance for the rehabilitated feeder roads using labour-based methods. Special focus will be given to capacity building of specialized contractors, their work force, and involved government bodies through training and provision of advisory services. To minimize risks associated with migrating workers, the majority of the labour-based works will be scheduled when demand for farm labour is low, usually from December to March. The project will support a market study to explore options to

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<sup>15</sup> The Agribusiness Forum will be facilitated by SLeCAD/SLIEPA with support from IFC. The Forum will bring together agribusiness companies, producer organizations, Government and the development partners. The AF will meet on a regular basis to discuss and find ways of addressing policy related issues affecting the development of the agribusiness sector, focusing initially on policy and regulatory issues affecting the development of the private sector agro-input system in Sierra Leone.

address the feeder roads maintenance budget deficit through the Road Maintenance Fund Administration (RMFA).

**33. Sub-component B.2: Support for aggregation structures and ICT technologies to facilitate market coordination (US\$1 million):** This sub-component is meant to address the market coordination failures that arise from the lack of aggregation structures such as produce collection centers, rice drying floors, storage warehouses and other such structures which serve to aggregate smallholder farmer produce, making it easier for off-takers to collect the produce without incurring high aggregation costs. Where possible and economically viable, the project will ensure that already existing structures, such as those in the ABCs and FBOs are rehabilitated. In addition to such aggregation structures, the project will also explore the use of ICT technologies for market price information in order to address the price information asymmetry which is a major factor affecting efficient access to markets among smallholder farmers.

**34. Component C: Capacity building support for state and non-state institutions and producer organizations (US\$6.00 million):** The objective of this component is to support the implementation of productive agribusiness-farmer linkages by addressing the skills and organizational challenges that affect smallholder farmers' inclusion into organized supply chains. The project will provide technical assistance to farmers' producer organizations, strengthen the capacity of state and non-state institutions responsible for the provision of services relevant for smallholder commercialization and agribusiness development and also support capacity building of the community banks and rural financial institutions operating in rural Sierra Leone to offer sustainable financial services to smallholder farmers. Such support will be provided to the following institutions: Ministry of Agriculture, Forestry and Food Security (MAFFS), Ministry of Trade and Industry (including SLIEPA and Produce Monitoring Board); Sierra Leone Agricultural Research Institute (SLARI); Sierra Leone Chamber for Agribusiness Development (SLCAD); and the APEX Bank (including rural community banks and financial services associations). The project will selectively support activities and services that are relevant to developing the smallholder farming sector in Sierra Leone (details of specific institutions and capacity building activities are presented in Annex 2).

**35. Component D: Project coordination, monitoring and evaluation (US\$4 million):** The overall day to day running, project coordination and management will be anchored within the Project Coordination Unit (PCU). The project will be implemented under the existing PCU while the fiduciary capacity of the unified Project Implementation Unit under MAFFS will be built. This will also help reduce the operational costs since the existing PCU has equipment and office space already. Furthermore, the existing PCU has strong experience in implementing projects following the Bank's fiduciary procedures, thereby improving implementation readiness of the project. Capacity assessment of the PCU was undertaken and is deemed adequate to coordinate project implementation. This component will also support operational costs required to coordinate overall project implementation as well as setting-up and implementing the project's monitoring and evaluation framework. Component D will have the following sub-components: (D.1) Project Implementation Coordination (US\$3.68 million); and (D.2) Project Monitoring and Evaluation, Management Information System (MIS) (US\$0.32 million). Detailed activities and estimated costs are provided under Annex 3.

## B. Project Financing

36. The estimated total cost for the Project is US\$55 million. The International Development Association (IDA) will provide US\$40 million through an IDA Credit provided to the Government of Sierra Leone. The IDA funding will be structured as an Investment Project Financing (IPF). The UK's Department for International Development (DFID) will provide US\$15 million through a client-executed Trust Fund to be managed by the World Bank. The DFID funds are co-financing component B of the project. The detailed cost breakdown, by component is given in Table 3.

Table 3: Project Cost and Financing

Component	Project costs* (US\$ million)	IDA financing	% financing
<b>A. Support for agribusiness-farmer linkages and small and medium scale enterprises along selected agricultural value chains</b>			
A.1 Promoting out-grower model for value-chain financing to selected agri-businesses linked to out-grower schemes	12.00	12.00	100%
A.2 Support for farmers' aggregation	7.00	7.00	100%
Sub-total	19.00	19.00	100%
<b>B. Market access improvement</b>			
B.1: Feeder roads rehabilitation and maintenance	25.00	10.00	40%
B.2: Support for aggregation structures and ICT technologies to facilitate market coordination	1.00	1.00	100%
Sub-total	26.00	11.00	42.3%
C. Capacity building support for state and non-state institutions and producer organizations	6.00	6.00	100%
<b>D. Project coordination, monitoring and evaluation</b>			
D.1 Project implementation coordination	3.68	3.68	100%
D.2 Project monitoring and evaluation, management information system (MIS)	0.32	0.32	100%
Sub-total	4.00	4.00	100%
<b>Total Project Costs</b>	<b>55.00</b>	<b>40.00</b>	<b>72.7%</b>

\* total project costs including physical and price contingencies

## C. Lessons learned and reflected in the project design

37. **The design of this project has benefited from experiences and lessons drawn from a number of closed and on-going IDA-financed operations in agriculture and agribusiness.** It is also informed by the various Independent Evaluation Group (IEG) reviews and impact evaluations on the World Bank's Assistance to agriculture in Sub-Saharan Africa undertaken in 2007 and 2011 as well as the World Bank's report on unlocking the potential for agribusiness in

Africa<sup>16</sup>. An IEG review of the Bank's experience in the agriculture/agribusiness sector identified critical activities which should be undertaken beyond supporting production to help smallholder farmers to grow beyond subsistence. Such activities include: (i) the need for strong marketing and market infrastructure; (ii) the need for fair policies to improve farmers access to productive factors, including more secure land; (iii) the importance of technical assistance tailored to the needs of farmers; and (iv) access to finance geared towards improved technology, inputs, and market logistics. Also critical are better policies and public goods, such as market access infrastructure and R&D required to enhance productivity and competitiveness.

38. **The Bank has gained significant experience on how to overcome the barriers affecting smallholder farmers.** The experience with projects that have supported the establishment of productive business alliances between agribusinesses and smallholder producer organizations show that such alliances hold promise especially where access to finance, technical know-how and agribusiness skills are provided as a package. In countries with functional financial markets, it is critical to involve financial institutions such as commercial banks from the beginning of the project and work with anchor agribusinesses as off-takers to sustain and scale up activities when project funding comes to an end. However, in most circumstances, such as in Sub-Saharan Africa, where the financial markets are either thin or risk-averse towards farmers and agri-based enterprises, access to finance has been addressed through specifically tailored funding mechanisms (such as African Enterprise Challenge Fund (AECF), Venture Funds, Social Impact Funds etc. This is also very critical for post-conflict contexts such as Sierra Leone.

39. A review of past and on-going Bank-financed operations in agriculture/agribusiness in a number of countries such as Cameroon, Brazil, Bolivia, Ghana, Honduras, Senegal, and Nepal provides a number of important lessons which have also been considered in the design of the project:

- **Technical, financial, organizational, and management capacities of beneficiaries (and in some circumstances, anchor agribusinesses) are the key to ensure project performance.** Selection criteria should include such issues in order to ensure a better combination of support, as well as matching of anchor agribusinesses and smallholder producer groups;
- **The critical areas of support for successful productive alliances should be built around the specific needs of the anchor agribusinesses and farmers' groups,** implying that prior consultations must be undertaken to build realistic agribusiness/farmer linkages. Farmers' production decisions should derive from the needs of the anchor agribusinesses and thus, there is always need for strong and continuous collaboration between producer organizations and agribusinesses.
- **Financing and technical assistance support must be managed independently, with sufficient governance and operational guidelines agreed upon by the Government and key stakeholders.** It is also critical to build-in mechanisms for strong monitoring and

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<sup>16</sup> World Bank, 2007. World Bank Assistance to Agriculture in Sub-Saharan Africa. An IEG Review; World Bank, 2011. Impact Evaluation in Agriculture, an IEG Assessment; World Bank, 2013. Growing Africa. Unlocking the potential for agribusiness. AFTFP/AFTAI.

accountability for results in order to avoid fraud, rent-seeking and elite capture which are the vices that affect the effectiveness of development interventions.

- **Disbursement and procurement plans must be well understood and consistent with the value chain cycle to avoid disrupting activities.** Given the seasonal nature of agricultural activities, implementation plans must be done on time, involving all the critical players and critical decisions for evaluations, disbursements must be lined-up well ahead of the start of the season to avoid delays or discontinuity in the implementation of sub-projects. It is also critical to ensure availability of sufficient funds in the Designated Accounts (DA) as a key factor to meeting funding needs which are highly dependent on the agricultural cycle. The DA ceiling should be flexible and based on accurate cyclical cash flow forecasts.
- **For the feeder roads rehabilitation, procurement is the weak-link in the project implementation.** When examining the implementation experience of previous Bank projects, navigating procurement processes remains a significant challenge and retards project implementation. Preparing TORs, bid documents, evaluating and awarding contract are skills that need mastering. The development of such skilled manpower require special attention if projects are to be completed within reasonable time in Sierra Leone. It is expected that a well-seasoned and Bank's accredited Procurement officer can be hired to support procurement process when this capability is lacking.
- **Delays in the selection of roads for rehabilitation can also affect project implementation.** Engineering design of roads cannot begin until the roads are identified. Government needs to make early decision on roads to be included in the project. Any delay in doing this can cause delay to other chain of activities expected to follow. It means that the selection process of the design consultant as well as the actual design services and preparation of bidding documents cannot begin. This will further delay the bidding process for the civil works.
- **Underestimation of cost and duration of civil works contract pose challenges to project implementation.** The team sometimes may not take cognizance of effective construction duration in a calendar year when computing construction completion period. This should factor in the rainy season and climate change, especially for feeder roads. Road construction cost estimates should consider current market price, inflation and macro economy of the country. Underestimation of project cost at planning stage could result in project cost overrun and not achieving the target kilometers of roads expected to be constructed.

40. **Strong government support is required to catalyze productive and competitive agriculture.** The analysis of public investment in agriculture in Sierra Leone suggests significant underinvestment in key public goods, such as agricultural research, human capacity and market access infrastructure that can undermine agricultural competitiveness. Equally important for a competitive agriculture is a favorable investment climate and institutional support for agribusiness, as well as legal framework for contract enforcement. Government policy actions to promote synergies between public and private investments should be explicitly addressed through

coherent and supportive policy reform, as well as investment in key public goods necessary to support the transformation of subsistence farmers and the growth of agribusinesses.

### **C. Alternatives considered and reasons for rejection**

41. Two other alternatives were considered in the design of the project. The first was to provide additional financing to the existing project (RPSDP) which aims at supporting mainly processing and exporting of commodities by farmers. This option was rejected because one key lesson from RPSDP is that significant production related constraints affect the utilization of the processing equipment and therefore limit the achievement of significant income gains, particularly for the staple commodities (rice and cassava). Furthermore, focusing on post-harvest and market support alone is less effective where significant production constraints persist. The other option was to design a project to support production and productivity without well-structured focus on the market. Similarly, this option was rejected mainly because of two related reasons: (i) the Bank, through WAAPP is already focusing on production and productivity enhancing technology development and transfer; (ii) greater integration of farmers into the value-chain is critical and requires the participation of the private agribusinesses as off-takers of smallholder produce as well as sources of technology and skills spill-over to smallholder farmers. Beyond linking production and marketing activities, there is also the need to orient smallholder farmers to private agribusinesses and financial institutions and reduce public sector-driven hand-outs so that farmers can learn how to deal with organized supply chains. This is a more sustainable basis for smallholder commercialization.

## **IV. IMPLEMENTATION**

### **A. Overall Institutional and Implementation Arrangements**

42. **The National Project Steering Committee (NPSC):** To ensure proper coordination and supervision of all project components, a National Project Steering Committee (NPSC) will be established to provide policy guidance and oversight. The NPSC would have a policy and advisory role and would meet twice a year. The Steering Committee will be responsible for: (i) approving the annual work plans; (ii) approving the annual procurement plan; (iii) reviewing progress in the implementation of the work plans and other aspects of project performance, including taking responsibility on fiduciary oversight responsibilities following World Bank procedures on financial management and procurement; and (iv) ensuring that there is policy and implementation coordination, not only between sub-components of the project but also among all the project implementing institutions. The tenure of the Steering Committee will be five years, consistent with the project implementation period. The Minister of Agriculture, Forestry and Food Security, as the key sector ministry, will chair the NPSC which will comprise relevant officials from the other sector ministries and the state and non-state institutions involved in project implementation.

43. **Project Coordination Unit (PCU):** The project will be implemented under the existing PCU<sup>17</sup> which has been coordinating the implementation of all IDA-supported projects since 2008. MAFFS has established the unified Project Implementation Unit (PIU) which is meant to coordinate the implementation of all development partner supported projects in the agricultural sector. However, the unified PIU under MAFFS needs to build its technical and fiduciary capacity. This project will provide resources to build its capacity and prepare it to take over the coordination of this project when its capacity is built and deemed satisfactory to IDA. Use of the existing PCU will help in terms of implementation readiness since it has strong experience in implementing projects following the Bank's fiduciary procedures, and there is human and other resources already in place. The main PCU functions would be to: (i) ensure the overall coordination of the project, make sure implementation of component activities complement each other; (ii) manage project funds on behalf of the executing agencies, keep financial records according to international standards, implement internal management control, and ensure regular external audit (in collaboration with the Audit Authority in the country); (iii) prepare and implement Annual Work Plans and Budgets aggregating the needs of all project implementing institutions; (iv) identify potential implementing agencies/goods and service providers, organize their procurement activities, negotiate and sign contracts, and carry out all procurement work related to the project as per the approved procurement plans; and (v) prepare quarterly, semi-annual and monitoring and evaluation (M&E) reports. Overall implementation arrangements are shown in Figure 3 under Annex 3.

44. **Partnership Arrangements:** This project will be implemented in partnership with the International Finance Corporation (IFC) and other development partners (e.g. DFID, FAO, IFAD etc.). IFC will provide technical advice on the operations of the agribusiness development fund. IFC will also provide guidance on the technical assistance required by agribusinesses, SMEs and farmers (the technical assistance will be provided by private service providers and/or NGOs). FAO, prospective NGOs and private sector service providers will provide technical guidance and monitor the performance of the out-grower schemes based on their experience in-country and elsewhere. IFAD will provide technical guidance and monitor the performance of the community banks in the provision of lending facilities to farmers and other stakeholders under this project. The development partners and Government will undertake joint implementation support missions on a bi-annual basis to provide guidance to project implementation teams.

### **Implementation Arrangements for Component A**

45. While overall coordination of this component rest with the PCU, the specific management/implementation of Sub-Component A.1 will be undertaken by a Fund Manager who will be recruited in the open market by the Government to manage the SLADF. A technical team with expertise in private equity funds, venture capital, impact investment, and agricultural investment funds will support GoSL on the selection of the Fund Manager. The Fund Manager will disburse to eligible agribusinesses selected on the basis of their proposals to support out-grower arrangements with smallholder producer groups. The Fund Manager will report directly to the Advisory Committee and the PCU on the operations of the SLADF. In order to coordinate the

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<sup>17</sup> World Bank funded projects in the agricultural sector in Sierra Leone have been implemented by a single Project Coordination Unit (PCU) since 2011. This existing PCU will also coordinate the implementation of this project.



SLADF activities through the overall Annual Work Plan and Budget for the entire project, the Fund Manager will submit its work plan to the PCU, so that it can be incorporated into the annual work plan and budget of the project, together with annual workplans and budgets for the other components. The implementation arrangements and structure of the SLADF are presented in Annex 2 and 7, respectively. The PCU will directly implement Sub-Component 1B.

### **Implementation Arrangements for Component B**

46. The Sierra Leone Road Authority (SLRA) will be the implementation agency for the market access improvement sub-component (component B.1) with an oversight function by Ministry of Works, Housing and Infrastructure (MWHI) through the National Feeder Roads Committee (NFRC). The PCU will be the ‘lifeline’ link to funding SLRA and will monitor SLRA’s performance with agreed action plans, available budget, safeguards and other Bank requirements. The SLRA will submit periodic progress reports on the sub-component to the PCU as defined in the Project Implementation Manual (PIM). The detailed arrangement, roles and responsibilities of the institutions will be laid out in the PIM. Following lessons from previous projects, the PIM will also have simplified performance indicators and standard reporting formats that SLRA will follow.

### **Implementation Arrangements for Component C**

47. The PCU will provide overall coordination for the implementation of capacity building activities under component 3. The PCU will closely consult with all the identified MDAs and non-state institutions to formulate and appraise their sub-projects in line with the agreed activities. The activity plans will be formulated, appraised and approved as part of the Annual Work Plan and Budgets (AWPB). The PCU will disburse funds to the MDAs and non-state institutions based on the agreements in the approved AWPB. The PCU will monitor implementation, and be responsible for fiduciary oversight to ensure that funds are used for the approved activities.

### **Financial Management and Disbursement Arrangements**

48. The Bank conducted a Financial Management (FM) assessment of the PCU of the MAFFS to determine whether the existing and planned FM systems of the project in the PCU of the MAFFS meet the Bank’s minimum requirements for the administration of projects funds under OP / BP 10.00. The PCU is headed by a Project Coordinator who is responsible for ensuring the overall direction of the work at the Unit. Under the direction and supervision of the Project Coordinator, the entire PCU accounting team made of a qualified accountant, a Project Accountant and a number of support staff is responsible for all the day-to-day financial management functions of all the IDA funded projects in the agriculture sector in Sierra Leone that also works with decentralized entities.

49. The PCU has satisfactory planning and budgeting, accounting, internal controls, financial reporting and external auditing processes in place that will support the effective and efficient utilization of resources for the proposed project. Although the current capacity of the PCU is adequate to manage the FM arrangements of existing projects in their portfolio, there would be need for one incremental FM staff member to boost the Unit’s capacity to add on this project to the

list of projects it manages from the fiduciary angle. This additional staff should be recruited before project effectiveness to ensure that there is ample readiness to commence the project's implementation as soon as it becomes effective. The related operational costs of maintaining the staff during the life of the project, including computer hardware, stationery, mailing withdrawal applications, and printing project FM reports should form part of the costs that the project shall bear.

50. The PCU will open two US\$ denominated Designated Accounts (DA) at a commercial Bank approved by the Bank. The project will use report-based disbursements through the submission of quarterly Interim Financial Report (IFRs) on the sources and uses of project funds. A forecast of the first 6 months expenditures will form the basis for the initial withdrawal of funds from the Credit, and subsequent withdrawals will equally be based on the net cash requirements. The project will follow a cash basis of accounting and financial reporting and will submit, within 45 days of each Government of Sierra Leone (GoSL) fiscal quarter, quarterly IFRs of the project activities. At a minimum, the constituents of the IFRs will be: (a) A statement of sources and uses of funds for the reported quarter and cumulative period from project inception, reconciled to opening and closing bank balances, (b) A statement of uses of funds (expenditures) by project activity/component, comparing actual expenditures against budget, with explanations for significant variances for both the quarter and cumulative period, and (c) Designated Account Reconciliation Statement.

51. The annual audited financial statements of the project shall be submitted to IDA within 6 months of the end of the GoSL's fiscal year (i.e. by June 30 each year). The external auditors will conduct annual audit of the project financial statements on agreed terms of reference with the World Bank. The project team will be better advised to start recruitment of external auditors within two months of project effectiveness.

52. Based on the assessment conducted, the overall FM risks were rated as 'High' before mitigation. If the planned risk mitigation measures are properly implemented, the residual FM risk is anticipated to be rated as 'Substantial.' A detailed description of the FM assessment is included in Annex 3.

### **Procurement Arrangements**

53. The project has prepared an 18-month Procurement Plan that has been reviewed and approved by the Bank at appraisal and agreed upon with the Borrower during the negotiations. The summary of the Procurement Plan is presented in Annex 3. Procurements to be done through the SLADF will be coordinated by the Fund Manager in order to ensure the achievement of the objectives of the Fund. However, procurement for the proposed project would be carried out in accordance with the World Bank's Guidelines on: (i) Procurement of Goods, Works, and non-Consulting Services Under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 and revised July 2014; (ii) Selection and Employment of Consultants Under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 and revised July 2014; and (iii) Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" dated October 15, 2006 and revised in January, 2011; and the provisions stipulated in the Legal Agreement. The agreed Procurement Plan will be available in the project's database with a summary disclosed on the

Bank's external website once the project is approved by the Board. The Procurement Plan will be updated annually in agreement with the Project Team, as frequently as required to reflect the actual project implementation needs and improvements in institutional capacity.

54. Procurement of the feeder roads rehabilitation will be handled at the district by a joint committee comprising the PCU, SLRA, local Council and MAFFS district civil engineers. All other procurements will be handled by the PCU on behalf of the project implementing MDAs and non-state institutions.

## **B. Results Monitoring and Evaluation**

55. The responsibility for results monitoring and evaluation will rest with the PCU. The PCU will prepare monthly monitoring tables and quarterly progress reports. The results framework, including the Annual Work Plan and Budget, Financial Management Plan and overall Procurement Plan have been designed during project preparation and form part of the Project Implementation Manual (PIM). The PIM includes all periodic reporting, monitoring and evaluation arrangements throughout the project cycle. In collecting the outcome indicators relating to indicators in the results framework, the PCU will liaise with relevant institutions such as the Statistics Bureau of Sierra Leone, the Bank of Sierra Leone and the relevant division responsible for Policy, Monitoring and Evaluation and Statistics in MAFFS and the other sector ministries. The PCU will coordinate the collection of periodic data on outcome and intermediate outcome, output and input data as described in the Results Framework (Annex 1).

## **C. Sustainability**

56. Two main factors have been identified to affect the sustainability of the project activities and outcomes: Coordination issue given the many institutions involved, and the limited capacity to sustain the activities beyond the project support. The Government will involve all key institutions, including the private sector agribusinesses and producer organizations in the implementation of this project. Government will also ensure the implementation of necessary policy and institutional reforms which will support smallholder commercialization and agribusiness development in Sierra Leone. The project will endeavor to build the necessary capacity at all levels to ensure that improvements among smallholder farmers towards commercialization are sustained.

## **V. KEY RISKS AND MITIGATION MEASURES**

57. The risk of project coordination failure, especially among the sector ministries and between sector ministries, state and non-state institutions and the private agribusinesses and producer organizations is very critical. Many development projects fail to achieve results because the implementation is not properly coordinated. This risk will be mitigated by ensuring that there is a dedicated team of staff responsible for coordinating project implementation. Secondly, the setting-up of the financing facilities will be different between public and private sector implementing entities. Thirdly, there will be a proper matching of the financial products and the challenges faced by each group of beneficiaries. A demand and supply-side assessment will be undertaken to ensure that the real challenges are well understood and matched with the available project support.

58. Another potential risk is the possibility of elite capture and rent-seeking which might undermine optimal targeting of project support to the intended beneficiaries. To mitigate this risk, the project will strengthen the fiduciary oversight functions (procurement, financial controls – internal and external audits, spot technical audits). Also, in order to raise the capacity of beneficiaries and the community at large to demand accountability from project implementers, social accountability tools will be employed to strengthen project monitoring.

59. Given the involvement of agribusinesses, the project may be affected by the inherent (or potential) issues related to land acquisition by the agribusinesses. However, this project will examine in detail the land acquisition processes undertaken by all the prospective agribusinesses through a land acquisition audit to ensure that they are consistent with the responsible agribusiness investment.<sup>18</sup> All cases with existing open or potential problems with communities will be ineligible to participate in this project. Secondly, given the focus on out-grower arrangements, this project will help avert any further conflicts over land because the out-growers will be making productive use of their land.

60. The other critical risk is the threat to the success of the project due to low productivity which will result in farmer's defaulting on their contractual obligations. Furthermore, any negative effects on productivity, including side-selling of commodities, will affect the operations of the agribusinesses, therefore undermining the performance of the out-grower schemes. This may be due to lack of appropriate production technologies, skills, commodity markets and non-conformity to contractual obligations. This will be mitigated through direct interventions in technology support, capacity building, sensitization and awareness of both producers and agribusinesses, and strengthening of commodity markets through forging win-win supply contracts between producers and agribusinesses. The success of the supply contracts depends on many factors, such as prices, the cost of services provided under the contracts, and legal framework for contract enforcement. Potential risks which are likely to emerge with the proposed project will be fully assessed and mitigation measures instituted. During the preparation of the Systematic Operational Risk Rating Tool (SORT), some of these broader risks have been anticipated in order to develop effective mitigation or risk management plans. The key risks identified at this stage are summarized in Table 4. **The overall risk rating is Substantial (S).**

61. There are also some risks in piloting of the Output and Performance-based Road Contract (OPRC). The OPRC concept requires change in culture and transfer of risks to the party that can bear such risks. However, there is always fear and sometimes apathy when a new concept is introduced. The Asset Management Strategy study is expected to highlight the strength and weaknesses in the capacity of construction industry in Sierra Leone. It is also expected to assess the level of risks that can be transferred to the contracting entity in Sierra Leone, and the level of service for the respective categories of roads. The bidding document will be developed suitable to Sierra Leone environment. For instance, a key risk factor on any project is transparency during monitoring and supervision and payment processing. Biased monitoring and supervision will have severe implications on the road conditions and subsequently on the transport cost savings for

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<sup>18</sup> Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security. FAO, Committee on World Food Security, 2012; Principles for Responsible that Respects Rights, Livelihoods and Resources (FAO, IFAD, UNCTAD, WB). 2010- Extended Version.

farmers, transporters and traders.

**Table 4 - Systematic Operations Risk- Rating Tool (SORT)**

<b>Risk Category</b>	<b>Rating</b>
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other	
<b>OVERALL</b>	Substantial

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

62. The main project benefits have been estimated based on the: (i) increased farmer productivity through the improved varieties of commodities as well as capacity building support; (ii) improved access to markets as a result of the off-take linkage arrangements with buyers/agribusinesses and the provision of rehabilitated feeder roads linking farmers to markets. There are other benefits mainly related to social, institutional, capacity building aspects of the project support which are mostly long-term and not easily quantifiable. These have largely not been included in the analysis.

63. Critical constraints to the development of the private sector development such as market failures that inhibit agricultural sector growth, inadequate agricultural research and development and extension services including public assets such as feeder roads and rural infrastructures are public investments that the private sector has no economic incentive to provide in Sierra Leone. Government investment is therefore justified to address these key constraints. The value-added from the World Bank involvement, apart from the financing, is the technical inputs to blend public investments with innovative design features, such as facilitating the business linkages between farmers and agribusinesses, and financing the provision of technical advisory services required to raise productivity and competitiveness, which are the pre-requisites for smallholder commercialization. The blending of public investments and World Bank's value-added are key to mitigate the risks that can affect the economic and financial viability of such a project.

64. The *ex-ante* economic analysis mainly based on the out-grower schemes for cocoa, oil palm, rice and poultry as well as the market access serve as an indicator of the economic viability of the project given that together they take up over 75 percent of the overall project investment

costs. The analysis was prepared using the data collected by consultants hired as part of the project preparation team.<sup>19</sup> This *ex-ante* analysis was thorough in terms of the out-grower activities for all the commodity value-chains. Detailed consultations were done with the stakeholders to validate the results of the various out-grower scheme models.

65. The total direct beneficiaries under the out-grower models is over 42,000 farmers, including those who will be directly employed by the agribusinesses (estimated at over 7,500). Through the replanting on already existing smallholder plantations for cocoa and oil palm, it is expected that the yields for both commodities will significantly improve, thereby resulting in significant improvement in incomes.

66. The aggregated internal rate of return for the project (including mostly the commodity-based out-grower schemes) activities under component 1 was estimated at 39.1 percent<sup>20</sup> and the discounted Net Present Value (NPV) is US\$66.5 million (see Table 5). The highest returns are obtained from poultry (eggs and broilers) with rates of return above 50 percent. Returns to the oil palm out-grower scheme with replanting of existing plantations and mechanized rice production are the lowest at 25 - 29 percent mainly due to the long-term nature for oil palm benefits, and relatively high start-up costs. The total number of farmers benefiting from the oil palm out-grower scheme is also limited due to the high establishment costs. This implies that for the project to remain economically viable, there is need to maintain the diversity in terms of the commodity value-chains. It is also important to note that these estimated returns are likely to understate the overall economic viability because many of the social benefits of the project such as employment and skills as well as access to other social amenities have not been accounted for in the analysis because of valuation challenges.

Table 5: Summary of estimated project rates of return

	Internal Rate of Return (%)	Modified Internal Rate of Return*	Discounted NPV (US\$)
Oil palm (Random Planting) <sup>a</sup>	25%	17%	4,544,645
Oil Palm (Block Planting) <sup>b</sup>	45%	23%	15,094,666
Cocoa (Improved Traditional) <sup>c</sup>	39%	20%	3,176,417
Cocoa (Modern) <sup>d</sup>	40%	20%	12,543,676
Poultry (Broilers) <sup>e</sup>	50%	31%	1,504,215
Poultry (Layers) <sup>f</sup>	64%	37%	2,543,647
Rice (Mechanized Cultivation) <sup>g</sup>	29%	8%	22,170,707
Poultry (Maize Feed) <sup>h</sup>	46%	10%	4,922,564
<b>TOTAL</b>	<b>39.1%</b>	<b>18.8%</b>	<b>66,500,536</b>

\* Modified internal rate of return for a series of periodic cash flows which considers both the cost of the investment and the interest received on reinvestment of cash @12%

<sup>19</sup> Dr. Dunstan Spencer (Agricultural Economist) and Dr. John Terry (Livestock Specialist).

<sup>20</sup> Detailed assumptions are contained in the last section of the Annex 6.

- a. Oil palm out-grower scheme involving 7,000 direct beneficiaries, replanting about 2,000 hectares of their existing plantations with improved planting materials
- b. Oil palm out-grower scheme involving 7,000 direct beneficiaries, planting about 2,000 hectares of new plantations with improved planting materials in bush regrowth areas
- c. Cocoa out-grower scheme involving 4,500 direct beneficiaries, replanting about 1,000 hectares of their existing plantations with improved planting materials.
- d. Cocoa out-grower scheme involving 4,000 direct beneficiaries, planting about 1,000 hectares of new plantations with improved planting materials in bush regrowth areas
- e. Poultry (broilers) out-growers scheme involving 600 direct beneficiaries
- f. Poultry (layers) out-growers scheme involving 600 direct beneficiaries
- g. Rice out-grower scheme involving 8,448 direct beneficiaries, planting a cumulative total of 42,240 hectares with new improved varieties using improved cultural practices.
- h. Maize out-grower scheme involving 2,600 direct beneficiaries planting 5,200 hectares to supply the feed mills of the existing poultry agribusinesses.

67. The project is likely to have considerable positive fiscal impacts (estimates of magnitudes not determined because of lack of reliable data). The project is likely to improve rural livelihoods by providing increased incomes from improved agricultural yields and sales as well as short to medium-term employment opportunities to over 50,000 people over 5 years.<sup>21</sup> The out-grower schemes are likely to transform most of the participating smallholder farmers from subsistence to commercialized entities capable of taking care of their families and paying their taxes to the Government. This is likely to have positive impacts on poverty reduction, particularly in the areas which will directly benefit from the out-grower schemes across the country. Furthermore, the without project scenario has obvious potential economic consequences arising from poverty and deprivation, particularly among those farmers living next to agribusinesses. This is likely to worsen the attendant negative consequences in a relatively fragile socio-economic environment, which has been exacerbated by the effects of the Ebola epidemic.

68. Rural / Feeder Road investments. The feeder roads to be included in the project have not been identified. These investments are expected to focus on agribusiness areas for which economic analysis based on vehicle operating cost savings is not appropriate. Instead, the roads selected for inclusion in this component will be prioritized according to the Agribusiness layout that will be part of the project in districts with size of the population that would gain access through the proposed roads. This approach is expected to maximize the performance of Agribusinesses and increase the number of rural people with access to an all-weather road and the markets, social services and poverty reduction benefits. For the selected roads, a cost effectiveness approach will be used in the design of the rehabilitation interventions. The designs will also be formulated around performance-based contract method, with the option to use labor based technology for maintenance, both for sustainability and employment generation.

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<sup>21</sup> Over 50,000 farm households will benefit from this project including about 10,000 additional households benefiting from the market access improvement; over 42,000 households directly benefiting from the out-grower schemes built around the four commodity value-chains. Others will benefit from direct employment and/or capacity building support.

## **B. Technical**

69. The institutional framework for project implementation is likely to face capacity challenges consistent with the post-conflict status of Sierra Leone. Furthermore, capacity challenges are likely to be exacerbated by the Ebola epidemic which has affected this country since 2014 and has resulted in reduced growth prospects and declining human capacity. The project will identify specific technical assistance (TA) to be provided to producers and agribusinesses in line with their needs to succeed under the project. Furthermore, a lot of effort and resources under component 3 will be provided to build the capacity of the producers, SMEs, MDAs and non-state institutions responsible for providing relevant services for smallholder commercialization and agribusiness development. Depending on the context and challenges identified, the capacity building support will be provided through the private sector service providers, non-governmental organizations and public service providers.

70. The approximate 500-600 km of the rural/feeder road infrastructure to be rehabilitated have yet to be identified. However, the identification of the particular roads will follow the procedures established in Annex 2 based on the identified agribusiness areas. The design and specifications for the rural road works will be in accordance with Feeder Roads Policy and Output and performance-based road contract (OPRC).

## **C. Financial Management**

71. Financial management will be undertaken through the PCU's Financial Management Specialist who will be responsible for ensuring that: (i) project funds are used only for the intended purposes in an efficient and economical way; (ii) accurate, reliable and timely periodic financial reports are prepared and submitted; (iii) the safeguarding of the entity's assets; and (iv) adequate fiduciary assurances are provided through an independent audit of the project. Other detailed financial management functions and risk mitigation arrangements are provided under Annex 3 and Annex 4 on strengthening the accountability framework.

## **D. Procurement**

72. **Procurement will be managed within the context of the Public Procurement Act, which incorporates many features that meet international best practices in public procurement.** A National Public Procurement Authority (NPPA) was created to manage the public procurement function, and it has significantly advanced the reform of the national public procurement system, e.g., by creating regulations, standard bidding documents and requests for proposals, and user manuals to implement the PPA. Procurement under the project will be done by PCU on behalf of the different implementing agencies that are responsible for implementing components of the project. PCU has been implementing two other Bank funded projects and has adequate capacity and experience with Bank procurement procedures.

73. **The procurement risk is considered to be substantial:** Even though the PCU procurement capacity is adequate, given that they have enough experience in procurement procedures of World Bank and National procurement procedures, the procurement risk is considered to be substantial because the project will be working with different implementing



agencies that may not have capacity in procurement and contract management. As risk mitigation measures, continued capacity building will be required for the procurement team on the World Bank procurement procedures, and a Procurement Committee will be established to handle procurement processes. Procurement internal control mechanisms in line with NPPA regulations will be established and should include at least a procurement unit, an evaluation committee and a review committee on large tenders above a threshold that will be discussed and agreed upon. A detailed risk mitigation action plan is highlighted under Annex 3 on procurement arrangements.

#### **E. Social (including Safeguards)**

74. The project activities under components 1 and 2 will require some rural road works and agricultural production activities and although there will be no involuntary resettlement as a result of the project, the project has still triggered the World Bank Safeguard Policy on Involuntary Resettlement (OP/BP 4.12). Under the Environmental and Social Management Framework (ESMF), a Resettlement Policy Framework (RFP) has been prepared and disclosed both in Sierra Leone as well as at the World Bank Info-shop before project appraisal.<sup>22</sup>

#### **F. Environment (including Safeguards)**

75. The Environmental Category assigned to this project is B (Partial), since it is expected that environmental and social impacts will be moderate and in most cases manageable. The likely environmental and social impacts as well as the mitigation measures have been developed through the detailed ESMF which has been undertaken as part of project preparation. Where required after further assessments, other safeguard instruments with mitigation measures will be put in place to address any potential or real negative social and environmental impacts.

76. The project has also triggered five Environmental Policies (Environmental Assessment OP 4.01, Natural Habitat OP 4.04, Pest Management OP 4.09, Physical Cultural Resources OP 4.11 and Forests OP 4.36). The Environmental Assessment OP 4.01 was triggered to address expected impacts from agricultural activities as well as the rehabilitation and routine maintenance works on the farmlands access routes for which an ESMF has been prepared to guide the implementation of the project. Natural Habitat OP 4.04 has been triggered on a precautionary basis to address the likely impact on natural habitats for which a screening checklist provided as part of the ESMF will act as the first management tool. OP 4.09 has been triggered from the likely usage of pesticides for which an Integrated Pest Management Plan (IPM) has been provided in the ESMF to address pest management issues under the project.

77. The project has also triggered OP4.11 (Physical Cultural Resources) out of precaution in order to have a management framework in place in case of chance-finds during road rehabilitation works. A Physical Cultural Resources Plan will be prepared (as part of the ESMF) to provide the framework for managing this. OP4.36 (Forests) has been triggered because some project activities may spill into secondary forests, given that shifting cultivation is prevalent in Sierra Leone.

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<sup>22</sup> Safeguard documents submitted for Info-shop disclosure on December 9, 2015. In-country disclosure was done on December 12, 2015.

However, all production activities, including replanting will occur on existing farms and plantations.

Table 6: Safeguard Policies triggered by Project

Safeguard Policies Triggered by the Project	Yes	No
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	x	
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	x	
Pest Management ( <a href="#">OP 4.09</a> )	x	
Physical Cultural Resources (OP/BP 4.11)	x	
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	x	
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )		x
Forests ( <a href="#">OP/BP 4.36</a> )	x	
Safety of Dams ( <a href="#">OP/BP 4.37</a> )		x
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*		x
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )		x
Piloting the Use of Borrower Systems to Address Environmental and Social Issues in Bank-Supported Projects (OP/BP 4.00)		x

## G. Grievance Redress Mechanisms

78. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported Project may submit complaints to existing Project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address Project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)

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\* *By supporting the proposed Project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas.*

## Annex 1: Results Framework and Monitoring

### Sierra Leone: Smallholder Commercialization and Agribusiness Development (P153437) Results Framework

Project Development Objectives											
<p><b>PDO Statement:</b> The project development objective is to promote smallholder commercialization by fostering productive business linkages between smallholder farmers and selected agribusiness firms and other commodity off-takers in Sierra Leone.</p> <p><b>These results are at</b> <span style="border: 1px solid black; padding: 2px;">Project Level</span></p>											
Project Development Objective Indicators											
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				2017 Year 1	2018 Year 2	2019 Year 3	2020 Year 4	2021 Year 5			
Increase in yield of targeted commodities by direct project beneficiaries (mt/ha), disaggregated by gender	<input type="checkbox"/>										
Of which rice	<input type="checkbox"/>	Mt/ha	2.01	2.01	2.5	2.8	3.1	3.4	Yearly	M&E system	MAFFS/PCU
Of which cocoa	<input type="checkbox"/>	Mt/ha	0.41	0.41	0.45	0.5	0.55	0.6	Yearly	M&E system	MAFFS/PCU
Of which Oil Palm	<input type="checkbox"/>	Mt/ha	76	76	76	76	80	104	Yearly	M&E system	MAFFS/PCU
Of which poultry/poultry products	<input type="checkbox"/>	Number	500	500	700	800	900	1,000	Yearly	M&E System	MAFFS/PCU
Other		TBD	TBD								
Increase in marketed volumes and values of commodities by producer organizations to agribusinesses,	<input type="checkbox"/>	Percentage									

percent compared to baseline, disaggregated by gender												
Of which rice	<input type="checkbox"/>	Volume (mt) Value(Le)	0%	2%	4%	6%	8%	10%	Yearly	M&E system, surveys	MAFFS/PCU	
Of which cocoa	<input type="checkbox"/>	Volume (mt) Value(Le)	0%	2%	4%	6%	8%	10%	Yearly	M&E system, surveys	MAFFS/PCU	
Of which palm oil	<input type="checkbox"/>	Volume (mt) Value(Le)	0%	2%	4%	6%	8%	10%	Yearly	M&E system, surveys	MAFFS/PCU	
Of which poultry/poultry products	<input type="checkbox"/>	Volume (#) Value(Le)	0%	2%	4%	6%	8%	10%	Yearly	M&E system, surveys	MAFFS/PCU	
Other		TBD								M&E system. surveys	MAFFS/PCU (baseline and indicative annual targets to be defined when other commodities are identified - six months after effectiveness).	
Total direct project beneficiaries (number), of which female (%)	<input checked="" type="checkbox"/>	Number	0	5,000	8,000	20,000	30,000	50,000	Yearly	M&E system	MAFFS/PCU	
Of which female	<input checked="" type="checkbox"/>	Percentage Sub-type Breakdown	0	40%	40%	40%	40%	40%	Yearly	M&E system		
<b>Intermediate Results Indicators</b>												
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	
				2017 Year 1	2018 Year 2	2019 Year 3	2020 Year 4	2021 Year 5				
<b>Component I: Support to Agribusiness-Farmer Linkages and SMEs Along Selected Agricultural Value Chains</b>												
Number of Commodity (oil palm, cocoa, rice and poultry and potential new value chains)		Number	0	15	40	75	85	100	Semi-annually	Semi-annual reports	MAFFS/PCU	

Out-grower schemes established by SLADF <sup>23</sup> and are functional											
Number of Post-harvest or processing facilities constructed or rehabilitated for Farmer Organizations	<input type="checkbox"/>	Number	0	5	10	30	40	50	Yearly	Annual Report	MAFFS/PCU
Existing APEX Bank fully recapitalized		(%)	0	20%	40%	60%	80%	100%	Yearly	Annual	MAFFS/PCU
Number of Producer Organizations receiving financing from APEX Bank		Number	0	50	80	120	150	150	MTR and closing	Report	MAFFS/PCU
Number of Producer Organizations members trained on agribusiness skills		Number	0	1,050	2,250	3,000	3,750	4,500	Yearly	Annual Report	MAFFS/PCU
Area (ha) under improved planting materials, of which are:											
Rice		Hectares	0	1000	5000	10000	15000	17,280	Yearly	Annual Report	MAFFS/PCU
Palm oil		Hectares	0	500	1000	2000	3000	4,000	Yearly	Annual Report	MAFFS/PCU
Cocoa		Hectares	0	500	1000	1500	2300	3,240	Yearly	Annual Report	MAFFS/PCU
Others		TBD								Annual Report	MAFFS/PCU (baseline and indicative annual targets to be defined when other commodities are identified - six months after effectiveness).

<sup>23</sup> Sierra Leone Agribusiness Development Fund: Here we assume that if the fund has successfully provided support to the out grower scheme, then it has been established.

Number of deals or off-take arrangements negotiated and successfully delivered by producer organizations		Number	0	100	160	240	300	400	Yearly	Annual reports	PCU
Improved seed and planting materials provided to Farmer-based Organizations (FOs)	<input type="checkbox"/>										
Of which rice	<input type="checkbox"/>	Metric tons Sub-type Breakdown	0	1,000	2000	3000	4000	5,000	Yearly	Annual reports	MAFFS/PCU/SLARI
Of which cocoa	<input type="checkbox"/>	Number of seedlings	0	1,000	2000	3000	4000	5000	Yearly	Annual reports	
Of which palm oil	<input type="checkbox"/>	Number of seedlings	0	1,000	2000	3000	4000	5000	Yearly	Annual reports	
Of which poultry	<input type="checkbox"/>	Number of day-old chicks	0	2,000	5,000	7,500	9,000	10,000	Yearly	Annual reports	
Others		TBD							Yearly	Annual Report	Baseline and indicative annual targets to be defined when other commodities are identified - six months after effectiveness)
<b>Component II: Market Access Improvement</b>											
Rural roads constructed/rehabilitated	<input checked="" type="checkbox"/>	Kilometers	0	50	200	300	400	500	Yearly	Annual reports	MAFFS/PCU/SLRA
Time taken to transport goods to the nearest market reduced by 20%	<input type="checkbox"/>	Time/Km	1hr/km	20%	20%	20%	20%	20%	Yearly	Annual Report	MAFFS/PCU/SLRA

after the rehabilitation of feeder roads											
Percentage in Fair and Good Feeder Roads		%	66	61	62	63	64	65	Annual	Annual Report	SLRA
Cost Recovery O&M Feeder Roads		%	32	33	35	37	38	41	Annual	Annual Report	RMFA
Increase in cumulative transportation cost-savings		US\$ (000)				6,750		20,550		Mid Term Review	MAFFS/PCU/SLRA
Real farm gate prices increase by at least 10% for the selected value chains of the targeted beneficiaries:	<input type="checkbox"/>	Price/Kg	0	10%	10%	10%	10%	10%	Yearly	Annual Report	MAFFS/PCU/SLRA
Rice	<input type="checkbox"/>	Price/Kg	0	10%	10%	10%	10%	10%	Yearly	Annual Report	MAFFS/PCU
Cocoa	<input type="checkbox"/>	Price/Kg	0	10%	10%	10%	10%	10%	Yearly	Annual Report	MAFFS/PCU
Palm oil	<input type="checkbox"/>	Price/Kg	0	10%	10%	10%	10%	10%	Yearly	Annual Report	MAFFS/PCU
Others		Price/Kg	0	10%	10%	10%	10%	10%	Yearly	Annual Report	MAFFS/PCU
Percentage increase in annual sales volumes for the targeted commodities produced by the producer groups.	<input type="checkbox"/>	%/year	0	2%	5%	10%	15%	20%	Yearly	Annual Report	MAFFS/PCU
Rice	<input type="checkbox"/>	%/year	0	2%	5%	10%	15%	20%	Yearly	Annual Report	MAFFS/PCU
Cassava	<input type="checkbox"/>	%/year	0	2%	5%	10%	15%	20%	Yearly	Annual Report	MAFFS/PCU
Cocoa	<input type="checkbox"/>	%/year	0	2%	5%	10%	15%	20%	Yearly	Annual Report	MAFFS/PCU
Others		%/year	0	2%	5%	10%	15%	20%	Yearly	Annual Report	MAFFS/PCU
<b>Component III: Capacity Building support for state and non-state institutions and producer organizations</b>											

Number of Long-term trainings provided to respective stake holders contributing to the project (M.Sc and PhDs)											Ministry of Trade, Ministry of Agriculture, SLARI, SLeCAD, SLIEPA
M.Sc	Number	0	10	20	20	20	20	Yearly	Annual Report	MAFFS	
PhD	Number	0	2	2	2	2	2	Yearly	Annual Report	SLARI	
Number of Short Term Trainings provided to respective stakeholders contributing to the project.	Number	0	5	10	15	20	20	Yearly	Annual Report	Ministry of Trade, Ministry of Agriculture, SLARI, SLeCAD, SLIEPA	
Client days of training provided - Female (number) (Number - Sub-Type: Breakdown) - (Core)	Days	0	100	200	300	400	500	Yearly	Annual Report	Ministry of Trade, Ministry of Agriculture, SLARI, SLeCAD, SLIEPA	
<b>Component IV: Project coordination, monitoring and evaluation</b>											
Procurement and FM activities executed in conformity with the timing of the procurement plan, the implementation manual, and IDA procedures	Yes/No	N	Y	Y	Y	Y	Y	Yearly	Annual Report	PCU	
Project reports presented within 45 days of the end of the relevant period	Yes/No	N	Y	Y	Y	Y	Y	Yearly	Annual Report	PCU	
A harmonized M&E system is established and operational for data collection, analysis, and reporting	Yes/No	N	Y	Y	Y	Y	Y	Yearly	Annual Report	PCU	



Disbursement rate of project funds		100%	30%	45%	50%	75%	85%	100%	Yearly	Annual Report	PCU
Beneficiary feedback/citizen engagement is satisfactory		% satisfied	0%		80%			90%		Beginning, MTR and end of project assessments	PCU

### Indicator Description

#### Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Increase in yield of targeted commodities by direct project beneficiaries (mt/ha), disaggregated by gender	Metric tons per hectare for crops and respective yield estimates of new value chains (Yield/Productivity Measurement)	Annual	M&E system Crop Area Measurement and Yield Studies (crop cutting)	MAFFS (PEMSD) PCU
Increase in marketed volumes and values of commodities by producer organizations to agribusinesses,	Percentage increase in volumes (measured in tons) and Values (measured in LCU) over the baseline. Respective units would be determined for new value chains	Annual	MAFFS PCU Market Survey/Special Studies	MAFFS PCU
Total direct project beneficiaries (number), of which female (%)	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.	Annual	MAFFS PCU M&E System Impact Assessment/Beneficiary perception	MAFFS PCU
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.	On the Spot Check of Beneficiary list. No description provided.	No description provided. Base line survey	No description provided. MAFFS/PEMSD

#### Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data
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				<b>Collection</b>
Post-harvest or processing facilities constructed or rehabilitated	Number of Post-harvest or processing facilities constructed or rehabilitated	Annual	M&E system ( Routine Monitoring and Periodic Evaluation)	MAFFS PCU
Rural roads constructed/rehabilitated	Total number of Kilometers of all rural roads reopened to motorized traffic, rehabilitated, or upgraded under the project. Rural roads are roads functionally classified in various countries below Trunk or Primary, Secondary or Link roads, or sometimes Tertiary roads. Such roads are often described as rural access, feeder, market, agricultural irrigation, forestry or community roads. Typically, rural roads connect small urban centers/towns/settlements of less than 2,000 to 5,000 inhabitants to each other or to higher classes of road, market towns and urban centers.	Annual	M&E System (Routine Monitoring and Periodic Evaluation)	MAFFS PCU and SLRA
Number of Commodity (oil palm, cocoa, rice, poultry and new value chains) Out-grower schemes established by SLADF and are functioning	Number of commodity Out-grower schemes established by SLADF and are functioning	Annual	M&E System (Routine Monitoring and Evaluation)	MAFFS PCU and SLADF FM
APEX Bank recapitalized	APEX Bank recapitalized (Community Banks and Financial Service Associations) Portfolio, Number and Amount of Agriculture Loan	Annual Quarterly	APEX Bank and Project M&E System	MAFFS PCU
POs receiving financing from ADF or APEX Bank	Number of Producer Organizations receiving financing from ADF or APEX Bank	Annual	M&E System	MAFFS PCU
Number of Producer Organizations' members trained on agribusiness skills	Number of Producer Organizations' members trained on agribusiness skills	Annual Quarterly	M&E System	MAFFS PCU
Area (ha) under improved planting materials, (of which, oil palm, cocoa and rice)	Total Area (ha) under improved planting materials, (of which, oil palm, cocoa and rice)	Annual	M&E System	MAFFS PCU
Improved seed and planting	Amount of Improved seed and planting	Annual	M& E System	MAFFS PCU

materials provided to Farmer-based Organizations (FOs)	materials provided to Farmer-based Organizations (FOs)	Quarterly		
Client days of training provided (number)	This indicator measures the number of client days of training provided i.e. the number of clients who completed training multiplied by the duration of training expressed in days.	Annual On going	M&E System	MAFFS PCU
Number of deals or off-take arrangements negotiated and successfully delivered by producer organizations	Number of deals or off-take arrangements negotiated and successfully delivered by producer organizations. Measures the quality of capacity building provided to the producer organizations	Annual On going	M&E System	MAFFS PCU
Time taken to transport goods to the nearest market reduced by 20% after the rehabilitation of feeder roads	Change in transportation time to markets as a result of the feeder roads rehabilitated.	Annual	M&E System	MAFFS PCU/SLRA
Real farm gate prices increase by at least 10% for the selected value chains of the targeted beneficiaries:	Increase in value of selected value chain crops as a result of Agriculture Market Information System) AMIS.	Annual	M&E System	MAFFS PCU
Percentage increase in annual sales volumes for the targeted commodities produced by the producer groups.	Percentage increase in annual sales volumes for the targeted commodities produced by the producer groups.	Annual	M&E System	MAFFS PCU
Increase in cumulative transportation cost-savings				
Number of Long-term trainings provided to respective stake holders contributing to the project (MScs and PhDs)	Count of Long-term trainings provided to respective stake holders	Annual	M&E System	MAFFS PCU
Client days of training provided - Female (number) (Number - Sub-Type: Breakdown) - (Core)	Client days of training provided to beneficiaries.	Annual Quarterly	M&E System	MAFFS PCU

Number of Short Term Trainings provided to respective stakeholders contributing to the project.	Count of Short Term Trainings provided to respective stakeholders.	Annual	M&E System	MAFFS PCU
Procurement and FM activities executed in conformity with the timing of the procurement plan, the implementation manual, and IDA procedures	Procurement and FM activities executed in conformity with the timing of the procurement plan, the implementation manual, and IDA procedures	Annual	M&E System	PCU
Project reports presented within 45 days of the end of the relevant period	Project reports presented within 45 days of the end of the relevant period	Annual	M&E System	PCU
A harmonized M&E system is established and operational for data collection, analysis, and reporting	Development of a harmonized M&E framework	Annual	M&E System	PCU
Disbursement rate of Project funds	Disbursement Rate	Annual	M&E System	PCU
Beneficiary feedback/citizen engagement is satisfactory	Percentage of beneficiaries satisfied by project activities	Beginning, MTR and end of project	M&E System – beneficiary surveys	PCU

## Annex 2: Detailed Project Description

### Sierra Leone: SMALLHOLDER COMMERCIALIZATION AND AGRIBUSINESS DEVELOPMENT PROJECT

#### A. Conceptual Framework for Project Design

1. The agriculture sector in Sierra Leone faces key market failures that inhibit its growth. These market failures impede productivity, sector development and poverty reduction efforts. Such market failures that limit value chain development include but are not limited to access to finance, access to markets, access to infrastructure and market structures and information asymmetry which leads to market coordination failures. Also critical, particularly among smallholder farmers is the inadequate skills, low level of coordination and organization which invariably raise the cost of doing business with them.

**2. Access to markets:** This is one of the major constraints to the development of the agriculture sector in Sierra Leone and serves as a significant drawback for smallholder commercialization. One of the many factors that inhibit productivity is the lack of access to market. Without access to favorable markets, farmers do not have the incentive to produce at optimal levels beyond the subsistence. In Sierra Leone, like in most of sub-Saharan Africa, farmers lack the motivation or interest in investing in their farms without a favorable market to sell to. Therefore, many just produce for subsistence rather than for commercial purposes. Improving smallholder farmers' access to markets will enable and encourage them to invest in their farms resulting in the production of higher quantity and quality of commodities. Preliminary assessment carried out as part of project formulation indicate that heterogeneities exist amongst the different groups of value chain actors. As such, they will require different approaches of support to link them to the right markets. Therefore, one of the key activities to be supported under the project is to link farmers to markets, either directly to agribusinesses through well-structured out-grower schemes, or to off-takers including institutional buyers (e.g. Sierra Leone Produce Marketing Company, WFP etc.) and agribusinesses. The project is designed to ensure that all interventions in each component ultimately contribute to facilitating the smallholder farmer's access to markets.

**3. Access to finance:** The formal financial market in Sierra Leone largely excludes the smallholder agricultural sector because of their inherent risks, as well as lack of financial products tailored to their needs. Commercial bank loans have an interest rate of 18 percent and Micro Finance Institutions lend at 25 – 30 percent per annum. As such, accessing affordable finance is a major impediment to the growth of the private sector companies. For agribusinesses and smallholder farmers, accessing affordable finance is even more challenging. There is a dire lack of financial products tailored to the agriculture sector which takes into consideration the different crop production cycles. For example, agribusinesses and smallholder farmers in the oil palm value chain would face a great challenge in meeting monthly repayment schedules due to the nature of their product cycle. Such lack of access to affordable finance cripples value chain actors' ability to grow their businesses. It is vital that both government and development partners

work to develop financial systems in Sierra Leone that are able to meet the financial demands of a growing agriculture sector, in order for the sector to reach its full potential.

4. Access to affordable finance allows value chain actors to engage in productivity increasing activities. For the smallholder farmer, being able to access finance at favorable conditions means that they can purchase better quality seeds, fertilizers and other inputs required to achieve productivity growth. Addressing access to finance issues must be done in a way that seeks to support value chains actors by tailoring financial services with the objective of reducing the cost and risk of finance. Having identified this market failure as a major impediment to the growth of the sector, the project aims to address this by offering financing that takes into consideration the needs of the different value chain actors by offering tailored financial services with the objective of reducing the cost and risk of finance. As such, the project will establish the Sierra Leone Agribusiness Development Fund which aims at providing financing – through loans and equity- to agribusinesses and SMEs in the four targeted value chains of the project. The bandwidth of the fund will be varied to meet the needs of the different sizes of agribusinesses and SMEs that operate in Sierra Leone. Similarly, taking into cognizance that smallholder farmers have very different financial needs than that of other value chain actors, the project will capitalize the Apex Bank through which smallholder farmers can access input loans. Smallholder farmer’s engaged in post farm activities, will also be eligible for a matching grant to finance post-harvest activities such as for example, aggregation infrastructure and market information. This matching grant facility will be operated by the Project Coordination Unit which has previous experience in operating and delivering matching grants schemes in past bank projects.

**5. Infrastructure and aggregation facilities:** Although great strides have been made since the end of the 10-year civil war in Sierra Leone, reconstruction and development have been a slow process. This is evident in the very limited infrastructural development especially in rural Sierra Leone. Despite great effort from the government, development partners and agribusinesses to enhance rural infrastructure especially in recent years, there is still a huge gap to be filled in order to meet the needs of rural Sierra Leone. The impact of this has been that farmers’ growth is limited by the lack of infrastructure and market structures in getting their produce to the markets. This is an important constraint to the development of the sector as it makes it challenging and in some cases impossible for farmers to get their produce to markets which ultimately hampers revenue generation and the sector’s ability to impact on poverty reduction. Improving access to markets through rehabilitation and maintenance of critical rural feeder roads, including the provision of support for aggregation structures and market information will be a major focus under the project.

**6. Skills gap:** Another major constraint to the commercialization of smallholder farmers in Sierra Leone has been the lack of skills and knowledge not only in good farming practices but also in business and value-chain development skills. For the smallholder farmers to be able to transition from subsistence farming to commercialized farming, it is crucial that they gain technical training on innovative farming practices and business development skills. A better skilled and capacitated farming population is then able to put in place practices that increase productivity. Similarly, many of the indigenous agribusinesses that can be found in the four selected value chains are in their infancy and could benefit from technical training especially in business and value-chain development skills. The project will address the skills challenge on two

levels. For smallholder farmers in both the out grower model and the farmer aggregation model, technical assistance will be provided by a private sector service company with the relevant country and value chain knowledge that will work with the farmers to capacitate them in areas of good agricultural practices and business development skills. Farmers in the out grower model, may receive additional technical assistance and advice from the agribusiness companies operating the out grower scheme. This technical assistance will be provided as a grant to beneficiary farmers. Agribusinesses will benefit from a technical assistant facility that will be provided by the fund manager. This technical assistance will be tailored to the needs of the business and focused on developing business development skills. Although this TA will be delivered by the fund manager, this will be offered to agribusinesses as a grant facility.

7. The project will provide technical assistance to the Apex Bank to help them in the delivery of innovative financial products to the agriculture sector. Not only do agribusinesses and smallholder farmers lack relevant business development skills, the banking industry in Sierra Leone also seem to have a limited understanding of the agriculture sector and how best to deliver financial products that meet the needs of the sector whilst managing the risks effectively. Given that the project will capitalize the Apex Bank, it is thus important that this intervention is tagged with the adequate technical assistance to ensure the effective management and delivery of project resources. More so, given that the Community Banks and Financial Service Associations managed by the Apex Bank are the closest to farmers in rural Sierra Leone, initiatives to capacitate them will have a long term impact on rural finance beyond the project lifetime.

8. **Coordination and asymmetric information:** Another major market failure in the agricultural sector in Sierra Leone is the lack of coordination amongst different value chain actors which is most notable in the asymmetric information. Agribusinesses are often closer to consumers and as a result are more aware of the needs of the consumers. However, lack of coordination mechanisms in most value chains do not allow this information to filter down to the smallholder farmer at production stage. Consumer requirements are changing. Changing lifestyles and tastes has resulted in demands of higher standards of quality. For example, an agribusiness may be aware that consumers have become increasingly concerned with issues of organic produce and traceability. However, because this information doesn't reach the farmer at production level, they do not make production plans with the needs of the end consumers in mind. The impact of which is that the resulting commodities do not meet the needs of the consumers and in turn, agribusinesses are unable to purchase the produce that do not meet the needs of the market. Asymmetric information is exacerbated by the lack of coordination and organization among smallholder farmers. In Sierra Leone, many value chains lack structure and coordination mechanisms that allow the flow of information to be possible.

9. That said, with the increasing emergence of agribusinesses operating various out grower models and forums such as the Sierra Leone Chamber for Agribusiness Development (SLeCAD), attempts have been made to put some coordination mechanisms in place. However, these vary in effectiveness and do not include the bulk of the actors in the value chains. To address this, the project will seek to build the capacity of institutions such as SLeCAD to strengthen their role as a platform for different value chain actors to convene, exchange ideas and information. Also, the project will finance the establishment and scaling up of out grower schemes which will serve to facilitate better coordination between different value chain actors. Similarly, in the farmer



aggregation model, the Value Chain Development Specialist will be responsible for coordinating and organizing the different actors within the value chain to allow better flow of information, goods and services. Furthermore, where possible, the project will also make use of innovative IT solutions to resolve issues of coordination, organization and asymmetric information which in the long run, will increase productivity.

	Component 1	Component 2	Component 3	Component 4
Market access	X	X	X	
Access to finance	X			
Infrastructure and market structures		X		
Skills gap	X		X	
Coordination and asymmetric information	X		X	X

Table A2.1: The project’s interventions in addressing the identified market failures

### Justification for the choice of models of support under component A

10. A wide variety of business models have been implemented to stimulate inclusive agricultural growth in different contexts. A review of many of these models implemented in sub-Saharan Africa (Ghana, Cote d’Ivoire, Burkina Faso, Kenya, Zambia, Mozambique, Tanzania etc.) shows that such models hold a lot of promise for ensuring the inclusion of smallholder farmers in the emerging supply chains for the ever-growing global demand for food, feed and bio-energy (see for example, Byerlee and Haggblade, 2013)<sup>24</sup>. Smallholder farmers in many contexts of sub-Saharan Africa are a heterogeneous entity, and programs that are meant to promote their inclusion into organized supply chains need to properly segment them into more homogenous entities. Figure A2 shows that smallholder farmers are on a continuum from subsistence farming (Model 0) to some form of organizations (Model 1b to 2a). Successful inclusion of smallholder farmers into organized value-chains depends on them being an organized entity capable of earning the confidence and trust of agribusinesses.

11. This project is designed to address various forms of market failure which constrain smallholder agricultural productivity. These include financial market failure which constrain farmers’ access to credit, market coordination failure which affect farmers’ access to markets, and skills and organizational challenges which increases the transaction cost of working with smallholder farmers. The project will focus on smallholder farmers operating under models 1b, 1c and 2a.

<sup>24</sup> Byerlee, D., and S. Haggblade, 2013. African Food Systems to 2030: Towards Inclusive Business Models. Center on Food Security and the Environment. Stanford Symposium Series on Global Food Policy and Food Security in the 21<sup>st</sup> Century.

**Figure A2: Schematic representation of smallholder out-grower scheme model**

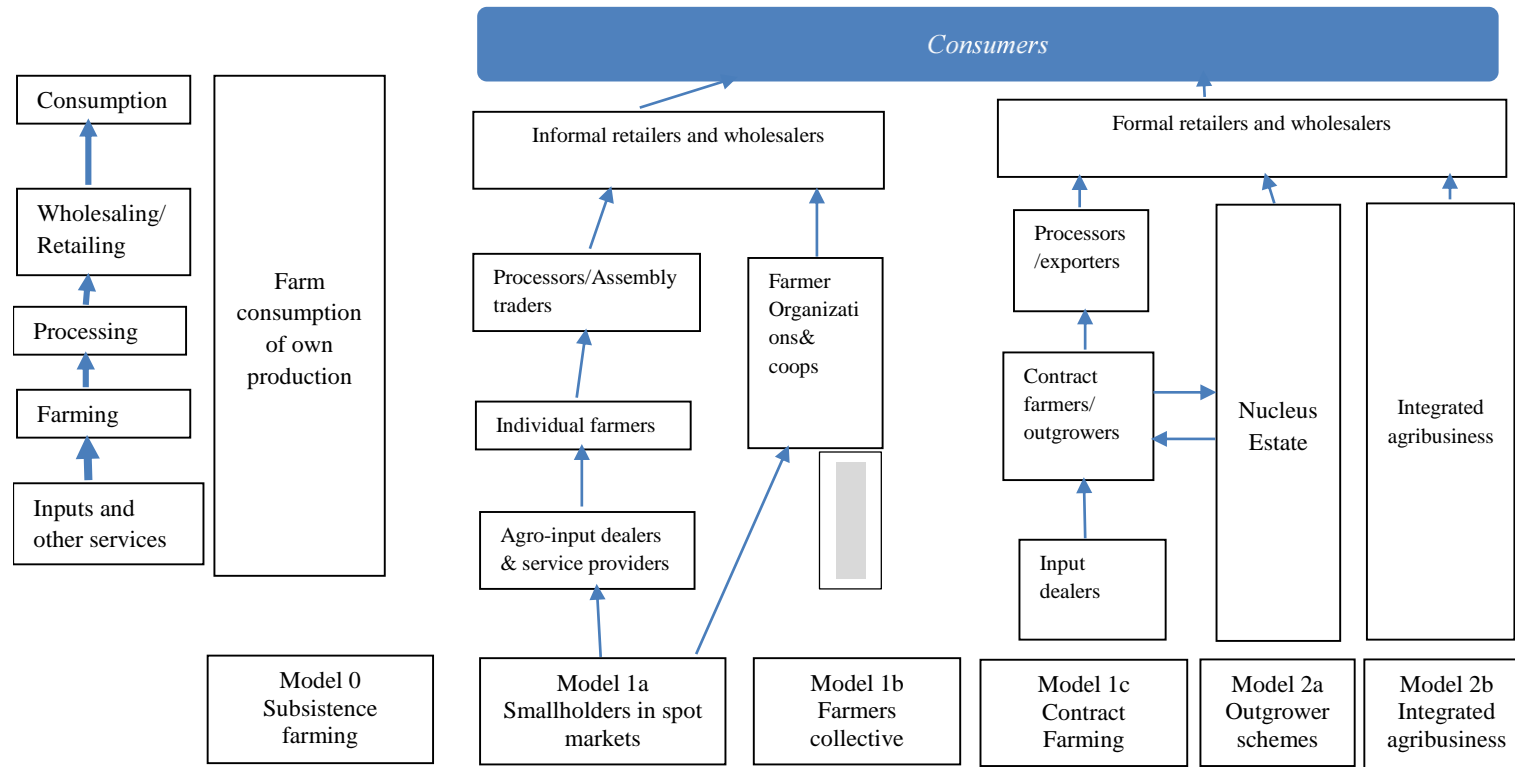


Figure A2: Schematic representation of smallholder out-grower scheme models, modified from Byerlee and Haggblade, 2013.

12. The main aim of the project is to promote smallholder commercialization by fostering productive business linkages between smallholder farmers and selected agribusiness firms. Agribusiness firms will be selected on the basis of their innovative plans and experience working with organized farmers' groups or cooperatives. The project will work with selected agribusiness firms that incorporate productive linkage arrangements with smallholder farmers, as part of their overall long-term business plan. The project will aim at supporting a few commodity value-chains with significant potential for raising farmers' income and enhancing competitiveness and creating jobs. While many projects have focused on addressing production constraints, this project will focus primarily on addressing key factors that exacerbate market failures which constrain smallholder production and efficient participation in organized supply chains. Such factors include market constraints affecting the overall value-chain performance, such as high aggregation costs, high processing and marketing costs, as well as quality issues. In order to address market coordination challenges, the project will support public-investment type activities aimed at building the capacity of smallholder farmers to meet the volumes and quality targets specified by agribusiness firms. This support will include rehabilitation and maintenance of feeder roads critical in linking farmers to agribusinesses, commodity aggregation structures and market information platforms. The project will also include support aimed at building the policy and institutional capacity of government institutions responsible for providing public sector services and policy environments conducive for agribusiness development. The project will have the following components: (i) Support to agribusiness-farmer linkages and SMEs along selected agricultural value chains (ii) Market Access Improvement; (iii) Capacity Building for Government and (iv) Project Coordination, Monitoring and Evaluation.

**13. Component A: Support for agribusiness-farmer linkages and small and medium scale enterprises along selected agricultural value chains (US\$19.00 million):** This component is designed to strengthen linkages between agribusiness firms and farmers and promote producer associations and SMEs linkages along four agricultural value-chains (rice, cocoa, palm oil and poultry). The project will aim at improving access to finance through a combination of matching grants scheme and/or on-lending facilities and technical assistance. Agribusiness companies, some operating in highly organized value chains, have emerged and are becoming important actors in Sierra Leone agriculture, including linkages with smallholder farmers in building value chains, providing inputs, advice, and markets needed to increase productivity and farm income, and can help channel finance to smallholder farmers in their supply chains. However, the majority of smallholder farmers in Sierra Leone are not operating in these vertically integrated supply chains. Rather they operate as individual actors buying inputs and selling outputs in spot markets comprising many micro, small, and medium sized market intermediaries. Providing financial services to such farmers is particularly challenging, particularly at the smallholder level. The project is designed to take into account this very high level of heterogeneity of farmers by promoting two farmer-agribusiness models to achieve smallholder farmer inclusiveness and ensure that the needs of the agribusinesses, SMEs and farmers are effectively addressed. Different sets of value chain actors have different access to finance needs and the project is designed to address these different needs.

14. The project will be implemented through two inclusive farmer agribusiness linkages models: (i) an out-grower model; and (ii) farmer aggregation model. The project recognizes that to achieve significant improvement in agricultural sector productivity and competitiveness in

Sierra Leone, it is critical to consider the mutually reinforcing role between increased productivity and market access. As such, the linkage models to be implemented in this project will not only aim to address access to affordable finance, but will also aim to facilitate farmers' linkage to markets through well-structured off-take agreements, and the provision of improved planting materials and technical assistance to smallholder farmers.

15. Component 1 is structured into two sub-components related to two of the models described in the conceptual framework.

**16. Sub-component A.1. Promoting out-grower model for value-chain financing to selected agri-businesses linked to out-grower schemes (US\$12 million):** This sub-component will help the Government to set-up the Sierra Leone Agribusiness Development Fund (SLADF) as a facility for eligible agribusinesses to access competitive finance tailored to their needs required for the provision of productivity enhancing services and market access to out-growers<sup>25</sup>. The establishment of the SLADF will benefit from experiences and lessons from the International Finance Corporations (IFC's) and World Bank in undertaking similar agribusiness investments. Given the specialized nature of the SLADF, a technical team with expertise in private equity funds, venture capital, impact investment and agricultural investment funds, will support GoSL in the assessment of technical and financial proposal submitted in response to EOI for the fund manager. This team of experts will rank and make recommendations on the top three proposals for fund manager to the Advisory Committee. The Advisory Committee will make the final selection decision and submit it to the PCU for submission to the World Bank for no objection. Various options, ranging from establishment of an independent fund or using an already existing investment fund have been explored, including the relevant risk-sharing and governance arrangements. The Fund will be created as a special Designated Account under the Project Coordination Unit (PCU) and will be linked directly to an independent Fund Manager. The Fund Manager will be hired on a competitive basis by the Government of Sierra Leone to manage the SLADF. The fund manager will be expected to have relevant experience in managing investment funds in order to enhance viable competition, efficiency and transparency. The Government of Sierra Leone and the relevant stakeholders will establish an Advisory Committee to provide appropriate governance and oversight over the use of the Fund in accordance with the project objectives. This committee would comprise a representation of key stakeholders such as the Government of Sierra Leone, the Fund Manager, a financial institution, chamber of commerce, and an NGO or civil society organization, and World Bank Group (IDA/IFC), as observers. The SLADF structure, operational framework and criteria for the selection of eligible agribusinesses are presented in Annex 7. Operational details will be clearly highlighted in the Project's Fund Manual which is being formulated and the draft was discussed at appraisal and the final version of the Manual will be ready by project effectiveness.

17. The project proposes to use the fund approach instead of channeling the financing through an existing commercial bank because of several reasons. First, the financial market in Sierra Leone is comprised of state-owned banks and private banks most of which originate from Nigeria

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<sup>25</sup> The project will allow for flexibility in the use of different out-grower models (centralized, nucleus estate, multipartite, informal and intermediary) depending on the commodity, the buyer's investment and organizational capacity and skills, the existence of well or not so well managed cooperatives in the area.

or Ghana. There is considerable risk in using state-owned banks for this project because of the inherent risk of political interference which may affect the use the financing for its intended purpose. Secondly, both the state-owned and private commercial banks do not have the capacity to offer lending services to farmers and agribusiness and most do not have the governance structures in place to safeguard the utilization of the project funds for their intended objectives. The use of funds, as proposed, has worked in many similar contexts. Examples include the African Enterprise Challenge Fund (AECF), various venture Funds and Social Impact Funds implemented in many countries in sub-Saharan Africa.

18. The out grower model seeks to build on existing business relationships between agribusinesses and smallholder farmers in the selected value chains. A number of agribusinesses have established out-grower schemes, some of which involve a nucleus farm and/or a central processing unit. These schemes typically integrate four main elements: (i) a nucleus farm engaged in primary production and/or business operations such as processing, storage, transportation and marketing; (ii) provision of inputs and technical assistance by the agribusiness to participating farmers; (iii) off-take agreements to purchase pre-defined quality of farmer output; and (iv) an agreed- upon price mechanism, which is typically a percentage of the sales price of the final product. Some out-grower schemes also implement benefit sharing initiatives to reduce the risk of side selling by farmers.

19. Farmer financing in the out-grower model will be implemented through value chain finance, based on the business relationship between agribusiness companies and smallholder farmers. The fund will provide financing and technical assistance through proven competitive mechanisms to identify investee firms. Financial support will be provided as matching equity or loans depending on the identified business need. The equity or loan will be provided on a 50-50 proportion basis between the fund and agribusiness companies' contribution which will be either in cash or a combination of cash and sweat equity. Qualifying agribusinesses will be able to access matching equity and in return will provide a defined technology package, advice, improved input supply and an off-take agreement to smallholder farmers included in their out grower schemes. Improved input supplies and advice on farming techniques aim to address the productivity and quality constraints that stifle the growth of the agriculture sector in Sierra Leone. Off-take agreements will provide a guaranteed market for smallholder farmers and a secure source of income.

20. **Sub-component A.2: Support for farmers' aggregation (US\$7 million):** Under this sub-component, the project will facilitate the inclusion of smallholder farmers who are organized to produce for the market, but do not have any structured linkage with the off-takers. This model is appropriate in value chains, such as food crops, where there is no relationship between the agribusiness and smallholder farmers or where such a relationship is less well-structured than that of an out grower scheme and as such the risk of side selling is high. Several producer organizations exist and operate in the four value chains which the project interventions will target. The project will support selected producer organizations to efficiently procure appropriate input supplies, strengthen linkages between farmers, off-takers and agribusiness firms to enhance market opportunities for the smallholder farmers. Some of these producer organizations focus solely on production while others have integrated forward in the value chain to provide processing and marketing services. This model will leverage the gains achieved during previous

World Bank supported RPSDP by re-engaging producer organizations formed and capacitated under the project, including those formed under the Smallholder Commercialization Program (SCP) and other projects supported by other development partners over the past 5-10 years. In addition, the project will work with agribusiness companies to identify individual farmers and farmer organizations that can be supported to prepare them to be reliable partners and suppliers. The project will hire an agribusiness service provider, a private firm or NGO with experience in value chain development, to identify market linkage opportunities, provide critical services to help build the capacity of producer organizations to access assets and markets, and structure value chains development programs that link farmers, SMEs and communities in the project areas to agribusiness. Given the importance of gender inclusiveness the project will identify and implement specific mechanisms to target women and youth.

21. The project will provide part of the financing to farmers under this model through a line of credit to the Apex Bank which is a network of rural financial institutions comprising 17 Community Banks (CB) and 51 Financial Service Associations (FSAs). This Apex Organisation was established through the Rural Financial Services Project implemented by the Ministry of Agriculture, Forestry and Food Security with support from the International Fund for Agricultural Development (IFAD). The Apex Bank is appropriate (over other financial institutions) due to its large network and proximity to the farmers in the most rural areas of Sierra Leone. Smallholder farmers supported through this project will be able to access concessional credit through the Apex Bank to help them access improved seed and inputs which are critical to achieve high productivity. The project will also facilitate linkages of these farmers to off-takers. In the rice value chain for example, these could be Sierra Leone Produce and Marketing Company (SLPMC), World Food Programme (WFP, through the Purchase for Progress) and wholesale retailers.

22. The farmer aggregation model will take a comprehensive approach to value chain financing, supporting farm production as well as upstream activities, such as input supply, and downstream value chain activities, such as logistics, processing, and marketing. Support will be provided to SMEs operating across the entire value chain to help them exploit business linkage opportunities from value chain development. The financing instrument for SMEs will be matching grants, on a 50-50 basis. Smallholder farmers organized in producer organizations will also be eligible to access matching grants to finance post-harvest activities. This matching grant will be implemented by the Project Coordination Unit, supported by a firm or NGO with experience running such grant schemes. Appropriately designed technical Assistance will be provided to value chain actors that receive financing support to help build their technical, business, and organizational skills. The project will support the provision of value-chain development services through the hiring of a value-chain development specialist to support farmers based on the understanding of the volume and quality needs of the off-takers.

23. The piloting of a private-sector agro-input dealer system is meant to ensure that farmers supported under the project have sustainable access to agricultural inputs. The project will also support other small and medium-scale enterprises (SMEs) providing key services, such as for example, logistical and/or commodity aggregation services along the four selected value-chains. The project will support up to 20 SMEs under the agro-input dealer system (at least 5 in each in the Eastern, Northern, Southern and Western regions of the country). The project will support the

development of course manuals for the administration of basic courses to agro-input dealers selected under the Sierra Leone Agro-Input Dealers Association. On completion, the Agro-dealers will be certified to access financing and further technical assistance under the pilot mechanism. In order to create market opportunities for agricultural inputs, the project will provide business linkages opportunities for existing local agro-dealers by creating a link to the Apex Bank which instead of providing financing to farmers for fertilizer and certified seeds, will provide farmers with a voucher (equivalent to the loan amount) to access input supplies from local agro-dealers under the program. The pilot program will be implemented for three years, after which a detailed assessment will be done in order to inform possible scaling-up by SMEs and agribusinesses.

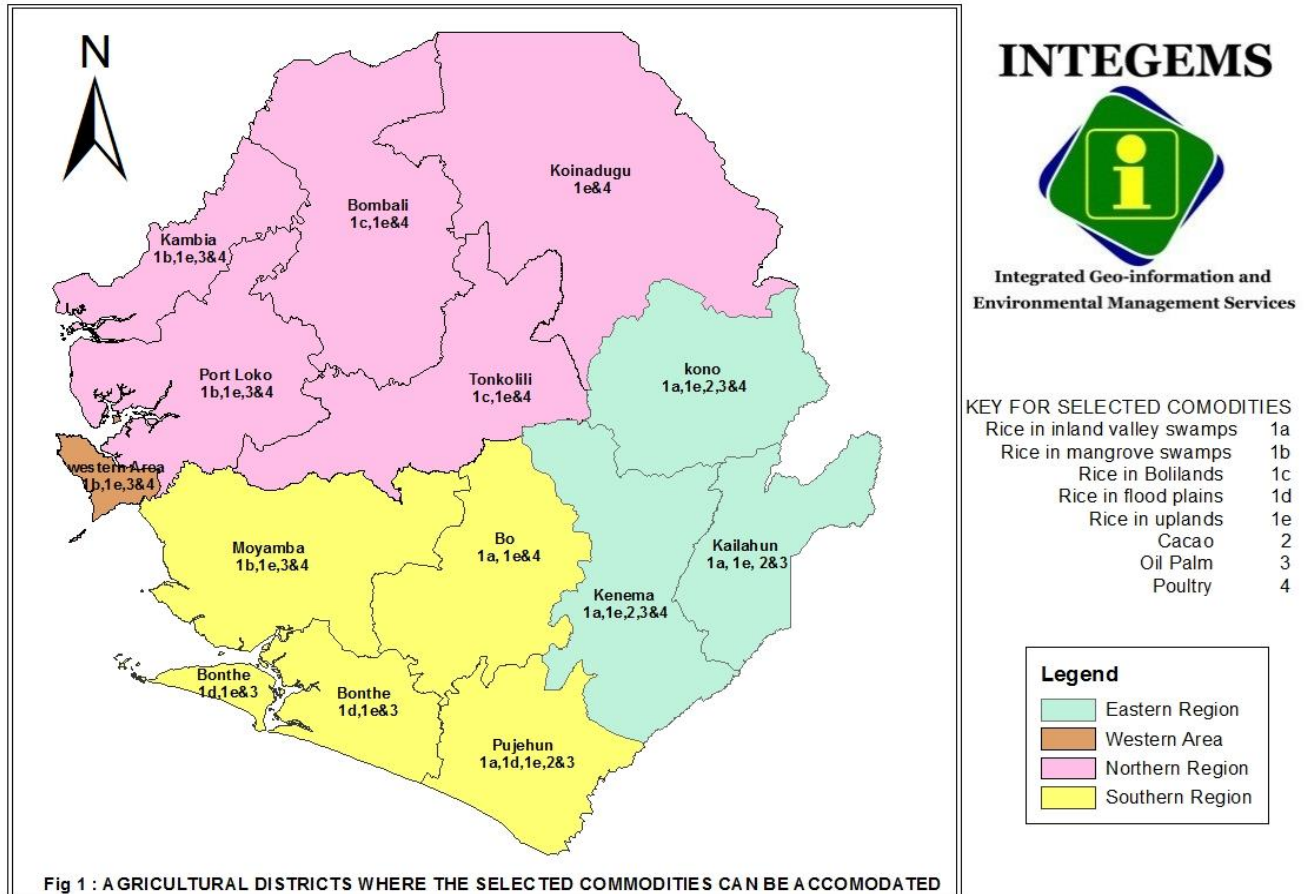
24. The choice of the network of community banks is based on several reasons: First, they represent the widest network easily accessible to the majority of farmers in the rural areas; secondly, they have a mechanism for savings mobilization and credit provision, based on farmers' shareholding capacity, thereby avoiding the risk of massive default; thirdly, the project will provide concessional credit rather than grants in order to increase and sustain the community banks' ability to provide such financial services to many farmers; and fourthly, this will provide an opportunity to build-up the portfolio of agricultural financing which is critical for sustainable agricultural growth. Other options such as commercial banks and micro-finance institutions were considered, but the high interest rates, shorter maturity periods and limited coverage in the rural areas precluded the use of these other options.

25. **Market assessment of the prospective anchor agribusinesses:** Based on the market assessment to determine the demand and willingness of the agribusinesses to work with out-growers, five out-grower schemes have been built around the four commodity value-chains (oil palm, cocoa, poultry and rice). The oil palm out-grower scheme will be based on the existing arrangements, which will be scaled-up to benefit about 14,000 farmers, creating employment to over 2,400 people. The key support will go towards replanting the existing plantations with new high yielding varieties, whose estimated productivity is almost ten-fold compared to the existing old trees. The cocoa out-grower scheme will be built around an existing cooperative model owned wholly by the farmers and another model involving farmers and out-growers. In total this will benefit over 8,500 farmers, creating employment for over 500 people through the replanting of the existing plantations with over 2,000 hectares (almost 30 percent of the existing old plantations) over the 4-5 year period. The poultry out-grower scheme is two-fold: one will be based on scaling-up of the smallholder poultry producers through the provision of the day-old chicks (for broilers and layers) produced by the agribusinesses from a central hatchery; the second will be built around the out-growers who will be growing maize to supply to the poultry agribusinesses for the production of chicken feed. In total, the poultry value-chain will benefit about 4,200 farmers, creating employment to over 400 people. The rice out-grower system will be built around a few agribusinesses with processing mills and nucleus farms. The project will support the establishment of mechanical cultivation service units which will serve the out-growers. This scheme will benefit over 8,448 farmers cultivating on about 42,240 hectares, employing over 3,700 people. All the out-grower schemes will involve off-take arrangements where farmers will produce commodities to sell to the agribusinesses for their processing and/or export. The specific locations for each of these value-chains is shown in Figure 2.





Figure 2: Map of Sierra Leone showing the agro-ecological zones for each of the selected commodity value-chains



26. The analysis undertaken on these out-grower schemes, based on the data collected from the agribusinesses and farmers, shows that most of these schemes are economically viable, with rates return ranging from 27 percent for oil palm, 51 percent for cocoa and 64 percent for poultry. The aggregated internal rate of return for the project (including mostly the commodity-based out-grower schemes) activities under component 1 was estimated at 39.1 percent<sup>26</sup> and the discounted Net Present Value (NPV) is US\$66.5 million. The highest returns are obtained from poultry (eggs and broilers) with rates of return above 50 percent. Returns to the oil palm out-grower scheme with replanting of existing plantations and mechanized rice production are the lowest at 25 percent - 29 percent mainly due to the long-term nature for oil palm benefits, and relatively high start-up costs. These estimates are likely to understate the overall economic viability because many of the social benefits of the project such as employment and skills as access to other social amenities have not been accounted for in the analysis because of valuation challenges. The estimated support and the key outcomes and economic viability indicators from each of the out-grower schemes are presented in Table A2.2 and the detailed analysis of project returns are shown in Annex 6.

<sup>26</sup> Detailed assumptions are contained in the last section of Annex 6.

Table A2.2: Summary results of out-grower schemes used for the economic and financial analysis

	<b>Oil palm (Random Planting)</b>	<b>Oil Palm (Block Planting)</b>	<b>Cocoa (Improved Traditional)</b>	<b>Cocoa (Modern)</b>	<b>Poultry (Broilers)</b>	<b>Poultry (Layers)</b>	<b>Rice (Mech Cultivation)</b>	<b>Poultry (Maize Feed)</b>	<b>TOTAL</b>
Direct beneficiaries (farmers)	7,000	7,000	4,500	4,000	600	600	8,448	2,600	34,748
Additional employment created (person years)	1,246	1,246	525	381	120	160	3,747	104	7,529
# of hectares replanted/planted	2,000	2,000	1,000	1,000			42,240	5,200	53,440
Farmers' support (US\$)	175,500	807,959	501,429	1,502,449	124,898	1,151,429	1,722,603	740,347	6,726,613
Agribusiness support (US\$)	2,965,306	2,042,857	820,408	2,711,224	462,857	897,959	2,699,727	675,694	13,276,033
<b>Total (US\$)</b>	<b>3,140,806</b>	<b>2,850,816</b>	<b>1,321,837</b>	<b>4,213,673</b>	<b>587,755</b>	<b>2,049,388</b>	<b>4,422,331</b>	<b>1,416,040</b>	<b>20,002,647</b>

27. Mobilization, coaching, systematic capacity building of the farmers, particularly those under Model 2 will be a challenge, and for some of these commodity value-chains, this function will hardly be undertaken by the agribusinesses. As such, relevant service providers experienced in value-chain development services will have to be hired by the Government, through the Value-Chain Development Specialist (attached within the PCU) to help government to build its own capacity as well as the capacity of producer organizations over a period of three years. Examples of the relevant service providers with relevant experience in the context of Sierra Leone include FAO, appropriate NGOs such as Techno serve, ACDI/VOCA<sup>27</sup> and others as well as private sector service providers with experience working in the region. The PCU, through its Value-Chain Development Specialist will identify the service providers through a competitive process. The main focus of this activity will be to build and strengthen the institutional capacity of out grower farmers' cooperatives in Sierra Leone to enable them provide cost effective, secure and reliable sources of produce of selected enterprises (Rice, cocoa, Palm oil and poultry) in the quality and volumes that meet the market demand and specifications of buyers. The project will also promote linkages between the buyers/private firms to enable the farmers' access markets, affordable input credit facilities, technical skills and innovations that satisfy the market requirements. By working with organized farmers the project will be addressing widespread unemployment, skills development as well as changing the mindset of the members of various farmer groups to think commercially and businesslike for a sustainable future. The project will also support and empower the farmer institutions to use their social and business connections to collectively operate formally.

28. The rationale for the involvement of value-chain development services is two-fold:

(a) The current farmer institutional structures that support and foster effective farmer participation in agribusiness are still weak and underdeveloped. There is limited productive relationship between large private sector institutions and viable farming groups who could be contracted as out growers.

(b) Most of the farmer groups are faced with problems related to lack of good corporate governance practices/principles that demand that the leaders act in the best interest of their members they lead if they are to achieve their objectives. This is arising from lack of consultation, proper reporting and accountability, and most importantly lack of direction in democratic governance and leadership.

29. **Structure of the out-grower development services:** The project will facilitate and support the specified farming groups to constitute the main structures for purposes of effective management and delivery of the project objectives. The out grower farmers' cooperatives will comprise of committed and dedicated Farmer Based Organizations/Commodity Associations. This will be the supreme governing body of the cooperative and will elect the board. The committee (board) will be elected by the general assembly and will work for and report to the general assembly through the Annual General Meeting (AGM). The committee will be supported by the out grower cooperative centre managers who will provide daily technical and organizational support to the commodity associations in several aspects of the operations. The

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<sup>27</sup> US-based agribusiness institution working in many countries in Sub-Saharan Africa

Manager's role is to ensure that the business objectives of the cooperatives are realized. A subcommittee of the audit will also be elected with a co-opted technical person to support and audit the cooperative operations and report to the members. The detailed strategy for the facilitation of value-chain development services under the out-grower schemes is presented under component 3.

**30. Component B: Market access improvement (US\$26 million, of which US\$11million IDA):** The objective of this component is to support the implementation of productive agribusiness-farmer linkages by addressing market access and coordination issues that constraint smallholder productivity and market efficiency. The project will support the rehabilitation of feeder roads that link agribusinesses to smallholder producers and also provide aggregation centers for farmers as well as simple market coordination (through ICT or cell-phone based price information systems). UK's Department for International Development will provide US\$15 million co-financing to support market access improvement.

**31. Sub-Component B.1: Feeder roads rehabilitation and maintenance (US\$25million, of which US\$10million IDA):** This support will help to link high agricultural production areas to markets. This component will support the rehabilitation, spot improvements and maintenance of about 500-600 km of feeder roads, depending on the scope of works and funding availability, using the Output and Performance-based Contracting (OPRC) contracting methodology. The volume of works and cost estimates will be determined during the assessment study, scheduled to commence early 2016. Specific focus will be on those rural roads that link markets to production areas with high volumes of perishable crops and produce. In addition, the project will work with the SLRA and respective district assemblies to strengthen maintenance management and execution for the feeder roads using labor-based methods. Special focus will be given to capacity building of specialized contractors, their work force, and involved government bodies through training and provision of advisory services. To minimize risks associated with migrating workers, the majority of the labor-based works will be scheduled when demand for farm labour is low, usually from December to March of each year. The project will also address the feeder roads maintenance budget deficit. Among others it will conduct a market feasibility study to explore options for supporting feeder roads maintenance under the Road Maintenance Fund Administration (RMFA).

32. Sierra Leone has a network of over 4,150 km tertiary or feeder roads, of which over 50 percent are in poor condition (see Table A2.3). These roads provide transportation of goods and services to and from the farming communities and markets. They also serve as collector/distributor routes for the secondary and primary roads, and act as a major link between chiefdom centers and the main towns and cities where socio-economic services are obtained. About 20 percent of the country's feeder roads are classified as being in relatively good condition mainly due to the rehabilitation undertaken in recent years through development partner supported projects e.g. IFAD, AfDB, IDB and World Bank.

Table A2.3: Sierra Leone's Road Network

Functional Category	Paved (km)	Unpaved (km)	Total (km)
Primary roads (Class A)	767 (85%)	1,384 (13%)	2,151 (19%)
Secondary roads (Class B)	24 (3%)	1,880 (18%)	1,904 (17%)
Core road network (A+B)	791 (87%)	3,264 (31%)	4,055 (36%)
Feeder roads (Class F)	0 (0%)	4,152 (40%)	4,152 (37%)
Other roads	115 (13%)	2,989 (29%)	3,104 (27%)
National road network	906	10,405	11,311

Source: MWHI (National Rural Feeder Roads Policy 2011)

33. Under this project, the rehabilitation of feeder roads will be prioritized in the targeted project areas in order to ensure that farmers, farmer-based organizations and/or cooperatives participating in out-grower schemes have easy access to deliver or be easily accessed by the buyers with whom they will have supply contracts. As such, the feeder roads linking out-growers to agribusinesses/processing areas will be given priority. The rehabilitation of the roads within the agribusiness companies' premises will be the responsibility of the specific agribusinesses, but the project will endeavor to rehabilitate the roads linking the high potential agricultural production areas.

34. The estimated cost and schedule for feeder roads rehabilitation and maintenance is presented in Table A2.4.

Table A2.4: Estimated cost of the feeder roads rehabilitation, spot improvement and maintenance works and related services and goods.

Works	Estimated cost (US\$)
Rehabilitation, Spot improvement, Emergency and Maintenance of feeder roads by Performance-based contracts	19,600,000.00
<b>Total</b>	<b>19,600,000.00</b>
<b>Goods</b>	
Pickups and Motorbikes	160,000.00
Other goods	330,000.00
<b>Total</b>	<b>490,000.00</b>
<b>Consultancy</b>	
Initial Assessment on defined feeder roads	150,000.00
Completion of Road Assessment Study, including design and preparation of bidding document	500,000.00

Supervision and monitoring consultants	2,000,000.00
Technical audit for 5 years	200,000.00
Training small scale contractors	500,000.00
TA-OPRC Advisor	150,000.00
Revision of national Feeder road Policy and alternative source of funding for feeder roads maintenance	200,000.00
Study on M&E (baseline and two other surveys)	580,000.00
GIS mapping of feeder roads	250,000.00
<b>Sub-Total</b>	<b>4,530,000.00</b>
<b>Project Management</b>	
Project management	380,000.00
<b>Sub-Total</b>	<b>380,000.00</b>
<b>Total for Sub-component 2A</b>	<b>25,000,000.00</b>

35. The support will cover: the rehabilitation, spot improvement, Emergency and maintenance under performance-based contracting principles of feeder roads, including the construction of structures (bridges, culverts,); capacity building of institutions working on this sub-component; and effective monitoring and supervision.

36. The details of the specific activities to be financed under this component include:

(i) Rehabilitation and Spot Improvement of between 500-600 km of feeder roads - including the construction of structures (bridges and culverts).

37. Under performance-based Contracting, the works shall include the rehabilitation and maintenance of the roads throughout the duration of the contract. Typically, these contracts will have a duration of about five years, allowing for eighteen to twenty-four months for the initial works and about three years for the maintenance services phase. The performance-based contracts will include opportunities for labour-based activities, both the rehabilitation and maintenance activities. These contracts are the first performance-based roads contracts and will be used as the first generation contracts. Lessons learned with these will be used to improve further, future contracts to be let by the Sierra Leone Roads Authority (SLRA).

38. The project considered the use of the FIDIC Red Book-based contracts (input-based) for a portion of the selected road network. International experience, however, shows that the performance-based contracting model is by far superior and more efficient than the traditional/regular contracting model. The OPRC is expected to: (a) reduce the amount the MDA's resources required on a road project; (b) reallocate or transfer rehabilitation and performance risks (by increasing the private sector/contractor's commitment and accountability towards quality in rehabilitation and O&M services by transferring to them as much responsibility as possible); (c) increase private contractor innovation; (d) reduce the overall life cycle costs of the roads; (e) reduce the managerial and financial burden on a weak public sector; and (f) provide better results and services to road users at lower cost. Moreover, since the private sector would have more

efficiency gains and freedom to select the most optimal methods in road network maintenance and rehabilitation/improvement than under the traditional contract arrangement, the contractor is expected to develop a tailored quality control management program to fit each road in the Project area. The project shall also support the local councils to develop a comprehensive feeder roads maintenance plan and inform the RMFA.

39. The priority will be roads that will link out growers (FBOs, cooperatives, etc.) to potential agribusinesses/market centers, and roads that link areas where highly perishable agricultural commodities are produced. The identification and selection of these roads will be done as part of assessment study to be done early on the project. The SLRA which has statutory responsibility for feeder roads will lead be responsible for implementing and managing all roads-related activities. The LC Engineers and MAFFS district engineers will be included in the SLRA-team and will learn from the process as part of the capacity building aspect of the project. The PCU will review and verify the submissions of the SLRA.

40. A number of key institutions will play key roles towards the rehabilitation and maintenance of feeder roads. These institutions include: the National Feeder Roads Committee (NFRC) under the Ministry of Works, Housing and Infrastructure (MWHI); the Local Councils (LC) under the Ministry of Local Government and Rural Development (MLGRD); the Sierra Leone Roads Authority (SLRA); the Road Maintenance Fund Administration (RMFA) and the Project Coordination Unit (PCU) under the Ministry of Agriculture, Forestry and Food Security (MAFFS). Based on the previous experience from the implementation of the Rural and Private Sector Development Project (RPSDP), the Project Implementation manual (PIM) will clearly define the various roles and responsibilities of each of these institutions in order to avoid coordination challenges.

41. A number of key design options have been incorporated in this project in order to help address the key challenges faced under the implementation of the RPSDP and other development partners' projects which have been supporting feeder roads rehabilitation. The design options are on the following issues: (i) scope or coverage of the feeder roads; (ii) design and selection criteria for the feeder roads; (iii) supervision of the works; (iv) maintenance of the feeder roads; (v) procurement arrangements; and (vi) payments and financial management. The options are presented in Table A2.5.

Table A2.5: Key design options for feeder roads rehabilitation and maintenance

	Key lessons	Proposed change in design
Scope/coverage	Covering all the 13 districts in line with the National Feeder Roads Master Plan has been challenging; even with the phased approach (under RPSDP), the scope of work was still very challenging.	The project will support a smaller number of districts.  Between 500-600 km will be rehabilitated or improved and the priority will be given to feeder roads linking production areas to markets or linking out-growers to agribusinesses; second priority will be on existing gaps that make rehabilitated feeder roads less functional (e.g. bridges, culverts); These road links will be grouped in network packages to simplify contract management, project oversight and to focus support on the prioritized agricultural development objectives. If funds allow:

		Third priority will be given to feeder roads prioritized by the Local Councils (allocation to be based on the formula devised under the NFRC, but revised in line with the project objectives).
Design and selection criteria for the feeder roads	Under the current arrangements, SLRA District engineers provide the design and supervision of the works in collaboration with the Local Council engineers.	Road selection criteria are articulated below and will be further articulated in the PIM. The SLRA will select a Consultant to undertake assessment study, including the concept design and preparation of bid documents for the OPRC-contracts. The OPRC-contractor will be responsible for the design of the interventions and will, after approval of the design by the SLRA, be responsible for all works. The SLRA will select a monitoring consultant to assist with supervising the works of the contractors. This process will further be articulated in the PIM.
Maintenance	The project has been providing funding to Local Councils for maintenance of feeder roads rehabilitated/improved by the project using labour-based approaches.	<p>On the project roads maintenance will be included in the scope of works. Usually the main contractors will appoint sub-contractors to undertake some of the routine works.</p> <p>In addition, the project will strengthen the capacity of Local Councils to be able to sustainably maintain feeder roads through:</p> <ol style="list-style-type: none"> <li>a. Supporting the review of the National Feeder Roads Policy to provide for the setting-up of feeder roads committees at district level.</li> <li>b. Study the feasibility of options for supporting feeder roads maintenance.</li> <li>c. Train contractors in rural feeder roads maintenance.</li> </ol> <p>The project will complement the maintenance resources provided by the Road Maintenance Fund Administration, as well as resources that may be obtained from the agribusinesses and other private sector stakeholders.</p>
Procurement	Under phase 1 of the RPSDP, the Local Councils were responsible for selling and evaluation of bids. Due to the challenges encountered, under phase 2, the Local Councils sold the bids and evaluated them, but the PCU re-evaluated the Bids before submitting to the Bank for No-Objection.	The evaluation of the Bids will be done at the SLRA by a joint committee comprising the PCU, Local Councils, SLRA and MAFFS. Bids sale will be done at SLRA.
Payment and financial management	Under phase 1 of the RPSDP, the PCU made fund transfers to Local Councils who in-turn made payments to contractors following payment certificates approved by the SLRA and Local Council Engineers. Due to challenges encountered, during phase 2, the PCU made direct payments to contractors based on	The project will adopt the phase 2 approach – make direct payments to contractors based on approved payment certificates. The Monitoring & Supervision Consultant is to forward interim payment certificate to SLRA after join site inspection. SLRA will recommend such payment to the CPU.



	payment certificates approved by the SLRA and Local Council Engineers.	
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42. The following selection criteria shall be given high consideration in selecting the roads:

- Roads linking to agribusinesses and or productive areas – i.e. areas where there is high concentration of smallholders that service agribusinesses
- Roads that are used by wheeled transport whether motorized or not
- Roads that are part of existing road network and shall not require land acquisition or resettlement. That is, they should not be virgin road
- Roads that link high productive areas to market centers
- Roads that will complete the connectivity link to agribusiness and or productive areas
- Roads that are within areas with high concentration of perishable crops and other transport-sensitive production; e.g. vegetables, eggs, fish
- Reviewing road network in these identified agribusiness and productive areas and including road links that will complement the overall objective of the project.

43. Final prioritization of the feeder road works shall be based on the number of beneficiaries/investment costs ratio. Whereby the investment costs shall be all costs incurred by the project.

44. Spot improvement and closing the gap of uncompleted feeder roads under the predecessor project, the Rural and Private Sector Development Project. The PCU will compile a list of all these roads and structures. They will be included in the assessment study by a nominated consultant. If there are sufficient funds, spot improvement (construction of bridges & culverts) along roads that lead to major production areas or agribusinesses can be considered. The following roads shall be given priority in this case: (i) roads that will ensure connectivity to agribusinesses and or productive areas (i.e. area with high concentration of smallholder farmers); (ii) roads with bridges that were started but not completed and therefore connectivity was affected. In the second case the priority will be to complete the bridges.

45. Monitoring and Supervision: International and national best practices shall be adopted for Monitoring and Supervision. The main objectives will be to ensure that the works are of very high quality, accredited through supervision and monitoring and that payments to contractors are expedited. The monitoring and supervision arrangement will be discussed in details in the PIM.

46. Consultancy, Training and capacity building – the project will hire experienced consultants to provide highly technical services. Consultant(s) will be hired to provide key technical services such as: revision of the feeder roads policy; train and monitor the performance of SLRA in conducting semi-annual roughness surveys of the feeder roads; build capacity of Local Councils in preparing district maintenance plans; etc. Specifically, the project support will focus on: (i) the review of feeder roads policy and establishment of district feeder roads structures; (ii) Training of SLRA engineers in the use of GPS and mapping equipment, structural design and supervision, preparation of Payment certificates and project monitoring and contract management; (iii) training of local contractors on feeder roads rehabilitation and maintenance; and (iv) mobility of engineers

and the associated operational support.

47. It will also finance training and capacity building activities of engineers (SLRA, LC, MAFFS and PCU), local contractors, local councils and other stakeholders on feeder roads. The training will include technical training on feeder roads rehabilitation and maintenance, training on procurement and contract management, and training on environmental and social safeguard issues.

48. The Project will address the managerial, technical and financial capacity problems in the sector through a review and preparation of supplement/revision of the existing feeder roads policy, its implementation (or lack thereof), institutional arrangements and contents. It is observed that the maintenance budget at RMFA for feeder roads' maintenance is insufficient to sustain existing feeder roads in maintainable conditions. Legal requirements for large businesses to rehabilitate and maintain feeder roads have not been effective for still-to-be identified reasons. At the same time investments in new infrastructure is widening the resource envelope gap.

49. Local Consultants services will be procured to prepare GIS maps of the feeder road networks in each of the districts that comply with SLRA GIS software.

50. The Project will finance the procurement of National Consulting Services to assist the new Local Councils with the preparation their sustainable feeder roads masterplan, four-year works program for both maintenance and development to be agreed with the SLRA and Road Fund, including respective financing plans.

51. The project will also provide funds for skill development and awareness training for construction workers in the project, especially youth and some women. The skills training shall focus on construction and maintenance activities and shall aim at upgrading the skill levels. The aim is to create an attractive workforce for contractors in the future. The advancement is not limited to works items only. It may also involve activities that are carried out by site foremen, work supervisors, surveyors etc. The project shall also use these funds to create awareness among construction workers about available other support options in their area of operation, like savings through Community Banks, and existing livelihood improvement programs provided by existing organizations, like FBOs, FFS and so on. The project will pay for the outreach sessions to be provided by these organizations and participation of the work force.

**Sub-component B.2: Support for aggregation structures and ICT technologies to facilitate market coordination (US\$1 million)**

52. This sub-component is meant to address the market coordination failures that arise from the lack of aggregation structures such as produce collection centers, rice drying floors, storage warehouses and other such structures which serve to aggregate smallholder farmer produce, making it easier for off-takers to collect the produce without incurring high aggregation costs. Where possible and economically viable, the project will ensure that already existing structures, such as those in the Agribusiness Centers (ABCs) and Farmer-Based Organizations (FBOs) are rehabilitated. In addition to such aggregation structures, the project will also explore the use of ICT technologies for market price information in order to address the price information asymmetry which is a major factor affecting efficient access to markets among smallholder farmers.

**53. Component C: Capacity building support for state and non-state institutions (US\$6.00 million):** The objective of this component is to strengthen the capacity of state and non-state institutions responsible for the provision of services relevant for smallholder commercialization and agribusiness development. This component will support capacity building among state and quasi-state institutions responsible for providing public sector services, including the policy environment for the promotion of agribusiness development in the country. Such support will be provided to the following institutions: Ministry of Agriculture, Forestry and Food Security (MAFFS), Ministry of Trade and Industry (Cooperative and Trade Facilitation Departments); Sierra Leone Agricultural Research Institute (SLARI); Sierra Leone Chamber for Agribusiness Development (SLeCAD); Sierra Leone Investment and Export Promotion Agency (SLIEPA) and micro-finance institutions. The project will selectively support activities and services that are relevant to developing agribusiness in Sierra Leone. All institutions which will be supported under the project will commit to performance-based TORs (with the PCU) which will specify the agreed activities and deliverables in order to ensure smooth project implementation

54. The summary of capacity building activities and the responsible institutions are shown in Table A2.7. The training needs, the priority setting and the estimated costing was undertaken through a consultative process involving the officials of all the relevant institutions. Some of the skills needs were also defined based on already existing strategy documents (where possible). Detailed information on the specific capacity needs of the various Government Ministries, Departments and Agencies (MDAs) and non-state institutions and their allocated budget under the project are provided in the sections which follow.

Table A2.7: Summary of capacity building institutions and the responsible institutions

Capacity needs	Responsible institution(s)	Estimated budget (US\$)
Farmer's technical capacity, agribusiness skills, governance skills, financial literacy etc.	Service providers to be identified under the Value-Chain Development Services, through competitive arrangements (e.g. eligible NGOs, private service providers, FAO etc.)	1,000,000
Agricultural extension, crop management, livestock management including veterinary services, research and technology development, agribusiness promotion etc.	MAFFS/SLARI	2,054,000
Agribusiness Strategy development, agricultural SMEs development, market information support etc.	MOTI/SLIEPA	900,000
Industrial & value chain development support, including convening the Agribusiness Forum, training of Farmers' lobby organizations on agribusiness development, social mobilization and group dynamics, participatory project monitoring and evaluation.	SLeCAD/NaFFSL	1,216,000

Participatory monitoring of the implementation of feeder roads rehabilitation, maintenance and other rural market coordination support structures at the local level	MWHI/SLRA/MLGRD	830,000
<b>Total</b>		<b>6,000,000</b>

### Government Ministries, Departments and Agencies (MDAs)

55. **Ministry of Agriculture, Forestry and Food Security (MAFFS):** The project will provide funds to support MAFFS capacity building, including the training of Subject Matter Specialists for the poultry and tree crops sectors through the supporting 20 staff members for MSc. training. The capacity building will also focus on providing formal training and technician capacity in veterinary services. The project will also provide support for the Extension, including helping the piloting of e-extension in order to improve the efficiency of service provisions. The support will also be provided to other critical Divisions under MAFFS such as Crops, Policy, Evaluation, Monitoring and Statistics (PEMSD) as well as the Agribusiness Promotion Unit (APU). Furthermore, the Ministry is in the process of establishing a unified Project Implementation Unit (PIU) to coordinate project implementation in the sector. The project will provide support to build its fiduciary oversight capacity (procurement and financial management), monitoring and evaluation. The specific capacity building activities and their costs are presented in Table A2.8.

Table A2.8: Capacity building requirements for MAFFS

<b>MAFFS</b>		
<b>Activity</b>	<b>No</b>	<b>Total Cost (US\$)</b>
MS (20 No) - 2 years in West Africa (fees+airfare+living)	20	600,000
Short term training (6 month in-country Technician Training)	30	75,000
Extension (including piloting e-extension), Crops, APU, Livestock and PEMS Support		420,000
Capacity Building for the One PIU		250,000
<b>TOTAL</b>		<b>1,354,000</b>

56. **Sierra Leone Agricultural Research Institute (SLARI):** The Sierra Leone Agricultural Research Institute was established by an Act of Parliament in 2007 as the agricultural research and agricultural technology generating body for the benefit of the farming, fishing and forestry sectors and to provide for other related matters. When fully operational, SLARI will have the eight research centers<sup>28</sup>. SLARI succeeded the National Agricultural Research coordinating Council was established in 1985 to coordinate research and harmonize activities. It comprised the Rice Research Institute and the Institute of Agricultural Research. Sierra Leone has had a long history of agricultural research, spanning almost 100 years, with research centers active, at various times

<sup>28</sup> Rokupr Agricultural Research Centre, Njala Agricultural Research Centre, Freetown Fisheries Research Centre, Teko Livestock Research Centre, Woama Plant Genetic Resources Research Centre, Kenema Forestry and Tree Crops Research Centre, Magbosi Land and Water Research Centre, and Kabala Horticultural Crops Research Centre.

at Njala, Rokupr, Teko, Kabala, Bambawo, Kpuwabu and Kissy near Freetown with support from many donors.

57. Currently, the World Bank is supporting SLARI through the West Africa Agricultural Productivity (WAAPP-IC) project which is supporting activities in the rice and cassava value chains. The WAAPP-IC support focuses on two of the main research centers under SLARI: Rokupr Agricultural Research Center (RARC) responsible for mangrove rice research; and Njala Agricultural Research Center (NARC) responsible for roots and tubers research. This project will complement WAAPP by providing funding to enhance the capacity of Teko Livestock Research Center (TLC) and the Kenema Forestry and Tree Crops Research Center (KFTCRC) to provide services to small farmers in the poultry, oil palm and cocoa value chains. The project funding will support formal training of key research staff to MS and PhD levels, improvement of research infrastructure, laboratories and clonal seed gardens, provision of office and laboratory equipment, conduct of key research studies and on-farm trials, and farmer training and capacity building activities. The specific capacity building activities for SLARI under this project are provided in Table A2.9 below.

Table A2.9: Capacity building for SLARI

Item	Title	Total Cost (US\$)
<b>Kenema Forestry and Tree Crops Research Center</b>		
Staff Long term Training		
	PhD (3 No) - 2 years in West Africa	150,000
Rehabilitation of Clonal Gardens		
	Pendembu	60,000
	Kpuwabu	50,000
Research Studies		
	Cocoa	60,000
	Oil Palm	60,000
Office equipment		20,000
TOTAL (KFTCRC)		<b>400,000</b>
<b>SLARI - TEKOLIVESTOCK CENTER (Poultry Support)</b>		
Staff Long term Training		
	PhD (3 No) - 2 years in West Africa	150,000
	Short term training of lab technicians	20,000
Research Facilities		
	Lab equipment	20,000
	Transport equipment (Van, Motor cycles and operational cost)	100,000
Office equipment		10,000
TOTAL (TLC)		<b>300,000</b>
TOTAL SLARI		<b>700,000</b>

58. **Ministry of Works, Housing and Infrastructure (MWHI), Sierra Leone Roads Authority (SLRA) and Road Maintenance Fund Administration (RMFA)** through the National Feeder Roads Committee are responsible for coordinating the rehabilitation and maintenance of feeder roads in accordance with the National Feeder Roads Policy. Under this

project, these institutions will be responsible for the roles specified under Table 14.

**59. Sierra Leone Roads Authority:** The SLRA is the sole organization with the capacity to assess the needs of the road sector; program, budget, review designs, and implement road development and maintenance works. SLRA, throughout the previous Bank funded project, (Infrastructure Development Project), where many kilometers of feeders were constructed, have improved and proved its capacity in planning, programming, supervision of design of civil works; and in procurement and contracts administration/management. Furthermore, SLRA have been providing technical support in planning and budgeting for maintenance to the councils. In addition, the ongoing development of Asset Management Strategy study for the country will provide the initial understanding of the concept of performance-based contracting method for the staff of SLRA. This is a good start for the implementation of the concept under the project.

60. Sustainable maintenance of feeder roads – the project will provide support towards strengthening the revenue of RMFA, while at the same time intends to assist the construction industry or alternatively other industries with investing in technology. The Project would finance exploratory studies and assessments to explore options for the financing of feeder roads maintenance.

61. The specific support activities and their estimated costs are shown in Table A2.10.

Table A2.10: Capacity building support for MWHI/SLRA

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Establishment and strengthen of sub-national feeder roads committee structures		30,000	30,000	30,000		90,000
14 Motorbikes for SLRA	140,000					140,000
2 pickups	80,000					80,000
Operational costs	25,000	25,000	25,000	25,000	20,000	120,000
Total						430,000

**62. Ministry of Trade and Industry (MTI):** The project will support the establishment of an Agribusiness Unit under the Ministry of Trade and Industry whose role will be to address challenges affecting commercialization of farmers. The Agribusiness Unit will undertake the following activities towards its establishment: (i) research to inform the development (or review) of an Agribusiness Strategy which will provide the framework for an agribusiness policy and implementation plan; (ii) capacity building of staff to operationalize the strategy; (iii) capacity building of entrepreneurs and other stakeholders along the agribusiness value-chains; (iv) office set-up including logistics and office equipment; and (v) market information related to value-chain development services, including the capacity support for SLIEPA and the Produce Monitoring Board to undertake their various functions related to commodity export promotion and quality control, respectively. It is expected that the MTI will provide office space and staff establishments to support the Agribusiness Unit while the project will provide capacity building and operational for the first 4 years. The specific support activities and their estimated costs are shown in Table A2.11.



Table A2.11: Capacity building support for Ministry of Trade and Industry/SLIEPA/PMB

Activity	Year 1	Year 2	Year 3	Year 4	Total
Technical assistance for Agribusiness Strategy development and implementation	120,000	40,000	20,000	20,000	<b>200,000</b>
Capacity building of staff	70,000	-	-	-	<b>70,000</b>
Training of local entrepreneurs	25,000	25,000	25,000	25,000	<b>100,000</b>
Capacity building of SLIEPA in agro value-chain development services and PMB in produce quality monitoring	125,000	125,000	50,000	50,000	<b>350,000</b>
Office set-up: office equipment and vehicle (1)	100,000	-	-	-	<b>100,000</b>
Operational support	20,000	20,000	20,000	20,000	<b>80,000</b>
<b>TOTAL</b>	<b>460,000</b>	<b>210,000</b>	<b>115,000</b>	<b>115,000</b>	<b>900,000</b>

**63. Ministry of Local Government and Rural Development (MLGRD) and the Local Councils (LCs):** The project will support the monitoring capacity of the Department of Local Government under the MLGRD and the Local Councils to strengthen local-level project implementation monitoring. This is critical because within the Decentralization Framework, Local Councils are expected to take responsibility of over project implemented at the local level in order to enhance ownership and sustainability of the development outcomes. The project will support MLGRD and the LCs with staff capacity building in project monitoring, social accountability and contract management. In order to enhance the capacity to monitor project implementation, the project will also provide vehicles, motorcycles and operational support. The specific support activities and their estimated costs are shown in Table A2.12.

Table A2.12: Capacity building support for Ministry of Local Government and Rural Development and the Local Councils

Activity	Year 1	Year 2	Year 3	Year 4	Total
Capacity Building of MLGRD and LC (Council Chairpersons, employed officials and other relevant LC staff)	25,000	25,000	25,000	25,000	<b>100,000</b>
Mobility support (2 vehicles and 13 motorcycles)	110,000	50,000	-	-	<b>160,000</b>
Operational Budget	35,000	35,000	35,000	35,000	<b>140,000</b>
<b>TOTAL</b>	<b>170,000</b>	<b>110,000</b>	<b>60,000</b>	<b>60,000</b>	<b>400,000</b>

### Non-State Institutions

**64. The Sierra Leone Centre for Agribusiness Development (SLeCAD)** aims at poverty reduction and promotion of sustainable agribusiness development and was officially incorporated in 2009 as a company limited by guarantee under the Companies Act of the Republic of Sierra Leone. Its main objectives are: (i) to play the role of principal private sector partner of the Government for promoting foreign and domestic private investment in agriculture in Sierra Leone; (ii) to engage in advocacy, research and promotional activities into all problems and opportunities relating to the agricultural sector generally and private agricultural enterprises in particular, in



Sierra Leone; and (iii) to collaborate with the Government in developing strategies, policies and programs for promoting, facilitating and supporting private investment in agricultural development and the implementation of these strategies, policies and programs at the national and international levels. Its programs are planned to cover all the Districts in Sierra Leone, with 10 functional district offices manned by volunteers. It targets commercial farmers, agribusiness processors and marketers and it has identified a potential membership of 2,500 nationwide, with about 75 currently registered and paid-up. It is funded by the subscription of its members and has received financial assistance from MAFFS, FAO and IFAD.

65. SLeCAD’s activities include provision of: training, agricultural inputs, and financial services and market linkages to its members and stakeholders. It has also undertaken activities in cross cross-cutting issues such as advocacy for mainstreaming HIV/AIDS counseling, gender, peace and conflict resolution. The project will support SLeCAD activities by providing funding for key staff positions including an agribusiness development specialist and an agricultural economist, accounting and support staff; program support cost for industrial and value chain development; and funding for a modest office building. In order to address the issues related to the policy and regulatory environment, the project will support the establishment of an Agribusiness Forum (AF) under SLeCAD where the agribusiness companies, producer organizations, Government and the development partners will meet on a regular (bi-annually) basis to discuss and find ways of addressing policy related issues affecting the development of the agribusiness sector. The specific activities to be supported under the project and their estimated costs are presented in Table A2.13.

Table A2.13: Capacity building support for SLeCAD

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Total</b>
Staff capacity development cost	64,000	64,000			<b>128,000</b>
Industrial & value chain development support, including convening the Agribusiness Forum	30,000	30,000	30,000	30,000	<b>120,000</b>
Vehicle (1) & Generator (1)	80,000				<b>80,000</b>
Rehabilitation of the Headquarter Building and refurbishment (office equipment)	210,000	-	-	-	<b>210,000</b>
Operational costs	25,000	25,000	25,000	25,000	<b>100,000</b>
<b>TOTAL</b>	<b>409,000</b>	<b>119,000</b>	<b>55,000</b>	<b>55,000</b>	<b>638,000</b>

**66. National Farmers Federation of Sierra Leone (NaFFSL):** Farmers in Sierra Leone have formally organized themselves into local farmers’ associations or co-operatives to facilitate their cooperation in crop production, processing and marketing activities as well as all other operations associated with fish and livestock. The National Federation of Farmers of Sierra Leone (NaFFSL) is an umbrella organisation of “approved” farmer based organisations in Sierra Leone.<sup>29</sup> NaFFSL is intended “to function as an apex body of the approved FBOs to defend members’ morale (sic)

<sup>29</sup> Article 1.3, NaFFSL Constitution. These include the National Farmers’ Association of Sierra Leone; National Farmers’ Cooperative Union- Sierra Leone; Agricultural Business Units/Farmer Field Schools; District Women’s Farmers Cooperatives

and material interest at grass-root level (villages, chiefdoms, wards, district, and national) and International level by development actions, constructive dialogue, lobbying, advocacy and experience sharing to meaningfully engage farming as a business.”<sup>30</sup> Traditionally, farmers associations such as the National Association of Farmers in Sierra Leone have worked very closely with technocrats mainly in the Ministry of Agriculture, the Co-operative Department under Ministry of Trade and Industry, NGOs, agricultural research institutions etc., offering agricultural extension and other delivery services to them. The establishment of NaFFSL is likely to have a positive impact on this relationship, with a stronger voice for the farmers’ organizations. The stated vision of NaFFSL is “to be an umbrella farmers’ organisation of Sierra Leone, a framework of reference, of dialogue and coordination, sharing vision and action, which offers better services and security to the members and which influences the policies and strategies as regards sustainable rural development at all levels.” NaFFSL will take a keen interest in the commercialization of smallholder farmers as outlined in its objectives (See Box 1).

**Box 1: Aims and Objectives of the NaFFSL**

Article 2 of the NaFFSL Constitution: The Federation shall concern itself with all matters affecting all farmers in Sierra Leone through the approved FBOs and shall act accordingly with respect therefore as may be considered expedient to:

- 2.1 Act as private sector to play a key role in the Nation’s agricultural development processes.
- 2.2 Ensure that committed grass-root farmers are identified, and organised into legal FBOs and empowered to work as a Federation for the good of all its members.
- 2.3 Promote and defend the value of competitive and sustainable agriculture practices which shall be at the disposal of peasant farmers and agricultural producers.
- 2.4 Support and supervise the consultation and structuring of peasant farmers and agricultural producers.
- 2.5 Favour dialogue and cooperation between Federation and Government and foreign organizations.
- 2.6 Inform and confirm the members of the approved FBOs.
- 2.7 Establish subsidiary agro-companies / industry and enter into joint venture partnership with bilateral and multilateral organisations for the purpose of carrying on the business of the Federation.
- 2.8 Promote National HIV/AIDS/STDs and other farmers’ health awareness and preventive measures through effective sensitization programme.
- 2.9 Promote, maintain peace, unity and cooperation amongst members with similar aspirations.
- 2.10 Do any other business deemed necessary as approved by the Federation.

67. NaFFSL roles and responsibilities under the project, and in line with its mandate will include: (i) mobilization and sensitization of farmer-based organizations; (ii) coordinating the provision of relevant capacity through various training provided by specialized training providers; and (iii) in collaboration with other stakeholders, monitor the performance of farmers groups to ensure that they meet contractual obligations with agribusinesses, as well as financial institutions. NaFFSL will undertake this role in coordination with FAO. The specific activities to be supported in order for NaFFSL to perform these specific roles are presented in Table A2.14.

<sup>30</sup> Article 1.4, NaFFSL Constitution.

Table A2.14: Capacity building support for NaFFSL

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Total</b>
Direct support to district structures for effective farmer mobilization and sensitization	50,000	50,000	50,000	50,000	<b>200,000</b>
Staff training on agribusiness development, social mobilization and group dynamics, participatory project monitoring and evaluation	24,000	24,000	20,000	20,000	<b>88,000</b>
Vehicle (1) & 13 motor-cycles + operational costs	90,000	10,000	10,000	10,000	<b>120,000</b>
Rehabilitation of the Headquarter and regional offices, including refurbishment (office equipment)	250,000	-	-	-	<b>250,000</b>
<b>TOTAL</b>	<b>414,000</b>	<b>84,000</b>	<b>80,000</b>	<b>80,000</b>	<b>658,000</b>

68. The capacity building activities will also include the detailed value-chain development services to be delivered to producer organizations, SMEs and financial service institutions. This will be critical for the implementation of the activities identified under component 1. The value-chain development services will be delivered by the PCU, through the Value-Chain Development Specialist and the main target group will be farmers eligible to participate in the out-grower schemes (mainly for the Farmer Aggregation Model) defined under sub-component A.2.

#### **Box 2: Value-Chain Development Services**

The PCU will establish a Value-Chain Development team which will be responsible for establishing and following-up on the implementation of the farmer aggregation model (sub-component 1B). The Unit will be led by a Value-Chain Development Specialist and will include few field-based officers.

##### **Value-Chain Development Specialist**

Overall responsible for the planning coordination and implementation of the out growers component of the project to ensure that the project:

- Establish and/or strengthen the out growers farmer structure and operational mechanisms.
- Liaises and coordinates between the farmers, the private large-scale investors, government, prospective off-takers (e.g. SLPMC, WFP, WARC etc.).
- Provide technical support to the out grower promotion officers and farmer structures to ensure delivery of quality services and expansion of the out growers
- Develop and support processes, systems and quality assurance and internal controls for effective implementation of the project. This will cover such areas as development of manuals, payment systems, stock controls, audit, approval levels, and disbursement of funds.
- In liaison with the farmer structures, the private firms, the banking sector and government ensure that the out grower cooperatives, are viable, profitable and sustainable

- Carry out monitoring, evaluation and reporting responsibilities to Government and development partners.

**The Value-Chain Development Specialist will work with an out-grower (field-based) whose role will be to ensure proper successful development and implementation of the out growers component of each of the promoted commodity value chain. The team will be based in the regions where the targeted commodities will be promoted. These positions will be measured against the number of successful out grower schemes established as part of the project outputs. Under the supervision of the Value-Chain Development Specialists, the team will be responsible to:**

- Identify farmers dealing in the specific commodities and mobilize them to establish the out growers schemes for the targeted commodities
- In liaison with the cooperatives department train, establish and register the farmer out grower cooperatives.
- Promote the growth and management of the out grower cooperatives through training, members education, and audit.
- In liaison with the farmers determine the production requirements in line with the profitable markets
- Create market linkages between the private sector and farmers for supply of inputs and other requirements and for the sale of the farmers produce and services.
- Support and facilitate the farmers to set the production and business target for growth of the out grower cooperatives and
- Liaise with the private sector partner and MAFFS to support the cooperatives the areas of extension services, input provision, business development and marketing of the targeted commodities.
- Support the establishment of nurseries to supply the farmers with quality seedlings both for production and income generation.
- Liaise with other promotion officers to ensure coordination of project deliverables across the country.

69. The detailed estimated budget for value-chain development services is presented in Table A2.15.

Table A2.15: Budget requirement for value-chain development services

Budget Line	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Human resource requirements	Value Chain Development Specialist	120,000	120,000	120,000			360,000
	Drivers (1) @200/month	3,000	3,000	3,000	3,000	3,000	15,000
	<b>Sub total</b>	<b>123,000</b>	<b>123,000</b>	<b>123,000</b>	<b>3,000</b>	<b>3,000</b>	<b>375,000</b>
Training and Capacity building in establishment and strengthening of Outgrowers Schemes	Training and Capacity building in establishment and strengthening of Outgrowers Schemes- trainings, field visits, exchange visits	75,000	75,000	60,000	30,000	30,000	270,000
Value chain development Studies	Conduct value chain studies	40,000		50,000			90,000
	<b>Sub total</b>	<b>115,000</b>	<b>75,000</b>	<b>110,000</b>	<b>30,000</b>	<b>30,000</b>	<b>360,000</b>
Non-Expendable Procurement	Procurement of Vehicles , equipment	100,000	-	-			100,000
	6 Motorcycles for field officers	18,000	-	-			18,000

	Lap top computers, a printer and internet modems -	7,400	-	-			7,400
	<b>Sub total</b>	<b>118,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125,400</b>
Expendable procurement	Office Supplies & Materials	12,000	11,000	10,000			33,000
	Internet and other communication	5,000	5,000	5,000			15,000
	<b>Sub total</b>	<b>17,000</b>	<b>16,000</b>	<b>15,000</b>			<b>48,000</b>
General Operating Costs (GOE)	Fuel and Vehicle maintenance for vehicles and 6 motorcycles	21,600	20,000	20,000			61,600
	Vehicle repairs and fittings	10,000	10,000	10,000			30,000
	<b>Sub total</b>	<b>31,600</b>	<b>30,000</b>	<b>30,000</b>			<b>91,600</b>
Grand Total		<b>405,100</b>	<b>244,000</b>	<b>278,000</b>	<b>33,000</b>	<b>33,000</b>	<b>1,000,000</b>

**70. Component D: Project coordination, monitoring and evaluation (US\$4.00 million):**

The overall day to day running, project coordination and management would be anchored within the Project Coordination Unit (PCU). The project is expected to be implemented under the Ministry of Agriculture, Forestry and Food Security (MAFFS) or through a Project Coordination Unit (PCU) which will report directly to MAFFS. Capacity assessment of the PCU was undertaken and is deemed adequate to coordinate project implementation in terms of providing effective project management, monitoring and evaluation of project activities, procurement and financial management. This component will also support operational costs required to coordinate overall project implementation.

**71. Subcomponent D.1: Project implementation coordination (US\$3.68 million):**

The Project will support a dedicated team of project staff under the Project Coordination Unit to coordinate project implementation among all the implementing MDAs and stakeholders. The project will specifically support: (i) PCU staff salaries, equipment and operating costs, including covering the costs of the National Project Steering Committee. It is expected that for the first 2 years, the project will be implemented under the existing PCU while the fiduciary capacity of the unified Project Implementation Unit under MAFFS will be built. This will also help reduce the operational costs since the existing PCU has equipment and office space already. Furthermore, the existing PCU has strong experience in implementing projects following the Bank's fiduciary procedures, thereby improving implementation readiness of the project.

**72. Subcomponent D.2: Project monitoring and evaluation, management information system (MIS) (US\$0.32 million):**

This subcomponent will support the establishment of an effective monitoring and evaluation framework and the collection of data to measure all the outcome, intermediate outcome and output indicators. This subcomponent will also support the studies, e.g. baseline, mid-term evaluation and end of project evaluation required to assess the achievement of the project development objectives. The subcomponent will also support the establishment of the project management information system (MIS), as a tool to guide project management decisions as well the outreach and communication strategy implementation.

Table A2.16: Project coordination, monitoring and evaluation – estimated costs

<b>Activity</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
Staff Salaries	483,480	488,994	494,508	500,022	505,536	<b>2,472,540</b>
Equipment/vehicles	80,000	-	-	-	-	<b>80,000</b>
M&E Studies	80,000	-	50,000	-	90,000	<b>220,000</b>
MIS, including communications and outreach	20,000	20,000	20,000	20,000	20,000	<b>100,000</b>
Operational costs	225,492	225,492	225,492	225,492	225,492	<b>1,127,460</b>
<b>TOTAL</b>	888,972	734,486	790,000	745,514	841,028	4,000,000

## **Annex 3: Implementation Arrangements**

### **Sierra Leone: SMALLHOLDER COMMERCIALIZATION AND AGRIBUSINESS DEVELOPMENT PROJECT**

#### **Overall Implementation Oversight and Management**

1. **The overall responsibility for steering the project implementation will be with the Ministries of Agriculture, Forestry and Food Security (MAFFS); Industry and Trade (MOTI) and Works, Housing and Infrastructure (MWHI).** Other state and non-state institutions such as: Sierra Leone Agricultural Research Institute (SLARI); Sierra Leone Roads Authority (SLRA), Sierra Leone Investment and Export Promotion Agency (SLIEPA) and Sierra Leone Chamber for Agribusiness Development (SLeCAD) will have primary responsibility as implementing agencies for specific activities directly related to their areas of functional responsibility, in line with promotion of smallholder commercialization and agribusiness development. The assignment of implementation functions and the transfer and accountability for project funds will be detailed in the financing agreement.

2. **The National Project Steering Committee (NPSC):** To ensure proper coordination and supervision of all project components, a Project Steering Committee (NPSC) will be established to provide policy guidance and oversight. The NPSC would have a policy and advisory role and would meet twice a year. The Steering Committee will be responsible for: (i) approving the annual work plans; (ii) approving the annual procurement plan; (iii) reviewing progress in the implementation of the work plans and other aspects of project performance, including taking responsibility on fiduciary oversight responsibilities following World Bank procedures on financial management and procurement; and (iv) ensuring that there is policy and implementation coordination, not only between sub-components of the project but also among all the project implementing institutions. The tenure of the Steering Committee will be five years, consistent with the project implementation period. The Minister of Agriculture, Forestry and Food Security, as the key sector ministry, will chair the NPSC which will comprise relevant officials from the other sector ministries and the state and non-state institutions involved in project implementation.

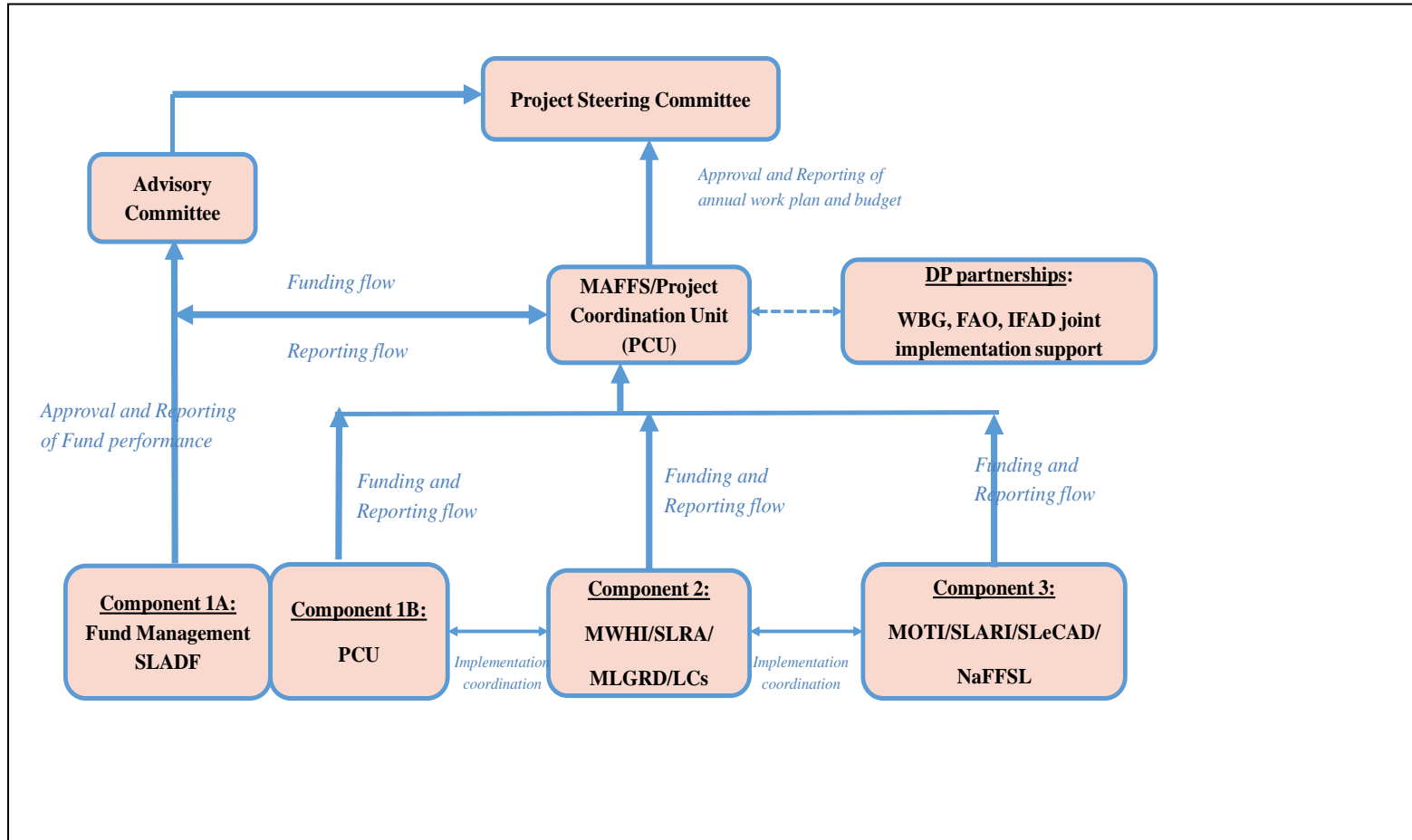
3. **Project Coordination Unit (PCU)** will be responsible for coordinating and supervising the day-to-day implementation of the project. The overall day to day running, project coordination and management would be anchored within the Project Coordination Unit (PCU). It is expected that this project will be implemented under the existing PCU responsible for the current World Bank supported projects while the capacity of the unified PIU under the MAFFS will be built. The main PCU functions would be to: (i) ensure the overall coordination of the project, make sure implementation of components activities complement each other; (ii) manage project funds on behalf of the executing agencies, keep financial records according to international standards, implement internal management control, and ensure regular external audit (in collaboration with the Audit Authority in the country); (iii) prepare and implement Annual Work Plans and Budgets aggregating demand from beneficiary institutions/agencies, and work plans and budgets proposed by implementing agencies/services providers; (iv) identify potential implementing agencies/goods and service providers, organize their selection/hiring, negotiate and sign contracts with selected implementation partners/goods & service providers, and carry out all procurement work related to

the project as per approved procurement plans; and (v) prepare quarterly, semi-annual and monitoring and evaluation (M&E) reports.

4. **Partnership Arrangements:** This project will be implemented in partnership with the International Finance Corporation (IFC), and other development partners and stakeholders. IFC will provide technical advice on the operations of the agribusiness development fund. IFC will also help build farmers and agricultural SMEs' business skills by rolling-out the business edge to as many trainers as possible, so that they will be able to reach the majority of the farmers and FBOs as well as agricultural SMEs that will directly benefit from the project. Appropriate service providers for value-chain development (such as for example FAO, appropriate NGOs and private sector service providers) will provide technical guidance and monitoring the performance of the out-grower schemes based on its experience in-country and elsewhere. IFAD will provide technical guidance and monitoring the performance of the APEX Bank in the provision of loan facilities to farmers and other stakeholders under this project. DFID will provide support towards the implementation of sub-component B.1. See Figure A3 for the overall project implementation arrangements.



Figure A3: Project Implementation Arrangements



### **Implementation arrangements for component 1**

5. The implementation of Sub-Component A.1 will be managed by the independent fund manager working closely with Project Coordination Unit (PCU). The PCU will also work closely with the independent fund manager for the SLADF to ensure that funds are disbursed in accordance with the guidelines. Access to the funds will be open to agribusinesses with business plans incorporating out-grower arrangements. The business plans will be assessed by the independent fund manager based on eligibility criteria laid down in the Project Fund Manual (PFM). The recommendations from the independent fund manager will be forwarded to the PCU, which in turn will forward to the World Bank Group (WBG) team comprising IDA and IFC team members, for review before being cleared for disbursement. Each of the eligible agribusiness will be required to sign an MoU with the Government to ensure compliance with the support expected to be provided to the out-growers. Component A.2 will be implemented by the PCU. The out-grower arrangements between agribusinesses and farmers will be governed by a set of contractual agreements agreed upon between the two parties. The Value Chain Development Specialist hired by the PCU will facilitate the process of getting the farmers to negotiate their contracts with agribusinesses and also ensure that they comply with the out-grower scheme agreements while SLeCAD will monitor the operations of the agribusinesses to ensure their compliance.

### **Implementation arrangements for component 2**

6. The Sierra Leone Road Authority (SLRA) will be the implementation agency for the market access improvement sub-component (component B.1) with an oversight function by Ministry of Works, Housing and Infrastructure (MWHI) through the National Feeder Roads Committee (NFRC). The PCU will be the 'lifeline' link to funding SLRA and will monitor its performance with agreed action plans, available budget, safeguards and other Bank requirements. The SLRA will prepare progress report on the sub-component for the PCU. The detailed arrangement, roles and responsibilities of the institutions will be laid out in in the Project Implementation Manual (PIM).

### **Implementation arrangements for component 3**

7. The capacity building activities in each of the project implementation institutions as defined under component 3 will be coordinated by the PCU working closely with each of the responsible sector Ministries.

### **Implementation arrangements for component 4**

8. Project coordination, fiduciary oversight and monitoring and evaluation will be undertaken by the PCU. The PCU will report directly to the Project Steering Committee (PSC) on the performance of the annual approved work plans and budgets.

9. The various roles for the partnerships arrangements (within the WBG) and with other development partners in facilitating the project activities are presented in Figure A3.

## Financial Management, Disbursements and Procurement

### Financial Management Assessment

10. A financial management assessment of the Project Coordination Unit (PCU) of the Ministry of Agriculture, Forestry and Food Security (MAFFS) was conducted in accordance with principle tenets of OP10.00 as complemented with the FM guidelines outlined in the Financial Management Practices Manual issued by the Financial Management Sector Board on March 1, 2010.

11. The objective of the assessment was to determine: (a) whether the agencies have adequate financial management arrangements to ensure that project funds will be used for purposes intended in an efficient and economical way; (b) the project's financial reports will be prepared in an accurate, reliable and timely manner; (c) the entities' assets will be safe guarded; and (d) the arrangements are subject to acceptable audit arrangements by IDA.

12. The overall FM risk for the project at preparation is assessed as high before mitigation, but with the expected risk mitigation measures when adequately implemented, the residual FM risk is rated as Substantial.

**13. Country Issues:** According to the 2014 Public Expenditure and Financial Accountability (PEFA) which included an analysis of Sierra Leone's Public Financial Management (PFM) strengths and weaknesses, the Government has taken considerable actions to improve its public financial management systems and architecture since 2010.

14. The adoption of a number of new laws has had positive impact on the regulatory framework for Public Finance Management (PFM). The proposed new PFM Law that would replace the Government Budgeting and Accountability Act (GBAA) 2005, and the Public Debt Law passed in 2011 are two important legislations contributing to the enhanced legislative framework.

15. The establishment of the Procurement Directorate and the Public Investment Planning Unit of Ministry of Finance and Economic Development (MoFED); capacity increases and improvements in the number and quality of staff within the Ministry of Finance, the Accountant-General's Department and the Office of the Auditor-General are positive developments in the PFM environment.

16. A weakening of budget credibility and predictability for both expenditures and revenues (underestimated); minor gains in comprehensiveness not impacting on fiscal management challenges; weaknesses in expenditure control (including payroll); and low levels of transparency are weaknesses to be addressed as the Government considers moving the system to a level that is capable of directing resources to priority areas and supporting high quality expenditure outcomes.

17. PFM reform in Sierra Leone is directed at all the dimensions of the PFM system. The PFM Reforms Strategy 2014 – 2017 seeks to develop the basis for the Government of Sierra Leone to accelerate PFM reforms and establish an efficient, effective and transparent PFM system that minimizes opportunities for corruption.

18. The Strategy is being pursued under the following four themes:
- **Budget Planning Comprehensiveness, and Credibility:** its primary aims are to establish a credible and stable budget process, particularly to establish a Transformational and Development Fund (TDF), Public Investment Program (PIP) and link investment to recurrent operations and maintenance spending through the MTEF process.
  - **Financial Control and Accountability, Service Delivery and Oversight:** the most critical objective of which is to complete the roll-out of IFMIS to major spending MDAs and bring all CG public accounts--including sub-vented accounts and DP project accounts--on to IFMIS.
  - **Revenue Mobilization:** whose two objectives will be (1) to establish more effective tax and control regimes for extractive industries through the Extractive Industries Revenue Act and the Oil Exploration Act and (2) improving the system for recording and reconciling payment and receipts.
  - **Strengthening Local Governance Financial Management through Local Councils for Effective Decentralization:** A critical objective shall be the consolidation of the implementation of the PETRA Accounting Package in all local councils including the real time processing of transactions by selected councils.

19. The PFM Strategy if successfully implemented will put in place appropriate structures and processes to promote transparency and accountability and mitigate the fiduciary risk of utilizing public funds both at the country and project levels as well as have positive impact of aggregate fiscal discipline, the strategic allocation of resources and the efficiency of public service delivery.

20. The bulk of external assistance in terms of programming has been channeled off-budget. Thus resource allocations are not reflected in the government's budget documents and such funds are not disbursed through country Treasury systems. This lack of information and absence of effective instruments to guide the allocation of external financing seriously undermine the integrity and effectiveness of the budgetary system. There is insufficient transparency in public finances and related budget processes. The PFMRP project being currently implemented aims at addressing all the above weaknesses by mobilizing funds from a number of donors to finance a comprehensive public financial management overhaul of the respective integrated systems and ensure an inclusion of donor funded projects in government chart of accounts and budgets so that eventually they are able to use existing country systems.

### **Project Risk Assessment and Mitigation**

21. This section presents in a tabular form the results of the risk assessment and identifies the key FM risks and the related mitigating measures.

**Table 1: Risk Rating Summary Table**

Risk	Risk rating	Risk mitigating measures	Conditions of Negotiations, Board or Effectiveness (Yes or No)	Residual Risk rating
<b>INHERENT RISKS</b>				
1 <b>Country Level</b> Weaknesses in legislative scrutiny, low human capacity, declining revenues and energy challenges affecting timely and adequate intergovernmental fiscal transfers.	H	Efforts are being made to help GoSL substantially resolve and enhance revenue management framework in the medium term through the existing PFM project. The same also seeks to address the human capacity issues including FM capacity	No	H
2 <b>Entity Level</b> The political arm of the Entity and / or Management may unduly interfere with, and/or override, project financial management controls.	H	An independent project financial management unit with officers paid by the Project will manage the fiduciary aspects of the project. An independent external audit will be carried out annually under the project which will also review transactions that stem from political interference and report on them. Initially, regular FM reviews will be conducted by the Bank team to provide support.	No	S
3 <b>Project Level</b> Weak FM capacity at the Ministry could result in slow execution of the project and delayed reporting could impact on progress.	H	A PCU manned by qualified personnel will handle the day to day management for the Government of Sierra Leone. A project launch workshop will be conducted to ensure that all implementers are on board from initiation.	No	S
<b>CONTROL RISKS</b>				
4 <b>Budgeting</b> Budget and annual work plan preparations may be delayed and may not be comprehensive. Risk of cost overruns and adverse variations in expenditure could arise due to potential slow implementation.	M	Consolidated Project AWP to be finalized prior to negotiation. Consolidated Project AWP would be realistic and unit cost estimates would also be as realistic as can be. Also, budget execution reporting through quarterly IFRs will be routinely monitored by IDA. The Budget Office will also monitor budgeted activities to ensure effective use of budgets.	No	L
5 <b>Accounting</b> Government Accounting System not yet installed at the Ministry. Use of manual accounting system may not generate timely and accurate	H	PCU will use a customised accounting system compatible with the Government IFMIS. The Financial Procedures Manual is being revised and an accounting software acceptable to the Bank	No	S

	accounting information acceptable to the Bank.		installed. The Bank's team will provide support to relevant project staff at MAFFS		
6	<p><b>Internal Control</b> Project funds not being used for intended purposes because of inadequate internal control by management and lack of control measures.</p> <p>Risk of non-compliance with internal control procedures</p>	S	<p>Adequate Internal Control (IC) over the disbursement and accountability of funds for eligible expenditures will be further strengthened by the internal audit oversight on the Project at MAFFS. The internal auditors will be required to generate periodic internal audit reports which should be shared with relevant stakeholders including the Bank. The IC will also be documented in the FM manual for the Project. Internal and external auditors would be expected to clearly identify and report any cases of breach of internal control procedures by the project management.</p> <p>An enhanced accountability framework will form part of the projects operational manual to strengthen controls.</p>	No	M
7	<p><b>Fund Flow</b> Possible delays in processing withdrawal applications leading to problems in honoring payments to third parties.</p>	S	<p>The PCU will be responsible for preparing and submitting withdrawal applications, and acceptable service standards for settlement of bills will be established.</p> <p>IDA funds will be disbursed through US\$-denominated Designated Accounts to be opened by the PCU</p> <p>Simplified flow of funds arrangements will be included in the Project Implementation Manual.</p>	No	M
8	<p><b>Financial Reporting</b> Delays in the preparation and submission of un-audited interim financial reports (IFRs) and/or unreliable IFRs submitted.</p>	M	<p>IFRs shall be submitted to the Bank within 45 days after end of each calendar quarter. The content of the IFR will include Sources and Uses of Funds, Uses of Funds by Category, bank accounts reconciliation and a schedule of amounts drawn from the Credit. Induction of the project staff shall ensure such delays are avoided</p>	No	L
9	<b>Auditing</b>	S	The audit TOR will be agreed	No	M

Delays in the submission of audit reports and the timeliness of management follow up on audit issues.		upfront and a qualified and acceptable auditor appointed with relevant input of Audit Service Sierra-Leone. Continuous satisfactory performance of auditors will be basis for continuous engagement. The audit would be done in accordance with International Standards on Auditing and, International Public Sector Accounting Standards. The audited financial statement is expected to be submitted to the Bank not later than 6 months after the end of each fiscal year. The TOR for the external auditors has to be cleared by the Bank. The Bank will liaise closely with implementing agencies to ensure that management takes corrective actions on identified weaknesses.		
OVERALL RISK RATING	H			S

*H—High, S—Substantial, M—Moderate and L—Low.*

### Strengths and Weaknesses

22. The PCU is familiar with the Bank’s procedures. In particular, the PCU implemented and coordinated World Bank Projects including the Sierra Leone Rural and Private Sector Development and West Africa Agricultural Productivity Program APL (WAAPP-1C).

23. A summary of the key findings of the financial management assessment as well as the FM arrangements under the project as conducted is presented as hereunder.

**24. Planning and Budgeting:** The respective entities’ Annual Work Plans and Budgets (AWPB) will be prepared and approved based on the policy guidelines and strategy planning as laid-out in the Project Implementation Manual (PIM) to be developed, and consistent with the provisions of the Government Budgeting and Accountability Act 2005. This budget will be activity based and in line with the cost tables of the project to ensure compliance. The AWPB is expected to be prepared in a participatory way and will be approved before each new financial year begins. The financial part will be monitored during Project implementation using unaudited interim financial reports. The PCU will ensure timely preparation, review, consolidation, and approval of the annual work program.

### Accounting Policies, System and Procedures

25. The PCU will set up and maintain books of accounts specifically for this Project. Books of accounts will include a main cash book, and ledgers, fixed asset registers, and contracts register. The PCU will use a customized FM system and will ensure that codes for the transactions are adequately reflected in its books.

26. The accounting systems will contain: (a) a chart of accounts and a coding system capable of capturing transactions classified by project components and IDA disbursement categories; (b) use of the cash or modified cash method of accounting; (c) a double entry accounting system; and (d) the production of annual financial statements and quarterly IFRs in a format acceptable to IDA.

27. An accounting policies and procedures manual will be prepared to include the project financial transactions procedures at each of the implementing agencies. The Manual will contain the necessary internal controls including internal checks and segregation of duties.

### ***Internal Audit and Control***

28. The Internal Audit Directorate of the Ministry of Finance and Economic Development (MoFED) will carry out periodic internal audit reviews of activities carried out in the implementation of the Project and share copies of their report with the Bank.

29. Segregation of duties, and full compliance with the provisions of the PIM, especially as pertaining to internal control aspects, will remain a key ingredient in the implementation of the expenditure processing activities at the MAFFS and the executing agencies during the life of the project.

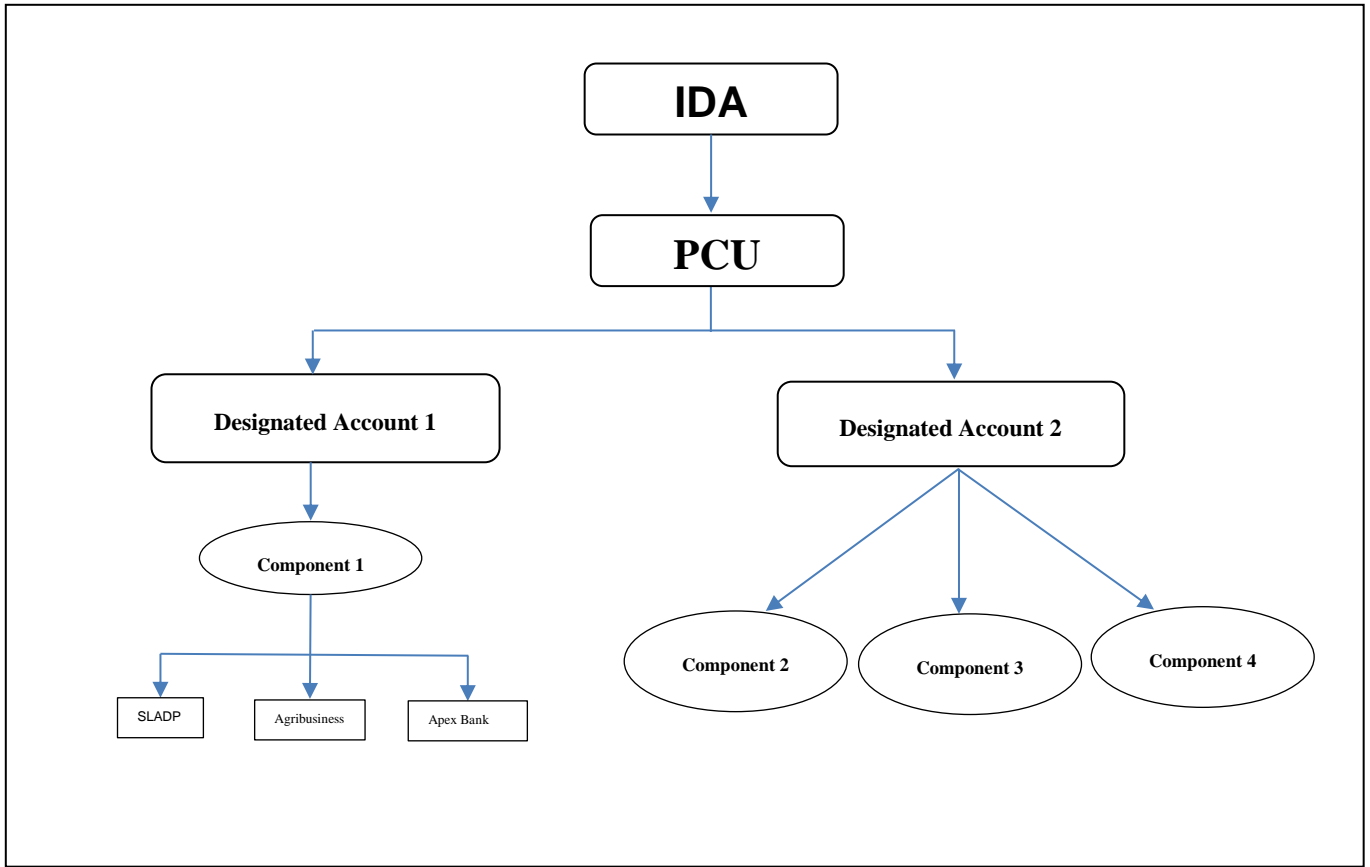
### **Governance and Anti-Corruption.**

30. The Bank's Anti-Corruption Guidelines (*"Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants"*, dated October 15, 2006 and revised in January, 2011) apply to this operation. Sections of these guidelines, especially those relating conflict of interest, procurement and contract administration monitoring procedures, procedures undertaken for replenishing the Designated Account and use of the Project's asset shall be provided as an annex to the Project's Financial Procedures Manual. Additional mitigation measures will include advocating good governance, close monitoring and spot checks by the internal audit units of the implementing entities, as well as enhanced social responsibility by the GoSL and implementing entities.

### ***Flow of Funds***

The flow of funds will be as follows:





31. *Designated Accounts (DA)* - To facilitate funds flow to the Government of Sierra Leone, two segregated designated accounts (DA1 and DA2) will be opened in US Dollars at a commercial bank acceptable to the Bank and managed by the PCU. The First DA (DA1) will cater to the implementation requirements for component 1 and the second DA (DA2) will cater for the implementation requirements for components 2, 3 and 4. Based on the previous project, the FMs established that that the borrower has adequate administrative capability, internal controls, and accounting and auditing procedures to ensure effective use of the respective Designated Accounts. Before the loan proceeds are withdrawn or committed from the Loan Account, the authorized representative of the borrower will furnish to the Bank (a) names of the official authorized to sign applications for withdrawals and (b) applications for special commitment as well as the authenticated specimen signature of the officials. There will be clear indication whether more than one signature is required on application and such decisions must be promptly notified to the Bank including any changes during the implementation of the project. For special commitments from the Loan account, the government should provide an original signed application for a special commitment together with one copy of the letter of credit. The Bank reserves the right not to accept or review duplicate copies of applications and supporting documentation and may at its discretion return or destroy the duplicates.

32. Delivery of withdrawal applications through IFRs will be done either electronically in a manner and on terms and conditions specified by the Bank or in hard copies with supporting documentation. The Bank may suspend disbursement of funds if reporting requirements are not met.

## **Disbursement Arrangements**

33. The report (Interim Financial Reports) - based disbursement method will be used as a basis for the withdrawal of credit and grant proceeds. The project provides for the use of ‘advances, reimbursements, direct payment, and special commitments’ as applicable disbursement methods, and these will be specified in the disbursement letter. An initial advance will be provided for the implementing entity, based on a forecast of eligible expenditures against each component, linked to the appropriate disbursement category.

34. These forecasts will be premised on the annual work-plans that will be provided to the IDA and cleared by the World Bank Task Team Leader. Replenishments, through fresh withdrawal applications to the World Bank, into the designated accounts will be made subsequently, at quarterly intervals, but such withdrawals will equally be based on the net cash requirements that are linked to approved work-plans. Supporting documentation will be retained by the implementing agencies for review by the IDA missions and external auditors.

## **Financial Reporting Arrangements**

35. The PCU will be responsible for the preparation and submission of quarterly Interim Financial Reports for the project, to be submitted within 45 days after the end of the quarter to which they relate. It will also be responsible for the preparation of the annual financial statements for the fiscal period to which they relate and having them audited. The information in these reports will be clearly linked with the chart of accounts for the Project.

36. The following quarterly IFRs and annual Financial Report will be produced:

- a. A statement of sources and uses of funds for the reported quarter and cumulative period from project inception, reconciled to opening and closing bank balances.
- b. A statement of uses of funds (expenditures) by project activity/component, comparing actual expenditures against budget, with explanations for significant variances for both the quarter and cumulative period.

37. The annual financial statements should be prepared in accordance with International Public Sector Accounting Standards (which inter alia include the application of the cash basis of recognition of transactions) and International Standard on Auditing within 6 months after the end of each fiscal year.

38. The Financing Agreement will require the submission of audited financial statements to the Bank within six months after the end of each financial year. These Financial Statements will comprise:

- a. a Statement of Sources and Uses of Funds/Cash Receipts and Payments, which recognizes all cash receipts, cash payments, and cash balances controlled by the project entities and separately identifies payments by third parties on behalf of the project entities;
- b. a Statement of Affairs/Balance Sheet as at the end of the financial year, showing all the assets and liabilities of the Project;
- c. The Accounting Policies Adopted and Explanatory Notes. The explanatory notes should be presented in a systematic manner with items on the Statement of Cash Receipts and Payments being cross-referenced to any related information in the notes. Examples of this information

include a summary of fixed assets by category of assets and a summary of Withdrawal Schedule, listing individual withdrawal applications; and

- d. A Management Assertion that IDA funds have been expended in accordance with the intended purposes as specified in the relevant World Bank legal agreement.

39. Indicative formats of these statements will be developed in accordance with fiduciary requirements and agreed with the Country Financial Management Specialist.

### ***External Audit***

40. The Audit Service Sierra Leone (ASSL) is by law responsible for the audit of all government finances and projects. However, in view of the prevailing capacity constraints, it is likely that the ASSL could outsource such service to a private firm of auditors with qualifications and experience acceptable to the IDA, subject to the IDA/IBRD procurement guidelines for the selection of consultants as revised in January 2011.

41. The PCU will be responsible for preparing the project financial statements on which the auditor will issue a single opinion covering project accounts, the usage of statement of expenditures, and the management of designated accounts. In addition, a management letter outlining any internal control weaknesses will also be issued by the external auditor together with the audit report.

42. The project financial statements will be audited annually in accordance with International Standard on Auditing (ISA) by independent auditors acceptable to IDA based on TORs acceptable to IDA as above annotated. The auditors should be appointed prior to the first audits period to allow the auditors able to submit the audit report within the due date. The audited financial statements will be submitted to IDA within six months after the end of each fiscal year. The cost of the audit will be financed from the project proceeds

### **Enhanced accountability Framework**

43. The project shall adopt and use enhanced accountability framework to ensure strengthened financial controls as outlined in Annex 4.

### **Implementation Support Plan**

44. As the overall FM risk rating of the project is substantial, implementation support of project financial management will be performed at least twice a year. The implementation support of the project will closely monitor the FM aspects, and will include but not limited to operation of designated accounts, evaluation the quality of budgets, project financial monitoring and management reviews of financial reports, quality of IFRs, relevancy of the FM Manual, internal controls, work and document flow and quality of financial records, and follow up of audit and mission findings. The review also conducted random reviews of the statements of expenditures, compliance with covenants. Based on this assessment, the frequency of FM supervision was recalibrated. The proposed measures to mitigate the late / non submission of reports were discussed and agreed upon during the appraisal stage.

## Conclusion

45. The conclusion of the assessment is that the FM systems of the PCU meet the Bank's minimum requirements for the administration of projects funds under OP / BP 10.00. The overall FM residual risk of the Project is **'substantial'**.

## Procurement Arrangements

### Applicable Procedures

#### Use of National Procurement System

46. All contracts procured at the national level following National Competitive Bidding (NCB) and other lower procurement procedures such as Shopping, may follow the national public procurement law and attendant regulations. These procedures have been reviewed by the Bank and found to be acceptable, except for the following provisions, *which will not be applicable under this project*:

- a. Domestic preferences shall not apply under NCB;
- b. The charging of fees for dealing with bidder complaints at procuring entity level shall not be permitted;
- c. Firms or individuals debarred or suspended by the World Bank shall not be eligible (in addition to firms or individuals suspended under national procurement rules);

47. In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract shall provide for the following: (i) the bidders, suppliers, contractors and subcontractors shall, on request, permit the World Bank to inspect the accounts and records relating to the bid submission and performance of the contract, and shall have the accounts and records audited by auditors appointed by the World Bank; and (ii) any deliberate and/or material violation of such provision by any bidder, supplier, contractor or subcontractor may amount to an obstructive practice provided for in paragraphs 1.16(a) and (v) of the Procurement Guidelines.

48. Under the proposed project, procurement processing shall also in addition to the World Bank guidelines comply with the national approval system except where the two conflict, when the World Bank Guidelines will take precedence. Specifically, the Contracts Committees shall perform their oversight functions at every key procurement stage as required and contracts shall be subjected to the clearance procedures where applicable.

**49. Procedure for Shopping:** Shopping shall follow the Request for Quotation (RFQ) procedures as defined under the national procurement procedures. These procedures have been reviewed by the Bank and found to be satisfactory.

**50. Use of Framework Agreements (FAs):** Common supplies, for example, stationery and consumables will be aggregated and procured through framework contracts to enable implementing agencies place orders for urgently needed supplies at short notice, at a competitive price. FAs shall not restrict foreign competition, and should be limited to a maximum duration of 3 (three) years. FA procedures applicable to the project are those of the Borrowers that have been deemed acceptable by the Bank, and shall be described in the Financing Agreement.

51. It has been agreed with the Borrower, that bidding documents under NCB procedures include a clause rendering ineligible for Bank financing a firm, or an individual, of the Borrower

country that is under a sanction of debarment from being awarded a contract by the appropriate judicial authority of the Borrower country and pursuant to its relevant laws, provided that the Bank has determined that the firm, or the individual, has engaged in fraud or corruption and the judicial proceeding afforded the firm or the individual adequate due process.

### **Solicitation Documents to be used**

**52. Goods, Works and Non-consulting services:** The Bank's standard bidding documents and standard bid evaluation forms will be used for procurement under ICB.

53. Under NCB, the standard tender documents for procurement of Supplies prepared and issued by Borrower's public procurement entity may be used subject to modifications acceptable to the Bank and those indicated under subject to the exceptions under para 3 above.

**54. Consulting Services:** The Bank's Standard Request for Proposal document and sample form of evaluation report will be used in the selection of consulting firms.

### **Record Keeping**

55. The PCU's Procurement Officer will be responsible for record keeping and shall open a procurement file for each contract processed. The file should contain all documents on the procurement process in accordance to the World Bank's procurement procedures, or national procurement procedures, if applicable. The PCU will ensure that there is adequate lockable storage space for active files, and for archiving.

### **Monitoring**

56. Monitoring and evaluation of procurement performance will be carried out through annual *ex-post* procurement and technical audits by (i) Procurement Consultants with Terms of Reference (ToR) and Qualifications acceptable to IDA and the Government of Sierra Leone (iii) Bank supervision and Post-review missions. At national level – (i) and (ii) will apply while at local government level, only (i) will apply.

57. Monitoring and evaluation of procurement performance will be carried out through (a) regular ad-hoc reviews by the PCU's Procurement Officer or consultants and (b) annual procurement audits by Procurement Consultants with TORs and Qualifications acceptable to IDA. Such audits shall:

1. verify compliance to the procurement and contracting procedures and processes specified in the Simplified Procurement Handbook;
2. verify technical compliance, physical completion for works or the physical existence of goods;

### **Scope of Procurement under the Project**

#### **Project Coordination Unit**

58. The PCU will be responsible for procurement of goods, works, non-consulting and consulting services that will be used under the project. A procurement specialist under the currently existing Project Coordination Unit (PCU) who was hired through ToRs and qualifications

acceptable to the IDA will be responsible for the implementation of the Procurement Plan under the project.

**59. Operating Costs:** The Project will finance costs of undertaking procurements that directly relate to project implementation. The Project’s operating costs include audit fees, expenditures for office supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and *per diem*, and salaries of Project staff, but excluding the salaries of the Recipient’s civil service, meeting allowances, other sitting allowances, salary top ups and all honoraria. These will be procured using IDA procedures or the Borrower’s procurement, financial and other administrative procedures, acceptable to the Bank.

**60. Training:** The project will formulate an annual training and budget plan which will be submitted to the Bank for its prior review and approval. The annual training plan will, inter alia, identify: (i) the training envisaged; (ii) the justification for the training, how it will lead to effective performance and implementation of the project and or sectors; (iii) the personnel to be trained; (iv) the selection methods of institutions or individuals conducting such training; (v) the institutions which will conduct training, if already selected; (vi) the duration of proposed training; and (vii) the estimated cost of the training. Upon completion of training, the trainee shall be required to prepare and submit a report on the training received. A copy of the training report will be kept for IDA review. Additionally, the Project Operations Manual shall specify how candidates eligible for the graduate training shall be selected. These procedures shall ensure equal opportunity to all eligible participants.

### Frequency of Bank Supervision

61. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended at least bi-annual supervision missions to visit the country, at least one of which shall include carrying out post review of procurement actions.

### Prior Review Thresholds

The prior review thresholds are as follows:

<i>Procurement of Goods, Works and Non-consulting services</i>			
Expenditure Category	Contract Value (Threshold) US\$	Procurement Method	Contracts Subject to Prior Review
1. Works	>=10,000,000	ICB	All Contracts Selected Contracts as indicated on PP First contract under this method
	< 10,000,000	NCB	
	<200,000	Shopping	
2. Goods and Non-consulting services	>=1,000,000	ICB	All Contracts Selected Contracts as indicated on PP First contract under this method
	<1,000,000	NCB	
	<100,000	Shopping	
All categories	All values	Direct Contracting	All

<b>Selection of Consultants<sup>31</sup></b>			
<b>Expenditure Category</b>	<b>Contract Value (Threshold) US\$</b>	<b>Selection Method</b>	<b>Contracts Subject to Prior Review</b>
(a) Firms <sup>32</sup>	>=300,000	QCBS, QBS, FBS, LCS Qualifications/Other Selection Methods	All contracts
	<300,000		Selected Contracts as indicated on PP
(b) Individual	<= 5,000	IC	Selected Contracts as indicated on PP
Firms and Individual	All values	Single Source Selection	All contracts

## **Procurement Capacity Assessment**

**62. Country Procurement Environment:** The Government of Sierra Leone enacted the Public Procurement Act (2004), which incorporates many of the major features that meet international best practices in public procurement. The Public Procurement Act (PPA) contains for example, procurement and complaints procedures and also has a focus on decentralization. It subsequently created Independent Procurement Review Panel (IPRP or “the Review Panel”), which was created pursuant to the PPA. The IPRP has passed and published various judgments on cases referred to it by aggrieved bidders. A National Public Procurement Authority (NPPA) was also created after the adoption of the PPA and is the main body in Sierra Leone that manages the public procurement function. It sets policy, creates Regulations, and monitors the implementation of procurement plans within the ministries, departments and agencies of government.

63. The NPPA has made several significant strides in terms of advancing the reform of the national public procurement system. For example, it has created all the Regulations to support the implementation of the PPA as well as all accompanying standard bidding documents and request for proposals. It created user manuals for these latter Regulations and documents. (*Source: Sierra Leone country procurement assessment report, May 2012*). In December 2009, NPPA started to prepare amendments to the law and Regulations, and invited comments from civil society, the private sector and development partners. NPPA drafted the revised Public Procurement act Bill which is now in parliament for enactment.

**64. Adequacy of national procurement procedure:** The Government of Sierra Leone has standard bidding documents for national competitive bidding and the Public Procurement Act provides for adequate time from advertising date to submission deadline. It also allows public opening of bids and allows foreign bidders to participate under National Competitive bidding procedures.

**65. Ministry of Agriculture Forestry and Food Security (MAFFS):** The Ministry of Agriculture, Forestry and Food Security shall be responsible for overall policy guidance and implementation of the Project, and chairs the National Project Steering Committee, it does not have any role in the procurement processes done by the project implementation unit. Smallholder Commercialization and Agribusiness Development will be implemented by a Project Coordination

<sup>31</sup> All Terms of Reference regardless of cost will be subject to clearance by the Bank.

<sup>32</sup> A shortlist of consultants for services estimated to cost less than US\$ 300,000 equivalent per contract may consist entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Unit (PCU) set up in MAFFS and currently managing two project funded by the bank, those are West Africa Agricultural Productivity Program (WAAPP) and Rural and Private Sector Development project that has just closed. All procurement activities under this project will be managed and supervised by PCU.

**66. Description of Project Coordination Unit (PCU):** The main functions of PCU would be to: (i) ensure the overall coordination of the project, make sure implementation of components activities complement each other; (ii) manage project funds on behalf of the executing agencies, keep financial records according to international standards, implement internal management control, and ensure regular external audit (in collaboration with the Audit Authority in the country); (iii) prepare and implement Annual Work Plans and Budgets aggregating demand from beneficiary institutions/agencies, and work plans and budgets proposed by implementing agencies/services providers; (iv) identify potential implementing agencies/goods and service providers, organize their selection/hiring, negotiate and sign contracts with selected implementation partners/goods & service providers, and carry out all procurement work related to the project as per approved procurement plans; and (v) prepare quarterly, semi-annual and annual project progress and monitoring and evaluation (M&E) reports.

**67. Procurement Implementation Arrangements:** Procurement under the project will be done by PCU on behalf of the different implementing agencies that are responsible for implementing components of the project such as Sierra Leone Roads Authority through National Feeder Roads committee. A fund managing firm that will be hired by PCU and Local Councils will handle technical aspects in their respective area. The current practice is that PCU has a procurement unit which manages procurement activities of preparation of tender documents and request for proposals, publication of tender receive bids and proposals and participating in evaluations. After the opening of bids or proposals, PCU forms an ad hoc evaluation committee composed of subject matter specialists and the procurement team who evaluate tenders and recommend award to Project Coordinator who in turn award tenders and sign contracts. Evaluation committees are always formed after opening of every tender and it is dissolved at completion of evaluation.

**68. Adequacy of the capacity of implementing agency:** The procurement under Smallholder Commercialization and Agribusiness Development project will be implemented by PCU. Currently the implementing agency has one procurement specialist and a procurement officer who have been handling other two Bank funded projects. The Procurement Specialist holds M.Sc. Agricultural Economics with over 27 years of experience in establishing procurement systems, implementing procurement and contract management from different Development Partners including the Bank. He has attended many trainings and seminar on procurement and contract management and has wide work experience specifically in Ghana and Sierra Leone. The procurement officer has a bachelor degree in economics and he is currently pursuing a Master Degree in Project Management. He has attended many short courses in procurement and logistics management including three procurement short courses at GIMPA. He has been in this position for four years and has additional experience in logistics and supply chain management in private sector. They have enough experience in procurement procedures of World Bank and National procurement procedures. The implementing agency has put in place a good filing system, the content of the files is arranged in a chronological order in accordance with the procurement process, the copies of invoices were found in the procurement file but some others were in the finance unit. Files are kept in the procurement office, as they become many, there will be a need for procurement archiving space. Most payments are made within the period less than 45 day and payment records are well



kept in the Finance unit.

**69. Procurement and Capacity Risk:** Though the existing PCU has been implementing other two Bank funded projects, the procurement risk is considered to be substantial because there is no committee in place with authority to award tenders as the tender award and contract signature is made by the head of PCU. The complaint mechanism requires that the first line of complaint is to the head of procurement who shall suspend the procurement process, make a review and issue a written decision stating the reason and if the complaint is upheld, indicating the corrective measures to be taken. Such a system is not in place at the PCU and this implies that the complaints would go directly to Independent Procurement Review Panel (IPRP). Also the project will be working with different implementing agencies such as Sierra Leone Roads Authority through National Feeder Roads committee, a fund managing firm that will be hired by PCU and Local Councils, all these entities will handle technical aspects in their respective area including procurement and contract management yet they may not have sufficient capacity in procurement and contract management. And unless the collaboration and communication is effective, there is a risk of delays in procurement processing. There is also a problem of filing space as well as some delays in payment.

**70. Mitigation measures:** The PCU will have to put in place a committee responsible for approving tender evaluation reports and making award decisions before notification of tender award and contract signature. The head of the PCU should be delegated authority of the Accounting Officer by the MAFFS to communicate contract awards and sign contracts. A strategy for quality assurance of procurement and contract management process at various project implementing agencies. there will be need to provide space for procurement files archiving that will be secured to avoid access by non-authorized persons and develop strategies to expedite payments to contractors, suppliers and service providers.

**Schedule of Risk Mitigation Action Plan to be carried out**

	<b>Action</b>	<b>Responsibility</b>	<b>Due Date</b>	<b>Remarks</b>
1	Appointing a committee responsible for tender award decision and formal delegation of authority to the head of PCU	PCU	AS SOON AS POSSIBLE	
2	To create a complaint review system in line with the PPA	PCU	AS SOON AS POSSIBLE	
3	Develop a strategy for quality assurance in procurement and contract management done by other project implementing agencies	PCU	Before project effectiveness	
4	To provide a space for filing of procurement documents	PCU	During project life	
5	Carry out procurement refresher trainings to staff	PCU and World Bank	During project life	

**71. Procurement Plan:** The project has prepared an 18-month Procurement Plan which was reviewed and approved by the Bank and agreed upon with the Borrower during the negotiations. The summary of the Procurement Plan is highlighted below:

# Procurement plan for Smallholder Commercialization and Agribusiness Development Project (SCADeP)

## I. General

### Project information

**Country:** Sierra Leone

**Project Name:** Smallholder Commercialization and Agribusiness Development Project (SCADeP)

**Project Implementing Agencies:** Ministry of Agriculture, Forestry and Food Security (MAFFS) and Ministry of Trade and Industry (MTI).

**World Bank's approval date for the procurement plan:**

**Date of General Procurement Notice:** (after Board approval)

**Period covered by this procurement plan:** 18 Months from date of approval

## II. Goods, Works and Non-consulting Services

**1. Prior Review Threshold:** Procurement decisions subject to Prior Review

No	Procurement Method (Goods and Works)	Threshold in US Dollars	Prior Review Threshold in US Dollars	Comments
1	ICB (Goods)	≥500,000per contract	≤3,000,000 per contract	
2	LIB (Goods)	No specific ceiling	≤3,000,000	Refer to paragraph 3.2 in IDA Guidelines
3	NCB (Goods)	>100,000	<500,000	
4	Shopping (Goods)	≥50,000	≤100,000	
5	ICB (Works)	≥5,000,000per contract	≤15,000,000 per contract	
6	NCB (Works)	>200,000	<5,000,000	
7	Shopping (Works)	≥100,000	≤200,000	
8	ICB (Non-Consultant Services)	≥500,000	≤3,000,000	

**2. Prequalification:** Bidders for civil works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Procurement Guidelines.

### 3. Other Special Procurement Arrangements:

- Based on Sierra Leone's specific needs and circumstances, shopping threshold for the purchase of vehicles and fuel may be increased up to US\$500,000.
- The threshold for the Selection of consultant firms based on Consultants' Qualifications (CQS) is determine on a case by case basis taking into account the nature and complexity of

the assignment but shall not exceed US\$300,00 other than in exceptional situations in accordance with paragraph 3.7 of the Guidelines: Selection and Employment of Consultants.

- Special cases beyond the defined thresholds are allowed based on applicable market conditions and on agreement with the Bank.

### Procurement Packages with Methods and Time Schedule

Ref. No.	Contract description	Estimated Cost (US\$)	Procurement Method	P-Q	Domestic Preference	World Bank Review	Expected Bid Opening
<b>1. Works</b>							
1	Rehabilitation of 600Km of feeder roads and construction of structures	14,400,000	NCB	NO	NO	POST	July-2016
2	Rehabilitation of 50Km of feeder roads and construction of structures in 9 districts	500,000	NCB	NO	NO	POST	May-2016
3	Routine Maintenance of 200 0km of feeder roads	<b>1,700,000</b>	NCB	NO	NO	POST	Feb-2017
4	Rehabilitation of Clonal Gardens (Pendembu & Kpuwabu)	<b>110,000</b>	SH	NO	NO	POST	Mar-2017
5	Rehabilitation of SLeCAD headquarter building in Freetown	<b>195,000</b>	SH	NO	NO	POST	April-2017
6	Rehabilitation of NaFFSL headquarter building in Freetown & regional offices	<b>190,000</b>	SH	NO	NO	POST	Jul-2017
Ref. No.	Contract description	Estimated Cost (US\$)	Procurement Method	P-Q	Domestic Preference	World Bank Review	Expected Bid Opening
1	Procurement of 4 pick-ups, 5 Station wagons 53 Motorcycles and 1-van	<b>750,000</b>	NCB	NO	NO	POST	July-2016

<b>Ref. No.</b>	<b>Contract description</b>	<b>Estimated Cost (US\$)</b>	<b>Procurement Method</b>	<b>P-Q</b>	<b>Domestic Preference</b>	<b>World Bank Review</b>	<b>Expected Bid Opening</b>
2	Procurement of office equipment	<b>98,000</b>	SH	NO	NO	POST	Jul-2016
3	Procurement of Generator sets	<b>50,000</b>	SH	NO	NO	POST	May-2016
4	Procurement of office equipment	<b>190,000</b>	NCB	NO	NO	POST	Nov-2017
5	Printing ICT materials (MIS)	<b>60,000</b>	SH	NO	NO	POST	May-2016
6	Print and distribute SCADeP calendars and diaries for 2016	<b>60,000</b>	SH	NO	NO	POST	Jan-2016
7	Procurement of office equipment	<b>50,000</b>	SH	NO	NO	POST	Feb-2016

### III. Selection of Consultants

**Prior Review Threshold:** Selection decisions subject to Prior Review by the World Bank, as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

	Selection Method	Contract amount (US\$ equivalent)	Subject to Prior Review
1.	Quality and Cost-Based Selection (QCBS) /Quality Based Selection/Fixed Budget/Least Cost	>300,000	<=1,000,000
2.	Consultant's Qualifications (firms)	>100,000	<=300,000
3.	Single Source (SS) / Firms		
4.	Individual Consultants (IC)	>=5,000	<100,000

All ToRs regardless of the value of the contract are subject to IDA prior review.

**1. Short list comprising entirely of national consultants:** Short list of consultants for services, estimated to cost ≤100,000 US\$ equivalent per contract for consultancy Assignments and ≤200,000 US\$ equivalent per contract for Engineering Design and Supervision, may comprise entirely of national consultants in accordance with this procurement plan

**2. Any Other Special Selection Arrangements:**

#### Consultancy Assignments with Selection Methods and Time Schedule

No.	Description of Assignment	Estimated Cost US\$	Selection Method	Review by the World Bank	Expected Proposal Submission	Source of funds	Comments
1	Recruitment of Individual consultants for the Design and supervision civil works in X districts	450,000	IC	POST	May-2016	IDA	
2	Financial Audits for FY 2016	30,000	LCS	POST	Feb-2017	IDA	

No.	Description of Assignment	Estimated Cost US\$	Selection Method	Review by the World Bank	Expected Proposal Submission	Source of funds	Comments
3	Provision of Technical Assistance for Agribusiness strategy, development and implementation	120,000	CQS	POST	May-2016	IDA	
4	Research studies on Cocoa and Oil Pam	120,000	CQS	POST	May-2016	IDA	
5	Recruitment of an independent Fund Manager (Team)		CQS	POST	May-2016	IDA	
6	Review of feeder roads policy and establishment of district feeder roads structures	100	IC	POST	Jun-2016	IDA	

**Note.** QCBS: Quality and Cost Based Selection

CQS: Selection Based on Consultants Qualification;

QBS: Quality based Selection, LCS: Least Cost selection and INDIV: Individual Consultant

72. **Guidelines:** Procurement under the Project will be carried out in accordance with: (i) "Guidelines: Procurement of Goods, Works, and non-Consulting Services Under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 and revised July 2014; (ii) "Guidelines: Selection and Employment of Consultants Under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 and revised July 2014; (iii) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA

Credits and Grants” dated October 15, 2006 and revised in January, 2011; and (iv) the provisions methods stipulated in the Financing Agreement. The various items under different expenditure categories are described in the procurement plan. The procurement methods, thresholds and requirements for prior review are presented in the Procurement Plan.

**73. Special Considerations:** Sierra Leone is on the 2013/14 harmonized list of Fragile and Conflict affected Situations (FCS) countries and therefore the Project will trigger paragraph 12 of OP 10.00 Investment Project Financing and subsequently paragraph 20 of the Bank’s OP 11.00 Procurement in order to apply flexibilities and simplification to facilitate procurement implementation. These procurement arrangements therefore draw on the Guidance Note on Simplified Procurement Procedures for Situations of Urgent Need of Assistance or Capacity Constraints issued in April 2013.

**74. Exceptions to National Competitive Bidding Procedures:** The procurement procedure to be followed for National Competitive Bidding (NCB) shall be the open competitive bidding procedure set forth in The Public Procurement Act, 2004, of Sierra Leone (the “Act”); provided, however, that such procedure shall be subject to the provisions of Section I, and Paragraphs 3.3 and 3.4 of the “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers”, and the following additional provisions (exceptions to the Act):

- (a) Bidding documents acceptable to the Bank shall be used.
- (b) Eligibility to participate in a procurement process and to be awarded a Bank-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines. Foreign bidders shall be allowed to participate in NCB procedures, and foreign bidders shall not be obligated to partner with local bidders in order to participate in a procurement process.
- (c) Bidding shall not be restricted to pre-registered firms, and foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting bids.
- (d) No margins of preference of any sort (e.g., on the basis of bidder nationality, origin of goods, services or labor, and/or preferential programs) shall be applied in the bid evaluation.
- (e) Joint venture or consortium partners shall be jointly and severally liable for their obligations. Bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be submitted in a single envelope.
- (f) An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation and award a contract, but not to exceed thirty (30) days. No further extensions shall be requested without the prior written concurrence of the Bank.
- (g) All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Bank’s prior written concurrence.
- (h) Qualification criteria shall be applied on a pass or fail basis.
- (i) Bidders shall be given at least twenty-eight (28) days from the receipt of notification of award to submit performance securities.



(j) In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Bank's policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines.

(k) In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Bank's policy with respect to inspection and audit of accounts, records and other documents relating to the submission of bids and contract performance.

**75. Procurement Documents.** The procurement will be carried out using the latest Bank's Standard Bidding Documents (SBD) or Standard Request for Proposal (RFP) respectively for all ICB for goods and non-consulting services, and recruitment of consultants. For NCB, the Recipient shall submit a sample form of bidding documents to the Bank prior review after incorporating the exceptions listed above and will use this type of document throughout the project once agreed upon. The Sample Form of Evaluation Reports developed by the Bank, will be used. NCB SBD will be updated to include clauses related to Fraud and Corruption, Conflict of Interest, Bank's inspection and auditing rights and Eligibility requirements consistently with the World Bank Procurement Guidelines dated January 2011 revised July 2014.

### **Monitoring and Evaluation of Outcomes and Results**

76. The responsibility for collecting data will rest with the PCU and the other project implementing institutions. The PCU will prepare a monthly monitoring table and quarterly progress reports. A draft Project Implementation Manual (PIM) including the Financial Management Plan and Procurement Plan have been formulated during project preparation. The PIM includes all periodic reporting, monitoring and evaluation arrangements throughout the project cycle. In collecting the outcome indicators relating to indicators in the results frame, the PCU will liaise with Bank of Sierra Leone, and Statistics Sierra Leone and other data generators in the country, including the specific project implementing institutions. As part of the mid-term review, a further firm survey will be undertaken to assess the impact of the measures implemented under the project.

77. Apart from periodic reports and standard monitoring arrangements, the PIM will require independent operational audits every year, which will provide impact assessments, and identify ways to improve project implementation. To strengthen the project monitoring and evaluation related outcomes, baseline data will be collected from participating agencies and farming communities and a periodic report issued by PCU. Overall, implementing agency level data on project outcomes will be collected again after two years and at the end of the four years to assess the project's effectiveness in reaching the project development objective. A key challenge faced in the context of the operational audits will be to separate results that are clearly attributable to the project from those that are caused by external factors. The design of the mid-term and end of term project impact evaluation will address these issues.

### **Arrangement for Results Monitoring**

**78. The monitoring and evaluation system:** The Project Coordination Unit (PCU) will have the overall responsibility for M&E and will work with relevant MDAs, agribusinesses and producer organizations to monitor and report on project indicators, as presented in the Results Framework (Annex 1). The project coordination team will have a qualified M&E specialist who

will be responsible for managing the day-to-day activities on project monitoring and evaluation. The project will put in place a robust monitoring and evaluation system which will be based in the PCU office. The M&E system will also include a Management Information System (MIS) which will be the main project management tool to be used by the team and other stakeholders

79. The project's M&E specialist will supervise the collection of data required to measure outcome and intermediate output indicators. A template for data collection will be developed, pre-tested and fed into the design of the MIS system. In order to properly bench-mark the project, and for purposes of measuring progress on all the indicators, the project will engage a reputable firm to undertake a baseline study before the project becomes effective. The baseline will have to establish a sample of treatment and control groups which will then be followed-up with annual surveys in order to establish a panel dataset upon which both the mid-term and end of term project impact evaluation will be based.

80. The project M&E specialist will also be responsible for preparing quarterly reports on project progress which will be submitted to the World Bank Task Team. The progress report will present progress of the project based on periodic monitoring on all the project indicators.

81. The project M&E system will be based on the following complementary activities: (i) performance monitoring; (ii) outcome assessment; and knowledge management and learning exchange. The performance monitoring will facilitate implementation processes of the project at all levels including performance on output indicators; assist in the decision-making processes by project management; help analyze and highlight lessons learned at each level of project operations. This will be the main basis for the project's MIS database. The objective of the outcome assessment is to establish the net contribution of the project to the intended target population as per the development objective. A quasi experimental design of the data collection will be required in order to be able to compare the outcome of the project beneficiaries and non-beneficiaries. The knowledge management and learning exchange will help the project implementers to document, report and share lessons on successes and challenges encountered in the process of project implementation. This is critical to help managers introduce changes that will improve the project performance as well as inform the design of subsequent projects.

82. **Mid-term and End of Project evaluations:** The Bank will engage independent consultants to undertake the Mid-term and end of term evaluations in order to assess the achievement of the expected project objectives, document lessons and challenges. The Mid-term evaluation will be conducted just before the Mid-Term review (MTR), which will be undertaken no later than three years after project effectiveness. The end of project evaluation will be done about six months before the end of the project and will be used to inform the preparation of the Implementation Completion Report (ICR).

## **Annex 4: Strengthening the Accountability Framework**

### **Sierra Leone: SMALLHOLDER COMMERCIALIZATION AND AGRIBUSINESS DEVELOPMENT PROJECT**

1. The growing focus on development results has made managing for results central to effective project implementation. It emphasizes the importance of reviewing progress towards results, learning from what does and what does not work and altering the overall plan if necessary through bringing all stakeholders on board.
2. To achieve the afore stated, the implementation arrangements of the project will be slowly streamlined to ensure it is implemented effectively. A strengthened accountability framework has been put in place to ensure orderly and effective management of project funds to help attain value for money; as well as ensure clarity of roles and responsibilities of key stakeholders is in place. The detailed responsibilities and clarity of roles will ensure smooth and timely project implementation. The respective project programs will be managed through the respective component managers under the auspices of the overall Project Manager.
3. The objectives of a strengthened accountability framework are to:
  - Develop and implement a robust improvement in preparatory and implementation activities, accountability for the project and all stakeholders that will assist attaining improved outcomes for the various programs being financed.
  - Develop clear accountabilities and processes leading to robust quality assurance, improved programming and target setting and where necessary bring about systemic focused intervention before it is too late.
  - Provide clarity on the subject of payment of allowances and per diems.

#### **Annual work plans and Budget Preparation**

4. The Annual work plan and budget (AWP&B) with the related Procurement Plan (PP) will be developed in a participatory manner by each component manager. The preparation will follow key steps which will include:
  - Provision of guidelines and timetable, developed by the Project Manager within the Ministry to all thematic programs and teams.
  - The various teams will ensure that key departments and units such as procurement, finance, and others as necessary) are involved in their thematic area and components are consulted and participate in the development of their work plan. The thematic work plans will be discussed in a joint work plan preparation team involving all program managers and key staff as necessary meeting chaired by the Project Manager.
  - This will ensure overlap issues are addressed, omissions included and duplications eliminated. The procurement team will then work with the various teams to prepare the related procurement plans which will be reviewed and subsequently approved before sharing with the World Bank task team.

- The agreed AWP&B and PP will then be discussed with the World Bank for its initial review ensuring that activities are eligible for funding under the project
- The AWP&B and PP will then be forwarded to the Technical Management Committee for final approval.
- The Project Manager will then submit the package of cleared AWP&B and PP for a No Objection from the Task Team Leader.
- It will be important that all activities and approvals are obtained for the AWP&B by the end of Year preceding the year to which the AWP&B related.

### **Specific accountability framework for per diems and allowances**

5. Weaknesses in policy design and control of spending on per diems as a way to reimburse out of pocket expenses for travel, training and aimed at encouraging to attend professional development activities has become a problem on most projects financed by the Bank in a number of jurisdictions. This project will adopt and implement a fair, transparent and efficient policy which provides adequate compensation for work related travel without creating incentives for personal gain or abuse of the same. To mitigate the issue of unretired travel advances and provision of inappropriate/fraudulent documentation to acquit the travel advances, unjustifiable claims for travel not undertaken, the project will undertake the under listed steps aimed at arresting the same.

The suggested steps are as follows:

1. The Ministry shall establish a standard rate for use in all Bank-assisted projects in respect of **local travel**. These rates shall be also be applicable to this project. The rate determined shall be lower than the applicable Bank MTV rate.
  2. In respect of **overseas/foreign** travel, the applicable allowances shall be the UNDP rate which normally involves lump sum payment for hotel and per diem. Local and overseas/foreign travel allowances paid to project staff would not require vouching under the proposed policy framework; nevertheless, where actual travel days fell short of the travel days for which the advances were paid, the official will be required to reimburse the difference.
  3. Air tickets will continue to be reimbursed or paid on actual basis and used air tickets and boarding passes would need to be submitted as evidence of travel.
6. To further strengthen above guidelines, an enhanced accountability framework should be considered for implementation in this project and all other Bank-assisted projects over expenditures in the areas of training, workshops, study tours, etc. as follows:
7. At the beginning of each fiscal year, a separate training summary plan shall be developed and shared with the Task Team Leader (TTL) for review as part of the annual work plan. All training i.e. local and international would require prior clearance from the Bank's TTL just before they are undertaken. The request for clearance should, at a minimum, include the following;

- A demonstrated linkage between the rationale for the workshop/training/etc. and the Development Objective of the project;
- identification of the part of the Annual Work Program (AWP) to which the activity falls;
- The number of trainees, their function and mode of selection. This should also include the number of times during the past 18 months that listed trainees had benefitted from training;
- number of years before retirement from service of each of the trainees;
- the process used for selection of training provider, and if foreign training, rationale for not proposing local training;
- training prospectus and reference to the beneficial outcome of the training;
- The detailed cost of the event; if local training/workshop/sensitization, the following additional information would need to be provided: venue for the event, how venue was or is proposed to be selected, venue rental, refreshments/lunches, per diem, transport cost (air or land travel cost per trainee). Only on the basis of these above submissions and TTL's clearance will expenses be committed and become eligible for financing under the project.

8. The coordinating unit of the project will ensure a formal process of accountability is instituted on training expenditures which will include:

- Submission of training report by the trainee;
- Certificate of attendance from the training institution;
- Relevant travel certifications such as air tickets, boarding passes for air travel, etc.
- direct acquisition, from the travel agent, of lowest cost economy class tickets, through electronic payment or cheque (no cash payments shall be allowed);
- direct payment of tuition fees /accommodation and subsistence costs (where applicable) to training providers as well direct payments to vendors accounts for approved services

9. Independent impact evaluation on project funded programs through work surveys will be done to determine the effect of training and workshops in terms of better decision making, better understanding of new systems and service delivery.

10. Rigorous control systems will be put in place fuel usage where monthly reports for fuel usage shall be produced stating distances covered, purpose and how much fuel has been consumed per car.

11. A requirement to audit aspects pertaining to fuel per diems, allowances and travel expenditures will also be included in the project audit terms of reference. Specific focus will be made to the auditors to look at the following aspects:

- The ability for the project to give opportunities to earn per diems to favored employees, friends, and kin.
- Influencing plans and budgets to increase the use of per diem friendly strategies.
- Planning meetings or activities in locations that require travel and per diem.
- Seeking out ways to attend trainings which are not necessary for ones work.
- Attending multiple workshops in one day without staying for all of the sessions.
- Over-estimating days needed for tasks which earn per diem

- Splitting trips or creating extra trips for the same task.
- Claiming per diem days which were budgeted, even if work is postponed or takes less time than planned.
- Accepting payment from two or more sources for the same activity or travel.
- Follow up on weaknesses in audit reports pertaining per diems, allowances and any other issues to the project will be exercised.
- As for per diems and allowances, discretion shall not be allowed where bosses sign for their employees or vice versa.
- Key will be the need to establish and strengthen the integrity of systems for tracking abuses if any.

12. The day to day implementation and correspondence with the World Bank will be through the Project Director for all activities except those implemented by independent accountability bodies. This will be critical to avoid confusion and also ensure that responsible individuals are held accountable for any lapses.

### **Implementation and Approval responsibilities**

**13. Implementation:** After approval of the AWP&B, the day to day implementation responsibility for the approved activities in the AWP&B will lie with the individual component managers in close collaboration with the Project Manager in respect of those activities falling within their domain. The Project Manager will ensure that the component heads receive all the technical support provided by the procurement, FM, and M&E staff for the implementation of their component activities. The implementation framework places overall project implementation coordination on the Project Manager through the program managers. The program managers would also be held accountable for the smooth implementation of their respective programs being financed from the project. To ensure synergies and effective coordination, there will be monthly meetings of all program managers, chaired by the overall coordinating manager to review implementation progress and resolve all outstanding issues faced by the programs.

**14. Approvals:** Day to day approval of project activities will be vested in the overall Project manager who will ensure that those activities are part of the approved AWP&B.

- S/He will provide this approval or provide reasons why approval cannot be given within one business day on receipt of such requests, for activities that do not need World Bank's prior reviews or clearance.
- S/He will also seek required Bank clearances and No Objections for activities that require them within two business days after receipt from program manager.
- S/He will also communicate within one business day after receiving response from the World Bank to the program manager responsible.
- For activities not included in the AWP&B and PP, there will be clear guidelines to be followed to seek approval.

15. **Reporting relationships and responsibilities:** The Project Manager will be the main interlocutor between the GOSL and the World Bank on this project. H/She will be responsible for submitting project progress reports, quarterly financial reports, annual project audit reports and other reports to the Bank in line with provisions specified in the financing agreement. H/She will be the principal spokesperson for communicating decisions of the project to the World Bank and similarly communicating World Bank responses, correspondence and information to the relevant oversight committees of the project. The Project manager will ensure that relevant reports including financial reports are laid and discussed at the Steering Committee and implementation management committee meetings.

## Annex 5: Implementation Support Plan

### Sierra Leone: SMALLHOLDER COMMERCIALIZATION AND AGRIBUSINESS DEVELOPMENT PROJECT

#### I. Support to Implementation

1. The strategy for the implementation support (IS) for the project will focus on addressing the critical issues that may affect project implementation as highlighted in the risk profile of the project (i.e. SORT). The implementation support plan aims to enhance the client's quality delivery of the proposed project interventions. As such, the IS will specifically focus on the implementation of the risk mitigation measures defined in the SORT through regular provision of implementation support by undertaking semi-annual Bank Implementation Support Missions (ISMs), including technical, institutional, safeguards (environment, social) and fiduciary aspects (financial management and procurement). Since the majority of the task team will be based in country or in the sub-region, the team will encourage monthly implementation review meetings so that implementation issues should be addressed in a proactive and timely manner.

2. Semi-annual Bank implementation support missions (including field visits to investments financed under all the components and activities) would concentrate on the follows areas:

- **Strategic:** To the extent possible, implementation support missions would visit the project implementation team and other stakeholders to: (i) review project activities; (ii) draw appropriate action plans to address identified implementation challenges, including a clear monitoring and follow-up of progress.
- **Technical:** Implementation support missions would concentrate on the implementation of all the project activities at all levels of project implementation. Randomized field visits would be undertaken to verify compliance with the Project Operational Manual, and stimulate adjustments to project design, as needed, given results on the ground. During the field visits, the mission will interact with both implementers and beneficiaries in order to validate the progress reports provided. Technical specialists on the team (operation staff/Agribusiness/value-chain specialists/land policy/land administration /fiduciary staff/safeguard specialists) will provide technical support towards the implementation of all activities, including the management of project funds and the compliance with safeguards.
- **Safeguards.** The Bank team's environment and social safeguard specialists will continue to provide technical oversight towards the implementation of the management tools that have been developed during project preparation to address the identified risks. This will be done in collaboration with the Sierra Leone Environmental Protection Agency (EPA) which has the national mandate to ensure compliance with environmental and social safeguard issues. The Bank team members will provide the services of consultants as and when required by the implementation team.
- **Fiduciary:** The Bank's financial management and procurement specialists would provide timely oversight and targeted training to financial management and procurement specialists under the merged implementation structure prior to project Effectiveness and through periodic



implementation support during project implementation. These specialists would: (i) prepare staff to work with implementation entities at the provincial, district and community levels in conducting procurement under their respective subprojects, in compliance with the Procurement and Anti-Corruption Guidelines and the Project Operational Manual; (ii) ensure the capacity of staff to manage flow of funds and simple accounting procedures, in line with FM guidance; and (iii) work with the project team in building its overall financial management and procurement capacity to improve and facilitate project management. Implementation support towards the project's financial management arrangements would be conducted semi-annually and, as needed, in response to client needs. Procurement supervision would also be carried out semi-annually during regularly-scheduled Bank implementation missions and/or as when need arises based on client requests.

- **Client Relations:** The Task Team Leader (TTL) would: (i) coordinate Bank implementation support to ensure consistent project implementation, as specified in the legal documents (i.e., Financing Agreement, Project Implementation Manual); and (ii) meet regularly with the client's senior representatives (i.e., MAFFS, MOTI, MOWHI, State institutions, agribusinesses and other stakeholders) to gauge project progress in achieving the PDO and address implementation bottlenecks, as they arise.

**Implementation Support Plan (based on the 18 months Procurement Plan)**

<b>Time</b>	<b>Focus</b>	<b>Skills Needed</b>	<b>Resource Estimate (US\$)</b>	<b>Partner Role</b>
First twelve months (establishment phase)	Providing support for the project launch and initial implementation of the Annual Work Plan and Budget	All team members	120,000/year	Collaboration in all mission activities
12-48 months	Consolidating project implementation, effecting necessary changes	All team members	100,000/year	Collaboration in all mission activities
Other	Continuous support to the PCU on the day to day implementation issues (throughout the project implementation).	Financial Management Specialist, Procurement Specialist, TTL	NA	Collaboration in all mission activities

## II. Skills Mix Required

<b>Skills Needed</b>	<b># Staff Weeks per FY</b>	<b>#Trips per FY</b>	<b>Comments</b>
Task Team Leader/ Technical and operational specialist	6	4	Sub-regional based
Procurement Specialist	3	2	Country-based
Financial Management Specialist	3	2	Country-based
Agribusiness Specialist	4	2	FAO-CP, Rome
Agricultural Specialist	2	2	FAO-CP, Rome
Rural Infrastructure Specialist/Engineer	4	3	Sub-regional based
Social Safeguard Specialist	3	2	Sub-regional based
Environmental Specialist	3	2	Sub-regional based
Monitoring/Evaluation Specialist	3	2	HQ-based
Institutional Capacity Building Specialist	5	2	FAO-CP, Rome
Legal Counsel	3	2	HQ-based
Governance Specialist	3	2	HQ-based
Team Assistant/Logistics	3	3	Country-Based

## **Annex 6: Economic and Financial Analysis**

### **Sierra Leone: SMALLHOLDER COMMERCIALIZATION AND AGRIBUSINESS DEVELOPMENT PROJECT**

#### **A. Introduction**

1. The proposed Smallholder Commercialization and Agribusiness Development Project (P153437) intends to promote smallholder commercialization by fostering productive business linkages between smallholder farmers and selected agribusiness firms. Agribusiness firms will be selected on the basis of their innovative plans and experience working with organized farmers' groups or cooperatives. The project will work with selected agribusiness firms that incorporate productive linkage arrangements with smallholder farmers, as part of their overall long-term business plan. The project will also improve the market access for smallholder farmers through the rehabilitation of feeder roads linking high agricultural production areas to markets.

2. Critical constraints to the development of the private sector development such as market failures that inhibit agricultural sector growth, inadequate agricultural research and development and extension services including public assets such as feeder roads and rural infrastructures are public investments that the private sector has no economic incentive to provide in Sierra Leone. Government investment is therefore justified to address these key constraints. The value-added from the World Bank involvement, apart from the financing, is the technical inputs to blend public investments with innovative design features, such as facilitating the business linkages between farmers and agribusinesses, and financing the provision of technical advisory services required to raise productivity and competitiveness, which are the pre-requisites for smallholder commercialization. The blending of public investments and World Bank's value-added are key to mitigate the risks that can affect the economic and financial viability of such a project.

3. The proposed project will have four components: (i) value-chain financing to address financing and technical assistance constraints which undermine the effective performance of out-grower schemes; (ii) Market Access Improvement to create market linkages for producers, reduce marketing costs thereby improving their profits; and (iii) capacity building of state and non-state institutions which provide services important for smallholder commercialization and agribusiness development; and project coordination, monitoring and evaluation to provide oversight for project implementation among all the participating institutions.

4. Economic and financial analyses were carried out to determine the viability of the proposed project. The financial analysis is based on representative benefits and cost budgets for the various out-grower schemes to be supported under the project. Most of the activities that lend themselves to objective cost benefit analysis are those to be undertaken under component 1 of the project. Five out-grower schemes built around the four commodity value-chains have been assessed for their economic viability using the data collected from selected agribusinesses and farmers' groups. The analysis uses the incremental benefits and costs, attributable to the project interventions. The economic analysis aggregates from the out grower enterprise budgets (cocoa, oil palm, rice and poultry) to the overall number of beneficiaries covered by the project, and applies relevant conversion factors to derive economic/shadow prices. The incremental net

benefits are obtained by assuming a non-project scenario. The yield and financial returns of the different out-grower schemes compared to existing non-project production systems are shown in Table A6.1, while Table A6.2 presents a summary of the benefits for each of the out-grower schemes.

Table A6.1: Yield and financial returns for non-project scenarios and out-grower schemes used in the financial analysis

Value Chain		Yield Fresh Fruit Bunches/ ha (mt)	Yield Gals Palm oil/ ha	Yield Kg/ha	Net Returns/ ha (US\$)	Net Returns/ year (US\$)
Oil Palm	Traditional, non-project	2.0	39.2		(87)	
	Outgrowers - Improved - Random Farmer 1 ha	5.8	151.8		557	
	Outgrowers - Improved - Block Planting 1 ha	13.4	348.4		1,591	
Cocoa	Traditional, non-project			129.8	(36)	
	Outgrowers - Coop Improved (Replanting by replacement 33% old trees with improved seedlings)			442.0	638	
	Outgrowers - Improved (New plantings under natural shade)			1,250.0	2,591	
Rice	Traditional, non-project - Hand cultivated, no fertilizer			1,000.0	(48)	
	Improved Mechanized with fertilizer			3,000.0	11	
Poultry	Broilers					939
	Layers					1,492
	Maize Outgrowers			2,500.0	62	

Note: Hired labor valued at Government minimum wage of Le 18,000/person day compared to going rural wage of Le8,500 - 11,000/person day, with family labor valued at 60% hired wage. If rural wage of Le 11,000/person day is used, net returns would all be positive - e.g. \$12/ha for traditional rice and \$71/ha for improved mechanized rice.

Table A6.2: Summary results of out-grower schemes used for the economic and financial analysis

	<b>Oil palm (Random Planting)</b>	<b>Oil Palm (Block Planting)</b>	<b>Cocoa (Improved Traditional)</b>	<b>Cocoa (Modern)</b>	<b>Poultry (Broilers)</b>	<b>Poultry (Layers)</b>	<b>Rice (Mech Cultivation)</b>	<b>Poultry (Maize Feed)</b>	<b>TOTAL</b>
Direct beneficiaries (farmers)	7,000	7,000	4,500	4,000	600	600	8,448	2,600	34,748
Additional employment created (person years)	1,246	1,246	525	381	120	160	3,747	104	7,529
# of hectares replanted/planted	2,000	2,000	1,000	1,000			42,240	5,200	53,440
Farmers' support (US\$)	175,500	807,959	501,429	1,502,449	124,898	1,151,429	1,722,603	740,347	6,726,613
Agribusiness support (US\$)	2,965,306	2,042,857	820,408	2,711,224	462,857	897,959	2,699,727	675,694	13,276,033
Total (US\$)	3,140,806	2,850,816	1,321,837	4,213,673	587,755	2,049,388	4,422,331	1,416,040	20,002,647

## B. Summary of project net economic benefits

5. The main project benefits will be derived from (i) increased farmer productivity through the improved varieties of commodities as well as capacity building support; (ii) improved access to markets as a result of the off-take linkage arrangements with buyers/agribusinesses and the provision of rehabilitated feeder roads linking farmers to markets. There are other benefits mainly related to social, institutional, capacity building aspects of the project support which are mostly long term and not easily quantifiable. These have largely not been included in the analysis.

6. The *ex-ante* economic analysis mainly based on the out-grower schemes for cocoa, oil palm, rice and poultry as well as the market access could serve as an indication of the economic viability of the project given that together they take up over 75 percent of the overall project investment costs. The analysis was prepared using the data collected by consultants hired as part of the project preparation team.<sup>33</sup> This *ex-ante* analysis was thorough in terms of the out-grower activities for all the commodity value-chains. Detailed consultations were done with the stakeholders to validate the results of the various out-grower scheme models.

## C. Methodology

7. The net benefit flows from this project are assumed to accrue from activities introduced or supported by the project. An *ex-ante* identification of such activities could be challenging given that most of the actual activities will be undertaken on the basis of the out-grower schemes, most of which will be established under the project. However, based on detailed discussions with the agribusinesses that have or are intending to establish out-grower schemes, key activities were identified and appropriate estimated costs were assigned to each of the activities. Also, based on such discussions, key benefits were identified upon which the estimation of the benefits streams has been based.

8. Theoretically, the analysis is based on the conventional benefit-cost approach and the key indicators of project viability are net present values (NPV) and the internal rate of return (IRR)<sup>34</sup>. Secondly, in cases where it is difficult to accurately measure project outputs and outcomes in monetary terms, the economic analysis consists of calculating cost-effectiveness ratios. This entails comparing the costs of project outputs with costs of other similar projects and/or sector standards as a basis for selecting the most effective way to achieve the desired output. Thirdly, if the project has several outcomes, the economic analysis may be conducted through weighted cost-effectiveness or cost-utility analysis in which subjective weights may be assigned to each of the different outcome indicators. For this project, given the nature of its activities, the first approach has been used. The proposed activities that beneficiaries are likely to undertake within the project, including their associated scope in terms of number of beneficiaries and project costs are as shown in Table A6.3 and the details are in Annex 2 of the PAD.

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<sup>33</sup> Dr. Dunstan Spencer (Agricultural Economist) and Dr. John Terry (Livestock Specialist).

<sup>34</sup> This is normally plausible where it is assumed that correct utilization of project inputs will result in pre-determined outputs that will generate measurable impacts (or outcomes) on the target beneficiaries. The Modified internal rate of return (MIRR) considers both the cost of the investment and the interest received on reinvestment of cash

Table A6.3: Summary of financial rates of return

	Internal Rate of Return (%)	Modified Internal Rate of Return*	Discounted NPV (US\$)
<b>Oil palm (Random Planting)<sup>a</sup></b>	25%	17%	4,544,645
<b>Oil Palm (Block Planting)<sup>b</sup></b>	45%	23%	15,094,666
<b>Cocoa (Improved Traditional)<sup>c</sup></b>	39%	20%	3,176,417
<b>Cocoa (Modern)<sup>d</sup></b>	40%	20%	12,543,676
<b>Poultry (Broilers)<sup>e</sup></b>	50%	31%	1,504,215
<b>Poultry (Layers)<sup>f</sup></b>	64%	37%	2,543,647
<b>Rice (Mechanized Cultivation)<sup>g</sup></b>	29%	8%	22,170,707
<b>Poultry (Maize Feed)<sup>h</sup></b>	46%	10%	4,922,564
<b>TOTAL</b>	<b>39.1%</b>	<b>18.8%</b>	<b>66,500,536</b>

\* Modified internal rate of return for a series of periodic cash flows which considers both the cost of the investment and the interest received on reinvestment of cash @12%

- i. Oil palm out-grower scheme involving 7,000 direct beneficiaries, replanting about 2,000 hectares of their existing plantations with improved planting materials
- j. Oil palm out-grower scheme involving 7,000 direct beneficiaries, planting about 2,000 hectares of new plantations with improved planting materials in bush regrowth areas
- k. Cocoa out-grower scheme involving 4,500 direct beneficiaries, replanting about 1,000 hectares of their existing plantations with improved planting materials.
- l. Cocoa out-grower scheme involving 4,000 direct beneficiaries, planting about 1,000 hectares of new plantations with improved planting materials in bush regrowth areas
- m. Poultry (broilers) out-growers scheme involving 600 direct beneficiaries
- n. Poultry (layers) out-growers scheme involving 600 direct beneficiaries
- o. Rice out-grower scheme involving 8,448 direct beneficiaries, planting a cumulative total of 42,240 hectares with new improved varieties using improved cultural practices.
- p. Maize out-grower scheme involving 2,600 direct beneficiaries planting 5,200 hectares to supply the feed mills of the existing poultry agribusinesses.

9. The total direct beneficiaries under the five out-grower schemes is about 42,000 farmers, including those that will be directly employed by the agribusinesses (estimated at 7,500). Through the replanting on already existing smallholder plantations for cocoa and oil palm, it is expected that the yields for both commodities will significantly improve, thereby resulting in significant improvement in incomes.

10. The aggregated internal rate of return for the project (including mostly the commodity-based out-grower schemes) activities under component 1 was estimated at 39.1 percent<sup>35</sup> and the discounted Net Present Value (NPV) is US\$66.5 million. The highest returns are obtained from poultry (eggs and broilers) with rates of return above 50 percent. Returns to the oil palm out-grower scheme with replanting of existing plantations and mechanized rice

<sup>35</sup> Detailed assumptions are contained in the last section of the Annex.



production are the lowest at 25 - 29 percent mainly due to the long-term nature for oil palm benefits, and relatively high start-up costs. However, total number of farmers benefiting from the schemes are the highest. This implies that for the project to remain economically viable and have major impact on the largest number of farmers there is need to maintain the diversity in terms of the commodity value-chains. It is also important to note that these estimated returns are likely to understate the overall economic viability because many of the social benefits of the project such as employment and skills as access to other social amenities have not been accounted for in the analysis because of valuation challenges.

## **E. Sensitivity analysis**

11. These economic rate of return estimates have been calculated using fairly conservative assumptions as stated below (see section H). Most of the data is based on consultations with the agribusinesses and farmers in the in the project area<sup>36</sup>. Therefore these results should be quite robust. However, the robustness of the results depends on the nature of the production system and their sensitivity to some of the key variables that define the magnitude and direction of the results. As such, along with the results of the estimated rate of returns, we have also done a sensitivity analysis to determine how the estimated returns change with changes in the key variables. Four kinds of sensitivity analysis have been conducted and the results are presented in Table A6.4.

12. The sensitivity analysis shows that the rates of return remain for the crop production enterprises are robust even under the extreme scenario where costs are increased by up to 10 percent at the same time as revenues drop by 10 percent. However, the poultry enterprises (broilers and layers) are highly susceptible to cost variations. With a 5 percent increase in costs IRR drops from over 40 percent to zero or negative. This reinforces that known fact that that the enterprises which rely on high technology, and require high cost outlays, control measures and management systems which can only be provided under strict supervision by central farms of strict cost control and high technology. This implies that overall project returns are highly sensitive to the costs of production of the poultry enterprises. Either cost-reducing measures and/or productivity enhancing interventions in the poultry enterprises would be more favorable to sustain the economic viability of the out-grower operations. The sensitivity of the project returns should also be dependent upon a number of other factors including: poor targeting resulting from elite capture where the actual beneficiaries are left-out, strength and/or weakness of the linkage effects in the local economy and other factors that may affect the operations of the out-grower schemes, such as for example, the persistence of the Ebola epidemic.

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<sup>36</sup> The studies consulted included: stakeholders' assessments and consultations, value-chain studies for oil palm, rice (undertaken earlier) and poultry. A detailed livestock sector assessment study was also undertaken as part of project preparation.

Table A6.4: Sensitivity analysis

	Scenarios									
	Base case		Cost increase 5%		Cost increase 10%		Revenue decrease 10%		Cost increase 10%, revenues decrease 10%	
Value Chains	IRR (%)	NPV US\$m	IRR (%)	NPV US\$m	IRR (%)	NPV US\$m	IRR (%)	NPV US\$m	IRR (%)	NPV US\$m
Oil palm (Random Planting)	25%	4.54	25%	4.30	25%	4.05	25%	3.59	25%	4.32
Oil Palm (Block Planting)	45%	15.09	45%	14.89	45%	14.66	45%	13.15	45%	14.20
Cocoa (Improved Traditional)	39%	3.18	37%	3.06	35%	2.89	35%	2.58	26%	1.66
Cocoa (Modern)	40%	12.55	40%	12.27	40%	11.99	40%	10.73	40%	5.36
Poultry (Broilers)	50%	1.50	-33%	(1.99)	0%	(5.50)	0%	(5.65)	0%	(12.65)
Poultry (Layers)	64%	2.54	0%	(3.24)	0%	(9.03)	0%	(9.28)	0%	(20.86)
Rice (Mech Cultivation)	29%	22.17	22%	13.00	15%	7.86	14%	7.39	1%	(4.24)
Poultry (Maize Feed)	46%	4.92	39%	2.94	32%	2.46	31%	3.06	18%	1.18
<b>TOTAL</b>	<b>39.1%</b>	<b>66.50</b>	<b>27.9%</b>	<b>45.17</b>	<b>26.8%</b>	<b>29.38</b>	<b>26.4%</b>	<b>25.57</b>	<b>22.3%</b>	<b>(11.04)</b>

## **F. Fiscal impact**

13. The project is likely to have considerable positive fiscal impacts (estimates of magnitudes not determined because of lack of reliable data). The project is likely to improve rural livelihoods by providing increased incomes from increased agricultural yields and sales as well as short to medium-term employment opportunities to over 50,000 households over 5 years.<sup>37</sup> The out-grower schemes are likely to transform most of the participating smallholder farmers from subsistence to commercialized entities capable of taking care of their families and paying their taxes to the Government. This is likely to have positive impacts in poverty reduction, particularly in the areas which will directly benefit from the out-grower schemes across the country. Furthermore, the without-project scenario has obvious potential economic consequences arising from poverty and deprivation, particularly among those farmers living next to agribusinesses. This is likely to worsen the attendant negative consequences in a relatively fragile socio-economic environment, which has been exacerbated by the effects of the Ebola epidemic.

## **G. Conclusions**

14. On the basis of the estimated economic rate of return, the project is deemed economically viable and should have significant impact on the targeted households, if implemented as per the design. The rate of return analysis is limited to the out-grower aspects of the project for which objective data is available. The social return for the project is much higher than can be empirically demonstrable. The sensitivity of the project returns to key variables used for the analysis also shows that the economic rate of return is still achievable within a given range of these selected variables.

## **H. Key assumptions in the analysis**

15. The major assumptions include:
- (a) Where data is significantly inconsistent and/or unreliable, conservative assumptions have been made. An improvement in this analysis is that estimates of activity output and input costs and output prices are based on current studies undertaken in the project area, and should therefore be more current and reliable. Where data has not been available, informed assumptions have been made based on experiences with the implementation of other similar projects;
  - (b) Current income levels (and assumed “without project” incomes) are assumed to be the equivalent of what beneficiaries will receive when they sell each of the commodities considered in the out-grower schemes;
  - (c) Estimates of productivity increases based on actual experiences in the country, have been made to take into account access to better technology as a result of the planting support with improved varieties, better skills and know-how as a result of technical assistance and improved inputs as a result of the project support;

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<sup>37</sup> Over 50,000 farm households will benefit from this project including about 5,000 additional households benefiting from the market access improvement; over 35,000 households directly benefiting from the out-grower schemes built around the four commodity value-chains. Others will benefit from direct employment and/or capacity building support.

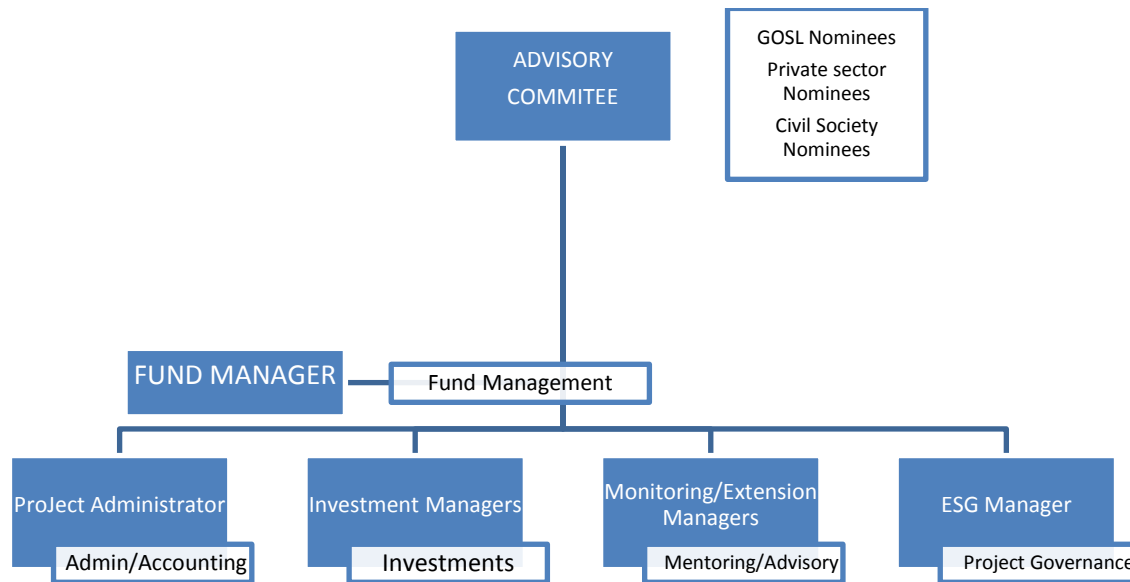
- (d) Input costs include seeds, establishment costs and mechanical cultivation (for rice) and feed (for poultry). Output prices assume low quality, rural level prices.
- (e) Hired labor is valued at the newly decreed minimum wage rate of Le 18,000 per person day which is about 65 percent higher than the going rural labor ensuring that productivity of the outgrower scheme is robust. Family labor is valued at the rural labor rate (informal labor) applicable in the rural setting of Sierra Leone, as the opportunity cost in the remote rural areas where alternative gainful employment is scarce.
- (f) A discount rate of 12 percent is used (based on the acceptable rate used in most Bank economic analyses). The current interest rates as published by the Bank of Sierra Leone are higher.
- (g) Significant distortions in the economy in input costs and output prices are assumed to be minimal. There are no significant policy interventions distorting market prices, and the prices of tradable commodities (palm oil and cocoa beans) used in this analysis are the farm gate discounted export prices. In the case of input prices where Government subsidy policies have influenced prices in the past (fertilizer costs and mechanization services), but are currently minimal, the analysis uses market prices, as opposed to subsidized prices. Therefore, financial and economic costs and prices are assumed to be virtually the same.
- (h) The non-farm multiplier from the linkage effect of a change in farm production and cash on the local economy is assumed to be 1.5.
- (i) Overall project costs include the cost allocations for components 1 and 2 (as described under Annex 2 of the PAD). Out-grower models with indicative activity budgets have been estimated and will be used in the preparation of detailed project cost tables. Some benefits have not been included in the analysis because they are either difficult to value, or reliable data is not available (value of feeder roads, expected human capital improvements and institutional capacity building);

## **Annex 7: SLADF Structure and Implementation Arrangements**

### **Sierra Leone: SMALLHOLDER COMMERCIALIZATION AND AGRIBUSINESS DEVELOPMENT PROJECT**

1. The key principle of the proposed legal structure for the Sierra Leone Agribusiness Development Fund (SLADF) is to be as simple as possible, so as to be implementable with a better chance of ensuring success in achieving the desired objective of improving access to finance to agribusinesses working together with smallholder farmers through contract farming arrangements, including managing and mentoring such arrangements in order to succeed commercially.
2. The approach is to use a professional Fund Manager as the coordinating institution for the SLADF component of the project. This is suggested, for two key reasons:
  - a. To ensure that the management of the Fund is not subjected to any interference so that it is managed efficiently and transparently to maximize the achievement of its objectives.
  - b. To outsource the management (deal sourcing, appraisals, investments, mentoring, monitoring and divestments or loan recovery etc.) of commercial agricultural businesses to the experts in order for the Fund to be run on a purely commercial basis. This is because Government or development partners' bureaucracies worldwide are not known to be efficient managers of commercial ventures.
3. Using the dedicated Fund Manager (FM) approach, the Fund could be constituted as a dedicated facility for the development of the agribusiness sector in Sierra Leone. The use of the SLADF will be governed by an Advisory committee (AC) which will serve as some form of board for advisory and policy direction purposes only. It will receive periodic reports (preferably Quarterly) from the FM and pass on to the WB. It will also give its review of the FM's performance to the Government and the development partners (WBG and others). The AC will be directly responsible for hiring and terminating the services of the FM for nonperformance or other reasons contrary to the objectives of the Fund. The AC will be made up of representatives from the Ministry of Finance, Ministry of Agriculture, Ministry of Trade and Industry, a member of the SLeCAD Board, and a member of the National Smallholder Farmers Federation of Sierra Leone. Figure A7.1 presents the proposed hierarchical structure for the SLADF.

Figure A7.1: Proposed Hierarchy structure for the SLADF.



## Legal Framework

4. There are two forms of registration that have been considered for the legal framework of the proposed fund:

- a. **The Non-Domiciled Structure:** This implies setting up a registered or non registered administrative structure for the fund. This will involve the drawing up of legally binding contracts between all parties, defining the structures and operations of the Fund etc. It will entail the creation a US Dollar account at the Bank of Sierra Leone (BOSL) or any local Bank acceptable to IDA and the Government. The draw-down of the Fund will be done through the FM’s account which will be replenished from the DA by the PCU to the eligible agribusinesses, based on their approved proposals and business plans. The BOSL will also advance funds into the APEX Bank for its recapitalization in order to meet the financing needs of the smallholder farmers working under productive linkages with agribusinesses. Funds repayments will also be made directly to the FM account copying the Designated team at BOSL and the PCU accounting staff. Depending on its performance, the facility will be expected to grow into an evergreen fund to provide financing to eligible agribusinesses on a sustainable basis.

**Domiciled Structure:** In this approach, the Fund will be registered in a nominated offshore domicile jurisdiction such as Mauritius, Cayman Island, US etc. The domiciled Fund could be structured as a typical PE 10 year structure or as an evergreen fund that is expected to be recirculated and re-invested in new Agribusiness as the Fund recovers proceeds from funded businesses.

5. These structures have both advantages and disadvantages, some of which include the following:

	<b>Advantages</b>	<b>Disadvantages</b>
<b>Non-Domiciled Structure</b>	<ul style="list-style-type: none"> <li>• Quick and easy to set up</li> <li>• Lower Legal Set-up Cost</li> <li>• More hands-on by both the WB and GOSL officials. That if not well managed could also lead to undue influence on the Fund Manager.</li> </ul>	<ul style="list-style-type: none"> <li>• If not properly handled, the Fund would be seen as a WB Largees by both the GOSL and the investee companies.</li> <li>• The WB team and to a large extent the GOSL team will still be very much involved in its day to day operations.</li> </ul>
<b>Domiciled Structure</b>	<ul style="list-style-type: none"> <li>• More profesional and business-like approach.</li> <li>• Essentially an out-sourced structure and therefore Less involvement in the Project implementation freeing both the Wb and GOSL officials for other duties.</li> <li>• Domiciled fund structure puts a layer of ownership between the WB and the fund. It protect against the semblance of a WB largees to both the GOSL officials and the investee companies. It will create a mental state that will help invested funds recovery from invested projects.</li> </ul>	<ul style="list-style-type: none"> <li>• More demanding set-up structure.</li> <li>• Higher legal set-up fees.</li> </ul>

6. For this project, the Fund Manager will be expected to set-up the SLADF locally since this will initially be fully financed by the Government through the IDA project funding. As such the recommended framework for the legal establishment of the Fund will be based on the non-domiciled structure.

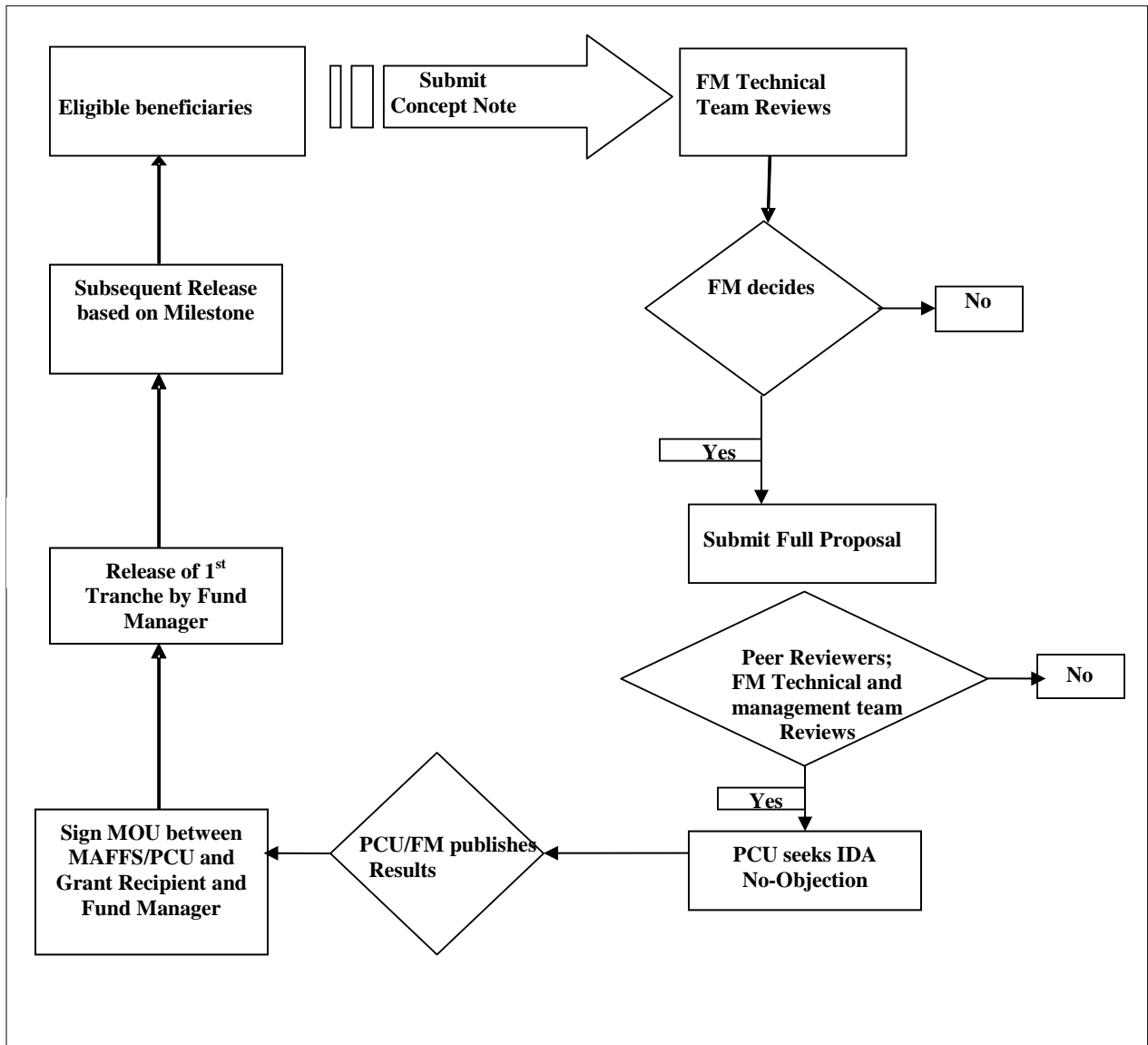
### **Set-up Cost and Fund Management Fees**

7. The conservative set-up cost by legal firms could be in the range of US\$50,000 – US\$75,000 for the non-domiclied documentation, legal structure, contract drafting and execution while the off-shore Domiciled funds would require about US\$150,000 – US\$200,000. The Fund Management Fees for a US\$15 – 20 million Fund range from 3-5 percent. Typically these fees are incorporated as part the fund and not usually an additional set aside fund. It is in the long run paid from a one or two percent mark-up charge on the interest or equity gains from the funds investments.

## Operational Arrangements for the Fund

8. Eligible agribusinesses will be identified through an open, competitive process where concept notes and proposals will be solicited, reviewed by the FM and recommended for financing and/or re-financing. The screening, selection and approval process as well as the eligibility criteria are provided on Figure A7.2 and Table A7.1, respectively.

Figure A7.2: Screening, Selection and Approval Process of Sub-projects





**Table A7.1: Eligibility and selection criteria for project support**

Value Chain Finance – Conditions for Agribusiness and Farmers

Characteristics	Eligibility, and Selection Criteria
Value Chains	<ul style="list-style-type: none"> <li>• Priority value chains targeted by project               <ul style="list-style-type: none"> <li>○ Rice</li> <li>○ Cocoa</li> <li>○ Palm oil</li> <li>○ Poultry (eggs and broiler production)</li> <li>○ Others</li> </ul> </li> </ul>
Eligible beneficiaries	<ul style="list-style-type: none"> <li>• Registered agribusinesses with outgrower schemes in eligible value chains</li> <li>• Medium and large scale investor farmers with commercial operations in eligible value chains</li> <li>• Off-take agreements with out-growers</li> </ul>
Eligible activities	<ul style="list-style-type: none"> <li>• Provision of inputs, technology packages, and advice to farmers</li> <li>• Technical assistance for access to technology, farm management practices, inputs, and advice</li> <li>• Technical assistance for business development services, implementation of business plans, and support for productive partnerships</li> <li>• Training, capacity building, knowledge exchange to learn about new technologies, processes, or services</li> <li>• International certification</li> <li>• R&amp;D for development of new products, processes, services, and delivery systems</li> <li>• Collective income generating assets and activities (e.g. aggregation centers, storage and sorting facilities)</li> <li>• Equipment for planting, processing, post-harvest, packaging, quality control and standards</li> </ul>
Eligibility criteria	<ul style="list-style-type: none"> <li>• Technical soundness</li> <li>• Commercial viability</li> <li>• Potential for market expansion and growth</li> <li>• Environmentally and socially friendly</li> </ul>
Funding level and percentages	<ul style="list-style-type: none"> <li>• Up to \$1 million per beneficiary</li> <li>• 50-50 split between matching grant and beneficiary contribution</li> <li>• Funding limited to no more than 3 production or market cycles</li> </ul>
Gender mainstreaming	Demonstrated ability to work with women and youth (farmers, producer organizations, or business owners) desirable

Agricultural Loans – Eligibility and selection criteria for Farm/Producer Organizations

Characteristics	Eligibility, and Selection Criteria
Value Chains	<ul style="list-style-type: none"> <li>• Priority value chains targeted by project               <ul style="list-style-type: none"> <li>○ Rice</li> <li>○ Cocoa</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Palm oil</li> <li>○ Poultry (egg and broiler production)</li> <li>○ Others</li> </ul>
Eligible beneficiaries	<ul style="list-style-type: none"> <li>● Farmer/producer organizations with operations in eligible value chains</li> <li>● Off-take agreements with off-takers</li> </ul>
Eligible activities	<ul style="list-style-type: none"> <li>● Provision of inputs, technology packages, and advice to farmers</li> <li>● Technical assistance for access to technology, farm management practices, inputs, and advice</li> <li>● Technical assistance for business development services, implementation of business plans, and support for productive partnerships</li> <li>● Training, capacity building, knowledge exchange to learn about new technologies, processes, or services</li> <li>● International certification</li> <li>● R&amp;D for development of new products, processes, services, and delivery systems</li> <li>● Collective income generating assets and activities (e.g. planting equipment, storage and sorting facilities)</li> <li>● Purchase or lease of equipment for planting, processing, post-harvest, packaging, quality control and standards</li> </ul>
Eligibility criteria	<ul style="list-style-type: none"> <li>● Technical soundness</li> <li>● Commercial viability</li> <li>● Potential for market expansion and growth</li> <li>● Environmentally and socially friendly</li> <li>● No land acquisition issues</li> <li>● RSPO compliance (for palm oil)</li> </ul>
Funding level and conditions	<ul style="list-style-type: none"> <li>● Up to \$10,000 per beneficiary producer organization</li> <li>● Lending at negotiated cost with APEX bank, not exceeding 10% per annum</li> <li>● Funding limited to no more than 3 production or market cycles</li> </ul>
Gender mainstreaming	At least 30 percent of funds allocated to women only groups

#### Matching Grant – Conditions for Producer Organizations and SMEs

Characteristics	Eligibility, and Selection Criteria
Value Chains	<ul style="list-style-type: none"> <li>● Priority value chains targeted by project <ul style="list-style-type: none"> <li>○ Rice</li> <li>○ Cocoa</li> <li>○ Palm oil</li> <li>○ Poultry</li> <li>○ Others</li> </ul> </li> </ul>
Eligible beneficiaries	<ul style="list-style-type: none"> <li>● Registered producer organizations involving small and medium sized producers, processors, logistics and distribution, retail and wholesale marketing in eligible</li> </ul>

	<p>value chains</p> <ul style="list-style-type: none"> <li>• SMEs operating in any segment – input supply, aggregation, logistics, distribution, processing, retail and wholesale market - of eligible value chains</li> <li>• Producer organization and SME with majority Sierra Leonean ownership</li> <li>• Producer organization or SME operating in the project area or supplying businesses operating in the project area</li> </ul>
Eligible activities	<ul style="list-style-type: none"> <li>• Technical assistance for business development services, implementation of business plans, and support for productive partnerships</li> <li>• Training, capacity building, knowledge exchange to learn about new technologies, processes, or services</li> <li>• International certification</li> <li>• R&amp;D for development of new products, processes, services, and delivery systems</li> <li>• Collective income generating assets and activities (eg. aggregation centers, storage and sorting facilities)</li> <li>• Equipment for processing, post-harvest, packaging, quality control and standards</li> </ul>
Eligibility criteria	<ul style="list-style-type: none"> <li>• Technical soundness</li> <li>• Commercial viability</li> <li>• Potential for market expansion and growth</li> <li>• Environmentally and socially friendly</li> <li>• No land acquisition issues</li> <li>• RSPO compliance (for palm oil)</li> </ul>
Funding level and percentages	<ul style="list-style-type: none"> <li>• Up to \$50,000 per beneficiary</li> <li>• 50-50 split between matching grant and beneficiary contribution</li> <li>• Funding limited to no more than 3 production or market cycles</li> </ul>
Gender mainstreaming	At least 50% of total matching funds allocated to women and youth (producer organizations or business owners)

## **Annex 8: Environmental and Social Safeguard Management**

### **Sierra Leone: SMALLHOLDER COMMERCIALIZATION AND AGRIBUSINESS DEVELOPMENT PROJECT**

1. The project aims at supporting subprojects that could lead to an increase in farmers' productivity, commodity sales and incomes and ultimately the aggregate value added for key agricultural value chains. The project will support: (i) production of commodities such as rice, oil palm, cocoa and poultry (eggs and meat); (ii) processing of agricultural and poultry products; (iii) trading and marketing of these commodities; and (iv) rehabilitation and maintenance of feeder roads to facilitate smallholder access to markets; and capacity building of farmers and agribusinesses operating along the four selected value-chains.

#### **A. Environmental and Social Management Framework (ESMF)**

2. An ESMF is developed as a policy guideline that will be used as a decision-making tool to ensure that all the subprojects selected and implemented under the project are environmentally and socially responsive and sound. The framework demands that each subproject will require environmental and social assessment that covers (i) legal and regulatory mechanisms, (ii) institutional arrangements, (iii) environmental management, and (iv) social assessment. The ESMF was reviewed and approved for disclosure before project appraisal. It is also planned that the ESMF will be regularly updated to respond to changing local conditions.

3. The Environmental Category assigned for the project is B (Partial), since it is expected that environmental and social impacts will be moderate and in most cases manageable. The likely environmental and social impacts as well as the mitigation measures have been developed through the detailed environmental and social management framework (ESMF) which has been undertaken as part of project preparation. Where required after further assessments, other safeguard instruments with mitigation measures will be put in place to address any potential or real negative social and environmental impacts. The project has triggered the following environmental and social safeguard policies: OP4.01 (Environmental Assessment); OP4.09 (Pest Management); OP4.12 (Involuntary Resettlement) and OP 4.36 (Forests). As an agricultural project, most activities to be undertaken by the out-growers and agribusinesses will bring about some environmental issues related to crop production. As such, both OP4.01 and OP4.09 have been triggered to put in place appropriate risk management plans. Even though the project will not support any activities that will result in resettlement of people, OP4.12 has been triggered to ensure that an appropriate Resettlement Policy Framework is put in place to guard against any unexpected effects on people or their livelihoods as a result of the project. OP4.36 has also been triggered even though all production activities, including replanting will occur on existing farms and plantations. However, it is likely to anticipate that it may extend to secondary forests, given that shifting cultivation is still prevalent in Sierra Leone. The project has also triggered OP4.04 (Natural Habitats) and OP4.11 (Physical Cultural Resources) out of precaution in order to have a management framework in place in case of chance-finds during project implementation.

**Table A8.1: Safeguard Policies triggered by Project**

Safeguard Policies Triggered by the Project	Yes	No
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	x	
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	x	
Pest Management ( <a href="#">OP 4.09</a> )	x	
Physical Cultural Resources (OP/BP 4.11)	x	
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	x	
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )		x
Forests ( <a href="#">OP/BP 4.36</a> )	x	
Safety of Dams ( <a href="#">OP/BP 4.37</a> )		x
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )		x
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )		x
Piloting the Use of Borrower Systems to Address Environmental and Social Issues in Bank-Supported Projects (OP/BP 4.00)		x

4. **Potential Environmental risks:** The ESMF conducted as part of project preparation has identified the following environmental issues which for which environmental management plans will be developed to avoid the likely environmental risks:

- a) Chemical pollution impacting natural resources and human health due to excessive and improper use of chemical pesticides and fertilizers, and pesticide residues;
- b) Adverse impacts on land and forests including land degradation and deficiency in soil nutrients, soil erosion/slope instability, and loss of topsoil due to faulty farm practices and improper use of chemical fertilizer, as well as improper cultivation on slopes/marginal lands, and construction of infrastructure such as feeder roads;
- c) Localized air and odor pollution arising from activities such as burning of firewood for cultivation, ammonia/methane/nitrous oxides emission from poultry production and emission from processing activities, and dust from feeder roads construction activities;
- d) Water pollution due to mismanagement of wastes from processing units, laboratories, agricultural waste/crop residues, livestock/poultry waste, wastewater from cleaning, washing, waste from slaughter houses, untreated dairy effluents, wastewater from milk processing, and laboratory wastes.
- e) Impacts on forest and forest resources. These may include forest depletion or degradation due to increased use of firewood for agro-processing, site clearance for infrastructure construction; and project-induced encroachment into secondary forest areas.
- f) Adverse impacts on biodiversity, native species, and non-timber forest products (NTFPs) including medicinal and aromatic plant species growing in natural habitats, due to unregulated or increased encroachment on the primary and secondary forests as a result of the proposed re-planting of old plantations with improved planting materials;
- g) Health and occupational safety related issues resulting, for example, from the use of chemicals to protect finished products from pests, exposure to harmful chemical at works or due to unsafe disposal of chemicals or during pesticide application, unsafe disposal of crop residues from processing (e.g. oil palm kernel, rice husks etc.), other waste containing pathogens, exposure to polluting emissions, risk of accidents (fire, explosion), and so forth.

5. **Social Assessment.** The ESMF has carefully assessed all the potential adverse social impacts that are likely to occur during the implementation of subprojects. These have broadly been identified as follows:

- a) land acquisition by the agribusinesses that will participate in the project and the risk this might pose to the project;
- b) Short-term loss of income and livelihood due to the proposed replanting of the old plantations with high yielding planting materials;
- c) Possible exclusion of marginalized farmers, women and youth;
- d) Possible use of child labor in agribusinesses and out-grower schemes' activities;
- e) Potential risk of spreading communicable diseases such as STDs and HIV/AIDS due to increased labor force

### **Environmental and Social Screening of Sub-Projects**

#### **a) Environmental screening criteria**

6. The ineligibility criteria include known environmental sensitivities such as activities in protected areas, known high-risk zones including landslides, flooding, and significant erosion zones; slopes greater than 45 degrees; heritage sites and primary forests. The level of environmental assessment required is determined by considering potential impacts on forests and biodiversity (including Non Timber Forest Products - NTFPs), as well as size of the road rehabilitation projects, size of agro-based and other industries, risk of chemical pollution, and the need for planned pest and nutrient management. Projects that will be deemed risky on the basis of the environmental screening criteria will be considered ineligible for support under the project.

#### **b) Social screening criteria**

7. A set of criteria will be developed for the project by taking into account the possible adverse social impacts and their magnitude. The criteria that will be used for social screening of the subprojects that will be considered ineligible include: (i) high degree of negative impacts on the livelihood systems; (ii) loss of common property resources affecting livelihood systems; (iii) subprojects leading to landlessness, shelter loss, unemployment, marginalization, and food security; (iv) activities that require relocation of households, acquisition of lands, and other properties; (v) subprojects that promote or involve child labor; and (vi) subprojects that are likely to have adverse impacts on women, youth and vulnerable groups. Once the subprojects are screened against these criteria they will be classified into three different categories as per the nature and magnitude of impacts:

- Category I: Negative list of subprojects (these will be ineligible for funding under the project);
- Category II: Subprojects requiring specific Environmental and Social Impact Assessment (ESIA) based on threshold criteria as per GOSL's Environmental and Social Management Policy;
- Category III: Subprojects that do not require formal ESIA, but will need well planned and regular monitoring during implementation.

### **c) Resettlement Policy Framework (RPF)**

8. Even though it is not envisaged that the project will support any activities that will entail resettlement of people<sup>38</sup>, the project has developed an RPF as per the World Bank policy guidelines (OP4.12) in order to have a framework in place to deal with an unforeseen circumstances which may arise as a result of project implementation. The framework has clearly defined different groups of potentially affected people with varied eligibility criteria. These constitute Project Affected People (PAP), Project Affected Families (PAFs), Significantly Project Affected Families (SPAFs), marginal farmers, displaced families, squatters, encroachers, and vulnerable groups. Based on the eligibility criteria and type of losses, the affected families/people will be provided compensation as well as resettlement and rehabilitation assistances, should there arise unanticipated project related effects. An entitlement policy matrix to this effect has been developed as a safeguard measure to mitigate the losses by types of categories of affected people—that is, owners, tenants, encroachers, squatters, communities, and so forth. Specific Resettlement Action Plans (RAPs) will be defined where necessary.

9. The project will undertake detailed due diligence (land acquisition audit) of the land acquisition processes for all the interested agribusinesses to ensure they comply with national rules and procedures, appropriate community consultations and to ensure that there is no existing or potential conflict with communities on issues of land acquisition. The audit will also make reference to internationally acceptable guidelines such as Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security Principles for Responsible that Respects Rights, Livelihoods and Resources. All agribusinesses with existing or potential conflicts on land issues will be ineligible for support under the project.

### **d) Grievance Redress Mechanism**

10. The project implementation is likely to be affected by, and subject to complaints and grievances. As per the experiences from the RPSDP, some of these complaints and grievances may be justified while others are not; some may be captured by the regular M&E system while others may not; and some may be directly or indirectly related to project implementation while others may not be related to the project at all. In order to be able to address grievances and complaints in a more structured and pro-active manner, the project has developed an inclusive, well-designed, and effective Grievance Redress Mechanism (GRM) which is meant to help the project implementation team be more responsive to beneficiaries, thereby increasing trust and confidence among project stakeholders.

10. The GRM has the following building blocks and characteristics: (i) multiple grievance uptake locations and multiple channels for receiving grievances; (ii) service standards for grievance resolution; (iii) clear processing guidelines; and (iv) an effective and timely grievance response system to inform complainants of the action taken. The GRM is based on the following

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<sup>38</sup> Replanting will occur only on existing plantations, no new plantations will be opened. Feeder roads rehabilitation will happen on already existing road foot-prints, no new roads will be opened. Agribusiness companies with existing and/or potential land acquisition issues will not be eligible until the issues are addressed.

six core principles: (i) Fairness; (ii) Objectivity and Independence; (iii) Simplicity and Accessibility; (iv) Responsiveness and Efficiency; (v) Speed and Proportionality; and (vi) Participatory and Social Inclusion. The GRM has been developed as a separate instrument under the ESMF and its implementation will be informed by the lessons from the implementation of similar tools implemented under RPSDP and WAAPP.

### **Monitoring of the Environmental and Social Risk Management**

11. The monitoring of project compliance with the environmental and social safeguards will be undertaken by the EPA following the environmental and social safeguard management tools developed through the Environmental and Social Management Framework (ESMF) study. Under the project, resources will be provided to enable the EPA to undertake periodic monitoring of project implementation to ensure compliance with the identified and/or other safeguards. In addition, the project has developed the management tools to mitigate against potential social risks. For example, even though the project will not involve any involuntary resettlement of people, the project has triggered the OP 4.12 and as a result, the relevant Resettlement Policy Framework (RPF) has been developed. The Grievance Redress Mechanism (GRM) has also been developed in order to establish a framework for dealing with grievances which may potentially arise as a result of the project or its implementation. The World Bank's implementation support arrangements will include a team of environmental and social safeguards who will provide advice to the EPA and project implementation institutions on a regular basis. Periodic environmental and social audits will be undertaken by the World Bank team to ensure that the project is fully compliant at all times during its implementation.



## Annex 9: Green House Gas (GHG) Accounting

### Sierra Leone: SMALLHOLDER COMMERCIALIZATION AND AGRIBUSINESS DEVELOPMENT PROJECT

#### A. Land and agriculture investments

1. **Cultivation baseline.** Both the base case and the target scenario assumes that 34,220 ha of farm land will be put into cultivation for smallholder farmers.

2. **Project planned interventions.** These are summarized below.

(a) Land-use Change – Afforestation. The project will turn 6,000 ha of set aside land to forest plantation. Baseline = 0 ha.

(b) Increase yields of agricultural products – Rice

Crop	Improved agronomic practices	Nutrient management	No-Till/residue s management	Water management	Manure application	Residue/ biomass burning
Rice	Yes	Yes	No	No	No	Yes

(c) Increase yields of agricultural products – Maize (for poultry feed)

Crop	Improved agronomic practices	Nutrient management	No-Till/residue s management	Water management	Manure application	Residue/ biomass burning
Maize	Yes	Yes	No	No	No	Yes

(d) Increase yields of agricultural products – Cocoa

Crop	Improved agronomic practices	Nutrient management	No-Till/residue s management	Water management	Manure application	Residue/ biomass burning
Cocoa	Yes	Yes	Yes	No	No	Yes

(e) Increase yields of agricultural products – Oil palm

Crop	Improved agronomic practices	Nutrient management	No-Till/residue s management	Water management	Manure application	Residue/ biomass burning

	practices		management			burning
Oil Palm	Yes	Yes	Yes	No	No	Yes

(f) Increased yields of agricultural products – Poultry (eggs and meat)

Commodity	Improved agronomic practices	Nutrient management	No-Till/residues management	Water management	Manure application	Residue/biomass burning
Poultry (eggs)	Yes	Yes	Yes	No	No	Yes
Poultry (broilers)	Yes	Yes	Yes	No	No	Yes

(g) Application of fertilizers. Currently less than 150 tons of fertilizers are used per year. Target is to increase fertilizers application to 300 tons per year.

(h) Energy consumption – Electricity. Baseline = 0 Mwh. Electricity use is expected to increase to 100 Mwh with project intervention.

(i) Energy consumption – Wood. Baseline = 40 tons dry matter per year. Firewood consumption is expected to decrease to 25 tons dry matter per year with project intervention.

(j) Energy consumption – Solar. Baseline = 0 Mwh. The project is expected to promote solar energy use to 25 Mwh. This is not included in the EX-ACT analysis due to the limits of the application.

(k) Road construction to improve access to markets. Baseline = 0 km; Project intervention = 770km. Assuming the width of the road is 8.2m (6.7m plus 1.5m for shoulder), the total coverage of the road will be 6,314,000m<sup>2</sup>.

3. **Results of Carbon Balance Analysis.** Sierra Leone’s climate is tropical moist with low activity clay soils. The EX-ACT modules used included **land use change, crop production, and inputs**, with a project implementation phase of **6 years** and capitalization of **14 years**. The table below presents the results of the GHG balance:

	Gross fluxes		GHG Balance
	Without	With	
	All GHG in tCO <sub>2</sub> eq		
	Positive = source / negative = sink		
<b>Land Use Change (Afforestation)</b>		-2,281,620	-2,281,620

<b>Crop</b>	429,256	-112,530	-541,786
<b>Grassland</b>		-441,081	-441,081
<b>Livestock</b>	4,858	2,020	-2,838
<b>Inputs &amp; Investments</b>	19,389	821,407	802,018
<b>Total</b>	453,503	-2,011,804	<b>-2,465,307</b>
<b>Per hectare</b>	6	-26	-32
<b>Per hectare per year</b>	0.3	-1.3	<b>-1.6</b>

4. The planned project intervention will result in net GHG sink of 2,465,307 thousand tons of CO<sub>2</sub> equivalent, namely 1.6 tons of CO<sub>2</sub> equivalents per hectare per year. The sink results largely from afforestation. However, increased inputs will create extra 802,018 tons of CO<sub>2</sub> equivalent carbon emission. The increase in Carbon sequestration will lead to other co-benefits including improved biodiversity, reduced soil erosion and enhanced agro-ecosystem resilience.

# Annex 10: MAP OF SIERRA LEONE

IBRD 33478

