

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA30833

Project Name	Sustainable Agriculture Productivity Improvement Project (P155541)
Region	EAST ASIA AND PACIFIC
Country	Timor-Leste
Sector(s)	Agricultural extension and research (30%), Crops (30%), Irrigation and drainage (20%), Animal production (10%), General agriculture, fishing and forestry sector (10%)
Theme(s)	Global food crisis response (40%), Water resource management (20%), Other rural development (10%), Poverty strategy, analysis and monitoring (30%)
Lending Instrument	Investment Project Financing
Project ID	P155541
Borrower(s)	Ministry of Agriculture and Fisheries
Implementing Agency	Ministry of Agriculture and Fisheries (MAF), Government of Timor-Leste
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	12-May-2016
Date PID Approved/Disclosed	13-May-2016
Estimated Date of Appraisal Completion	12-May-2016
Estimated Date of First Grant Approval	30-Jun-2016
Appraisal Review Decision (from Decision Note)	The review authorized the team to appraise the project.

I. Project Context

Country Context

Timor-Leste has made great progress in its 13 years of independence, but its agriculture sector continues to struggle to feed 1.1 million people and sustain the livelihoods of 75% of the population. Despite eight years of stability and fast economic growth, the rural sector does not produce sufficient staple and nutritious food, and is unable to prevent rural-urban drift. Government budget for the agriculture sector is constrained because of the short-term focus on infrastructure development, and controlled withdrawals from the Petroleum Fund. Some indicators of this situation include : (i) declining staple food production, which in 2011 was 144,000 Mt, a decline of 30% leading to a deficit of about 100,000 Mt ; (ii) seasonal food insecurity with about 90% of rural households exhausting their home-grown maize and rice supplies by September of each year ; (iii) low scores on the Human Development Index (HDI) which in 2012 was 0.576, a rank of 134 out of

187; and (vi) high rates of malnutrition with stunting in 58% of children under five. The environment in which Timor-Leste's rural population lives is under severe pressure with rainfed cropped land used for unsustainable small-scale subsistence farming, and large swidden areas on steep slopes with infertile soils. In contrast, irrigated areas are more stable and less prone to degradation. On rainfed cropped land, there is virtually no return of organic matter into cropping systems because of annual burning and the need to graze increasing numbers of livestock. This extractive farming system is unsustainable and will need to change if Timor-Leste is to achieve food and nutrition security. Land degradation will continue to be wide-spread and destructive without improvements in natural resource management. It is to address this situation and to improve agriculture productivity that the Government has launched an important reform agenda in the agriculture sector.

Sectoral and institutional Context

The development goals for the agriculture sector, as articulated in the Program of the Vth Constitutional Government (2012-2017), are to: (i) improve the level of food security for the rural population, reduce hunger and malnutrition, and raise self-reliance; (ii) increase value addition of agriculture, fisheries and forestry products by fostering processing and marketing; (iii) achieve sustainable production and management of natural resources; (iv) contribute to the balance of trade by earning revenue from commodity exports, and by substituting imports; and (v) increase incomes and employment in rural areas. The proposed project, to be funded under the Global Agriculture and Food Security Program (GAFSP), aims to support this agenda. The strategy of the Ministry of Agriculture is based on complementary and mutually reinforcing strategies with an underlying logic that if productivity can be improved and farmers and fishers can be helped to move up the value chain, then rural incomes will increase and livelihoods will improve. The agriculture sector could then move towards greater profitability and improved capacity to compete. It is expected that an improved enabling environment and organizational strengthening of MAF will facilitate and accelerate this transformation process. All of these changes need to be accomplished without causing damage to the environment and Timor Leste's natural resources, and by leveraging more diversified farming systems and the country's agro-biodiversity to the maximum extent possible. MAF has developed five Programs to address its five Strategic Objectives, each articulated into Sub-programs, component and projects: In all cases the primary role of Government is to: (i) provide the necessary support services and incentives for production and commercialization at the primary producer level; (ii) remove barriers that prevent the private sector from investing in value chains; and (iii) facilitate strategic partnerships. In addition to improving agricultural outcomes, MAF and the Ministry of Health work together through KONSANTIL (National Council for Food Security and Nutrition for Timor-Leste) which is chaired by the Minister of MAF.

II. Proposed Development Objectives

The Project Development Objective (PDO) is to increase the productivity and marketed production of smallholder agriculture in selected geographical locations in Timor-Leste.

III. Project Description

Component Name

Integrated municipality and watershed agricultural development planning

Comments (optional)

The objective of this component is to improve agriculture planning and development within targeted watersheds. Municipality Agricultural Development Plans (MADPs) will be used to guide

communities? and farmer groups' plans which are discussed below. The Plans will be prepared: (i) using existing data and information to identify agro-zones which have comparative advantages in terms of production and marketing potential; (ii) using associated watershed/ catchment plans based on land use capability assessments; and (iii) taking into account the current status of local infrastructure, which is required to release the full agricultural potential of an area.

Component Name

Smallholder organization, advisory support and training

Comments (optional)

Development and strengthening of farmer groups to improve farm productivity and strengthen market linkages (through farmer learning and simple business planning) is a priority area under the MAFSP and the MTOP. Therefore Component 2 will: (i) facilitate the formation of production, and environmental improvement focused farmer groups (building on cohesion developed during the plan preparation process in component 1, and on existing groups formed for other purposes by NGOs, and other relevant programs); and (ii) assist product-focused farmer groups to gain improved access to local markets. SAPIP will consistently and consciously build on successful and on-going programs related to farmer group capacity building.

Component Name

Sustainable watershed management and support to farmer groups

Comments (optional)

This component will provide: (i) grants to farmer groups for small-scale rural infrastructure for water harvesting, erosion control and watershed protection : and (ii) technology support to farmer groups for various types of agriculture production activities.

Component Name

Strengthening MAFs Services, Planning, Programming, Coordination and Monitoring and Evaluation Functions

Comments (optional)

MAF's 2015 reorganization and re-assignment of senior staff will be supported by SAPIP in areas where investment will result in: (i) improved corporate services (mainly extension of technology to farmers); (ii) planning (recognizing that rural development planning is the prerogative of rural communities through SCADPs); (iii) more efficient budget programming with the objective of increasing sectoral investment returns and achieving corporate targets and objectives (as listed in the SDP); (iv) better coordination with DPs projects and programmes, and improved focusing of DP expenditure on the Ministry's annual action plan objectives; and (v) improved, monitoring and evaluation, and subsequent reporting to Government.

Component Name

Project management and monitoring

Comments (optional)

The PMU will be responsible for maintaining records and reports plus communications and knowledge-sharing systems. MAF staff assigned to the SAPIP PMU will be supported by a team of technical specialists with skills in: (i) project planning, coordination and management; (ii) institutional reform and capacity building; and (iii) monitoring and evaluation, and impact assessment. These will include a Deputy Project Director, a Monitoring and Evaluation and Compliance Officer, a Finance/Accounts Officer, a Procurement Officer, a Planning/Administrative Officer and an Accountant. A facilitation team recruited as an NGO/consulting service will assist the PMU in the training and outreach to farmer groups.

IV. Financing (in USD Million)

Total Project Cost:	22.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			1.00
Trust Funds			21.00
Total			22.00

V. Implementation

At the central level SAPIP will be coordinated by a Steering committee chaired by the Secretary General and comprised of all relevant Director Generals from MAF. A PMU, with support staff financed by the project will manage the project activities. At the Municipality level and in Oecusse, Agriculture District officers will coordinate the district level PMU. District agriculture extension officers will provide support to project activities together with supporting services provided by CSOs and NGOs in the project areas.

To set up and initiate the Watershed Councils, a methodology similar to that used for the Watershed Council for Raumoco will be adopted. This includes hiring consultants to assist with the training, planning and institutional structure of the watershed councils. Extension workers and MAF municipal level staff will be involved in mobilization and training. MADPs will be prepared by groups of planners who have been trained by SoL and other Projects in natural resource planning. These teams will include staff from ALGIS, Municipal-level agro-technicians (to be trained under Component 4), Suco Extension Officers (SEOs), and local NGOs. SCADPs will be facilitated by the same groups but with the involvement of the watershed councils.

For training activities under component 2, subcontractors (firms/NGOs) would be contracted and paid on the basis of groups formed and training provided. To the extent possible, existing modules and materials developed by Development Partners engaged in these types of capacity building activities will be used by the sub-contractors to ensure quality of the training materials used. Given that the devolution of extension services to the Municipalities is still being discussed under the draft decree law for decentralization, MAF's municipal level staff would be responsible for the coordination of the Project's activities at the field level, supported by facilitators to be contracted by the PMU. SAPIP Municipality Implementation Units (MIUs) will be established within MAF's local Municipal Offices. Integrating MAF's Municipal staff and a small core of centralized but mobile supporting consultants, MIUs will initially be responsible for jump-starting the Project in their areas in close coordination with the PMU. As capacity builds up, the MIUs may gradually be absorbed into the Municipality local planning and programming structures.

For Component 3, the implementation arrangement will follow, as much as possible, established procedures within MAF with increased oversight, monitoring and technical support. For Component 3.1 the processes under MAF to set up and support farmer groups will be the main vehicle for identifying farmer demand, verification of proposals and provision of agriculture related infrastructure grants. However the current programs (such as the CDCA) do not reach enough farmer groups and require significantly greater oversight and monitoring. SAPIP will not finance these programs but will build on the outreach and community participation approaches already established. Additional oversight, technical support to this process of farmer group identification

will be provided by the PMU with the help of independent consultants. Component 3.2 will follow the implementation arrangements of the Timor-Leste Maize Support Program (TLMSP) which is financed by the IFAD and has established procedures and a project implementation manual which can be adapted to SAPIP.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

VII. Contact point

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