I. Project Context

Country Context

Despite abundant natural resources, governance issues and social inequality have perennially engendered poverty, conflicts, and low human development in Liberia. The country emerged from a long conflict period in 2003, when a global peace agreement was signed. Following the signing 15,000 UN peace force soldiers were stationed in the country to enforce the agreement. After a transition period, democratic elections were held in 2006, and the Government of Liberia (GoL) embarked on an ambitious social and economic recovery program.

The country’s economy has experienced steady real growth rates in recent years: 7.3 percent in 2006, 11.4 percent in 2007, 6.1 percent in 2008, 3.8 percent in 2009 (due to the impact of the global financial crisis) and 5.6 percent in 2010. Real GDP growth of 6.7 percent is forecasted in 2011, rising to 7 percent in 2012 as investment in the mining sector increases*1. Inflation came down to 7.4 and 7.3 in 2009 and 2010 from 13.7 and 17.5 percent in 2007 and 2008. However inflation is expected to increase to 10 percent in 2011 before moderating in 2012 (to around 7 percent)*2. World oil prices are volatile and any increase would affect national inflation while global food prices, the other main determinant of national inflation, are currently rising. The local currency exchange rate has been rather stable. Liberia would continue to run a large structural current-account deficit because of the heavy UN presence, which accounts for the majority of imports. However, Liberia’s medium-to-long-term prospects are good and the government recognizes that a stable macroeconomic environment would be critical to the achievement of rapid, inclusive and sustainable growth. The government is committed to a macroeconomic framework that is anchored in sound fiscal, monetary, trade and exchange policies to foster competition, maintain price stability, and encouraging private sector investment to provide a foundation for rapid and sustained growth to increase employment and reduce poverty. In June 2010, the country reached the completion point of the HIPC initiative which would provide the basis for substantial debt relief and new public and private investments in all sectors.

Agriculture has been the backbone of the economy throughout the conflict and during the post-war period. It still accounted for 61 percent of Liberia’s GDP in 2008 and provides employment or income to about two thirds of the 4 million population. The Government is now preparing a second phase Poverty Reduction Strategy (PRS) in which promotion of productive activities, particularly agriculture and notably the tree crop sector, is one of the main pillars.

Despite important progress made in recent years, poverty remains a challenge as it is estimated that about 64 percent of Liberians live below the poverty line. In 2009, Liberia had a human development index of 0.442, ranking the country 169th out of 182 in the world. Limited access to modern health services (41 percent) and high illiteracy rate (58 percent; 62 percent for women and 29 percent for men) remain important social issues such, as do land property rights. Liberia still faces many challenges in laying the foundation to transition from post-conflict recovery to long-term development.

*1: Economic Intelligence Unit, Country Report, September 2011
*2: Ibid.

II. Sectoral and Institutional Context
Rice and cassava are the main food crops, while rubber, oil palm, and cocoa are the dominant export-oriented tree crops. Forest-based farming systems cover the largest proportion of the country. They include tree crop-based systems, mostly in the central belt of the country; root crop-based systems (with rice) concentrated in the northern region; and fishing and land-based mixed cropping enterprises along the coastal belt. Three types of farms are present: (i) large estates/concessions that produce export crops (rubber, oil palm); (ii) medium-sized Liberian commercial farms that cultivate industrial crops export (mainly rubber) and livestock for the local market; and (iii) small household farms that combine food and cash crops and use traditional production techniques and limited improved inputs.

The main characteristics of the Liberian tree crop sector are the old age of plantations and their low productivity. There has been no significant replanting activities for the last twenty-five years due to the war, and a large proportion of the country's rubber and oil palm plantations are now at the end of their productive life, necessitating replanting. Rubber is the most important cash crop in Liberia in terms of production, exports and employment generation. It accounted for more than 20 percent of the country's GDP and 90 percent of its total exports in 2005. In 2008 an estimated 81,000 tons were exported worth approximately US$ 85 million*3. About 200,000 ha are under rubber plantation in Liberia, of which 65,000 are industrial estates and 130,000 are small and medium-size private farms. The sector now faces a reduction in production and rubber factories are operating below capacity. Trees were badly exploited and could not be replanted during the conflict and are now getting old. There is much scope for replanting/replacing old trees, expanding the area under rubber. International demand for natural rubber is strong and growing and prices are on the high side*4 and expected to remain so in coming years.

Cocoa is Liberia’s second most important export crop, with about 40,000 households engaged in its production in northern counties on 35,000 hectares (Lofa, Bong, Nimba, Grand Gedeh). Official exports were 9,530 tons in the 2010-11 season, but a share of the national production is informally exported via neighboring countries while the country also imports beans from the Ivory Coast. Part of the production from remote areas is not harvested due to the poor condition of rural roads and consequently the shortage of buyers or low prices offered. Old, existing trees can be rehabilitated to resume production rapidly. In order for farmers to be able to market their produce, market access through farmer organizations capacity building to allow FOs to provide basic bulking services and some feeder road rehabilitation, wherever critically needed, should be restored and quality improved. There is much scope for new planting using hybrid varieties as world market demand and prices for cocoa are on the high side*5.

Oil palm is an important tree crop for smallholders and is grown in every county. Palm nuts are both food items and cash crops. About half of the total production comes from wild groves. Liberia’s production of crude palm oil (CPO) dramatically dropped because of the war. The country turned from an exporter of palm oil until the late 1980s into a net importer of edible oils (for about 20 percent of a total domestic demand). However, similarly to cocoa, a significant volume of locally-produced palm oil is exported to neighboring countries through informal border trade and is not recorded. Some former state-owned plantations (17,000 ha) have been privatized while smallholder farms represent 75,000 ha. Within the smallholder sector, there is much scope for assisting smallholders around industrial estates/processing units (out grower model) through rehabilitating the trees that can still be harvested for a few years and through replanting. There is also scope for rehabilitating former state-owned plantations that were handed over to smallholders in the 1990’s. There is much demand for CPO at national, regional, and international levels. Coffee experienced a large expansion in area harvested and production between the 1960s and the 1980s, but sharply decreased during the war. Only 104 tons were reported to have been exported in 2008*6. Many coffee trees were felled and farmers turned to other crops as local purchasing prices were low. In addition, labor requirements for coffee are high as compared to cocoa. International prices sharply increased since 2006. There is scope for rehabilitating some of the remaining farms and promoting good quality coffee as well as small scale coffee processing for the local market.

The Ministry of Agriculture (MoA) is the central policy-making body of GoL and is responsible for promoting agriculture development, regulating the sector and implementing food security policies and strategy. It faces many constraints, including: limited number of staff (350 in total), lack of qualified human resources, insufficient equipment, and limited budget. Since 2008/2009, the ministry has made strides to create decentralized offices at county level, re-organize and dynamize itself, and established a central unit in charge of the preparation and management of externally-funded programs, the Program Management Unit (PMU). Extension/advisory services are principally offered by services providers (NGOs, concessionaires). One of the main responsibilities of the ministry is to ensure coordination amongst these various actors in the field. The MoA still needs much support in areas such as: policy and project planning and monitoring, coordination of donors and value chains actors in the field, statistics and economic analysis, human resource capacity building, financial management, etc. Several important institutions in the context of the smallholder tree crop sector operate under the MoA, notably the Cooperative Development Agency (CDA) and the Central Agricultural Research Institute (CARI). They also need support to efficiently exert their roles, notably with regards to oversee and strengthen capacities of FOs/Cooperatives, and produce adaptive research results that could benefit smallholders.

*3:FAO Stat
*5:The large majority of cocoa/coffee farmers hold less than two ha of old cocoa (and coffee trees).
*6:FAO Stat

III. Project Development Objectives

The Project development objective would be “to increase access to finance, inputs, technologies and markets for smallholder tree crop farmers in Liberia, and to prepare a long term development program developed for the tree crops sector”.

IV. Project Description

Component Name

Component 1: Smallholder Tree Crops Revitalization

Component 2: Institution Building and Preparation of Future Large Scale Tree Crop Development Program

Component 3: Project Coordination and Management

V. Financing (in USD Million)

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VI. Implementation

The Ministry of Agriculture (MoA) would be the executing agency of the project. The project coordination and management would be anchored within the existing government structures, planning and steering committees at national and district levels. To the extent possible, the project National Steering Committee (NSC) would use existing MoA-chaired NSCs in charge of the oversight of other MOA-implemented projects.

The project would enhance coordination, alignment, and synergy between donor-funded activities/operations in the tree crop sector (IFAD, GIZ, Sida, IPC, etc.). As such, main project activities, results, and implementation issues would be discussed at the regular monthly meetings of the MoA-led Agricultural Coordination Committee (ACC) which gathers the main donors and international NGOs involved in the development of the agriculture sector.

Composition of the NSC would be adapted to the STCRSP needs, ensuring the participation of representatives from: other interested line departments (in charge of land, public works, planning, finance, commerce and industry); targeted County Agricultural Offices; farmers associations and cooperatives; the private sector (participating concessionaires and the rubber sub-sector association); financial institutions (including the CBL); and donors contributing to the tree crop sector development. The NSC would meet twice a year. It would provide conceptual and strategic guidance to the PMU*8, ensure conformity of project activities with Government policies and strategies, review project progress, its annual plans and budgets, and resolve any implementation problems or conflicts.

Overall project planning, coordination, implementation and monitoring and evaluation (M&E) would be ensured by the MoA’s PMU. The team (PCU) looking after the day-to-day STCRSP implementation would be inserted into the PMU. It would include a limited number of highly qualified and motivated staff selected on a competitive basis. The team would benefit from the support of senior PMU staff for core functions such as strategic guidance, financial management and administration, procurement, and M&E. The project would contribute to the staffing costs of such senior PMU staff. In order to address the shortcomings and identified risks with regards to financial management, procurement, and M&E, the project would include a number of training activities, exchanges of experiences, and specialized short term international technical assistance to build the capacity of the PMU and of the PCU in these key domains.

Support to cocoa/coffee revitalization would be coordinated and implemented by a main international operator who would sub-contract specialized service providers (trainers, collateral manager, specialized input suppliers, etc.) on a competitive basis*9. Support to the farmer-run oil palm plantation would follow a similar arrangement but would be implemented by a national service provider considering the small size of this sub-project. Rubber revitalization and intensive oil palm revitalization would be implemented through three identified concessionaires/ large farms (out-grower models) on a negotiated basis.

*8: The PMU is currently supported by various donors including World Bank, USAID, EC, AfDB, IFAD, etc., with the aim of providing the Ministry with the capacity to manage and coordinate all donor funded projects.

*9: Service providers could include national consulting firms, NGOs, input suppliers, exporters, and collateral managers/credit support companies, either as single entities or in association with other specialized implementation partners. By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties’ claims on the disputed areas.

VII. Safeguard Policies (including public consultation)

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VIII. Contact point

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