DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

SMALLHOLDER COMMERCIALIZATION AND AGRIBUSINESS DEVELOPMENT PROJECT

APPROVED ON FEBRUARY 18, 2016

TO

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

AGRICULTURE

AFRICA

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I. BASIC DATA

**Product Information**

<table>
<thead>
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<th>Product Information</th>
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<tbody>
<tr>
<td>Project ID</td>
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<td>Investment Project Financing</td>
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<td>Current EA Category</td>
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**Organizations**

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<td>Borrower</td>
<td>Responsible Agency</td>
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<tr>
<td>Ministry of Finance and Economic Development</td>
<td>Ministry of Agriculture, Forestry and Food Security</td>
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**Project Development Objective (PDO)**

**Original PDO**

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. The Project has four components: (1) Support to agribusiness-farmer linkages and SMEs along selected agricultural value chains (US$ 19 million); (2) Market Access Improvement (US$26 million); (3) Capacity Building for Government and Other Institutions relevant for agribusiness development (US$ 6 million); and (4) Project Coordination, Monitoring and Evaluation (US$ 4 million).

**Summary Status of Financing**

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I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

A: Status of Project
The Sierra Leone Smallholder Commercialization and Agribusiness Development Project was approved by the Board of Executive Directors on February 18, 2016 and the Financing Agreement was signed on March 15, 2016. 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. The total project financing is USD 55 million [USD 40 million Credit from IDA; and British Pound Sterling 10.5 million (USD 15 million equivalent) grant from the UK’s Department for International Development (UKaid) through a Trust Fund to be managed under the project]. The project components include: (i) Support for agribusiness farmer linkages and small and medium scale enterprises along selected value-chains; (ii) Market access improvement; (iii) Capacity building for state and non-state institutions and producer organizations; and (iv) Project coordination, monitoring and evaluation. The project will benefit over 50,000 farmers, of which 40% will be women and youth producers/producer groups.

Whilst the project got off to a slow start, activity implementation has picked up rapidly, and the project is set to catch up on its targets. Overall, the project has so far reached a total of 6,174 direct beneficiaries, 33% of whom are female. Disbursement is US$ 12.05 million (representing about 30.13% of the total funding of about US$55 million).

Two of the three funding schemes under the project had been launched and progressing steadily. The Sierra Leone Agribusiness Development Fund (SLADF) has already completed the process for its first set of 9 grantees/agribusinesses which are to benefit from the total grant of about US$4.5 million over the next 3 years. Four of which have already received the awards while remaining five (5) are in the final stages of the ward process. These 9 agribusinesses which cut across the four priority value chains of the project - Oil Palm (3); Rice (2); Poultry (3); and Cocoa (1) – are expected to supply inputs, provide extension services and training to a total number of 38,111 of smallholder farmers over the period of support; 46,982ha (rice – 15,500; oil palm – 17,018; cocoa – 6,000; maize – 8,464) of land to be put under cultivation; and 725,000 chicks will be delivered. The Fund Manager (KPMG) is in the process of rolling out the second Call under the SLADF within the next few weeks, incorporating the lesson learnt from the implementation of the first call. Similarly, the PCU is also concluding the final selection of beneficiaries under the Agricultural Services Matching Grants (ASMG) out of the shortlist of 94 FBOs and 26 SMEs. However, challenges remain on the implementation of the Agricultural Loan Scheme that is designed to be implemented by the Apex Bank.

On feeder roads, the project has so far supported the completion of: - (i) the rehabilitation of 16 roads works for a total length of 54.35Km in six districts; (ii) maintenance has been done on 116.48Km of rural roads, and (iii) 119 culverts and 6 bridges - thereby improving year-round road access to farms, markets, schools, health centers, etc. for the seventy-seven (77) communities living along the corridor of the roads in nine (9) Districts in the country. In addition, average travel time is now 2min/km, which is a significant reduction from 20min/km. The project has also completed the Prioritization and Assessment Study to Improve and Maintain Selected Feeder Roads (500km), including Preparation of Bidding Documents using Output and Performance-Based Road Contract (OPRC-200Km) and Traditional Contracts (300Km) in Sierra Leone. The project is also working with the Sierra Leone roads Authority (SLRA)
and the Road Maintenance Fund Administration (RMFA) to pilot a Community-based Performance-based Maintenance scheme on the first set of roads (GAP roads) that have been completed.

B: Proposed Challenges
The proposed restructuring aims (i) to change the eligible percentage for IDA Credit Number 5766-SL expenditure Category 6 of the Withdrawal Schedule from 40 percent to become “Such a Percentage to be agreed among the financiers in annual workplans”; and (ii) to process the TF receipts (from DFID) co-financing sub-component B1 of the Project which is duly captured in the PAD, but was not available at the time the project was being processed for World Bank Board approval.

Detailed Changes:

a. Changing the percentage for IDA Credit Number 5766-SL expenditure Category 6 of the Withdrawal Schedule from 40 percent to become “Such a Percentage to be agreed among the financiers in annual workplans”. This is to enable us to manage subsequent tranches releases without further changes in financing percentages to the Credit Agreement. Consequently, the Table of section IV.2 of Schedule 2 of the Financing Agreement of IDA Credit No. 5766-SL is now replaced by the Withdrawal Schedule table below:

Withdrawal Schedule Table:

b. Processing the TF receipts (from DFID) co-financing sub-component B1 of the Project which is duly captured in the PAD, but was not available at the time the project was being processed for World Bank Board approval. DFID has now released a first tranche of GB£1,924,827.00 equivalent to USD 2,574,263.63 (RETF: US$1,840,150; BETF: US$650,000) out of the total of GB£10,500,000, equivalent US$15,000,000. The proposed restructuring seeks to process the RETF component of US$1,840,150.00.

III. DETAILED CHANGES