

# AFRICAN DEVELOPMENT FUND



## PROJECT: SPECIAL AGRO INDUSTRIAL PROCESSING ZONE PROJECT

**P-LR-AA0-009**

**COUNTRY: LIBERIA**

## PROJECT APPRAISAL REPORT

*Date: September 2021*

<b>APPRAISAL TEAM</b>	Team Leader:	Mr. Chukwuma EZEDINMA, Princ. Agric Economist	AHFR.2	Ext: 4506
	Team Members:	Mr. Abdul BANGURA, Principal Country Program Officer	COLR	Ext: 7082
		Ms. Grace V. OBEDA, Principal Youth Employ. Officer	AHHD.0	Ext: 4540
		Ms. Jocelyne ADE-LEGRE, Princ. Invest. Clim. Reg Officer, PITD.2		Ext: 4254
		Ms. Keiko TAKEI, Chief Education Analyst	AHHD1	Ext: 3725
		Ms. Edith ADERA, Principal, CC & GG Officer	PECG.2	Ext: 4327
		Ms Nelly MAINA, Principal Gender Officer	AHGC.1	Ext N/A
		Mr. Sekou KAMARA, Princ. Environ Safeguards Officer	SNSC	Ext: N/A
		Mr. Daniel OSEI-BOAKYE, Procurement Officer	COLR	Ext: 7073
		Mr. Alex YEANAY, Senior Fragility and Resilience Officer	COSL	Ext: 7074
		Mr. Philip DOGHLE, Princ. Financial Mgt. Officer	COLR	Ext: 4637
		Mr. Prince TAMBAH, Snr. Transport Infrastructure Engineer, COLR		Ext 7072
		Mr. Emmanuel MANIRAGABA Snr Power Engineer	RDGW1	Ext. 7075
		Mr. Julius AMBE, Senior Disbursement Officer	FIFC3	Ext. 2524
		Ms. Nusula Kizito NASSUNA	PGCL.1	Ext.5231
		Mr. Moses DUPHEY, Consultant,	SNSC	Ext 4972
		Ms. Grace SHITTU, Consultant,	AHFR.2	Ext. 4864
	Sector Manager:	Mr. Olagoke OLADAPO	AHFR.2	Ext: 3494
	Country Manager:	Mr. Orison AMU	COLR	Ext: 7250
	Sector Director:	Ms. Atsuko TODA,	AHFR	Ext: 4029
	Director General:	Ms. Marie-Laure AKIN-OLUGBADE	RDGE	Ext: 4018

<b>Peer Reviewers</b>	Mamadou KANE, Chief Irrigation & Rural Infrastructures Engineer	AHFR.2	Ext 3004
	Jonas CHIANU, Chief Agricultural Economist	AHAI2	Ext 3519
	Richard FUSI, Chief Investment Officer	AHFR.1	Ext 1743
	Kevin BANDA, Principal Country Economist	COLR	Ext 7065
	Babatunde TIJANI, Investment Officer	PIFD.1	Ext 1640
	Mame SENE, Principal Quality, Results and Monitoring Officer	SNOQ.2	Ext 2779

# **AFRICAN DEVELOPMENT FUND**



## **LIBERIA**

### **SPECIAL AGRO INDUSTRIAL PROCESSING ZONE PROJECT**

**RDGW/AHFR/COLR**

October 2021

# Table of Contents

Currency Equivalents, Fiscal Year, Weights and Measures, Acronyms and Abbreviations, Project Profile, Executive Summary, Results-Based Logical Framework, Implementation Schedule	i-ix
---	------

<b><u>I – STRATEGIC THRUST &amp; RATIONALE</u></b>	<b>1</b>
<u>1.1. Project linkages with country strategy and objectives</u>	1
<u>1.2. Rationale for Bank’s involvement</u>	2
<u>1.3. Donors coordination</u>	4
<b><u>II – PROJECT DESCRIPTION</u></b>	<b>5</b>
<u>2.1. Project Components</u>	5
<u>2.2. Technical solution retained and other alternatives explored</u>	7
<u>2.3. Project type</u>	8
<u>2.4. Project cost and financing arrangements</u>	8
<u>2.5. Project’s target area and population</u>	8
<u>2.6. Participatory process for project identification, design and implementation</u>	11
<u>2.7. Bank Group experience, lessons reflected in project design</u>	11
<u>2.8. Key performance indicators</u>	13
<b><u>III – PROJECT FEASIBILITY</u></b>	<b>14</b>
<u>3.1. Economic and financial performance</u>	14
<u>3.2. Environmental and Social impacts</u>	14
<b><u>IV – IMPLEMENTATION</u></b>	<b>20</b>
<u>4.1. Implementation arrangements</u>	20
<u>4.2. Monitoring</u>	24
<u>4.3. Governance</u>	24
<u>4.4. Sustainability</u>	25
<u>4.5. Risk management</u>	25
<u>4.6. Knowledge building</u>	26
<b><u>V – LEGAL INSTRUMENTS AND AUTHORITY</u></b>	<b>27</b>
<u>5.1. Legal instrument</u>	27
<u>5.2. Conditions associated with Bank’s intervention</u>	27
<u>5.3. Compliance with Bank Policies</u>	28
<b><u>VI – RECOMMENDATION</u></b>	<b>28</b>
<b><u>Appendix I. Comparative socio-economic indicators</u></b>	<b>I</b>
<b><u>Appendix II: Liberia active portfolio</u></b>	<b>II</b>
<b><u>Appendix III. M&amp;E arrangements</u></b>	<b>IV</b>
<b><u>Appendix IV. Financial management assessment report</u></b>	<b>IX</b>
<b><u>Appendix V. Theory of Change: Liberia Special Agro Industrial Processing Zone Project</u></b>	<b>XVI</b>
<b><u>Appendix VI <a href="#">Map of the Project Areas</a></u></b>	<b>XVII</b>
<b><u>Appendix VII Environmental and social compliance note (ESCON)</u></b>	<b>XVIII</b>

This Appraisal Report was prepared by a Bank Mission comprising Mr. Chukwuma Ezedinma, Principal, Agricultural Economist, Mr. Abdul BANGURA, Principal Country Program Officer, Ms. Grace V. OBEDA, Principal Youth Employ. Officer, Ms. Jocelyne ADE-LEGRE, Principal, Investment Climate Regulation Officer, Ms. Keiko TAKEI, Chief Education Analyst, Ms. Edith ADERA, Principal, CC & GG Officer, Mr. Sekou KAMARA, Princ Environ Safeguards Officer, Mr. Daniel OSEI-BOAKYE, Procurement Officer, Mr. Alex YEANAY, Senior Fragility and Resilience Officer, Mr. Philip DOGHLE, Principal, Financial Mgt. Officer, Mr. Prince TAMBAH, Snr. Transport Infrastructure Engineer, Mr. Emmanuel MANIRAGABA Snr Power Engineer, Mr. Julius AMBE, Senior Disbursement Officer, Mr. Moses DUPHEY, Consultant, and Ms. Grace SHITTU, Consultant. Enquiries should be addressed to Mr. Olagoke OLADAPO, Division Manager, AHFR.2 and the authors.

## **CURRENCY EQUIVALENTS**

*As of April 2021*

Monetary unit	=	Liberian Dollar (LD\$)
1 USD	=	LD\$ 172.04
1 UA		LD\$ 247.044
1 UA	=	USD 1.436

## **FISCAL YEAR**

January – December

## **WEIGHTS AND MEASURES**

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

<b>Acronyms</b>		<b>MDA</b>	Mineral Development Agreement
<b>ACA</b>	Agricultural Concession Agreement	<b>MDG</b>	Millennium Development Goals
<b>ACRWC</b>	African Charter on the Rights of Women and Children	<b>MFDP</b>	Ministry of Finance and Development Planning
<b>ADR</b>	Alternation Dispute Resolutions	<b>MIA</b>	Ministry of Internal Affairs
<b>AIDS</b>	Acquired Imuno-Deficiency Syndrome	<b>MOE</b>	Ministry of Education
<b>APRM</b>	Africa Peer Review Mechanism	<b>MOH</b>	Ministry of Health
<b>AU</b>	African Union	<b>MPI</b>	Multidimensional Poverty Index
<b>CRFA</b>	Country Resilience and Fragility Assessment	<b>MSME</b>	Micro, Small, Medium Enterprises
<b>DTF</b>	Distance to Frontier	<b>MTEF</b>	Medium Term Expenditure Framework
<b>ECOWAS</b>	Economic Community of West African States	<b>MYFF</b>	Multi Year Fiscal Framework
<b>BPA</b>	Beijing Platform for Action	<b>NASSCO</b>	National Social Security and Welfare Corporation
<b>EPHS</b>	Essential Package of Health Services	<b>NDP</b>	National Development Plan
<b>CET</b>	Common External Tariffs	<b>NKI</b>	National Key Indicators
<b>CODE</b>	Committee on Operations and Development Effectiveness	<b>NSS</b>	National Statistical System
<b>CSC</b>	County Service Center	<b>ODA</b>	Official Development Assistance
<b>CSO</b>	Civil Society Organization(s)	<b>PAPD</b>	Pro-Poor Agenda for Prosperity and Development
<b>ESRP</b>	Economic Stability and Recovery Program	<b>PETS</b>	Public Expenditure Tracking Survey
<b>EAP</b>	Economically Active Population	<b>PFM</b>	Public Financial Management
<b>EU</b>	European Union	<b>PIU</b>	Project Implementation Unit
<b>EVD</b>	Ebola Virus Disease	<b>PLHIV</b>	People Living with Human Imuno-Deficiency Virus
<b>FDO</b>	Foreign Direct Investment	<b>PPCA</b>	Public Procurement and Concession Act
<b>FMC</b>	Forest Management Contract	<b>PPCC</b>	Public Procurement and Concession Commission
<b>FGM</b>	Female Genital Mutilation	<b>PSG</b>	Peace and State building Goals
<b>GAFSF</b>	Global Agriculture and Food Security Programme	<b>PUP</b>	Private Use Permit
<b>GC</b>	Governance Commission	<b>PWD</b>	People with Disability
<b>GDP</b>	Gross Domestic Product	<b>SAPZ</b>	Special Agro Industrial Processing Zone
<b>GNI</b>	Gross National Income	<b>SCRI</b>	Social Cohesion and Reconciliation Index
<b>GII</b>	Gender Inequality Index	<b>SEZ</b>	Special Economic Zone
<b>GoL</b>	Government of Liberia	<b>SWG</b>	Sector Working Group
<b>HDI</b>	Human Development Index	<b>TFR</b>	Total Fertility Rate
<b>HIES</b>	Household Income and Expenditure Survey	<b>TOC</b>	Theory of Change
<b>HIV</b>	Human Immuno-Deficiency Virus	<b>TOR</b>	Terms of Reference
<b>ICDU</b>	Implementation Coordination and Development Unit	<b>TSC</b>	Timber Sales Contract
<b>IFMIS</b>	Integrated Financial Management Information System	<b>TVET</b>	Technical Vocational Education and Training
<b>IPRS</b>	Interim Poverty Reduction Strategy	<b>UDHR</b>	Universal Declaration of Human Rights
<b>IT</b>	Information Technology	<b>UN</b>	United Nations
<b>LASIP-2</b>	Liberia Agriculture Sector Investment Plan 2	<b>UNDAF</b>	United Nations Development Assistance Framework
<b>LDA</b>	Liberia Development Alliance	<b>UNDP</b>	United Nations Development Programme
<b>LDHS</b>	Liberia Demographic and Health Survey	<b>UNICEF</b>	United Nations Children Fund
<b>LISGIS</b>	Liberia Institute of Statistics and Geo-Information Services	<b>UNMIL</b>	United Nations Mission in Liberia
<b>LNP</b>	Liberia National Police		
<b>LRDC</b>	Liberia Reconstruction and Development Committee		
<b>LTO</b>	Long Term Outcomes		
<b>M&amp;E</b>	Monitoring and Evaluation		
<b>MACs</b>	Ministries, Agencies, and Commissions		

## Loan Information

### Client's information

<b>BORROWER:</b>	Government of Liberia
<b>EXECUTING AGENCY:</b>	Ministry Finance & Development Planning
<b>IMPLEMENTING AGENCY</b>	Liberia National Investment Commission

### Financing plan

Source	Amount (UA Million)	Instrument
ADF	7.84	Loan
ADF	2.27	Grant
Government of Liberia (GOL)	1.2	In Kind
<b>TOTAL COST</b>	<b>11.31</b>	<b>N/A</b>

### ADB's key financing information

Grant/Loan currency	UA
Interest type*	(fixed / float. / ...)
Interest rate spread*	(basis points)
Service Charge	0.75% yearly on the disbursement & outstanding
Interest rate	0.50% yearly on the undisbursed portion of the loan starting 120 days after the signing of the loan agreements
Commitment fee*	(basis points)
Other fees*	(type, b. points)
Tenor	40 Years
Grace period	10 Years
FIRR, NPV (base case)	24.48%, US\$ 138.65 million
EIRR (base case)	24.57%

*\*if applicable*

### Timeframe - Main Milestones (expected)

Concept Note approval	January 2019
Project Board Consideration	September 2021
Effectiveness	January 2022
Completion	December 2026
Last Disbursement	June 2027

## Project Summary

**Project Overview.** The Project is supporting the development of Liberia Special Agro Industrial Processing Zone located in Buchanan, Grand Bassa County<sup>1</sup>. In particular, the project will provide the external infrastructure required to prepare and secure the Agri Hub for private sector developer and additional private sector investments in agro industrial factories. The project will provide technical assistance towards the establishment of the Liberia Special Economic Zone Authority and support the development of requisite skills and agricultural value chain capacity to ensure competitiveness, productivity, and inclusivity in Agro Industrial Development. The Government of Liberia (GoL) is focused on developing the Liberia SAPZ to attract private sector investments into agro industrial park to enhance a much-desired agricultural transformation of the country, create jobs, boost exports, and stem rural urban migration trends while reducing the urban and rural poverty gap. The Project Feasibility Studies covering the Agri Hub located in Buchanan, and three Agricultural Transformation Centers located in Bong, Nimba and Cape Mount Counties were carried out as a collaborative effort between the GoL, and the AfDB. The Reports were completed in 2019 and presented to Stakeholders and government in February 2021.

Expected project outputs include i) Establishment of the Liberia Special Economic Zone Authority, (ii) Site Grading, Land Plotting/Development, (iii) Construction of perimeter fencing (AH), (iv) Construction of external (approach) road, (v) Provision of Link to power/energy source, (vi) Market branding and Hosting of investment promotion events, (vii) Construction of Agricultural Transformation Centers (1 nos) and Aggregation Centers (1 nos), (viii) Capacity building along the value chains for Farmer Groups, Micro Small and Medium Enterprises (MSMEs) and youth-led startups, (ix) Development of an ecosystem of quality and demand driven technical skills for agro industrialization, (x) Provide Technical Assistance to SEZA for the competitive selection of a Developer for the SEZ/SAPZ Park in Buchanan. The Project will be implemented over five years (2022-2026) at a cost of UA 11.31 million (including in kind contribution UA 1.2 million comprising office space, personnel emoluments, and utilities from the Government of Liberia). The Project Implementation Unit (PIU) will be hosted at the Liberia National Investment Commission and will report to the SEZ Coordination Committee.

**Beneficiaries.** The project will benefit, directly, farming households and communities, the youth, women, agribusiness MSMEs and staff of related public institutions. The project will also benefit, indirectly, rural populations in the coverage areas. Through linkages to agro-processing firms in the Liberia SAPZs, about 130,000 farming households in farmer groups, within the Agri Hub and ATC catchment area in the Counties will benefit from improved access to organized markets, and motivation to increased productivity, reduced post-harvest losses, as well as more predictable and increased incomes arising from better price discovery. The key commodities of focus are rice, cassava, oil palm, coffee, cocoa, rubber, fruits and vegetables, and aquaculture. The Feasibility Study and Master Plans estimates that 156,000 (direct and indirect) new, sustainable jobs will be created in the Agri hub, ATCs and farm communities around the Aggregation Centers at full implementation. About 50% of these are expected to be women and youth. Skills development interventions, proposed under this project, will particularly prepare 4,000 youth and women with relevant agro-industrial and entrepreneurial skills, especially in the areas of food and non-food processing. One TVET institutions and one Community College will be used to mainstream industrial and entrepreneurship skills. The project will support the institutional framework by providing technical assistance to the setup of the Special Economic Zone Authority to enable park development and management,

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<sup>1</sup> A detailed assessment on the implementation of the SAPZ project in Liberia is presented in the Annexes

regulation and administration, investor mobilization, marketing, and value chain development. The anticipated Park developer and manager will benefit from the external infrastructure and the expected agribusinesses operating in the Agri hub will, through the proposed infrastructure development provided by the Park developer, operate more efficiently, at reduced costs. About 50 new private sector investors are expected to set up in the Agri hub. Finally, populations around Agri Hub and the ATCs will benefit from improved levels of infrastructure with attendant improved livelihoods. This will reduce the need for rural-urban migration especially amongst the youth.

**Needs Assessment.** Liberia remains highly vulnerable to commodity price shocks due to its reliance on the narrow export base and high imports of basic commodities including rice which is a staple food. The country has had a negative current account balance averaging 21% of GDP over the last 5 years and it is expected to remain within the same levels in the medium term. The over reliance on imports is not sustainable as the trade deficit continues to grow, hence the urgent need for economic diversification to high value exports. In terms of imports, food imports, mainly the staple food rice, account for 25% of import value while petroleum products and manufactured goods account for 15% each. South Korea, China, and India are the major sources of imports. A strong domestic agro-industrialization will drive a demand led agriculture that is required to transform the traditional supply led subsistence agriculture, reduce dependence on food imports and sustain job creation in rural and urban areas. To this effect, the Government of Liberia has taken a bold step to establish the Special Agro Industrial Zone that will be located within the Special Economic Zone in Buchanan. The purpose is to create an alternative market for agricultural commodities by taking advantage of opportunities for bulk purchasing, reduced post-harvest losses, and selling to agro industries. The country's objective is to improve its agricultural value chains to gradually move away from export of raw materials and commodities to export of processed/finished products in order to earn additional income or at least reduce imports. The demand/pull effect created by this novel strategy necessitated the need for the Bank to support and complement the effort of the Government of Liberia. The Government, is currently setting up the Special Economic Zone Authority to promote private sector investments under a benevolent regulatory regime.

The Bank's support would be most appropriate as it complements the Government and other development partners to complete the development of the SEZ/SAPZ in the country. It is anticipated that the private sector investors and tenants in the Agri Hub are likely to transform the country's agricultural landscape. The investment in the Liberia SAPZ is expected to generate complementary investments in the agriculture sector with attention given to increased production and productivity gains, which are crucial to the country's effort to industrialize, attain food security and increase export earnings.

**Bank's Value Added.** The Bank's comparative advantage and added value in supporting Liberia SAPZ from its accumulated experience and notable leadership in knowledge work and in financing all aspects of agriculture development all over the continent, embodied in the Feed Africa Strategy. The Bank had been at the forefront of the development of the new comprehensive approach to agro-industrialization: The Special Agro Industrial Processing Zone (SAPZ) that is modelled in the Liberia project.

**Knowledge Management.** The Liberia SAPZ Project represents the comprehensive agro-industrialization model under the Feed Africa Strategy. The outcomes and impact of the project will be closely monitored, and lessons learned will be disseminated through the usual Bank's mechanisms and will also be applied in future projects and in other areas of the continent and provide the Bank with the requisite knowledge to meet its objectives under the Feed Africa Strategy and the Job for Youth in Africa Strategy.



## Results Based Logical Framework

RESULTS FRAMEWORK						
A	PROJECT INFORMATION					
PROJECT NAME AND SAP CODE: Liberia Special Agro Industrial Processing Zone Project (P-LR-AA0-009)			COUNTRY/REGION: Liberia /West			
PROJECT DEVELOPMENT OBJECTIVE: Improvement of agricultural productivity and agro-industrial development to reduce dependence on food importation in Liberia						
ALIGNMENT INDICATOR (S): Africa’s share of market value for key processed commodities (%) Youth unemployment rate (%), Enrolment in technical/vocational training (%)						
B	RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION		RMF/ADOA INDICATOR	UNIT OF MEASUREMENT	BASELINE (2021)	TARGET AT COMPLETION (2027)	MEANS OF VERIFICATION
OUTCOME STATEMENT 1: Business environment for agro-industrial development enhanced						
1.1. Number of new business registered		√	Number	0	30	Project progress implementation documents
OUTCOME STATEMENT 2: Increase in private sector investment and Job creation						
2.1. Total value of new investments (US\$ million)		√	Value of new Investment US\$	0	150million	Project progress implementation documents
2.2. Total number of jobs created (disaggregated by age group and gender)		√	Number	0	156,000 (50% women) (60% Youth)	
OUTCOME STATEMENT 3: Improved capacities and skills for agro-industrialization						
3.1 Number of cooperatives/farmer-based organizations linked to the SAPZ/RTCs (disaggregated by 60% Youth led, 50% Woman led)		□	Number of cooperatives/organizations	0	50 (60% Youth led, 50% Woman led)	Project progress implementation documents
3.2. Number of students trained from the TVET institutions who either become employed or self-employed in agro value chains or in agro industries- disaggregated by gender		□	Number	0	2000 (50% women)	
OUTPUT INDICATOR 1.1: Institutional Framework and Capacity (Regulation & Management) Strengthened (SEZA)						
1.1.1 Number of IT Based BDS systems (Registration Processes Tenant Licensing systems, Single Window trade facilitation, OSS, etc) supported		□	Number	0	5	Project progress implementation documents
1.1.2 Number of Regulatory systems and procedures supported		□	Number	0	5	
1.1.3. Number of market sounding/Branding/ investment promotion events hosted		□	Number	0	5	
OUTPUT INDICATOR 1.2: External connectivity infrastructure to the Agri hub developed						
1.2.1. Perimeter fencing (& gates) (m)		□	meters	0	9265	Project progress implementation documents
1.2.2. Kms of external (approach) climate-resilient road constructed		□	Km	0	5	
1.2.3. Link SEZ/SAPZ (Park) to power/energy source (Km)		□	Km	0	6	

OUTPUT INDICATOR 2.1: Resilient Rural Transformation Centers (RTCs) and Aggregation Centers (ACs) operationalized					
2.1.1 Number of climate-resilient RTCs constructed and equipped	<input type="checkbox"/>	Number	0	1	Project progress implementation documents
2.1.2 Number of climate-resilient Aggregation Centers constructed and equipped	<input type="checkbox"/>	Number	0	1	
OUTPUT INDICATOR 2.2 Improved job creation and skills for climate-smart agro-industrialization					
2.2.1 Number of farmers cooperatives, associations, out growers documented in IT based Platform	<input type="checkbox"/>	Number	0	30	Project progress implementation documents & targeted surveys to employers
2.2.2 Number of MSME’s supported/strengthened (disaggregated – 50% women, 60% youth)	<input type="checkbox"/>	Number	0	50	
2.2.3 Number of youth entrepreneurship innovations incubated/supported to grow in agribusiness value chains	<input type="checkbox"/>	Number	0	40	
2.2.4 Number of students trained in climate-smart agro-industry related skills (disaggregated – 50% women, 60% youth)	<input type="checkbox"/>	Number	0	1000	
OUTPUT INDICATOR 3.1 PIU staffed and equipped					
3.1.1 Disbursement rate on Bank’s managed resources (%)	<input type="checkbox"/>	Percentage of Resources disbursed	0	100	SAP, and Project progress implementation documents
3.1.2 Number of implementation Progress reports prepared	<input type="checkbox"/>	Implementation Progress reports	0	20	
3.1.3 Number of audit reports prepared and validated	<input type="checkbox"/>	Audit reports prepared	0	5	

**LIBERIA SPECIAL AGRO INDUSTRIAL PROCESSING ZONE PROJECT**  
**PROJECT IMPLEMENTATION SCHEDULE**

Year	2021				2022				2023				2024				2025				2026			
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<b>Initial Activities</b>																								
Signature of loan agreement and Disbursement effectiveness																								
Finalise the setting up Project coordination Office at NIC																								
Project Launch																								
<b>Component 1: Strengthen Institutional capacity and Support the development of climate resilient enabling Infrastructure to attract investments into agricultural value addition.</b>																								
Technical Assistance to support establishment/operationalization of SEZA (Policy Studies & Reforms, Regulatory standards, IT Based Business Registration Processes & Tenant Licensing systems, SOP procedures, Scheme of Incentives, Single Window trade facilitation, One Stop Shop and Model MOUs, etc)																								
Launch of SAPZ/SEZA Park, Market sounding and investment promotion events																								
EOI to support SEZA with Park Developer/Manager																								
Construction of SAPZ/SEZA Link Road, Perimeter Fencing , Site Grading																								
Construction of SAPZ/SEZA Power line link to Power Station																								
<b>Component 2: Enable skills and climate-smart agricultural value chain development and strengthen farmer coordination</b>																								
Value Chain/Market studies (Competitiveness assessment) of selected agricultural commodities																								
Mapping of farmer groups in key value chains and value chain development (IT Platform for Outgrowers/SMEs)																								
Capacity building along the value chains in key SAPZ commodities for farmer groups																								
Assess & mainstream relevant curriculum in training institutions & Provide Middle/Higher-level industrial skills training for agro industry																								
Training & Capacity building for MSME's																								
Assessment and selection of Sites for ATCs and ACs																								
Construction of Pilot Rural Transformation Center & Aggregation Center																								
<b>Component 3: Project Coordination &amp; Management</b>																								
Establishment of the baseline situation																								
Project Management, M&E and communication activities (quarterly reports/disbursement/etc.)																								
Coordinate Financial Management and Annual financial auditing																								
Procurement of Goods																								
Environmental monitoring																								
Mid Term Review																								
Project Final Audit																								
Project Completion report (PCR)																								

# **REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED GRANT TO LIBERIA FOR THE SPECIAL AGRO INDUSTRIAL PROCESSING ZONE PROJECT**

Management hereby submits the following report and its recommendation concerning a proposed loan of 7.84 Million and a grant of 2.27 Million totaling UA 10.11 Million from the African Development Fund (ADF) performance-based country allocation to the Republic of Liberia to finance activities of the Special Agro Industrial Processing Zone in Liberia.

## **I – STRATEGIC THRUST & RATIONALE**

### **1.1. Project linkages with country strategy and objectives**

In 2018, the Government of Liberia developed the five-year Pro-Poor Agenda for Prosperity and Development (PAPD) with two objectives built around four strategic pillars. The objectives are: (a) to build more capable and trusted state institutions that will lead to a stable resilient and inclusive nation embracing its triple heritage and anchored on its African identity; (b) to provide greater income security to an additional one million Liberians and reduce absolute poverty by 23 percent across 5 out of 6 regions through sustained and inclusive economic growth driven by scaled-up investments in agriculture, infrastructure, human resource development and in social protection. The four pillars of the PAPD include: (1) Power to the People – to empower Liberians with the tools to gain control of their lives through more equitable provision of opportunities in education, health, youth development, and social protection; (2) The Economy and Jobs – economic stability and job creation through effective resource mobilization and prudent management of economic inclusion; (3) Sustaining the Peace – promoting a cohesive society for sustainable development; and (4) Governance and Transparency – an inclusive and accountable public sector for shared prosperity and sustainable development that prioritized four Pillars namely, Power to the People; Economy and Jobs, Sustaining the Peace; and Governance and Transparency. Focus is being placed on infrastructure development and job creation mainly from the agriculture sector, which is the main source of livelihood for the greater population. The heavy reliance on agriculture crops with limited value addition constitutes a major opportunity for greater private sector participation in the economy.

The Agriculture Strategy, the Liberia Agricultural Sector Investment Plan (LASIP II) 2017 to 2025, seeks to promote inclusive and sustainable agricultural transformation through investment in value chains and industrialization towards food security, nutrition, jobs and wealth creation. The agriculture sector is the primary livelihood of over 60% of the country's population, and accounts for about 36% of Gross Domestic Product (2019). Agriculture and food processing offer an opportunity for the creation of sustainable livelihoods and economic development for rural communities in Liberia. The Government also promulgated the Special Economic Zones Act in October 2017 to regulate the establishment, development, operations, maintenance, and management of special economic zones in Liberia, to enhance investment opportunities, competitiveness, value chain development, skills development and job creation, infrastructure development and private sector investment and intends to leverage on this Act to establish Special Agro Industrial Processing Zone (SAPZ) in Liberia.

It is in line with the PAPD that the GoL is moving ahead with the plan to establishing Special Agro Industrial Processing Zone with infrastructure, including Agri-Hub, Rural Transformation Centers and Aggregation Centers to connect with surrounding rural farming communities, link crop and livestock production to storage and processing facilities, move farm produce up the agricultural value chain, help transform farming, promote and attract private sector investments and generate employment.

The Country Strategy Paper, (CSP) 2019-2023, describes the main elements of the Bank's support to Liberia aimed at addressing fragility and strengthening the country's resilience and to accelerate the achievement of a sustainable inclusive pro-poor economic growth in the medium term. The CSP seeks to support private sector driven economic diversification and strengthen economic governance and is articulated around two priority areas namely: Economic diversification through improved transport and energy infrastructure and improving economic governance and enhancing private sector development. The SAPZ under development, located in Buchanan, show very strong potentials for inclusive and sustainable agro-industrial development with significant impacts for livelihood and structural agricultural transformation in Liberia. The SAPZ, being essential backbone economic infrastructure to support industrialization and the establishment of an Agro-industrial Park and, enabling hard and soft infrastructure for private sector investment in the LASIP II priority sectors, including Agro-industries, the proposed Liberia SAPZ aligns very well with the CSP. The Project is also aligned with the Bank's Jobs for Youth in Africa Strategy (2016-2025) which aims to create 25 million jobs and equip 50 million youth to access economic opportunities.

## **1.2. Rationale for Bank's involvement**

The intervention of the Bank has been requested by GoL and is justified in view of the need to support PAPD's main objective of providing greater income security to an additional one million Liberians and reduce absolute poverty by 23 percent through sustained and inclusive economic growth driven by scaled-up investments in agriculture, infrastructure, human resource development and in social protection and its pillar on Economy and Jobs with focus on economic stability and job creation through effective resource mobilization and prudent management of economic inclusion. From the AfDB's perspective this intervention aligns with the Bank's (i) Feed Africa Strategy (ii) Industrialize Africa Strategy and (iii) Improving the lives of African people.

Liberia is a low-income country with an income per capita of US\$620. The economy is natural resource based with mining agriculture, forestry and fisheries sectors contributing over 80% to Gross Domestic Product (GDP). Mining is dominated by iron ore, gold, and diamond while agriculture and forestry sectors are dominated by palm oil plantations and rubber. Liberia's past economy growth has not significantly translated into poverty reduction, jobs creation or well-being of its population due to its dependence on export of primary commodities with very limited value addition. Economic transformation is needed to put Liberia on a growth trajectory and the creation of much needed jobs to reduce the high poverty rates estimated at 46.3% in 2020. Liberia's economic transformation would be heavily dependent on improved performance of its natural resources and service sectors. The agriculture and forestry sector has the potential for driving economic growth in the medium to long term but requires structural

reforms and a favourable investment climate for private sector participation. However, the country's economic performance is constrained by the huge infrastructure deficits especially roads and energy arising from the 12 years of civil wars between 1989 to 2002. The country is faced with institutional weaknesses in terms of capacity, coordination, policy, legal and regulatory framework. There is a need for supporting public and private sector investments in agro-industrial development, development of agriculture productiveness in key value chains, and value chain support through assisting the primary production and processing base.

Liberia's post-conflict economic growth had remained robust, with real GDP growth averaging around 8% between 2006 to 2013, but was derailed in mid-2014, by the outbreak of the Ebola Virus Disease (EVD) epidemic. The epidemic had devastating impacts on the Liberian economy including the loss of thousands of lives, widespread displacement of people and prolonged or permanent closures of several businesses. Since the EVD epidemic, economic growth has been constrained and was only just getting back on track with an estimated growth of 3% in 2017. Prior to the recent COVID 19 Pandemic Liberia was already facing a challenging domestic and external environment. Weak consumption and declining output had caused the Liberian economy to contract by an estimated 2.3 percent in 2019. Meanwhile, the inflation rate reached 27 percent, eroding consumer purchasing power and undermining household welfare, and fiscal consolidation and monetary tightening further weakened domestic demand during the second half of 2019. In 2019, the economy contracted by 1.4% from 1.2% growth in 2018 and the COVID-19 pandemic has pushed the economy into a deeper recession than initially estimated. Thus, a further contraction of 3.1% is estimated for 2020 attributable to the weak external demand for its major exports; and subdued domestic economic activity with the service sector being the hardest hit. The COVID-19 pandemic is reducing output across multiple sectors, especially services and manufacturing, reflecting a combination of precautionary behavioral changes and public policies designed to halt the spread of the disease.

The country's traditional export base of iron ore and rubber has been heavily affected by the sustained drop in international commodity prices in recent years, leading to export values falling by an estimated 44% in 2015, again highlighting the need for economic diversification. Liberia's Human Development Index (HDI), ranking of 177 out of 188 countries, highlights the country's ongoing socio-economic challenges. The poverty rate is 50.9%, and significantly higher in rural areas (71.6%) than urban areas (31.5%). Food poverty is at 39.1%. Some 79.5% of Liberia's labour force is engaged in "vulnerable employment" without an assured salary. Youth employment is a critical issue, with a large, concentrated youth population. Some 51% of the population is under 18 years of age, and one-third of the population is concentrated in Monrovia. Unemployment rate is estimated at 85% with the youth (15-35 years) accounting for 75%. Skills are limited, with 62.7% of the population having at least some formal education. Private sector growth outside of the concessions sector is severely constrained by inadequate energy and transportation infrastructure and a weak business environment. However, the economy is poised for a recovery, underpinned by a positive global and regional outlook, a renewed focus on responsible macroeconomic management, improved governance, and structural reform.

Through PAPD, Liberia aims to accelerate poverty reduction, structural transformation, and the creation of adequate and sustainable job opportunities for the growing workforce. In spite of consistent growth in the agricultural sector since the 1990s, the sector is not yet performing to its optimum in terms of productivity, wealth creation, foreign exchange generation and food and nutrition security. Overall agricultural productivity is low, resulting in Liberia importing more than 80 percent of its rice, making the country vulnerable to global food price volatility. Poorly integrated, the sector lacks basic infrastructure such as machines, farming equipment/tools, farm-to-market roads, fertilizers and pesticides, and food storage capacity. While increased productivity is an essential component of a vibrant agricultural sector, improved post-harvest handling and processing is needed to ensure high-quality, diverse, safe and nutritious products reach the markets. Too often, even when the yields are high, producers lose income due to poor post-harvest practices. In this regard, the idea of “Liberia SAPZ becomes crucial to integrate various value chain components via the cluster approach and prioritize the provision of hard and soft infrastructure as necessary and sufficient conditions to attracting private sector investments.

The Liberia SAPZ represent an opportunity for the Bank to further help GoL drive the much-needed transition from a supply driven to a demand driven agriculture; with a reform of all parts of the agricultural value chain, from primary production through the various stages of processing and delivery, to wholesale and consumer markets, locally, regionally and globally. The main thrust of the Bank’s support will be in the provision of external infrastructure to facilitate the effective use of the agro-industrial park to link producers and SMEs with strategic industrial clusters along the value-chains. The development of Liberia SAPZ is in line with both Pillars of the Bank’s CSP for Liberia: (i) Economic diversification through improved transport and energy infrastructure; and (ii) Improving economic governance and enhancing private sector development. The SAPZ project will also focus on improving the enabling environment for private sector development. The project is aligned with the Bank’s High-5s, particularly with ‘Feed, Africa, Industrialize Africa and Improve the quality of life of the people of Africa’. The key commodities of focus are cassava, rice, horticulture, (fruits & vegetables), oil palm, cocoa, coffee, rubber, and aquaculture. These are also commodities of focus under the Feed Africa Strategy. The project is also in line with the Gender Strategy (2014-2018) and the Ten-Year Strategy (TYS: 2013-2022).

### 1.3. Donors’ coordination

Sector or subsector*	Size		
	GDP	Exports	Labor Force
Agriculture	36%	28.6%	60%
Players - Public Annual Expenditure (2019-2020)**			
Government	Donors		
UA m	[368]	[414.8]	

Level of Donor Coordination	
Existence of Thematic Working Groups	Y
Existence of SWAPs or Integrated Sector Approaches	Y
ADB's Involvement in donor's coordination***	M****

\* as most appropriate \*\* Years [yy1 to yy2] \*\*\* for this sector or sub-sector

\*\*\*\* L: leader, M: member but not leader, none: no involvement

The Bank is one of the major Development Partners (DPs) in Liberia and provided USD 41.81 million in official development assistance (ODA) in 2019/20. In the agriculture and rural development sector, the Bank Group disbursed USD 10.82 million.

The Ministry of Finance and Development Planning through the Aide Management and Coordination Unit (AMCU) lead donor coordination activities in Liberia. MFDP/AMCU commenced the roll out of its new National Aide and NGO policy in September 2020. COLR works closely with the AMCU, under the supervision of the Economic Management Department/MFDP to strengthen cooperation and coordination, as well as ensure that all Bank investments are aligned to Government priorities. Various donor coordination groups exist in Liberia and these include: Cooperating Partners Group (CPG), which the Bank co-chaired from July 2019 to June 2020, UN Country Team, Budget Support Working Group, PFM Donor Coordination Group, and Sector Working Groups on Energy, Transport, and Agriculture. These fora provide the Bank with a platform to dialogue with development partners (DPs) and the GoL on a range of issues including sector and portfolio performance. The DPs active in Liberia include AfDB, World Bank, IMF, USAID, EU and EIB, GIZ, JICA, SIDA, Germany, China, Sweden and. Nonetheless, the Bank has its place as a leading partner of choice, particularly in the infrastructure (transport and energy) sector.

## II – PROJECT DESCRIPTION

### 2.1. Project Components

The government of Liberia requested Bank support in the development of a Special Agro Industrial Processing Zone in 2018. The conclusion and presentation of the Feasibility Study and Master Plans for the Liberia SAPZ/SEZ to the government and Stakeholders was made in February 2021. The SAPZ is located within the Buchanan Special Economic Zone. Buchanan is located on the coast about 110 kilometres south of Monrovia. In addition, three ATC's will be in Nimba, Bong and Grand Cape Mount Counties where there are already AfDB agricultural activities and activities by other donor partners such as the World Bank, USAID, IFAD and the European Union. These counties are also considered the food basket of the country. The commodities of focus for the project include *inter alia*, rice, cassava, oil palm, fruits, vegetables, cocoa, coffee, rubber and aquaculture. The project will also improve skills, build, and coordinate farm level value chains and support improvement in the business environment. The government has agreed to proceed with the development of the first phase of the SEZ with funding currently provided by the Africa Development Bank. This project primarily intends to complement the efforts of government, provide the necessary infrastructure to attract private sector investments, and help GoL attract support from other development partners and private sector investors.



The Project development goal is to contribute to inclusive and sustainable agro-industrial development in Liberia, and in the process reduce staple food imports, create jobs, and reduce poverty. The project development objectives are to i) create a better business environment for increased investment in the agro industrial sector, ii) create opportunities for private sector investments at the industrial level and coordinate the integration of small holder farms, and agro processing industry into sustained agro value chains and, iii) improve capacities and skills to benefit from new agribusiness employment and value chain opportunities. The project is structured around three related components; including: a): Strengthen Institutional Capacity and Enabling Climate-resilient Infrastructure for Agro Industrial Development, b) Enable climate-smart agricultural value chain and skills development and strengthen farmer coordination and c) Project Coordination & Management.

**In line with the Theory of Change,** the project will provide finances that will support Technical Assistance for the establishment of Liberia SEZA, the provision of enabling infrastructure for agro industrialization, and support capacity building and Business Development Services for Farmers/Outgrowers, MSMEs and TVET Institutions. With this support the Liberia Special Economic Zone Authority will be established while the infrastructure will secure the Agri hub and build private sector confidence towards increased agro industrial investments. In anticipation of the potential skills requirements, the project will support TVET institutions with additional curriculum development and equipment. In line with the demand for agro related enterprises the project will facilitate training activities for Commodity Outgrowers, Farmer Groups, and cooperatives, provide Business Development Support (BDS) and Train for MSME's and Young Entrepreneurs to take agro related enterprises. This is expected to create additional jobs as private sector investments increase. It is assumed that the GoL will meet its obligation of staff and emoluments for the LSEZA. It is also assumed that private sector investments will be attracted with the securing of the Agri hub site and the introduction of benevolent policy and scheme of fiscal and non-fiscal incentives. This will ultimately improve the levels of unemployment in Liberia.

#	COMPONENT NAME	ESTIMATED COST (Million UA)	COMPONENTS DESCRIPTION
1	<b>Strengthen Institutional Capacity and Enabling climate resilient infrastructure for Agro Industrialization.</b>	<b>7.59</b> (68.30%)	<u>Sub-components</u> (a) Support the establishment/operationalization of Liberia SEZA including: <ul style="list-style-type: none"> <li>i. TA to support SEZA institutional set up, Policy Studies &amp; Reforms, Regulatory standards, IT Based Business Registration Processes &amp; Tenant Licensing systems, Standard Operating Procedures, Scheme of Incentives, Single Window Trade facility, One Stop Shop facility, Model MOUs, etc</li> <li>ii. EOI to support SEZA with Park Developer/Manager</li> <li>iii. Launch of SAPZ/SEZA Park, Market Sounding, branding, and Investment Promotion events</li> </ul>

			(b) Supporting the provision of enabling (external) infrastructure for agro industrialization, <ul style="list-style-type: none"> <li>i. Construction of external (approach) road</li> <li>ii. Provision of Link to power/ energy source</li> <li>iii. Site Grading, &amp; filling</li> <li>iv. Construction of Perimeter fencing (AH)</li> </ul>
2	<b>Capacity Building climate smart agricultural value chain and skills development and farmer coordination</b>	<b>2.52</b> (18.21 %)	Capacity building and Skills development to enhance agricultural productivity and competitiveness. <u>Sub-components</u> <ul style="list-style-type: none"> <li>a) Value Chain/Market studies (Competitiveness assessment) of selected agricultural commodities</li> <li>b) Capacity building for Commodity Outgrowers, Farmer Groups, and cooperatives</li> <li>c) Business Development Support (BDS) and Training for MSME's &amp; Young Entrepreneurs</li> <li>d) Gender Studies and Gender responsive Assessment and Development of quality and relevant skills for agro industrialization.</li> <li>e) Assessment of Sites and Construction of Pilot Agricultural Transformation Center (1 nos) and Aggregation Center (1 nos)</li> </ul>
3	<b>Project Coordination &amp; Management</b>	<b>1.20</b> (10.06 %)	The establishment of the Project Executive Agency, within the Liberia National Investment Commission (LNIC) for the Management and Coordination of the Project. <ul style="list-style-type: none"> <li>i. Establish baseline data (survey)</li> </ul>

## 2.2. Technical solution retained and other alternatives explored

The technical design of the Liberia SAPZ is guided by a Full Feasibility Study and Master Plans for ATCs and ACs in line with the Bank's SAPZ model and approach in Africa, clustering value addition in areas of high agricultural production. The Bank is a pioneer of the SAPZ concept, embodied in the Feed Africa Strategy.

**Table 2.2: Project alternatives considered and reasons for rejection**

ALTERNATIVES	BRIEF DESCRIPTION	REASONS FOR REJECTION
Adopt a single sector approach	Support full internal & external infrastructure development (for production, post-harvest handling and processing).	While infrastructure investment is guaranteed to bring in further investment, as desired, an integrated approach, incorporating capacity development and skills building, would further address a wide range of related issues that impact the success of the Liberia SAPZ; from successful operation and management to ensuring inclusivity and having substantial employment impact (needed to address the shortcomings of Liberia's early attempts at modern manufacturing).
Support to the development of the Liberia Special Economic Zone Authority (SEZA).	Support the setup of Liberia Special Economic Zone Authority by providing recurrent/personnel cost, equipment, and office building.	The SEZA would run the risk of disappearing as soon as Bank funding runs out. It is best to allow the country to own and build its institutions at their pace. The phased approach, eventually adopted to set up the SEZA, also has its values, especially in allowing the Bank to add value by providing a TA that will enable the setup of the SEZA.

### 2.3. Project type

This intervention is designed in the form of a stand-alone Investment Project with the main aim of supporting inclusive and sustainable agro-industrial development with potential impacts for livelihood and structural economic transformation in Liberia.

### 2.4. Project cost and financing arrangements

The total cost of the project is estimated at UA 11.31 million (US\$ 16.24 Million), net of taxes and based on 2021 prices, comprising UA 6.43 Million (US\$9.23 Million) or 57% of the total cost in foreign cost and UA 4.69 Million (US\$ 6.73 Million) or 43% in local costs. This cost is inclusive of physical and price contingencies estimated at average rates of 11% and 4%, respectively. The price contingencies were estimated based on actual and projected levels of local and foreign inflation rates of about 2.0% and 1.8% per annum, respectively. The physical contingencies are estimated from 0 to 15.0%, based on common practices. A summary of the project cost estimates by components and expenditure accounts is shown in Tables 2.3, 2.4, 2.5, 2.6 and 2.7 below, while details are provided in the Technical Annex.

It should be noted however that following the ADF 15 resource allocation to Liberia and the ensuing discussions with the Bank, Government requested to commit UA 11.5 million to this project. Due to resource limitations in 2021, the project could not be designed to reflect the full amount. As such, a supplementary financing of UA 1.39 million will be submitted for Board consideration in 2022. **The components and activities to be financed by the expected supplementary financing are not specified at this point.**

**Table 2.3: Estimated Summary Project Costs by Component**

COMPONENTS	(US\$ Million)			(UA Million)			% F.E	% B.C
	Local	Foreign	Total	Local	Foreign	Total		
1. STRENGTHEN INSTITUTIONAL CAPACITY AND CLIMATE RESILIENT ENABLING INFRASTRUCTURE FOR AGRO-INDUSTRIALIZATION	3.07	6.30	9.37	2.14	4.39	6.53	67	67
2. ENABLE SKILLS AND CLIMATE SMART AGRICULTURAL VALUE CHAIN DEVELOPMENT AND STRENGTHEN FARMER COORDINATION	0.83	1.47	2.30	0.58	1.02	1.60	64	16
3. PROJECT COORDINATION AND MANAGEMENT	2.41	0.16	2.30	1.68	0.11	1.60	7	16
<b>Total BASELINE COSTS</b>	<b>6.31</b>	<b>7.92</b>	<b>13.97</b>	<b>4.40</b>	<b>5.52</b>	<b>9.73</b>	<b>57</b>	<b>100</b>
Physical Contingencies	0.50	0.99	1.50	0.35	0.69	1.04	66	11
Price Contingencies	0.18	0.32	0.50	0.13	0.22	0.35	64	4
<b>Total PROJECT COSTS</b>	<b>6.99</b>	<b>9.23</b>	<b>16.24</b>	<b>4.88</b>	<b>6.43</b>	<b>11.31</b>	<b>58</b>	<b>114</b>

**Table 2.4: Estimated Summary Project Costs by Categories of Expenditures**

EXPENDITURES CATEGORIES	(US\$ Million)			(UA Million)			% F.E	% B.C
	Local	Foreign	Total	Local	Foreign	Total		
<b>I. Investment Costs</b>	<b>4.10</b>	<b>7.92</b>	<b>12.02</b>	<b>2.85</b>	<b>5.52</b>	<b>8.37</b>	<b>66</b>	<b>86</b>
A. WORKS	2.79	6.51	9.30	1.94	4.53	6.48	70	67
B. GOODS	0.05	0.10	0.15	0.04	0.07	0.10	65	1
C. SERVICES	1.25	1.32	2.57	0.87	0.92	1.79	51	18
Training	0.34	0.51	0.85	0.24	0.36	0.59	60	6
Technical Assistance	0.35	0.52	0.87	0.24	0.36	0.61	60	6

EXPENDITURES CATEGORIES	(US\$ Million)			(UA Million)			% F.E	% B.C
	Local	Foreign	Total	Local	Foreign	Total		
Studies	0.24	0.16	0.40	0.17	0.11	0.28	40	3
Contractual Services	0.30	0.10	0.40	0.21	0.07	0.28	25	3
Audits	0.03	0.03	0.05	0.02	0.02	0.03	50	-
<b>II. Recurrent Costs</b>	<b>1.95</b>	<b>-</b>	<b>1.95</b>	<b>1.36</b>	<b>-</b>	<b>1.36</b>	<b>-</b>	<b>14</b>
<b>A. PERSONEL</b>	<b>0.87</b>	<b>-</b>	<b>0.87</b>	<b>0.61</b>	<b>-</b>	<b>0.61</b>	<b>-</b>	<b>6</b>
<b>B. GENERAL OPERATING COSTS</b>	<b>1.08</b>	<b>-</b>	<b>1.08</b>	<b>0.94</b>	<b>-</b>	<b>0.75</b>	<b>-</b>	<b>8</b>
<b>Total BASELINE COSTS</b>	<b>6.05</b>	<b>7.92</b>	<b>13.97</b>	<b>4.21</b>	<b>5.52</b>	<b>9.73</b>	<b>57</b>	<b>100</b>
<b>Physical Contingencies</b>	<b>0.50</b>	<b>0.99</b>	<b>1.50</b>	<b>0.35</b>	<b>0.69</b>	<b>1.04</b>	<b>66</b>	<b>11</b>
<b>Price Contingencies</b>	<b>0.18</b>	<b>0.32</b>	<b>0.50</b>	<b>0.13</b>	<b>0.22</b>	<b>0.35</b>	<b>64</b>	<b>4</b>
<b>Total PROJECT COSTS</b>	<b>6.73</b>	<b>9.23</b>	<b>16.24</b>	<b>4.88</b>	<b>6.43</b>	<b>11.31</b>	<b>58</b>	<b>114</b>

**Table 2.5: Expenditure Schedule by Component (in '000 UA)**

COMPONENTS	2022	2023	2024	2025	2026	Total
1. STRENGTHEN INSTITUTIONAL CAPACITY AND CLIMATE RESILIENT ENABLING INFRASTRUCTURE FOR AGRO-INDUSTRIALIZATION	1.86	2.80	1.87	0.96	0.12	7.59
2. ENABLE SKILLS AND CLIMATE SMART AGRICULTURAL VALUE CHAIN DEVELOPMENT AND STRENGTHEN FARMER COORDINATION	0.24	0.39	0.44	0.40	0.41	1.88
3. PROJECT COORDINATION AND MANAGEMENT	0.39	0.39	0.35	0.35	0.36	1.84
<b>Total PROJECT COSTS</b>	<b>2.39</b>	<b>3.48</b>	<b>2.76</b>	<b>1.71</b>	<b>0.89</b>	<b>11.31</b>

2.4.1 *Project Financing:* The project will be financed by the African Development Fund (ADF) and the Government of Liberia (GoL), as captured in Table 2.6 below. The Bank will provide financial assistance in the form a loan of 7.84 Million and a grant of 2.27 Million totaling UA 10.11 Million from ADF XV resources, representing about 90% of the project cost. The ADF financing will cover different expenditure categories of the project. The contribution from the GoL is estimated at UA 1.01 Million and will be in-kind contribution including office space, personnel emoluments, and utilities. The breakdown of financing for the project is presented in the Table 2.7 below.

**Table 2.6: Financing Plan of the project**

FINANCING SOURCES	(US\$ Million)			(UA Million)			%
	Local	Foreign	Total	Local	Foreign	Total	
ADF Loan	3.54	7.72	11.26	2.47	5.37	7.84	69.3
ADF Grant	1.74	1.52	3.26	1.21	1.06	2.27	20.1
Government of Liberia	1.72	-	1.72	1.2	-	1.2	10.6
<b>Total</b>	<b>7.00</b>	<b>9.24</b>	<b>16.24</b>	<b>4.88</b>	<b>6.43</b>	<b>11.31</b>	<b>100</b>

The ADF Funds will be financing the external infrastructure to the Agri Hub in Buchanan with a view to attract private sector developer and manager and private sector investments. The funds will also be dedicated to capacity building ((including value chain (farmer groups), skills (youth and women) and entrepreneurship (MSME) development)). The ADF Grant will, in addition, be used to support institutional capacity building through a Technical Assistance to the Liberia Special Economic Zone Authority (Table 2.8).

**Table 2.7: Estimated Summary of Project Costs by Expenditures & Financing Source**

CATEGORIES OF EXPENDITURES	ADF Loan		ADF Grant		Govt. of Liberia		Total	
	US\$ Million	%	US\$ Million	%	US\$ Million	%	US\$ Million	%
<b>A. WORKS</b>	<b>10.91</b>	<b>100.0</b>	-	-	-	-	<b>10.91</b>	<b>68.3</b>
<b>B. GOODS</b>	-	-	<b>0.17</b>	<b>100.0</b>	-	-	<b>0.17</b>	<b>1.0</b>
<b>C. SERVICES</b>	<b>0.35</b>	<b>11.8</b>	<b>2.58</b>	<b>88.2</b>	-	-	<b>2.93</b>	<b>18.3</b>
Training	-	-	0.98	100.0	-	-	0.98	6.2
Technical Assistance	-	-	0.98	100.0	-	-	0.98	6.1
Studies	-	-	0.45	100.0	-	-	0.45	2.8
Contractual Services	0.35	74.8	0.12	25.2	-	-	0.46	2.9
Audits	-	-	0.06	100.0	-	-	0.06	0.4
<b>D. PERSONEL</b>	-	-	-	-	<b>0.87</b>	<b>100.0</b>	<b>0.87</b>	<b>5.4</b>
<b>E. OPERATING COSTS</b>	-	-	<b>0.51</b>	<b>46.8</b>	<b>0.58</b>	<b>53.2</b>	<b>1.09</b>	<b>6.8</b>
<b>Total PROJECT COSTS</b>	<b>11.26</b>	<b>69.3</b>	<b>3.26</b>	<b>20.1</b>	<b>1.72</b>	<b>10.6</b>	<b>16.24</b>	<b>100.0</b>

**Table 2.8: Estimated Summary of Project Costs by Components & Financing Source**

COMPONENTS	ADF Loan		ADF Grant		Govt. of Liberia		Total
	US\$ Million	%	US\$ Million	%	US\$ Million	%	US\$ Million
1. STRENGTHEN INSTITUTIONAL CAPACITY AND CLIMATE RESILIENT ENABLING INFRASTRUCTURE FOR AGRO-INDUSTRIALIZATION	9.53	87.3	1.38	12.7	0.00	-	10.91
2. ENABLE SKILLS AND CLIMATE SMART AGRICULTURAL VALUE CHAIN DEVELOPMENT AND STRENGTHEN FARMER COORDINATION	1.73	64.1	0.97	35.9	0.00	-	2.70
3. PROJECT COORDINATION AND MANAGEMENT	-	-	0.91	38.5	1.72	61.5	2.63
<b>Total PROJECT COSTS</b>	<b>11.26</b>	<b>70.5</b>	<b>3.26</b>	<b>20.4</b>	<b>1.72</b>	<b>9.1</b>	<b>16.24</b>

## 2.5. Project's target area and population

The Agri hub of the Liberia SAPZ project site is in Buchanan, the capital of Grand Bassa County and the third largest city in Liberia, lying on Waterhouse Bay, part of the Atlantic Ocean. Grand Bassa County has eight districts and a projected population (in 2020) of 291307 people, making it the fifth most populous county in Liberia. The Agri hub (SEZ/SAPZ Park) is about 100ha with 50% of the area allocated to the SAPZ while the other 50% is allocated to the SEZ. There is a seaport located in Buchanan which serves the export of iron ore mined by ArcelorMittal and carried through the railway from Nimba County and the export of Timber. Buchanan is likely to become an economic growth pole as the Government of Guinea has signed an agreement with the Government of Liberia to use the rail from the city of Yekepa to export raw materials (Iron Ore) from Guinea via the City of Buchanan. There are ongoing discussions by the government with a private entity to undertake the management and operations in the Port of Buchanan.

The operating focus of the Project will be at the Agri Hub, the ATC's, and Aggregation Centres. Direct employment at the Agri hub is estimated at 29000 beneficiaries at full park development. An additional 26,000 indirect employment will be generated in the primary, secondary, and tertiary sectors including banks, logistics, trading, brokerage, ancillary industries, and other social infrastructure. In line with the feasibility study and master plans, the three Agricultural Transformation Centers (ATCs) are proposed to be in Bong,

Nimba and Grand Cape Mount Counties. Together, these three counties account for 33% of the total projected population of Liberia as of 2020. Total area dedicated to the ATCs and appropriate siting using pre-determined criteria will be done by the PIU during implementation. Direct employment in the raw material procurement zone (i.e. around the ATCs and ACs) is estimated at 101,000 farmers.

## **2.6. Participatory process for project identification, design, and implementation**

The design of the project followed an extensive participatory and sensitization process right from the identification phase. The design of the project was further guided by several key documents namely the SEZ Act of 2017, the World Bank study on Special Economic Zones in Liberia - First Impressions of SEZ Sites and Recommended Next Steps, the Feasibility Study and Master Plan for the Buchanan Special Economic Zone and Special Agro Industrial Processing Zone in Liberia and the USAID supported Proposed Institutional Structure and Cashflow Simulation Model for the Liberia Special Economic Zone Authority (LSEZA). The project sites were visited during the identification and project preparation phase. In each, site meetings were held with all potential stakeholders. These included farmers group representatives, community college, (e.g., Grand Bassa Community College), TVET institutions, youth representatives, women groups, and so on. Following the site visits at identification and preparation phase, the government undertook a feasibility study and Master Plan for the SEZ/SAPZ. The Feasibility Study was concluded in December 2020 and presented to an array of stakeholders comprising farmers, government (Ministries Departments and Agencies), Development partners, Farmer associations and groups, on the 17<sup>th</sup> of February 2021. In addition, the USAID undertook a study on behalf of the Government of Liberia and presented a Proposed Institutional Structure and Cashflow Simulation Model for the Liberia Special Economic Zone Authority (LSEZA) to stakeholders and development partners in April 2021. The design and implementation of this project is strongly guided by these two key studies. Together with the costing from the Feasibility Study and cash flow model for the LSEZA, these formed the basis for the cost in the project design. Given the travel restrictions necessitated by the COVID-19 pandemic, the Appraisal Mission was hosted in virtual mode and meetings were held with government officials in relevant Ministries, Departments and Agencies and with Development Partners resident in Liberia. Discussions were held on the areas of need, gaps and areas that require significant technical assistance to conclude such as setting up the Special Economic Zone Authority. The team was also assisted by a consultant on the ground (engaged over a period of one month) to obtain additional information and costs that helped to define the activities under the cross-cutting issues for Climate Change Gender and capacity building. A separate consultant undertook the Environment and Safeguards studies.

## **2.7. Bank Group experience, lessons reflected in project design**

As at April 2021, the Bank has 15 on-going operations in Liberia with a total commitment of UA 304 million. The active portfolio comprises of 10 national projects representing 51% of total portfolio value, and 5 regional projects accounting for 49%. The active portfolio has no private sector project. The average portfolio size of public sector operations as at April 2021 is UA 20.19 million, a 9% increase from UA 18.50 million as at 2018 CPFR. In 2021, the average size of national projects is UA 15.36 million, whereas that for regional

operations is UA 29.68 million, nearly twice that of national operations. This highlights the importance of regional projects to small PBA recipient countries such as Liberia, as they can tap into additional resources from the regional envelopes. Sector-wise, the average project size ranges from UA 4.78 million in the multi-sector to UA 41 million in the transport sector. These two extremes highlight the fact that the active portfolio is highly skewed towards pillar II (Economy and Jobs- addressing infrastructure deficits) of the PAPD and that the Bank is moving toward consolidating public sector operations into few high impact and high value projects in Liberia, which will also reduce transaction costs for both Government and the Bank. The average age of the ongoing portfolio is 4.5 years. and this is expected to reduce after 3 operations exit the portfolio by October 2021. Out of the 15 ongoing public sector operations, 3 are technical assistance/institutional support, 1 budget support and 11 investment projects. The active portfolio spreads across five sectors and is heavily invested in infrastructure, predominantly in roads and energy, amounting to a total of UA 245 million (US\$338 million) or 81 % of the total commitments. The transport sector accounts for the largest share of the portfolio (54%), followed by energy (27%), agriculture (13%), and multi-sector (6%). The sectoral distribution reflects a strong strategic alignment of the portfolio with the country's development priorities in the PAPD. African Development Fund (ADF) resources accounts for over 72% of approvals, followed by Others<sup>2</sup> (23%), and the Nigeria Trust Fund (NTF) (5%). The Portfolio is also made of small multi-national Technical Assistance (TA) and Trust Fund projects financed by TSF Pillar III and KOAFEC<sup>3</sup>.

The project will leverage from the experiences and assets of other projects that have been implemented by the Bank in Liberia namely (i) Liberia Youth Entrepreneurship and Employment Project; (ii) the Bank funded CLSG Electricity Interconnection Project, under the West Africa Power Pool, (iii) Smallholder Agriculture Productivity and Commercialization (SAPEC) project; (iv) the Technical Advisory Assistance and Capacity Building support to the Liberia Revenue Authority and (v) the Transition Support Facility for the Support to Investment Promotion Agencies in Transition Countries in Liberia. The project will also leverage on the Bank's Regional Technology Delivery Infrastructure of TAAT to deploy technology toolkits for relevant commodity value chains to enhance productivity and ensure consistent supply of agricultural raw materials. These projects also guided the design of the current project.

Key lessons learnt from Country Strategy and Program evaluation by Bank's Evaluation Department and most completion reports of Bank projects in the country are highlighted, which have informed the design of this project, including:

No.	Lessons Learnt	Actions incorporated into the Project Design
1	Absence of sustainability in project design	mainstreaming sustainability issues at the project level

<sup>2</sup> GEF, SCF, GAFSP, EU-AIP, EU-AITF, EIB, and FAPA

<sup>3</sup> Korea Africa Economic Cooperation



2	Multiple focussed projects with minimalist change in quality of life of beneficiaries	remaining selective with a focus on fewer, but big transformative interventions
3	Rigidly tailored projects that are required to run out even when country priority has changed	continuous flexibility in responding to the country's emerging needs
4	There is a dearth of required capacity for specific skills in government and non-government agencies	the continuous building of implementing agencies' capacity to ensure effective programme implementation
5	Projects close with very limited information on the knowledge and communication of project activities and success stories	dedication of adequate resources to knowledge products as these contribute to evidence-based policy dialogue
6	Project monitoring is critical to inform project evaluation and needs	formulating a robust results framework accompanied by strong project monitoring and evaluation and credible baseline data

Most importantly, preparation and rigorous execution of quality procurement plans is essential in accelerating project implementation and disbursements.

## 2.8. Key performance indicators

The key performance indicators measuring the progress toward achieving the main project outcomes would generally measure increase in the number of jobs created, reduction in rate of poverty, reduction in unemployment rate, increase in the number and value of private sector agribusiness investments, increase in percentage of farmers in value addition linkages, efficiency of capacity/skill trainings and increasing industry contribution to GDP, increase in number of women and youth owned SMEs, linked to Liberia SAPZ. The data sources and responsibility for data collection, collation and reporting are included in the table below.

Key Performance Indicators	Possible Data Source	Responsibility
<b>Impact Indicators</b>		
<ul style="list-style-type: none"> <li>Changes in rural unemployment</li> </ul>	Central Statistics Agency reports	LNIC
<b>Outcome Indicators</b>		
<ul style="list-style-type: none"> <li>Changes in private sector investments</li> <li>Value chain linkages forged, jobs created, and trainings/capacity building conducted</li> </ul>	Project progress implementation documents Dedicated labor force surveys, Tracer Survey	LNIC
<b>Output Indicators</b>		
<ul style="list-style-type: none"> <li>Support to public institutions</li> <li>Physical infrastructure developed</li> <li>Support to farmers, groups, entrepreneurs, women and Youth</li> <li>Project implementation activities</li> </ul>	Project Progress Implementation documents  SAP Reports	LNIC  AfDB



### III – PROJECT FEASIBILITY

#### 3.1. Economic and financial performance

- 3.1.1 The project derives its benefits from private sector agribusiness investment models, and the increased value-addition from farming activities with farmers in value added linkages. The agribusiness investment is based on the following three models: (i) the small-scale companies, about 5 of them with at least US\$ 1.00 Million investment size each; (ii) the medium-scale companies, 42 of them with at least US\$ 2.80 Million investment size each; and (iii) the large-scale companies, 3 of them, with US\$ 10.00 Million investment size each. The increased value-addition from farming activities was based on 10 crops and production models, including, cassava, rice, oil palm, coffee, cocoa, rubber, tomato, citrus, banana, and fish. In addition, the project also creates jobs and contributes to the reduction of the unemployment and poverty rates, increases the number and the value of efficiency of capacity/skill training, the industry's contribution to GDP, the number of women and youth owned SMEs, linked to SAPZs. The project will contribute positively to improved planning and responses to industrial waste-related threats in key sectors, such as, health, agriculture, and water resources. Water borne diseases, such as, malaria and bilharzia could be anticipated and targeted before they reach epidemic proportions. Overall, the project has overwhelming social benefits to beneficiary communities.
- 3.1.2 Some of these benefits cannot be quantified, such as reduction in poverty and unemployment rates, value of efficiency of capacity/skill training, etc., and therefore could not reasonably be included in the financial and economic Cost-Benefit Analysis (CBA). All other benefits derived from private investment and farming activities were included in the CBA over a 20-year operating life.

*Table C.1: key economic and financial figures*

FIRR (base case):	24.47%	NPV Amount:	US\$ 138.71 million
EIRR (base case):	24.56%	NPV Amount:	US\$ 139.51 million

NB: detailed calculations are available in Annex B6

- 3.1.3 Thus, the financial and economic analyses gave: (i) a financial impact of over US\$30.93 billion per year from the second year of operations expected over 20 years, according to the same type of operations. This implies that the financial benefits of the project over the period of operation exceed the cost of the investments needed to finance it; (ii) a cost/benefit ratio of 1.37, which means that the benefits are higher than the cost of the investments; (iii) an internal rate of return of 24.47%, which is higher than the opportunity cost of capital (the capital cost of financial resources for investments in the project) is estimated at 12%. Based on these results, it can be concluded that the project presents a profitability profile justifying the cost of the investments financially. Further details on the financial

and economic analyses as well as the sensitivity analysis are presented in the Technical Annexes (Volume II).

## **3.2. Environmental and Social Aspects**

**3.2.1 Environment:** The project is classified as Category 2 according to the Liberian Environmental Impact Assessment (EIA) Proclamation (No. 299/2002), and the African Development Bank Integrated Safeguard System.

3.2.2 The environmental and social risks and impacts as identified by the environmental and social assessment (ESIA) reports are expected to be limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. Therefore, the project is classified as Category 2 in accordance with the Bank's Integrated Safeguards System (ISS). The ISS thus requires the project to prepare an Environmental and Social Impact Assessment (ESIA) report. The required ESIA reports has been prepared and disclosed both in country and on the Bank's website in accordance with the ISS 30-day disclosure requirement for category 2 projects before Board deliberations.

**3.2.3 Environmental and Social Management Plan:** The project will generate some adverse environmental impacts, especially during the construction phase. Most of the environmental impacts are expected to be localized, short-term, and reversible. The ESIA reports have identified loss of biodiversity, air and water pollution, soil contamination from spillage, noise and vibration, and improper management of construction related solid waste as the key areas of concern. Occupational health and safety and community health and safety are also concerns identified during the ESIA process and mitigation measures have been provided in the ESMP.

3.2.4 The project ESMP outline project key risks and impacts, management measures, responsibilities, and cost of implementation. The ESMP also identifies other management plans that will be required during project implementation, including the Contractor's Environmental, Social, Health and Safety Management Plan. The overall cost estimate for ESMP implementation for the project is USD 272,000 and provided for as part of Project Coordination & Management costs.

**3.2.5 Implementation Capacity for Environmental and Social Safeguards (ESS)** Capacity for safeguards implementation was assessed at national level and at the level of the project implementation entities in Liberia. There are adequate national legislations though there are gaps but these gaps have been filled by the Bank's Environmental and Social Safeguards Standards which are complete and more stringent. The competent national authorities responsible for safeguards implementation have adequate experience in monitoring the ESS aspects of the SAPZ project. The Bank's portfolio includes several projects in Liberia. The institutions are however plagued by the perennial issues of

inadequate capacity, low budgetary support, and lack of logistics to conduct effective monitoring. Some of these issues are addressed in the project institutional capacity enhancement plan. The project implementation entities have vast experience and adequate E&S capacity to oversee implementation of the project ESMP and related safeguards instruments. The entities would have full-time E&S staff including an Environmental Safeguards office and a Social Safeguards Officer.

**3.2.6 Social** In the context of improving the quality of lives of the Project area and its environs, the intervention will assist the poor and vulnerable and contribute to socio-economic improvements for women/ youth and children. It will enhance productivity and efficiency of the beneficiary communities in the project area. The project operation will create jobs in the construction phase (permanent and temporary) and effect on a direct basis, the lives of the rural and urban women and men in the region. The program activities will contribute to inclusive and sustainable agro-industrial development in Liberia and reduce staple food imports, create jobs, and reduce poverty. The project would create a better business environment for increased investment in the agro industrial sector and create opportunities for investments at the industrial level and coordinate the integration of small holder farms, and agro processing industry into sustained agro value chains and, further improve capacities and skills to benefit from new agribusiness employment and value chain opportunities. Specifically, the project will train construction crew to avail services to the contractor. In terms of the negative impacts mitigation specific vulnerabilities and risks that will be addressed in this project include COVID 19, HIV/AIDS, sexually transmitted infections (STIs), and other communicable diseases. The project has planned sufficiently for HIV/AIDS and STI prevention during construction.

**3.2.7 Climate Change** The project is classified under category 2 of the Bank's Climate Safeguard System which means that the project may be vulnerable to climatic impacts. To address these potential climatic challenges, the project will ensure the infrastructure built under component 1 are climate-proofed and renewable energy options explored e.g., solar power. Component 2 activities will ensure climate-smart agricultural production and including climate-skills training for capacity building efforts. Support to the enabling environment policy and institutional environment will also consider climatic factors to enhance resilience. Given the effect of industrial activities, the greenhouse gas emission potential of the project will be estimated, and mitigation measures will be proposed to reduce GHG effects. The project will also support the construction of climate-resilient road infrastructures, which will contribute to minimize post-harvest losses induced by climate damages to rural infrastructures. The project should promote solar-powered storage and processing technologies and build a circular economics approach through the recycling and reuse of agricultural by-products for other uses, such as livestock feed, fish feed, organic/green fertilizers and bioenergy production. It will also carry out specific trainings to enhance the capacity of SME on climate risk management and mainstreaming in their business plans

**3.2.8 Gender Aspects** This project is categorized as GEN II on the Bank's Gender Marker System and is aligned to the Bank's Gender Strategy (2021-2025) and Liberia's National Gender Policy (2018-2022). Women are the main suppliers of labour to Liberia's agricultural/agri-business sector in value chains such as cassava, rice, oil palm and rubber. The lack of business and financial management knowledge and skills hinders most women's ability to run profitable companies and compete with male-owned enterprises. Potential barriers to women's

participation in project activities include reproductive gender roles on home management, limited technical capacity to fully utilize the SAPZ facilities, limited access to inputs and information and limited access to finance. Most women have gaps in knowledge of and access to new modern technologies including access to extension services and training, new seed varieties that are drought tolerant, conservation farming techniques and use of modern technology in various productions and processing activities.

**3.2.9 To address selected gender gaps, the project will implement the following activities in its Gender Action Plan:** On **gender sensitive infrastructure development:** (i) explore opportunities for increasing access to nearby social services through infrastructure development in the design works. **On skills development, value chain development and farmer coordination:** (i) Integrate gender sensitive infrastructure considerations through consultation of women and men in the assessment and construction of the ATCs and ACs; (ii) Conduct gender responsive agriculture value chain analysis; (iii) Identify women's agricultural cooperatives, groups and MSMEs and conduct needs-based training of women and youth MSMEs; (iv) Develop ATC and AC guidelines through consultation of women and men on their needs and interests at the centers; (v) Implement a gender transformative social behavior change communication strategy aimed at promoting women's empowerment and building support of men and communities; (vi) Include an affirmative action quota (30 percent) in TVETs for women in male dominated subjects; and (vii) Integrate a high quality and concise module on gender equality and gender-based violence (GBV) in TVET curriculum. On **Strengthening Institutional capacity:** (i) Hold an annual open day for showcasing the technical and agri-business capacity of women and youth to industries and employers; (ii) Reach out to women owned enterprises during investment promotions on the infrastructure; (iii) In collaboration with the Ministry of Gender, Children and Social Protection, develop a gender policy for the SAPZ, integrate gender guidelines the SOPs; design and launch learning tools for capacity building on gender equity perspectives for relevant agencies. The project will adopt a zero tolerance for sexual exploitation, abuse and harassment approach across its activities and will engage the Ministry of Gender, Children and Social Protection in identifying and strengthening existing referral systems gender-based violence (GBV) that may occur during the project's duration.

3.2.10 All training and recruitment activities will promote gender diversity as a principle while the project's results framework will be gender sensitive through the collection and analysis of sex disaggregated data. Good practices and lessons on gender mainstreaming in the SAPZ will be documented to build a knowledge base. A gender consultant will be hired to lead the implementation of the gender action plan and support the National Investment Commission on project related gender matters. The fees of the gender consultant is provided for as part of Project Coordination & Management costs. See the Technical Annex B8.8 for the project's Gender Analysis and the Gender Action Plan.

**3.2.11 Fragility and Resilience:** The 2020 Country Resilience Fragility Assessment (CRFA) for Liberia revealed that the level of fragility remained high in Liberia despite improvements made with three successive and successful general and presidential elections and more than a decade of uninterrupted peace and stability. Political, economic, social, and environmental pressures were assessed to be high and interlinked while state and societal capacity to contain these pressures is low. Political fragility was singled out as the main risk and source of fragility due to the underlying factors of acute and chronic poverty, governance

weaknesses, land disputes, limited access to justice and conflict resolution channels and the regional security fragility situation. Many lack access to basic infrastructure, basic social services, and poor roads leave many areas inaccessible particularly during the wet season when the shortage of food becomes inevitable. Approximately 55 per cent of rural Liberian households is food insecure.

3.2.12 In alleviating and or reducing some of these drivers of fragility, the Liberia Special Agro Industrial Processing Zone (SAPZ) is expected to generate significant socio-economic benefits in terms of youth employment and empowerment of farmer groups and diverse economic opportunities. This will help to address Economic diversification by shifting the economy away from a single income source of extractives toward multiple sources from a growing range of sectors including agriculture. With considerable arable land, Liberia has the potential for crop diversification, improve market linkages, and private sector led agriculture value chains. This could underpin job creation, create new income opportunities, and reduce food imports. Developing life skills in agriculture through the SAPZ and employment programs, there will be reduction in youth's vulnerabilities, drug use and violence. At the same time, it is pertinent to develop institutional and policy framework for agriculture and rural development to identify opportunities and improve the rural sector's capacity to address fragility and build resilience.

3.2.13 The SAPZ is in direct response to Government promulgation of the Special Economic Zones Act in October 2017 and the establishment of the Special Economic Zone Authority (SEZA). The purpose of the Act is to regulate the establishment, development, operations, maintenance, and management of single, multiple, and mixed use special economic zones in Liberia. The government in collaboration with donors like the African Development Bank intends to leverage on this Act to establish the Special Agro Industrial Processing Zone (SAPZ) in Liberia. One of the key recommendations of the 2019 Fragility and Resilience Assessment is that Liberia invest in Interventions that link agriculture, food security, infrastructure, fisheries, and tourism sectors to benefit most of the marginalized to address drivers of fragility and build resilience in a country that has gone through many challenges to include, 15 years of civil war, EBOLA, fall in export commodity prices and COVID 19 Pandemic.

### **3.3. Cross Cutting Issues**

**3.3.1 Value Chain Development:** From the very beginning, the project will engage the services of consultants with the requisite experience to undertake gender sensitive Value Chain/Market studies for of selected agricultural commodities. The commodities will include but not exclusively, rice, cassava, oil palm, fruits, vegetable, coffee, rubber, and any other commodity of interest to the government of Liberia. The focus of these studies will be on how to improve critical constraint points in the production and delivery of agricultural commodities competitively to agro industrial firms. The objectives of these value chain and market studies is to guide policy reforms as well as provide guidance on cost reduction practices for improved competitiveness.

**3.3.2** The Project will enhance the competitiveness of smallholder farms, MSMEs, young entrepreneurs and create inclusive and equitable opportunities to integrate them into the up- and downstream aspects of agriculture value chains linked to the agro-industrial park. It will strengthen the linkage between agriculture actors and industry activities, by building the capacity of local rural smallholder farmers, young entrepreneurs and small-scale enterprises to produce and operate as competitive business entities. This will link agricultural production to the market by bringing together farmers, processors, and retailers to maximize value addition, minimize wastage, increase farmers' income and create employment opportunities particularly in the rural sector. From the beginning, an Enterprise Development officer will be situated in the PIU to help organise farmers and farmer groups in the target commodities, create a database and register each farmer/farmer group by location, resource endowment, and ensure that they are given the relevant training and capacity to meet supply of products according to industrial requirements. This process will take a demand driven approach in which priority will be given to the proposed factories that are locating in the Agri hub. The objective will be to generate the net marketable surplus from procurement zones and make these volumes available to industries located in the Agri-hub through the ATCs. The ATC will be utilized to guarantee the supply of raw commodities to the factories that will be locating in the Agri hub in Buchanan. The ATCs as designed will be in the Major Agro Procurement Zones as recommended by the Feasibility Study and Master Plans. However, from experience, the factories in the Agri-hub may also be allowed to develop their value chain independent of the ATC MAPZ. Focus will be on building targeted Outgrower schemes, creating and/or upgrading existing ICT based platforms and database of such Outgrower schemes in line with targeted commodities. For example, GAP training will help to increase productivity and production output. TVET will create opportunities for the growth of small and mid-sized women and youth-owned agribusiness, which through their operations can help reduce post-harvest losses, increase primary value addition, and provide consistent supply of quality produce, as feed stock for the emerging agro-industries in the Liberia SAPZ. All these will be done on demand driven basis as agro-industries begin to set up in the Agri Hub. The targeted Outgrower scheme will also be included in the marketing strategy for the Agri hub. As indicated earlier ownership of the Agri hub will be with SEZA and a private sector Developer. Hence from the earlier stages of project implementation the PIU in collaboration with the SEZ Joint Steering Committee will strive to identify and negotiate with potential zone developers/operators and potential anchor investor companies. The Developer is also expected to manage the ATCs.

**3.3.2 Entrepreneurship and Job/Employment Creation:** The Government's PAPD identifies the low level of entrepreneurship particularly among the young people, low level of job creation in rural areas in non-farm activities and low levels of MSME development in manufacturing as key constraints to job creation and structural transformation in the agriculture sector. The country is estimated to have a population of 5.2 million in 2019<sup>4</sup> of which 71% is below the age of 35 years and nearly half (44.5%) of the population are below the age of 15 years. An estimated 85% of the active work force is in vulnerable employment. The unemployment is high (around 25%) and particularly amongst the youth. Furthermore, 68% of the Liberian labour force are employed on the informal labour market.

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<sup>4</sup> UNFPA (2021), World Population Data

Limited opportunities especially for youth in the country could pose a serious risk of disenfranchisement and anti-social activities.

3.3.3 The national SAPZ program is estimated to create approximately 280,000 new (direct and indirect) jobs by 2030 by the government of Liberia. To boost employment opportunities, the project will build the capacity of MSMEs, youth and women-led enterprises youth, women-led enterprises, and cooperatives to seize business opportunities in the SAPZ value chains. First, 1000 farmer groups members (Trainers) will be trained on quality standards, and responsive demand for investors needs at Park level, and will be linked to the relevant ecosystem (agriculture bureau, financial services, etc.) to enhance their productivity. Secondly, through a robust Business Development Service program, 40 young people will receive entrepreneurship training to sharpen their business skills and create more jobs in the specified value chains. This should increase employability through creation of at least 40 additional jobs. The project will leverage from the previous experience of the Bank with the Booker Washington Agricultural and Industrial Institute in Kakata, Margibi County, to expand entrepreneurship development. About 100 MSMEs will also receive business development services to transform the viability of their businesses from informality and create the much-needed decent jobs.

**3.3.4 Skills Development:** The project will help set the foundations for skills development in agro processing in the country and train a minimum of 2,000 employable youth for the agro-industries over five years. Rural Youth, already at the TVET level will be particularly targeted. Overall, the project will contribute to quality and relevant skills for the agro-industrial workforce in the following priority areas, subject to the specific specialisations in the Liberia SAPZ: (i) Fruits and vegetable processing; (ii) Rice and cassava; (iii) Honey and beeswax processing; (iv) Edible oil (palm) processing technology; (v) Animal feed processing; (vi) Poultry product processing, (vii) Cocoa processing; (viii) Coffee processing, (ix) Rubber processing, and (x) Fish processing. Training will also be directed at supporting industrial level technical skills in electrical and electronics, mechanical skills and other adaptable and interpersonal skills.

3.3.5. The project will also develop a labor market-based curriculum in agro processing; train trainers in agro processing; and support 1 pilot TVET college in one of the Counties to promote capacity building, equipment and training materials, and linkages with industries and short-term courses to meet targeted industry needs. The project will also build capacity of the TVET Department in the Ministry of Youth and Sports to develop a long-term vision (roadmap) for agro-industrial skills development in the country.

## **IV – IMPLEMENTATION**

### **4.1. Implementation arrangements**

4.1.1 The National Investment Commission (NIC) of Liberia will be the technical Implementing Agency of the project while the Ministry of Finance and Development Planning (MFDP) Public Financial Management Unit (PFMU) will be responsible for managing the fiduciary arrangements of the project. The project will be hosted within the project implementation unit (PIU) of the National Investment Commission of Liberia

(LNIC), dedicated for the day-to-day implementation and coordination of the project. The PIU will have the full complement of technical experts to ensure that the project is successfully executed. There will be a dedicated Project Office at the LNIC. The Commission established as a Cabinet-level agency by an Act of the National Legislature in 1979, has a mandate to promote Liberia's many investment opportunities, attract and support the growth of value-adding foreign direct investments (FDI), and advocate for and strengthen the domestic private sector. The PIU hosted in the LNIC will be responsible for the management and supervision of the project and reporting to the Bank on implementation progress of project activities. The Commission has had previous experience with the Bank in the implementation of projects. These projects include the Renewable Energy for Electrification in Liberia, (\$33 million, primarily in the form of a grant and the Support to Investment Promotion Agencies in Transition Countries. The Commission has also implemented projects from other donors such as the IFC and the UNDP with focus on building private sector capacity in Liberia.

4.1.2. The Project Team will comprise of a Project Coordinator, Procurement officer, Project Accountant, Financial Management Officer, M&E Officer, Enterprise Development Officer, Policy and Economic Adviser, Environment Compliance Officer, Gender/Community Liaison Officer, and a Project Assistant. The project will second existing staff from the Liberia National Investment Commission to these positions.

4.1.3 During the project implementation period, the project team will prepare and forward to the Bank, within 30 days of the end of each quarter, Quarterly Progress Reports highlighting the status of activities, disbursements made and anticipated, problems encountered, and solutions envisaged, as well as the schedule of activities for subsequent quarters. The Bank will monitor the implementation of the project through reviews of key outputs of the project, Interim & Final Reports for studies and quarterly progress reports on the overall project. The Bank will equally conduct annual supervision of the project.

4.14. A Joint Inter-Ministerial Committee known as the Special Economic Zone (SEZ) Coordination Team under the Presidency already exists as the governance structure for the SEZ/SAPZ in Buchanan. The PIU will report progress of activities on the project on a regular basis to the Special Economic Zone (SEZ) Joint Steering Coordination Team (JSC). The PIU will also draw on the convening power of the Team to leverage technical support from the other agencies of Government when necessary.

**4.1.5 Financial and Disbursement Management:** The National Investment Commission (NIC) will handle the technical implementation of the Liberia Special Agro Industrial Processing Zone Project through a PIU to be constituted and hosted at the the NIC. The Ministry of Finance and Development Planning (MFDP) Public Financial Management Unit (PFMU) will manage the fiduciary arrangements of the project. Similar arrangements have been made by the government of Liberia (GOL) to successfully execute various donor funded projects in the country, including the Bank funded Fishtown-Haper Road Project (FTRP), and the Mano River Union Road Development and Transport Facilitation Programme (MRUDTFRP) Phases I & II. The PFMU will effectively work with the PIU at the NIC (in charge of the day-to-day implementation and coordination), to ensure that the project is successfully and timely implemented. A project accountant (PA) and an



accounts clerk will be assigned by the PFMU Director to be directly in charge of the financial management function of the proposed project. The PA will report to the PFMU Director who shall have overall responsibility for the project fiduciary arrangements. The Director of PFMU is an experienced and seasoned chartered accountant with several years of experience in managing the fiduciary arrangements various donor funded projects in Liberia. The GOL with the support of development partners (including the Bank and World Bank) constituted the PFMU to be in charge of the accounting, financial reporting and the other fiduciary arrangements of donor funded projects in Liberia. The Unit is adequately staffed with a pool of accountants, an internal audit function, and equipped with Sun accounting software, a Financial Management Procedures Manual (FMPM) an Administrative Procedures Manual. The Project Accountant will use the existing Sun Accounting System and chart of accounts to produce quarterly un-audited Interim Financial Reports (IFRs) for submission to the Bank within forty-five (45) days, at the end of every calendar quarter. In harmony with other donor funded projects and GOL accounting standards, the project will adopt International Public Sector Accounting Standards (IPSAS) and the existing FMPM to prepare project financial statements (PFS). All project financial reports must be approved by the by the PFMU Director before submission to the Project Coordinator and the Bank. GOL internal control procedures (as modified and applied by PFMU for donor funded projects) shall be adopted for processing and approving payments under the proposed project. The internal audit function of the PFMU will provide internal checks and carry out periodic reviews on project operations to strengthen the control environment. The Internal Audit reports shall be submitted to the Joint Steering Committee (JSC), established under the SEZ, who will ensure the timely implementation of audit recommendations. The JSC will provide strategic direction and oversight guidance for the project, as well as monitor the overall implementation progress of the project and approve key strategic documents including annual workplans, procurement plans and budgets, before submission to the Bank for its no objection. The assessment recommends that a project implementation manual be developed and implemented to guide project implementation and operation. The assessment also recommends that all project staff appointed sign contracts, which will specify their respective functions on the project, to facilitate adequate segregation of duties. The annual project financial statements covering all project activities for each year, shall be subjected to exrternal auditing by the General Auditing Commission (GAC) of Liberia or competitively recruited private independet external audit firm, acceptable to the Bank. The audit terms of reference (TOR) must be agreed with the Bank. The audit reports must be submitted to the Bank within six (6) months after the end of each financial year, being audited. The contents of both the IFRs and the annual financial statements have been discussed and agreed with the PFMU.

**4.1.6 Disbursement Arrangement:** Four disbursement methods are used by the Bank in disbursing funds to its projects: (i) Direct payments; (ii) Special Account (SA); (iii) Reimbursement method; and (iv) Reimbursement guarantee methods. Disbursement to projects managed by the PFMU had generally made use of Direct payment and Special account methods. The **Direct payment methd** will be used for payments against larger contracts signed between project management and contractors/suppliers/ service providers. **In line with the Bank's guidelines, the use of Special Account method will only be authorized upon refund or justification of the unjustified balances of closed Bank financed projects in Liberia.** As and when the Special Account method becomes

applicable, a dedicated USD special account will be opened at an acceptable commercial bank to receive advances from the Bank for payment of operating expenses. A project operating account in USD account will also be opened at a bank to receive other income on the project including, bid sales.

**4.1.7 Reimbursements** will be made for eligible expenses for goods, works, services and operating expenses already incurred and paid for by the GoL from its own resources and supporting documents submitted and duly validated by the Bank for payments. Under the **Reimbursement guarantee method**, the Bank shall provide an irrevocable undertaking to reimburse a commercial bank for payments made or to be made to a beneficiary against a letter of credit (for imported goods). *All disbursements shall be in accordance with the Bank's disbursement procedures outlined in the Disbursement Handbook 2020.*

**4.1.8 External audit:** The annual project financial statements of the project shall be audited by the General Auditing Commission (GAC) of Liberia in line with the PFM Act 2009 and the GAC Act 2014. In instances that the GAC is unable to carry out the audit, GAC will lead the project in the recruitment of a private independent external audit firm (using its outsourcing guidelines) through a competitive process, acceptable to the Bank. The audit shall be conducted using audit terms of reference (TOR) agreed with the Bank. The audit reports (comprising of the audited financial statements with the auditor's opinion and related management letter) must be submitted to the Bank within six (6) months after the end of each financial year being audited. The audit cost shall be paid for from project resources.

**4.1.9 Overall Conclusion:** The assessment concluded the overall FM risk is rated substantial and to mitigate this further: (i) the NIC will constitute and host a PIU with the full complement of technical experts to implement the technical components of the project; (ii) The PFMU Director will assign a project accountant and an accounts clerk to be in charge of the financial management function of the project; (iii) develop and implement a project implementation manual (PIM) to guide project operation and implementation; (iv) adopt the existing Sun Accounting Software, Financial Management Procedures Manual (FMPM) and chart of accounts for recording & processing of project accounting transactions and financial reporting; (v) recruit key project staff including a project coordinator among others; and (vi) fully implement the FM action plan.

**4.1.10 Procurement Arrangement:** "Procurement of goods and works and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the *"Procurement Policy for Bank Group Funded Operations"*, dated October 2015 and following the provisions stated in the Financing Agreement. Specifically, Procurement would be carried out under the following:

**4.1.11. Borrower Procurement System (BPS):** Procurement through National Competitive Bidding (NCB) and shopping procedures will be carried out using BPS comprising its Laws and Regulations- Public Procurement and Concessions Act, 2010 and its enabling regulations, using the national Standard Solicitation Documents (SSDs) agreed during

project negotiations” for various group of transactions to be indicated under the project, detailed in annexes of this report and the provisions stipulated in the Financing Agreement.

**4.1.12 Bank Procurement Policy and Methodology (BPM):** Bank standard PMPs, using the relevant Bank Standard Solicitation Documents (SDDs), will be used for Open Competitive Bidding International (OCB-I) and Limited International Bidding (LIB) or Restricted Competitive Bidding contracts for both goods and works and Acquisition of Consulting Services as indicated in the procurement plan and in the relevant Annex of this document.

**4.1.13 Procurement Risks and Capacity Assessment (PRCA):** the assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the Executing Agency (EA), were undertaken for the project and the output have informed the decisions on the procurement regimes (BPS and Bank’s PMPs) being used for specific transactions or groups of similar transactions under the project. The appropriate risks mitigation measures have been factored in the entire procurement arrangements of the project.

## 4.2. Monitoring

The project is scheduled for implementation over a 60-month period, from January 2022 to December 2026. This schedule is reasonable, given the scope of activities to be implemented and project implementation capacity in the Country. The PIU will be responsible for gender sensitive project monitoring and evaluation, using the Project Result Monitoring Framework and the project result based logical framework. The PIU will include a Monitoring & Evaluation staff. The periodic performance assessment and result reporting will be carried out by the Executive Agency, in collaboration with the beneficiary stakeholders. A consolidated quarterly and annual activity reports will also be prepared and submitted to the Bank by the LNIC. The Bank will carry out rigorous monitoring and supervision missions at least twice a year, to the extent possible on the project. The Liberia Country Office will play an active role in the coordination, country dialogue, and project supervision and monitoring. A project completion evaluation will be conducted to evaluate progress against outputs and outcomes and draw lessons for possible follow-up operation. Table below presents the project implementation and monitoring schedule.

Timeframe	Milestone	Monitoring process/feedback loop
September, 2021	Board Presentation	AfDB
November 2021	Signature	GOL/AfDB
January 2022	Launch	GOL/AfDB
March 2022	Tendering	GOL
June 2022	Works commencement/soft activities	GOL
December 2026	Completion	GOL/AfDB

## 4.3. Governance

**4.3.1** The GoL through the Special Economic Zone (SEZ) Coordination Team leads the governance of the Liberia Special Agro Industrial Processing Zone and Special Economic Zone development programme. A Joint Steering Committee (JSC) guides the Group while the Group reports to the President through the Minister of Finance. The Coordination Team provides overall strategic direction, decides on major issues and guides policy matters. The Coordination Team is composed of senior officials from the Ministry of Finance and

Development Planning (MoDP), the Ministry of Commerce & Industry (MoCI), the Ministry of Agriculture (MoA), Ministry of Gender, Children and Social Protection, Liberia National Investment Commission, Liberia Revenue Authority, Liberia Land Authority and several other Ministries, Commissions and Agencies.

4.3.2 The following institutional arrangement currently govern the Liberia Special Economic Zone. A critical mandate of the Coordination Team is to establish the Liberia Special Economic Zone Authority as guided by the Liberia Special Economic Zone Act of 2017. The SEZ Authority is yet to be fully functional but the USAID has provided, through a Study, some guidance to the Government of Liberia on how to set up the Authority in a phased process of staffing and start-up costs. The SEZA is expected to be an autonomous entity that will oversee the regulation and implementation of SEZ/SAPZ in Buchanan. It will be the central regulatory and promotional organ for all SEZs in the country.

4.3.3 It is expected that when the SEZA is set up it will advertise for a private sector park developer and manager who will administer rent, sale or lease of plots in the parks; perform sensitization and promotional work to attract investors, participate in investment jointly with interested investors; develop and administer park infrastructure and perform a dispute settlement function. In the interim, the Special Economic Zone (SEZ) Joint Steering Coordination (JSC) Team will manage the initial roll out of the SEZ/SAPZ. This project will provide Technical Assistance towards the setting up of the SEZA through the Project PIU. The project will report its activities to the JSC through the Implementing Agency.

#### **4.4. Sustainability**

4.4.1 The proposed project is part of the Government plans for a roll out of the development of SEZ in Buchanan. There is therefore national ownership of the activities of the project from the onset. The selected components of the projects are demand driven, in that the elements were selected through a participatory approach through which the critical gaps/needs at the national level were identified and prioritized during the project preparation and appraisal processes.

4.4.2 To guide the framework for developing the SEZ, the government has promulgated the SEZ Law in 2017 and has opted to set up the Special Economic Zone Authority as an autonomous institution and custodians of the SEZ/SAPZ and its constituent infrastructures such as the Agricultural Transformation Centres as well as its management and operations. The proposed project includes a Technical Assistance to support the setting up of the SEZA, provision of external infrastructure to secure and prepare the Buchanan SEZ for private sector investments and a robust capacity building for farmer groups, women, and youth enterprises. The World Bank country office is considering financing a performance based long-term contract for staff of SEZA to underwrite the salary burden for the Government in the initial development phase pending when the SEZA is in full operation. The project will also establish synergy with the already existing Bank funded Support to Investment Promotion Agencies in Transition Countries Pilot Project in Liberia.

4.4.3 The development of SAPZ is a good opportunity to boost job creation at both the Agri Hub and along the agriculture value chain. The GoL already understands that it urgently needs to activate a robust private sector to ramp up investments in the country and provide sustainable employment to its large youth population. The commissioning of the

40MW power substation under the CLSG – WAPP project is a positive step in the right direction. This power station located about 6 kilometres to the Agri Hub, will be the source of power to the Park. And the government is presently considering reducing the tariff to USD0.25 to USD0.27kW/h. to help attract private sector investments to the Park. In addition, actions are being taken by the Government to harmonize TVET Certification and Curriculum Development and standardize the Qualification Framework in the Country. This is expected to address some identified gaps in the Skills development sector. Within this effort, the Bank will pay attention to the ongoing Liberia TVET Commission working on the Unified Certification at the National level.

4.4.4 The GoL's deliberate effort of providing an enabling environment through the basic infrastructure in and around SEZ/SAPZ as an enabler for private sector investments is a good indicator that there is political will to develop the agro-processing sector. The presence of the private sector will improve the lives of the people around the parks, create diversified employment and contribute to further sustainable economic development.

#### 4.5. Risk management

Risk	Probability of Occurrence	Mitigation
<u>Risk 1:</u> Loss of interest in the project due to a change in Government	M	The project is clearly a high priority for all political parties in the Country. The Government has been consistent and focused with its goal to attract private sector investments into the country from the past President with the passing of the SEZ Act in 2017 and the current government has been consistent with the development of the SEZA in line with the Act. The Bank will continue to dialogue with the government despite the anticipated change in government leadership.
<u>Risk 2:</u> Risk associated with overall FM capacity in Liberia	S	The fiduciary arrangements of the project will be handled by the PFMU and the technical implementation be handled by LNIC. The PFMU is adequately staffed with a pool of professional accountants, equipped with Sun Accounting system and functional internal audit function. The PFMU is headed by an experienced Director who is a chartered accountant with several years of experience in managing the fiduciary arrangements of donor funded projects. A PA will be assigned to the project and directly supervised by the PFMU Director for quality assurance. The project will be managed an experienced and skilled Project Coordinator who will report to the JSC, who will be in charge of providing strategic direction and oversight guidance to the project.
<u>Risk 3:</u> The Government changes policy focus that will make the SEZ/SAPZ to function at sub optimal level.	M	Continued dialogue with the Government by the Development Partners to continue to support the Agro industrialization agenda.
<u>Risk 4:</u> Lack of interest of agro companies in internship programmes	M	The project will actively support private sector mobilisation for skills development; and the signing of MoUs with regional TVET Bureaus to operationalize internship, dual training and marketing of the new agro-processing training curriculum.
<u>Risk 5:</u> Implementation coordination risks	L	Close monitoring of PIU by the Bank.

#### 4.6. Knowledge building

The multisectoral character of this project, from design to implementation, including the programmatic support to both agro-industrial infrastructure and the enabling institutional framework for sustainable agro-industrialization, through value chain capacity and entrepreneurship development, is a source of useful knowledge for the Bank. The project's preparation was an example of collaboration between the sector departments of the Bank (AHFR, AHHD, AHGC, SNSC, SNOQ), the regional department (RDGW) and the

country office (COLR). The project is designed as a combination of two AfDB flagship programmes: (i) the Special Agro Industrial Processing Zones flagship program of the Feed Africa Strategy; and (ii) the Skills Enhancement Zone of the Jobs for Youth Strategy. At the inauguration of the project baseline data will be collected on all project indicators including market intelligence on the current volumes of commodities harvested, the volume exported, and the volume processed locally for each of the key agricultural commodities. The baseline information will help to monitor and track progress of all the output and outcome indicators and contribute to the knowledge base and learning in project development in LNIC. Furthermore, the project will fund various knowledge work and policy tools (regional skills gap and roadmaps for agro-industrial skills development, responsive value chain development, Monitoring/Evaluation systems to capture job created through the project) that will guide future interventions from the Government and other development partners as the SAPZ is rolled-out in Liberia. Information on this project will be available to the public through the Bank's communication channels.

## **V – LEGAL INSTRUMENTS AND AUTHORITY**

### **5.1. Legal instrument**

The legal instruments for the proposed project are: (a) Protocol of agreement for an amount of UA 2.27 Million; and (b) Loan Agreement for an amount of UA 7.84 Million to be signed between the African Development Fund and the Republic of Liberia.

### **5.2. Conditions associated with Bank's intervention**

5.2.1 The Bank's intervention shall be subject to fulfilment of the following:

A. Conditions precedent to entry into force of the Protocol of Agreement.

The Grant Agreement shall enter into force on the date of signature by the Recipients and the Fund.

B. Conditions precedent to entry into force of the Loan Agreement

The entry into force of the Loan Agreements shall be subject to the fulfilment by the Borrower of the provisions of Section 12.01 of the General Conditions Applicable to Loan and Guarantee Agreements of the Fund.

*C. Conditions precedent to first disbursement*

In addition to the provisions of Entry into Force of the Financing Agreements, the obligation of the Fund to make the first disbursement of the Grant and the Loan shall be subject to the satisfaction of the following conditions by the Recipient/ Borrower:

- (a) Submission of evidence of the designation of staff for the Project Implementation Unit (the “PIU”) with qualifications and terms of reference acceptable to the Fund and the staff will include the following:
  - (i) Project Coordinator; (ii) Procurement officer; (iii) Project Accountant; (iv) Financial Management Officer; (v) M&E Officer; (vi) Enterprise Development Officer; (vii) Policy and Economic Adviser; (viii) Project Assistant; (ix) Gender Expert; and (x) Environment Officer.

Other Conditions: The Recipient/ Borrower and the Implementing Agency undertakes to:

- (a) develop and implement a project implementation manual (PIM) to guide project operation and implementation within six months after entry into force of the financing agreements; and
- (b) adopt the existing Sun Accounting Software, Financial Management Procedures Manual (FMPM) and chart of accounts for recording & processing of project accounting transactions and financial reporting within six months after entry into force of the financing agreements.

**5.3. Compliance with Bank Policies**

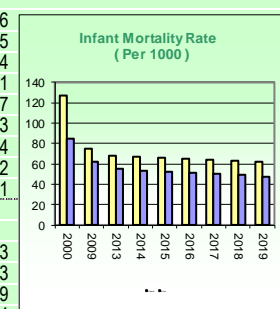
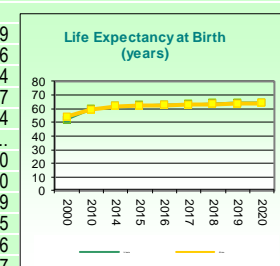
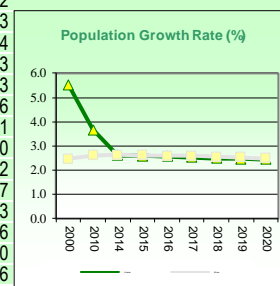
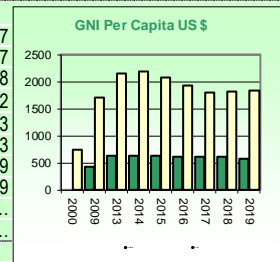
- (i) This project complies with all applicable Bank policies.

**VI – RECOMMENDATION**

Management recommends that the Board of Directors approve the proposed ADF Loan of UA 7.84 Million and ADF Grant of UA 2.27 Million totaling UA10.11 Million to the Republic of Liberia for the purposes and subject to the conditions stipulated in this report.

## Appendix 1 – COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Liberia	West Africa	Africa	Developing Countries
<b>Basic Indicators</b>					
Area ( '000 Km²)	2020	96	5,115	30,067	94,557
Total Population (millions)	2020	5.1	397.2	1,338.8	6,437.7
Urban Population (% of Total)	2020	52.6	47.6	43.8	50.8
Population Density (per Km²)	2020	52.5	78.9	45.6	67.2
GNI per Capita (US \$)	2019	580	1 677	1 843	5 093
Labor Force Participation *- Total (%)	2020	72.7	57.7	61.3	58.3
Labor Force Participation **- Female (%)	2019	72.0	57.1	55.8	45.9
Sex Ratio (per 100 female)	2020	101.1	101.4	99.9	106.9
Human Develop. Index (Rank among 189 countries)	2019	175	...	...	...
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-18	44.4	36.0	34.4	...
<b>Demographic Indicators</b>					
Population Growth Rate - Total (%)	2020	2.4	2.7	2.5	1.2
Population Growth Rate - Urban (%)	2020	3.5	4.0	3.6	2.3
Population < 15 years (%)	2020	40.4	43.2	40.4	27.4
Population 15-24 years (%)	2020	20.1	19.7	19.3	16.3
Population >= 65 years (%)	2020	3.3	2.8	3.5	7.3
Dependency Ratio (%)	2020	77.6	85.1	78.1	54.6
Female Population 15-49 years (% of total population)	2020	24.2	23.4	24.2	25.1
Life Expectancy at Birth - Total (years)	2020	64.4	58.4	63.8	71.0
Life Expectancy at Birth - Female (years)	2020	65.8	59.5	65.6	73.2
Crude Birth Rate (per 1,000)	2020	32.4	36.4	32.6	19.7
Crude Death Rate (per 1,000)	2020	7.3	9.8	7.8	7.3
Infant Mortality Rate (per 1,000)	2019	62.2	63.3	47.9	30.6
Child Mortality Rate (per 1,000)	2019	84.6	98.2	69.5	41.0
Total Fertility Rate (per woman)	2020	4.2	5.0	4.3	2.6
Maternal Mortality Rate (per 100,000)	2017	661.0	704.7	432.3	231.0
Women Using Contraception (%)	2020	31.9	25.5	39.1	59.1
<b>Health &amp; Nutrition Indicators</b>					
Physicians (per 100,000 people)	2010-18	3.8	25.1	33.4	127.9
Nurses and midwives (per 100,000 people)	2010-18	53.2	98.7	107.8	247.6
Births attended by Trained Health Personnel (%)	2010-18	61.1	54.2	64.7	79.4
Peop. Using at least basic drinking water services (% of Pop.)	2017	72.9	69.8	66.3	87.7
Peop. Using at least basic sanitation services (% of Population)	2017	17.0	32.5	40.3	68.4
Percent of Adults (aged 15-49) Living with HIV/AIDS	2019	1.5	1.3	3.1	...
Incidence of Tuberculosis (per 100,000)	2019	308.0	170.2	198.2	152.0
Child Immunization Against Tuberculosis (%)	2019	84.0	76.8	81.0	88.0
Child Immunization Against Measles (%)	2019	85.0	65.9	71.9	84.9
Underweight Children (% of children under 5 years)	2010-19	10.5	25.6	18.1	14.5
Prevalence of stunting	2010-19	34.6	36.4	32.4	23.6
Prevalence of undernourishment (% of pop.)	2018	37.5	13.1	15.1	9.7
Current health expenditure (% of GDP)	2018	6.7	4.1	5.2	5.4
<b>Education Indicators</b>					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-20	85.1	89.4	101.0	101.6
Primary School - Female	2010-20	84.7	87.3	98.8	100.5
Secondary School - Total	2010-20	37.9	50.3	53.5	72.4
Secondary School - Female	2010-20	32.9	42.9	50.5	72.1
Primary School Female Teaching Staff (% of Total)	2010-20	18.5	41.7	49.2	63.7
Adult literacy Rate - Total (%)	2010-18	48.3	51.9	67.9	84.3
Adult literacy Rate - Male (%)	2010-18	67.7	71.1	73.5	88.4
Adult literacy Rate - Female (%)	2010-18	34.1	42.1	61.7	80.2
Government expenditure on Education (% of GDP)	2010-19	2.6	3.9	4.8	4.1
<b>Environmental Indicators</b>					
Land Use (Arable Land as % of Total Land Area)	2016	5.2	17.0	8.0	11.3
Agricultural Land (as % of land area)	2016	28.0	48.9	38.2	38.3
Forest (As % of Land Area)	2016	43.1	9.2	13.2	31.9
Per Capita CO2 Emissions (metric tons)	2016	0.3	0.5	1.1	3.4



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update :

March 2021

UNAIDS; UNSD; WHO; UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. \* Labor force participation rate, total (% of total population ages 15+)

\*\* Labor force participation rate, female (% of female population ages 15+)



## APPENDIX II: LIBERIA ACTIVE PORTFOLIO

Liberia: Approved & ongoing Portfolio as at April 19, 2021						
	Project Name	Date Approved	Closing Date	Amount Approved (M UA)	Amount Disbursed (M UA)	Financing Source/Instru.
<b>Agriculture and Rural Development</b>				<b>37.24</b>		
1	Smallholder Agriculture Productivity Enhancement and Commercialization Project (SAPEC)	02.05.2012	30.06.2021	36.55	31.78	ADF Loan GASFP Grant
2	Scaling up the Participation of SMEs in the Secondary Wood Processing Industry	14.09.2018	30.06.2021	0.69	0.52	FAPA Grant
<b>Power/Energy</b>				<b>79.92</b>		
3	CLSG-Rural Electrification -Liberia	06.11.2013	30.12.2021	17.96	2.89	ADF Loan TSF Grant
4	CLSG Electricity Interconnection Project	06.11.2013	31.12.2021	8.10	3.21	ADF Loan
5	Liberia Energy Efficiency and Access Project	13.12.2016	30.06.2022	30.90	9.89	ADF/NTF/TSF Loan EU-AITF/GEF Grant
6	Renewable Energy for the Electrification of Liberia	31.10.2019	30.06.2025	23.60	0.09	ADF/SREP
<b>Social</b>				<b>0.155</b>		
7	Technical Advisory Assistance and Capacity Building support to the Liberia Revenue Authority	05.11.2018	30.06.2021	0.155	0.06	TSF Grant
<b>Transport</b>				<b>167.93</b>		
8	Paving Fishtown - Harper Road Phase I	04.09.2013	30.06.2023	42.04	31.98	TSF Grant ADF/NTF Loan
9	MRU Road Development and Transport Facilitation Project – Phase I	18.12.2014	30.06.2022	52.08	37.43	ADF/TSF Loan
10	MRU Road Development and Transport Facilitation Project – Phase I- <i>additional Loan</i>	03.06.2015	30.06.2022	24.80	14.00	ADF Loan
11	MRU – Road Development and Transport Facilitation Project Phase II	19.09.2018	30.06.2023	49.01	4.71	ADF/TSF/ EIB Loan TSF/EU Grant
<b>Multisector- Governance, Technical Assistance and Capacity Building</b>				<b>19.13</b>		
12	Integrated Public Finance Management Project Phase II	30.01.2017	31.12.2021	6.26	3.09	ADF/TSF Grant
13	Technical and Capacity Building Assistance project to the Government of Liberia	13.09.2018	31.12.2021	1.0	0.81	TSF Grant
14	Liberia Youth Entrepreneurship and Employment Project	04.05.2016	30.08.2021	1.72	1.62	TSF/FAPA Grant
15	Multi-Country Covid-19 Crisis Response Programme- Liberia	24/07/2020	31/12/2021	10.15	10.15	ADF/TSF Grant
	<b>TOTAL (UA million)</b>			<b>304.58</b>	<b>152.23 (49.98%)</b>	
	<b>TOTAL (USD million)</b>			<b>420</b>	<b>210</b>	

**LIBERIA: TECHNICAL ASSISTANCE AND TRUST FUNDS**

<b>Project Name</b>	<b>Project ID Loan/Grant Number</b>	<b>App. Date</b>	<b>Comp date</b>	<b>App. Amount (MUA)</b>	<b>Financing Source/Instr.</b>
<b>AGRICULTURE AND RURAL DEVELOPMENT</b>					
Development of Agricultural Value chains in Liberia	100000018	13.04.2019	31.12.2021	0.199	KOAFEC
<b>PRIVATE SECTOR</b>					
<b>Multi-Country:</b> Support to Investment Promotion Agencies in Transition Countries Pilot Project	P-Z1-KF0-060/ 5900155016301	28.02.2019	31.12.2022	0.769	TSF
<b>FINANCE</b>					
<b>Multi-Country:</b> Strengthening Domestic Mobilization through Financial Modeling for the Extractive sector in Transitional Countries (FIMES)	P-Z1-KZ0-041/ 5900155016187	27.12.2019	31.12.2022	2.5*	TSF
<b>Multi-Country:</b> Tax, Revenue Management and Digitization	P-Z1-KF0-065/ 5900155016360	15.04.2020	30.09.2022	3.04*	TSF
<b>Multi-Country :</b> Projet de Numérisation des Paiements Gouvernementaux dans l'Union du Fleuve Mano (UFM)- DIGIGOV_MRU	P-Z1-HB0-072/ 5900155016195	25.11.2019	31.12.2022	2.04*	TSF
<b>EXTRACTIVES</b>					
<b>Multi-Country:</b> Enhancing Efficiency and Sustainability of Artisanal and Small-Scale Mining through Climate Smart Actions	P-Z1-B00-018/ 5900155016357	28.08.2020	31.12.2022	2.0*	TSF

*\*Amount approved for all Beneficiary countries*

### Appendix III. M&E arrangements

#### A. Alignment indicators

Indicator name	Definition/ description	Source	Baseline and targets (where possible)
<b>Increased share of market value for key processed commodities (%)</b>	Value of agro processed commodities divided by total agro commodities x 100	National Statistics/LNIC	Baseline (2022): 17% Target (2026): 25%
<b>Youth unemployment rate (%),</b>	# of Youth (15 – 35) unemployed divided by total # of youth x 100	National Statistics/LNIC	Baseline (2022): 2.41 Target (2026):1.90
<b>Enrolment in technical/vocational training (#)</b>	Total # of Students enrolled in TVET institutions	National Statistics/LNIC	Baseline (2022): 12000 Target (2026):14000

#### B. Outcome and output indicators (*performance indicators*)

Indicator name	Definition/ description	Methodology for collection	Responsibility for collection	Frequency of reporting	Results planning				
					2022	2023	2024	2025	2026
1.1 Number of new business registered	Measure of Number of new business	Project Progress reports and implementation documents	LNIC	Annual	0	5	15	25	50
OUTCOME INDICATOR 2.1. Total value of new investments (US\$ million)	Measure of Value of new investment	Project Progress reports and implementation documents	LNIC	Annual	0	10	50	100	150
OUTCOME INDICATOR 2.2. Total number of jobs created (disaggregated by age group and gender)	Measure of direct and indirect jobs created by age group and gender	Project Progress reports and implementation documents	LNIC	Annual	0	10000	50000	100000	156,000
OUTCOME INDICATOR 3.1 Number of cooperatives/farmer based organizations linked to the SAPZ/RTCs (disaggregated by 60% Youth led, 50% Woman led )	Measure of aggregation by gender/ youth le	Project Progress reports and implementation documents	LNIC	Annual	0	5	10	20	30
OUTCOME INDICATOR 3.2. Number of students trained from the TVET institutions who either become employed or self-employed in agro value chains or in agro industries- disaggregated by gender	Measure of agripreneurs capacity building by gender	Project Progress reports and implementation documents	LNIC	Annual	0	500	500	500	500
OUTCOME INDICATOR 3.3 Value of agricultural products supplied by farmers/outgrowers (groups/cooperatives) to agro processors (USD)	Measure of value chain development / agri products supplied	Project Progress reports and implementation documents	LNIC	Annual	0	100000	50000	100000	200000

B. Outcome and output indicators ( <i>performance indicators</i> )								C.	D.
Indicator name	Definition/ description	Methodology for collection	Responsibility for collection	Frequency of reporting	Results planning			2025	2026
					2022	2023	2024		
1.1.1. Perimeter fencing (& gates) (m)	Measure of infrastructure installed	Project Progress reports and implementation documents	LNIC	Annual	0	0	0	9265	-
1.1.2. Kms of external (approach) climate-resilient road constructed	Km of road infrastructure	Project Progress reports and implementation documents	LNIC	Annual	0	0	5	0	-
1.1.3. Link SEZ/SAPZ (Park) to power source (Km)	Km of Power line	Project Progress reports and implementation documents	LNIC	Annual	0	0	6	0	-
2.1.1 Number of ATCs constructed and equipped	Measure of ATCs	Project Progress reports and implementation documents	LNIC	Annual	0	0	0	1	-
2.1.2 Number of farmers cooperatives, outgrowers documented on the IT based Platform	Number of Farmer cooperative groups/Outgrowers registered on the IT platform	Project Progress reports and implementation documents	LNIC	Annual	0	5	10	20	30
2.1.3 Number of climate-resilient Aggregation Centers constructed and equipped	Measure of Aggregation Centers	Project Progress reports and implementation documents	LNIC	Annual	0	0	0	1	-
2.2.1 Number of MSME's supported /strengthened (disaggregated – 50% women, 60% youth)	Number of MSMEs (disaggregated by size)	Project Progress reports and implementation documents	LNIC	Annual	0	5	10	10	5
2.2.4 Number of students trained in climate-smart agro-industry related skills (disaggregated – 50% women, 60% youth)	Number of Students	Project Progress reports and implementation documents	LNIC	Annual	0	250	250	250	250
2.2.5 Number of TVET institutions/community colleges supported	Measure of Institutions supported with teaching aid equipment for processing	Project Progress reports and implementation documents	LNIC	Annual	0	2	-	-	-

B. Outcome and output indicators ( <i>performance indicators</i> )									
Indicator name	Definition/ description	Methodology for collection	Responsibility for collection	Frequency of reporting	Results planning			2025	2026
					2022	2023	2024		
3.1.1 Number of Instructional processes developed for the SEZA (Includes Delegation of Authority Matrix, Staff Terms of Reference Structure of Salaries/emoluments, etc)	Measure of institutional processes developed for the SEZA	Project Progress reports and implementation documents	LNIC	Annual	2	2	2	0	0
3.1.2. Number of Policy Studies and Reforms/scheme of incentives supported	New Policy Documents/Scheme of fiscal & non fiscal Incentives/	Project Progress reports and implementation documents	LNIC	Annual	1	3	1	-	-
3.1.3 Number of IT Based BDS systems (Registration Processes Tenant Licensing systems, Single Window trade facilitation, One Stop Shops, etc) supported	Measure of BDS Systems	Project Progress reports and implementation documents	LNIC	Annual	1	2	2	-	-
3.1.4 Number of Regulatory (legal) systems and procedures supported	Measure of Regulatory Systems documented with TA	Project Progress reports and implementation documents	LNIC	Annual	1	2	2	-	-
3.1.5. Number of Standard Operating Procedures (SOP) supported	Measure of SOP established with TA	Project Progress reports and implementation documents	LNIC	Annual	2	2	1	-	-
3.1.6. Number of market sounding/Branding/investment promotion events hosted	Measure of IP events	Project Progress reports and implementation documents	LNIC	Annual	1	1	1	1	1

3.2.1 Monitoring framework established and functional for the project	Measure of monitoring framework	Project Progress reports and implementation documents	LNIC	Annual	1	-	-	-	-
3.2.2 Disbursement rate on Bank's managed resources (%)	Measure of funds disbursed	Project Progress reports and implementation documents	LNIC	Annual	20	40	60	80	100
3.2.3 Number of implementation Progress reports prepared	Measure of implementation progress	Project Progress reports and implementation documents	LNIC	Annual	4	4	4	4	4
3.2.4 Number of audit reports prepared and validated	Measure of audits performed	Project Progress reports and implementation documents	LNIC	Annual	1	1	1	1	1

<b>Risk Analysis Matrix</b>				
<b>Risk Category</b>	<b>RISK DESCRIPTION</b>	<b>RATING</b>	<b>MITIGATION MEASURE</b>	<b>RISK OWNER</b>
<b>Country's Political and Governance Context</b>	Loss of interest in the project due to a change in Government. The head of state in Liberia is elected to a six-year term and the project timeline exceeds 2023 when the next election is expected	Low	The project is clearly a high priority for all political parties in the Country. The Government has been consistent and focused with its goal to attract private sector investments into the country from the past President with the passing of the SEZ Act in 2017 and the current government has been consistent with the development of the SEZA in line with the Act. The Bank will continue to dialogue with the government despite the anticipated change in government leadership.	LNIC
<b>Sector Strategies and Policies</b>	The Government changes policy focus that will make the SEZ/SAPZ to function at sub optimal level	Moderate	To mitigate this risk, the Project will undertake a market sounding and branding exercise with the private sector very early at project implementation and investment promotion events subsequently. The GoL proposes to put in place an autonomous Special Economic Zone Authority that will provide generous incentive packages to attract investors exclusively to the Park. The project will help to further strengthen the capacities of relevant agencies especially on investment promotion. The Bank and other donors will continue to dialogue with the Government on continued reforms to improve business climate.	LNIC
<b>Fiduciary and Value for Money</b>	Risk associated with overall FM capacity in Liberia	Substantial	The fiduciary arrangements of the project will be handled by the PFMU and the technical implementation be handled by LNIC. The PFMU is adequately staffed with a pool of professional accountants, equipped with Sun Accounting system and functional internal audit function. The PFMU is headed by an experienced Director who is a chartered accountant with several years of experience in managing the fiduciary arrangements of donor funded projects. A PA will be assigned to the project and directly supervised by the PFMU Director for quality assurance. The project will be managed an experienced and skilled Project Coordinator who will report to the JSC, who will be in charge of providing strategic direction and oversight guidance to the project.	LNIC/AfDB
<b>Capacity of Implementing Entity</b>	Implementation coordination risks	Low	The LNIC has a performance track record in the implementation of previous Bank-financed projects and projects financed by other development partners. However, there will be close monitoring and supervision of PIU by the Bank.	LNIC/AfDB
<b>Other</b>	Lack of interest of agro companies in internship programmes	Low	The project will actively support private sector mobilisation for skills development; and the signing of MoUs with regional TVET Bureaus to operationalize internship, dual training and marketing of the new agro-processing training curriculum	LNIC

## **Appendix IV: FINANCIAL MANAGEMENT ASSESSMENT REPORT**

**5.5.0 Introduction:** Virtual financial management (FM) capacity assessment was carried out in July 2021 on the Implementing Agency Liberia National Investment Commission (LNIC) and the Ministry of Finance and Development Planning (MFDP) Public Financial Management Unit (PFMU), responsible for managing the fiduciary arrangements of the proposed project. The FM capacity assessment was done in accordance with the Financial Management Policy of the African Development Group financed operations (2014), the Financial Management Implementation Guidelines for Bank Group Operations (2019) and Guidance Note on Financial Management in Rapid Response to Crises and Emergencies. The objective of the assessment was to ascertain whether the LNIC and PFMU have acceptable FM arrangements in place to manage the fiduciary aspect of the project and are capable of: (i) accurately and completely recording all project transactions and balances; (ii) facilitating the preparation of regular, timely and reliable financial statements; (iii) safeguarding the project's assets (as applicable); and (iv) can be subjected to auditing arrangements acceptable to the Bank. The results of the FM capacity assessment performed are presented below:

**5.5.1 Financial and Disbursement Management:** The National Investment Commission (NIC) will handle the technical implementation of the Liberia Special Agro Industrial Processing Zone Project through a PIU to be constituted and hosted at the the NIC. The Ministry of Finance and Development Planning (MFDP) Public Financial Management Unit (PFMU) will amange the fiduciary arrangements of the project. Similar arrangements have been made by the government of Liberia (GOL) to successfully execute various donor funded projects in the country, including the Bank funded Fishtown-Haper Road Project (FTRP), and the Mano River Union Road Development and Transport Facilitation Programme (MRUDTFRP) Phases I & II. The PFMU will effectively work with the PIU at the NIC (in charge of the day-to-day implementation and coordination), to ensure that the project is successfully and timely implemented. A project accountatnt (PA) and an accounts clerk will be assigned by the PFMU Director to be directly in charge of the financial management function of the proposed project. The PA will report to the PFMU Director who shall have overall responsibility for the project fiduciary arrangements. The Director of PFMU is an experienced and seasoned chartered accountant with several years of experience in managing the fiduciary arrangements various donor funded projects in Liberia. The GOL with the support of development partners (including the Bank and World Bank) constituted the PFMU to be in charge of the accounting, financial reporting and the other fiduciary arrangements of donor funded projects in Liberia. The Unit is adequately staffed with a pool of accountants, an internal audit function, and equipped with Sun accounting software, a Financial Management Procedures Manual (FMPM) an Administrative Procedures Manual. The Project Accountant will use the existing Sun Accounting System and chart of accounts to produce quarterly un-audited Interim Financial Reports (IFRs) for submission to the Bank within forty-five (45) days, at the end of every calendar quarter. In harmony with other donor funded projects and GOL accounting standards, the project will adopt International Public Sector Accounting Standards (IPSAS) and the existing FMPM to prepare project financial statements (PFS). All project financial reports must be approved by the by the PFMU Director before submission to the Project Coordinator and the Bank. GOL internal control procedures (as modified and applied by PFMU for donor funded projects) shall be adopted for processing and approving payments under the proposed project. The internal audit function of the PFMU will provide internal



checks and carry out periodic reviews on project operations to strengthen the control environment. The Internal Audit reports shall be submitted to the Joint Steering Committee (JSC), established under the SEZ, who will ensure the timely implementation of audit recommendations. The JSC will provide strategic direction and oversight guidance for the project, as well as monitor the overall implementation progress of the project and approve key strategic documents including annual workplans, procurement plans and budgets, before submission to the Bank for its no objection. The assessment recommends that a project implementation manual be developed and implemented to guide project implementation and operation. The assessment also recommends that all project staff appointed sign contracts, which will specify their respective functions on the project, to facilitate adequate segregation of duties. The annual project financial statements covering all project activities for each year, shall be subjected to external auditing by the General Auditing Commission (GAC) of Liberia or competitively recruited private independent external audit firm, acceptable to the Bank. The audit terms of reference (TOR) must be agreed with the Bank. The audit reports must be submitted to the Bank within six (6) months after the end of each financial year, being audited. The contents of both the IFRs and the annual financial statements have been discussed and agreed with the PFMU.

**5.5.2 Disbursement Arrangement:** Four disbursement methods are used by the Bank in disbursing funds to its projects: (i) Direct payments; (ii) Special Account (SA); (iii) Reimbursement; and (iv) Reimbursement guarantee methods. Disbursement to projects managed by the PFMU had generally have made use of Direct payment and Special account methods. The **Direct payment method** will be used for payments against larger contracts signed between project management and contractors/suppliers/ service providers. **In line with the Bank's guidelines, the use of Special Account method will only be authorized upon refund or justification of the unjustified balances of closed Bank financed projects in Liberia (including Urban Water and Sanitation Project: Nov. 2018; Rural WASH Program Development Study: June 2015; Labour-Based Public Works Project: Mar. 2015; and Supplementary Labour- Based Public Works: Mar. 2015).** As and when the Special Account method becomes applicable, a dedicated USD special account will be opened at an acceptable commercial bank to receive advances from the Bank for payment of operating expenses. A project operating account in USD account will also be opened at a commercial bank to receive other income on the project including, bid sales. **Reimbursements** will be made for eligible expenses for goods, works, services and operating expenses already incurred and paid for by the GoL from its own resources and supporting documents submitted and duly validated by the Bank for payments. Under the **Reimbursement guarantee method**, the Bank shall provide an irrevocable undertaking to reimburse a commercial bank for payments made or to be made to a beneficiary against a letter of credit (for imported goods). *All disbursements shall be in accordance with the Bank's disbursement procedures outlined in the Disbursement Handbook 2020.*

**5.5.3 External audit:** The annual project financial statements of the project shall be audited by the General Auditing Commission (GAC) of Liberia in line with the PFM Act 2009 and the GAC Act 2014. In instances that the GAC is unable to carry out the audit, GAC will lead the project in the recruitment of a private independent external audit firm (using its outsourcing guidelines) through a competitive process, acceptable to the Bank. The audit shall be conducted using audit terms of reference (TOR) agreed with the Bank. The audit reports (comprising of the audited financial statements with the auditor's opinion and related management letter) must be submitted to the Bank within six (6) months after the end of each financial year being audited. The audit cost shall be paid for from project resources.

**5.5.4 Overall Conclusion:** The assessment concluded the overall FM risk is rated substantial and to mitigate this further: (i) the NIC will constitute and host a PIU with the full complement of technical experts to implement the technical components of the project; (ii) The PFMU Director will assign a project accountant and an accounts clerk to be in charge of the financial management function of the project; (iii) develop and implement a project implementation manual (PIM) to guide project operation and implementation; (iv) adopt the existing Sun Accounting Software, Financial Management Procedures Manual (FMPM) and chart of accounts for recording & processing of project accounting transactions and financial reporting; (v) recruit key project staff including a project coordinator among others; and (vi) fully implement the FM action plan.

## **PART 2. DETAILED FINANCIAL MANAGEMENT ASSESSMENT**

**5.5.5 Summary Project Description:** The project aims to complement the efforts of government in providing the necessary infrastructure to attract private sector investments and help GoL attract support from other development partners and private sector investors. Its development goal is to contribute to inclusive and sustainable agro-industrial development in Liberia, and in the process reduce staple food imports, create jobs, and reduce poverty.

**5.5.6 Use of Country Systems:** The latest Country Fiduciary Risk Assessment (CFRA) carried out in April 2019, **concluded that the overall fiduciary risk is substantial**. The recent PEFA (2016) report noted marginal improvements in the general PFM systems of Liberia since 2012. The cumulative effects of key challenges slowed the pace of PFM reforms; the challenges include inter alia: weak control environment; the impact of the prolonged Ebola Virus Disease (EVD); low human resource capacity especially at the operational levels; power and connectivity problems; financial resource shortfalls; frequent in-year budget adjustments; insufficient controls over payroll; expenditure commitment and other non-salary, and non-adherence to internal controls. Nonetheless, with the support of development partners, a solid foundation was laid in Information Technology (IT) based modernization, automating some key PFM systems with the Integrated Financial Management Information System (IFMIS), Civil Service Management System (CSMS), the Standard Integrated Government Tax Administration System (SIGTAS), and the Automated System for Customs Data Administration (ASYCUDA). There are improvements in budgeting areas especially, with the creation of Liberia Revenues Authority (LRA) (under the LRA Act 2013), improving budget Predictability and control. On Treasury sub-system, the PEFA 2016 review indicated that consolidation of TSA balances held in the Central Bank Liberia (CBL) takes place frequently and the balances of Controller and Accountant General (CAG) accounts are swept into the Consolidated Fund and reversed for normal transactions. However, the Bank's CFRA assessment in 2019 noted that, there is no direct interface between IFMIS and the CBL banking platform, thus access to the platform is granted to the MFDP for daily requisition and upload of bank statements onto IFMIS for reconciliation and consolidation of government cash balances. Furthermore, there is no ring-fenced mechanism regarding donor funds maintained at the CBL or supposed to be linked to the TSA, which had resulted in instances of violations and refunds. The accounting and financial reporting has improved significantly due to the deployment and rollout of IFMIS to 50 M&As (out of 107) representing 85% of total central government expenditure. The IFMIS budget preparation model and fixed asset module are not yet functional, whilst donor financed projects are generally accounted for

outside IFMIS. The Internal Audit Agency (IAA), under the Internal Audit Agency Act of 2013 had seen improvements and its staff had been deployed to key M&As and four major treasury unit counties, (accounting for about 85% of the national budget). The Auditor General (AG) strides to meet her statutory mandate despite budget, logistic and infrastructure constraints. The audit coverage is about 80% of entire government expenditure, but the timeliness of audit reports has been experiencing serious delays due to lack of documentation by the CAG. The AG also carries out audits of some donor funded projects, and other specialized audits. Despite the above challenges, the GoL is committed to improving the PFM system through reforms articulated in the National PFM Strategy and Action Plan 2017–2020, aligned with the National Development Agenda Pro-Poor Agenda for Prosperity and Development (PAPD) 2018–2023, with various initiatives supported by donors.

**5.5.7 Harmonization with Other Donors:** The proposed project will harmonise with earlier and ongoing projects managed by the Ministry of Finance and Development Planning PFMU funded by the Bank and other development partners (especially the World Bank, EU, USAID among others). Specifically, it will use same financial management arrangements including accounting software, chart of accounts, financial management and procedures manual and internal controls (including internal audit function) under the overall responsibility of the PFMU Director to manage the fiduciary arrangements of the proposed project.

**5.5.8 Implementing Agency:** The Liberia National Investment Commission (LNIC) was established by GOL Act 2010 (which repeals the National Investment Commission Act of 1979), which seeks to encourage, promote, and assist in the development of FDI in all sectors of the economy in which it is allowed. The LNIC will execute the technical components of the project through a constituted PIU to be hosted under the PIU. The Ministry of Finance and Development Planning (MFDP) Public Financial Management Unit (PFMU) will on the other hand manage the fiduciary arrangements (comprising of the budgeting, treasury management- including disbursement and funds flow, internal controls, accounting, financial reporting, and external audit).

**5.5.9 Summary of assessed financial management arrangements:** The assessments of the various FM elements in the above executing agencies are summarized below:

*(i) Budgeting System:* The existing formalized GOL budgeting system for budget planning, formulation, execution, and monitoring. The PFMU ensures that budgeting process is participatory and comprehensive, capturing inputs/ data are from all technical units of the project. The annual budget and work plan will be drawn from the approved global workplan and budget. The annual budget, workplan and procurement plan must be submitted to JTC for scrutiny and approval before submission to the Bank for its ‘no objection’.

*(ii) Accounting:* The project accountant (PA) will use the PFMU existing Sun Accounting software and chart of accounts record and process project accounting transactions and prepare financial reports. The project will adopt and implement the existing financial management and procedures to streamline financial management practices within the project. The PA will be directly supervised by the PFMU Director, who will have overall responsibility for the fiduciary management of the project. On a quarterly basis, the PA

will generate from the Sun Accounting System quarterly un-audited Interim Financial Reports (IFRs), reviewed and approved by the PFMU Director before submission to the Bank within forty-five (45) days, after the end of every calendar quarter. The project will also adopt International Public Sector Accounting Standards (IPSAS) for the preparation of annual project financial statements (PFS), in harmony with accounting standards applied by the GoL and donor funded projects managed under the PFMU. To facilitate adequate segregation of incompatible duties, the PFMU Director will also assign to the project, an accounts clerk to be responsible making primary entries and filing of accounting records.

**(iii) Financial reporting:** The PA will use the existing Sun Accounting system and accounting policies detailed in the existing financial management manual to prepare both quarterly interim financial reports and annual financial reports. In accordance with GOL accounting standards and PFM Act 2009, the PFMU consistently applies IPSAS Cash Basis reporting framework for donor funded projects managed under the Unit. The PFMU Director is a seasoned chartered accountant with several years of hands-on experience of managing the fiduciary arrangements of donor funded projects will provide overall quality assurance for project financial reports prepared by the PA. The PFMU Director will ensure timely production of quarterly interim unaudited financial reports by the PA, for the benefit of the government of Liberia, and copies shared with the Bank no later than 45 days after the end of every calendar quarter. Annual draft annual draft project financial statements prepared, must be audited by the General Auditing Commission (GAC) or an independent external private audit firm competitively recruited by the GAC, (with the approval of the Bank). The signed audited project financial statements and related management letter must be submitted to the Bank within six (6) months after the end of the year audited. The content of the project financial statements has been discussed and agreed with the PFMU, which at a minimum shall include: (i) a statement of receipts and payments; (ii) a statement of comparison of budget to actuals (iii) Notes to the accounts comprising, significant accounting policies and other explanatory notes; (iv) statement of disbursement reconciliation; and (v) comprehensive listing of all assets acquired using project resources.

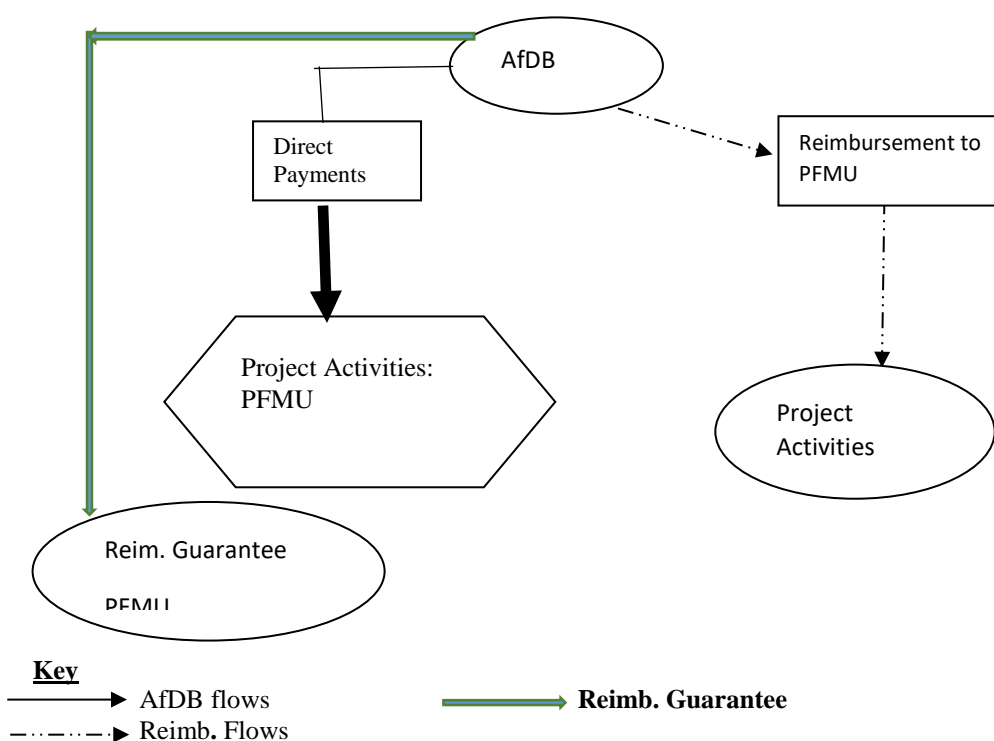
**(iv) Internal Control System, Governance, and Anti-corruption:** The GOL internal control procedures, as modified by the PFMU and detailed in the Financial Management and Procedures Manual (FMPM) and Administrative Procedures Manual will be followed for processing and approving payments. The review recommends that a project implementation manual (PIM) be developed and adopted to guide project implementation and operation. The SEZ Joint Steering Committee (JSC) will provide oversight guidance and strategic direction as well as review and approve key strategic documents including annual workplans, budgets and annual procurement plans (before the Bank's 'no objection'). The PFMU has an effective internal audit function, which provide internal checks and review project operations to strengthen the control environment. The internal audit will submit its reports to the JSC who will ensure that audit recommendations are implemented in a timely manner. The project will adopt full use of GOL internal checks and approvals for processing withdrawal requests.

**(v) Treasury Management (including funds flow and disbursements):** Four disbursement methods are used by the Bank in disbursing funds to its projects: (i) Direct payments; (ii) Payments through Special Account (SA); (iii) Reimbursement method; (iv) and Reimbursement by guarantee. Disbursement to projects managed by the PFMU had generally made use of Direct payment and Special account methods. The **Direct payment**

**method** will be used for payments against larger contracts signed between project management and contractors/suppliers/ service providers. In line with the Bank’s guidelines, the use of Special Account method will only be authorized upon refund or justification of the unjustified balances of closed Bank financed projects in Liberia. As and when the Special Account method becomes applicable, a dedicated USD special account will be opened at an acceptable commercial bank to receive advances from the Bank for payment of operating expenses. A project operating account in USD account will also be opened at a bank to receive other income on the project including, bid sales.

**Reimbursements** will be made for eligible expenses for goods, works, services and operating expenses already incurred and paid for by the GoL from its own resources and supporting documents submitted and duly validated by the Bank for payments. Under the **Reimbursement guarantee method**, the Bank shall provide an irrevocable undertaking to reimburse a commercial bank for payments made or to be made to a beneficiary against a letter of credit (for imported goods). *All disbursements shall be in accordance with the Bank’s disbursement procedures outlined in the Disbursement Handbook 2020.*

The **flow of funds diagram** below illustrates the flow of funds from the Bank to the proposed project:



**(vi) External Audit:** The annual project financial statements of the project shall be audited by the Gneral Auditing Commission (GAC) of Liberia in line with the PFM Act 2009 and the GAC Act 2014. In instances that the GAC is unsble to carry out the audit, GAC will lead in the recruitment of a private independent external audit firm (using its outsourcing guidelines) through a competitive process, acceptable to the Bank. The audit shall be conducted using audit terms of reference (TOR) agreed with the Bank. Each audit of the project financial statements by the PFMU, shall cover a period of one (1) financial year

except (i) the first audit, which may cover a period not exceeding eighteen (18) months after the date of first disbursement of the Loan, if such first disbursement occurs in the second half of the applicable financial year; and (ii) the final audit, which may cover a period not exceeding eighteen (18) months, if the Closing Date occurs within the first half of the applicable financial year. The audit reports (comprising of the audited financial statements with the auditor's opinion and related management letter) must be submitted to the Bank within six (6) months after the end of each financial year being audited. The audit cost shall be paid for from project resources.

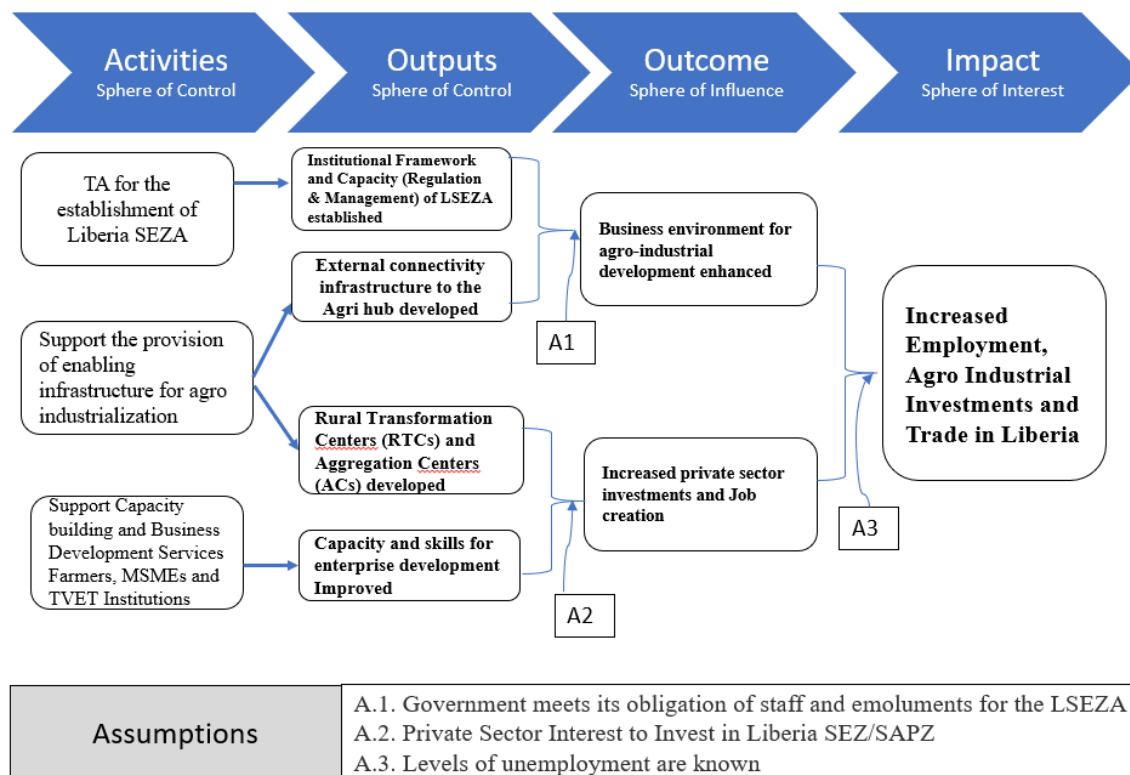
**5.5.10 Summary Action Plan:** The following FM actions need to be carried out by NIC and PFMU to operationalize the agreed mitigating measures:

Action	Implementing Agency & Responsibility	Completion Date
1. Recruit key project staff including project coordinator and assign Project Accountant (PA)	MFDP/ LNIC/ PFMU	Before first disbursement
2. Assign an Accounts Clerk to assist (PA) and be responsible for making primary entries and filing of accounting records.	PFMU	Within 6 months effectiveness
3. Develop and implement a project implementation manual (PIM) to guide project operations and further strengthen the control environment.	MFDP/ LNIC	Within 6 months after effectiveness
4. Adopt existing Financial Management and Procedures Manual and Administrative Procedures to streamline FM practices and strengthen internal controls (respectively) within the project.	MFDP/ PFMU	Within 2 months effectiveness
5. Set up the project on the existing Sun Accounting System for project accounting and financial reporting	PFMU	Within 2 months effectiveness
6. Develop audit ToR and agree with Bank	LNIC/ PFMU	At Project Launching
7. FM training workshop including disbursement and procurement.	Bank/ MFDP/ LNIC/ PFMU	At project launching

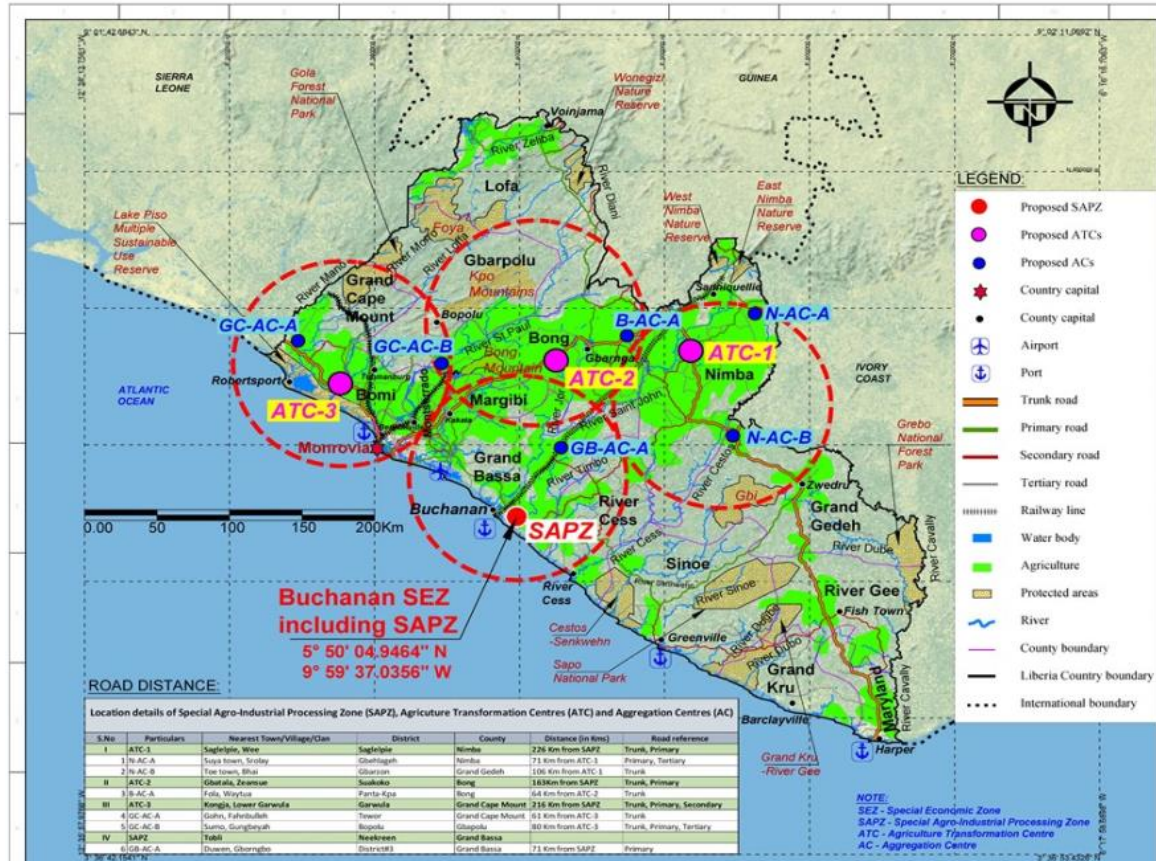
**5.5.11 Conditions and Financial Covenants:** The appointment of key project staff including the Project Coordinator and assignment of a dedicated Project Accountant by the PFMU shall be a condition precedent to first disbursement.

**5.5.12 Supervision Plan:** The periodicity of the FM supervision shall initially be set at 2 supervision missions per year, comprising of a combination of desk and onsite visits, supplemented with the reviews of quarterly un-audited IFRs, annual external audit reports and follow-ups on the implementation of management letter and supervision mission recommendations. Based on the evolving FM, which shall be periodically re-assessed, the frequency of supervision missions will be amended accordingly.

## Appendix V: Theory of Change: Liberia Special Agro Industrial Processing Zone Project



## Appendix VI: Map of Liberia with Location of SEZ/SAPZ and ATCs





## Appendix VII: Environmental and social compliance note (ESCON)

### ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)



AFRICAN DEVELOPEMENT BANK

GROUP

#### A. Basic Information<sup>5</sup>

Project Title: Liberia Special Agro Industrial Processing Zone Project		Project "SAP code": P-LR-AA0 -009	
Country: Liberia	Lending Instrument <sup>6</sup> : DI <input type="checkbox"/> FI <input type="checkbox"/> CL <input checked="" type="checkbox"/> BS <input type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>		
Project Sector: Agriculture		Task Team Leader: Chukwuma EZEDINMA	
Appraisal date: 12/04/2021		Estimated Approval Date: 30/09/2021	
Environmental Safeguards Officer: Moses DUPHEY/ Sekou Abou KAMARA			
Social Safeguards Officer: xxxxx			
Environmental and Social Category: 2	Date of categorization: 05/04/2021	Operation type: SO <input checked="" type="checkbox"/> NSO <input type="checkbox"/> PBO <input type="checkbox"/>	
Is this project processed under rapid responses to crises and emergencies?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Is this project processed under a waiver to the Integrated Safeguards System?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	

#### B. Disclosure and Compliance Monitoring

##### B.1 Mandatory disclosure

<b>Environmental Assessment/Audit/System/Others (specify: ESIA)</b>			
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	NA <input type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	30/08/2021		
Date of receipt, by the Bank, of the authorization to disclose	30/08/2021		
Date of disclosure by the Bank	31/08/2021		
<b>Resettlement Action Plan/Framework/Others (specify:)</b>			
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]		
Date of receipt, by the Bank, of the authorization to disclose	[Date]		
Date of disclosure by the Bank	[Date]		
<b>Vulnerable Peoples Plan/Framework/Others (specify:)</b>			
Was the document disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]		
Date of receipt, by the Bank, of the authorization to disclose	[Date]		
Date of disclosure by the Bank	[Date]		
<b>If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: NA.</b>			

##### B.2. Compliance monitoring indicators




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

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

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

**C. Clearance**

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

<i>Prepared by:</i>	<i>Name</i>	<i>Signature</i>	<i>Date</i>
Environmental Safeguards Officer:	Moses DUPHEY/ Sekou KAMARA		10-09-2021
Social Safeguards Officer:			
Task Team Leader:	Chukwuma EZEDINMA		14-09-2021
<i>Submitted by:</i>			
Sector Director: for	Olagoke OLADAPO (Oic for Atsuko TODA)		21-09-2021
<i>Cleared by:</i>			
Director SNSC:	Maman-Sani ISSA		24/09/2021