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Investing in rural people

Republic of Zimbabwe

Smallholder Irrigation Revitalization
Programme (SIRP)

Negotiated financing agreement

Executive Board — 118th Session
Rome, 21-22 September 2016

For: Information

Negotiated financing agreement: "Smallholder Irrigation Revitalization Programme"

(Negotiations concluded on 14 September 2016)

Grant Number: _____

Programme Title: Smallholder Irrigation Revitalization Programme (SIRP) ("the Programme")

The Republic of Zimbabwe (the "Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Grant to the Recipient (the "Financing"), which the Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Grant is eighteen million three hundred thousand Special Drawing Rights (SDR 18 300 000).
2. The first day of the applicable Fiscal Year shall be 1st of January.
3. There shall be one Designated Account denominated in US dollar (the "Designated Account") opened by the Recipient at the Reserve Bank of Zimbabwe, through which the proceeds of the Grant shall be channelled.
4. There shall be one Programme Operations Account denominated in US dollar (the "Operations Account") opened by the Lead Programme Agency at a commercial bank acceptable to the Fund to receive and hold the financing transferred from the Designated Account.

5. The Recipient shall provide counterpart financing for the Programme in the amount of seven million nine hundred thousand US dollars (USD 7 900 000) to cover taxes and duties levied in the implementation of the Programme. The Recipient shall also provide the financing for the staff salaries in accordance with its national regulations.

Section C

1. The Lead Programme Agency shall be the Ministry of Agriculture, Mechanisation and Irrigation Development (MAMID).

2. The following are designated as additional Programme Parties: Ministry of Finance and Economic Development (MOFED), Ministry of Environment, Water and Climate (MEWC), Ministry of Small and Medium Enterprises and Cooperative Development (MSMECD), Ministry of Women Affairs, Gender and Community Development (MWAGCD) and other ministries as required during the implementation; and Private Services Providers and Water Users Organizations (WUOs).

3. The Programme Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

Section D

The Grant will be administered and the Programme supervised by the Fund.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

- (a) The co-financing agreement to be executed between the Recipient and the OPEC Fund For International Development (OFID) ("Co-Financing Agreement") has been suspended, cancelled or terminated, in whole or in part, or any event has occurred which, with notice or the passage of time, could result in the foregoing.
- (b) The Programme Implementation Manual ("PIM"), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Programme.
- (c) Any Key Programme Staff as established in Section II.A.3.1 of Schedule 1 to this Agreement, have been appointed, transferred or removed from the Programme Coordination Unit ("PCU") without the prior concurrence of the Fund.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) The Recipient has established the PCU within MAMID, in accordance with Schedule 1, Section II of this agreement;
- (b) The Recipient has prepared the PIM, in form and substance satisfactory to the Fund, and in accordance with the provisions of Section C of Schedule 1 to this Agreement; and

- (c) The Recipient is operating a fully functional accounting software, in form and substance satisfactory to the Fund.
3. This Agreement is subject to ratification by the Recipient.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Recipient:

Minister of Finance and Economic Development
New Government Composite Building
Cnr Simon V. Muzenda Street/S. Machel Avenue
Harare, Zimbabwe

For the Fund:

President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement, dated ____ has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient.

REPUBLIC OF ZIMBABWE

[insert NAME of the Authorised Representative]
[insert his title]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Programme Description and Implementation Arrangements

(a) Programme Description

1. **Target Population.** The Programme shall benefit a large number of poor smallholder farmers and poorer members of the communities in the districts selected as set forth in the PIM, including approximately 15,000 households with an average of 0.4 hectare in the irrigation schemes, 12,500 households with no access to irrigation in the adjacent rainfed areas, 2,000 youth and 500 extension and technical service providers. Women will account for at least 50 per cent of the target in line with their participation in irrigated and rainfed agriculture supported by the Programme.

2. **Goal.** The Programme goal is that rural households achieve food and nutrition security and are resilient to climate change effects and economic shocks in the Programme districts.

3. **Objective.** The objective of the Programme is that rural households sustainably increase their income in schemes and adjacent rainfed areas supported by the Programme.

4. **Components.** The Programme shall consist of the following three components:

4.1 Component 1: Sustainable Smallholder Irrigation Development

The objective of this component is to transform low-performing irrigation schemes in the targeted provinces into fully functional schemes that are efficiently managed by strengthened WUOs, thereby providing a basis for sustained, commercial irrigated agriculture in selected areas, through:

4.1.1 **Scheme Selection and Rehabilitation.** Improvement of irrigation schemes, with the rehabilitation of approximately 6,100 hectares, including, inter alia, (i) preparation of feasibility studies, scheme revitalization plans and other technical studies, such as manuals and detailed design reports; (ii) construction and/or expansion of the selected schemes, including piloting solar power pumping systems; (iii) carrying-out of the related supervision of civil and electromechanical works; and (iv) capacity building on the operation and maintenance of irrigation schemes for key professionals of the Department of Irrigation ("DoI") and to scheme level operators.

4.1.2 **Improved Smallholder Irrigation Management.** Empowerment of irrigators and of their WUOs for the establishment of more effective and inclusive governance institutions to increase local ownership and participation, including, inter alia, (i) institutional development of irrigation groups and WUOs and strengthening of the managerial capacity of WUOs for community operation, productivity and sustainability, including studies, capacity building on irrigation water management, financial and administrative management, community visioning, participatory planning and operations and maintenance (O&M); and (ii) stimulate the creation of a network of repair and maintenance of irrigation schemes, with vocational training to selected youth on irrigation equipment repair and maintenance and related provision of starter kits to setting-up irrigation asset repair and maintenance businesses.

4.1.3 **Enhanced Institutional Capacity for Irrigation Development.** Enhancement of DoI's institutional capacity on irrigation service delivery, and to contribute to evidence-based policy development on issues affecting smallholder irrigation. This will include, inter alia, (i) provision of equipment and vehicles and

funding recurrent operational costs; (ii) preparation of training materials and providing training and mentorship for DoI staff on water management, irrigation and other relevant subjects; (iii) undertaking a nation-wide inventory of smallholder irrigation schemes; (iv) development of DoI's capacity to conduct participatory feasibility studies and detailed designs for an additional of approximately 2,000 hectares, equivalent to approximately 10 irrigation projects, nationwide; and (v) testing of evidence-informed policy dialogue with relevant stakeholders on selected policy matters related to smallholder-irrigated agriculture.

4.2 Component 2 – Climate-smart Agriculture and Market Access

The objective of this component is to achieve sustainable crop production and farm competitiveness and profitability on selected irrigated areas and related adjacent rain-fed areas, through:

4.2.1 Enhanced Agricultural Practices and Farmers' Organizational Capacity. Empowerment of targeted farmers to improve their agricultural practices and sustainably increase productivity and efficient use of natural resources, including, inter alia, (i) participatory natural resources mapping, including support to Village Development Committees ("VIDCOs"); (ii) participatory planning, monitoring and evaluation, including the preparation of the Revitalization Plan and of the Greater Scheme Agricultural Plan; (iii) promotion of the adoption of good agricultural practices through the implementation of farmer field schools and demonstration plots; (iv) establishment of a National Resources Management Facility ("NRMF") to provide start-up support to farmers in the rain-fed areas to undertake income generating projects that utilise natural resources in a sustainable manner; (v) promotion of good nutrition education, gender equality and economic empowerment, including, capacity building on gender sensitisation, facilitation and strengthening of women's organizations, gender sensitisation and nutrition education courses, establishment of nutrition demonstration gardens and carrying-out of food fairs and/or cooking and feeding demonstrations.

4.2.2 Market Access and Rural Financial Services. Improvement of irrigated and rain-fed farmers' profitability and household incomes by increasing market access and linkages between the different value chain actors including, inter alia: (i) improved access to and use of financial services through financial literacy training for farmers and their organisations and strengthening of community based financial institutions; (ii) broad-based capacity building on agribusiness development and marketing; (iii) brokering market linkages and information access, through the establishment of farmer businesses groups and value chain platforms; (iv) post-harvest management training and promoting innovative low cost technologies for storage and processing of perishable products at irrigation scheme level and cluster level; (v) training of youth as artisans to provide post-harvest value addition services; and (vi) design and rehabilitation of last mile feeder roads and of small bridges.

4.2.3 Enhanced Institutional Capacity for Market-led Agricultural Production. Enhancement of the institutional capacity of Agricultural, Technical and Extension Services (AGRITEX) to improve the quality of service provision to smallholder farmers. This will include, inter alia, (i) provision of equipment and vehicles and funding recurrent operational costs; (ii) preparing training materials and providing training and mentorship to the AGRITEX staff covering a range of technical aspects of good agronomic practices; and (iii) enhancing the capacity of AGRITEX and other relevant stakeholders to engage in policy dialogue on issues affecting smallholder agriculture.

II. Implementation Arrangements

A. Organization and Management

1. Lead Programme Agency ("LPA")

1.1 The LPA shall be MAMID, who shall have the overall responsibility for the Programme implementation.

2. Programme Steering Committee ("PSC")

2.1. Establishment and Composition. The Recipient, through MAMID, shall establish the PSC, with structure, functions and responsibilities in accordance with the PIM and acceptable to the Fund. The PSC shall be chaired by MAMID's Permanent Secretary and will comprise senior officials from the Ministries of Environment, Water and Climate (MEWC); Finance and Economic Development (MOFED), Rural Development, Preservation and Promotion of Culture (MRDPPC); Women Affairs, Gender and Community Development (MWAGCD); and Small and Medium Enterprises and Cooperative Development (MSMECD) or as otherwise agreed between the Recipient and the Fund. It will include also senior representatives of the irrigation working group, farmers organisations and selected private sector service providers. The PSC shall meet at least twice a year and the PCU shall act as PSC's secretariat.

2.2. Responsibilities. The PSC is responsible for Programme oversight and strategic guidance, as detailed in the PIM, including (i) provision of strategic guidance to Programme management; (ii) approval of the Annual Work Plan Budget (AWPB) and the Procurement Plan and of financial and technical progress reports; (iii) vigilance over full transparency and accountability in Programme management; (iv) review and follow-up of supervision and audit recommendations; (v) promotion of cooperation with all development partners; (vi) identification of policy issues for attention by the Recipient and initiation of follow-up action on lessons and findings from the Programme; and (vii) close collaboration and supervision of the coordination of implementation of activities at the provincial level by the Provincial Agricultural Coordination Committee and at district level by the District Agricultural Coordination Committee, both with composition and functions as established in the PIM.

3. Programme Coordination Unit ("PCU")

3.1. Establishment and Composition. The PCU shall be established within MAMID, with structure, functions and responsibilities in accordance with the PIM and acceptable to the Fund. The PCU will be composed of, but not limited to, a Programme Coordinator, a Monitoring and Evaluation and Knowledge Management (M&E/KM) specialist, a Programme accountant, a Procurement specialist (jointly, the "Key Programme Staff") and an administrative assistant. One full time Provincial Facilitator (PF) will be selected for each of the four Programme provinces. All staff shall be selected competitively according to the Recipient's applicable procedures acceptable to the Fund and hiring and termination of the contracts shall be subject to the Fund's no-objection.

3.2. PCU Responsibilities. The PCU is responsible for overall Programme implementation and coordination, including, inter alia: (i) preparation of the AWPB; (ii) financial management; (iii) procurement; (iv) Programme M&E; (v) KM; (vi) preparation and consolidation of Statement of Expenditures (SOEs), financial statements and withdrawal applications; (vii) Programme reporting; and (viii) coordination of all Programme implementing partners, especially DoI and AGRITEX.

3.3 PF Responsibilities. The PF will be responsible for, inter alia: the coordination and facilitation of the Programme implementation by relevant government agencies; (i) monitoring Programme implementation and prepare progress and annual reports; (ii) collection and consolidation of all support documents, reports, annual audit reports and financial statements; (iii) contract services for rehabilitation of irrigation schemes and ensure compliance with the conditions of the NRMF.

4. Programme Technical Committee ("PTC")

4.1. Establishment and Composition. The PTC shall be established with structure, functions and responsibilities acceptable to the Fund and in accordance with the PIM.

4.2. Responsibilities. The PTC shall provide technical support to the PCU on a demand-driven basis.

B. Implementation of Components

5. Component 1: Sustainable Smallholder Irrigation Development

5.1. Programme activities under this Component will be led by DoI and implemented using the Recipient's existing administrative and technical structures, in close participation with beneficiaries. The PCU will contract long-term and short-term consultancy services as and when required, in accordance with this Agreement. For sub-component 1.1, when required, contractors will be hired for civil and electro-mechanical works and qualified companies will be selected to carry-out the technical studies and designs. For sub-component 1.2, a service provider will be hired to work with DoI at the provincial level to strengthen and empower irrigation WUOs, with the backstopping of central level staff from the water management department. The PCU will hire specialized vocational training institutions to carry-out the activities related to youth and procure and supply irrigation assets, maintenance tools and equipment.

6. Component 2: Climate-smart Agriculture and Market Access

6.1 Programme activities under this component will be led by AGRITEX in collaboration with the PCU, service providers and farmers. Service providers and technical assistance will be contracted in accordance with this Agreement to assist targeted schemes, prepare VIDCOs and the NRMF and help AGRITEX and DoI in the preparation of the Revitalization Plan and of the Greater Scheme Agricultural Plan. Private entities that show interest in collaborating with the irrigation schemes will be encouraged to also provide capacity building to farmers. The PCU will be responsible for the assessment, recommendation and, upon due approvals, set up and monitor the execution of the matching grant facility and provision of matching grants to beneficiaries, as established in the PIM.

C. Programme Implementation Manual ("PIM")

7. Preparation. The Recipient shall prepare, in accordance with terms of reference acceptable to the Fund, a PIM, which shall include, among other arrangements: (i) institutional coordination and day-to-day execution of the Programme; (ii) Programme budgeting, disbursement, financial management, procurement monitoring, evaluation, reporting and related procedures; (iii) detailed description of implementation arrangements for each Programme component; and (iv) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Programme.

8. Approval and Adoption. The LPA shall forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM, substantially in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund. The Recipient shall carry out the Programme in accordance with the PIM and shall not amend, abrogate, waive or permit to be amended, abrogated, or waived, the aforementioned manual, or any provision thereof, without the prior written consent of the Fund.

Schedule 2

Allocation Table

1. Allocation of Grant Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Grant and the allocation of the amounts of the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Grant Amount Allocated (expressed in SDR)	Percentage See (b) below
I. Consultancies	3 200 000	
II. Goods, services and inputs	3 600 000	
III. Training and Workshops	3 150 000	
IV. Works	4 900 000	
V. Operating Costs	1 400 000	
VI. Salaries and allowances	250 000	
Unallocated	1 800 000	
TOTAL	18 300 000	

(b) In all cases the percentage of expenditures to be financed will be 100% net of taxes and beneficiary, counterpart financing and OFID co-financing.

(c) "Goods, Services and Inputs" comprises materials and vehicles including equipment and materials provided through the NRMF.

(d) "Salaries and Allowances" comprises allowances only, since salaries will be entirely borne by the Recipient.

2. Start-up Costs. Withdrawals in respect of expenditures for start-up costs for expenditures incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 400 000.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Recipient to request withdrawals from the Grant Account if the Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme:

1. **Gender.** The Recipient shall develop and implement a gender strategy for the Programme to ensure that gender concerns shall be mainstreamed in all Programme activities throughout the implementation period, in order to offer equal opportunities under the Programme to men, women, women headed households, youth and other disadvantaged groups.
2. **Counterpart Funds.** The Recipient shall ensure that counterpart funds are clearly identifiable in the financial management system and all financial statements.
3. **Land and Water Access.** The Recipient shall ensure that smallholder farmers have full access to land along applicable customary and legal regulations. A prerequisite to the signature of such agreements shall be the prior formal establishment of the WUOs.
4. **Environmental and Social Due Diligence.** The Recipient confirms that the Programme will be implemented in compliance with the main IFAD policies, strategies and procedures, including, inter alia, (i) IFAD's Natural Resources Management Policy, Climate Change Strategy and Social, Environmental and Climate Assessment Procedures, (ii) IFAD's Policy on Improving Access to Land and Tenure Security, and other policy tools such as (a) the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests and (b) the Framework and Guidelines for Land Policy in Africa. Before supporting any intervention that might affect the land access and use rights of communities, the Programme will ensure that their free, prior and informed consent has been solicited through inclusive consultations based on full disclosure of the intent and scope of the activities planned and their implications. Prior to carrying out any construction of irrigation facilities and related items, the Recipient shall prepare and adopt an Environmental and Social Impact Assessment (ESIA) and Environmental and Social Management Plans (ESMPs), where they are required, with adequate budget for their implementation, so that to confirm the full social and environmental sustainability of the construction foreseen.
5. **Transparency and internal control framework.** The Terms of Reference of the external audit shall include a specific review of internal control environment. This covers all the systems, manual and IT.
6. **Internal Audit.** The Internal Audit Department of MAMID will include the Programme in its yearly internal audit oversight plans. The implementation status of internal audit recommendations will be addressed and made available to the Fund.