



Investing in rural people

Republic of Angola

Smallholder Agriculture Development and Commercialisation Project in Cuanza Sul and Huila Provinces (SADCP-C&H)

Final project design report

Main report and appendices

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Currency equivalents

Currency Unit	=	Angolan Kwanza (AOA)
US\$1.0	=	165 AOA

Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

Abbreviations and acronyms

AFAP	Angola Fisheries and Aquaculture Project
AfDB	African Development Bank
AOA	Angolan Kwanza
AWPB	Annual Work Plan and Budget
BNA	<i>Banco nacional de Angola</i> (Central Bank of Angola)
BP	Business Plan
CGIAR	Consultative Group for International Agricultural Research
CSA	Climate smart agriculture
ECP	Anti-poverty Strategy
EDA	<i>Estacões de Desenvolvimento Agrário</i> (IDA office at municipal level)
EIRR	Economic Internal Rate of Return
ENSAN	National Strategy for Food and Nutrition Security
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FAO	Food and Agriculture Organization of the United Nations
FFS	Farmer Field School
FIL	Financial Institutions Law
FO	Farmers' organization
GALS	Gender Action Learning System
GAP	Good Agricultural Practice
GDP	Gross Domestic Product
GEPE	<i>Gabinete de Estudos, Planificação e Economia</i> (Dep. Of Planning and Statistics)
GNI	Gross National Income
GOA	Government of Angola
HDI	Human Development Index
HDR	Human Development Report
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IBRD	International Bank for Reconstruction and Development (World Bank Group)
IDA	<i>Instituto de Desenvolvimento Agrário</i> (Agricultural Development Institute)
IFAD	International Fund for Agricultural Development
IIA	<i>Instituto de Investigação Agronómica</i> (Agricultural Research Institute)
INM	Integrated nutrient management
MINAGRI	Ministry of Agriculture
MINFAMU	Ministry of Family Affairs and for the Promotion of Women
MOSAP	Market Oriented Smallholder Agriculture Project
MSME	Micro, Small and Medium Enterprise
NAPA	National Adaptation Programme of Action
NDP	National Development Plan
NPV	Net Present Value
PAPAGRO	<i>Programa de Adquisição de Produtos Agropecuarios</i> (Agricultural and Livestock Products Purchase Programme)
PCC	Project Coordination Committee
PDO	Project Development Objective
PFI	Partner Financial Institution
PGC	Provincial Governance Committee
PGC	Provincial Governance Committee
PHL	Post-harvest losses
PIM	Project Implementation Manual
PISC	Project Implementation Sub-Committee
PIU	Project Implementation Unit
PPCC	Provincial Project Coordination Committee
PPIU	Provincial Project Implementation Units
PPP	Public Private Partnership
R&D	Research and Development

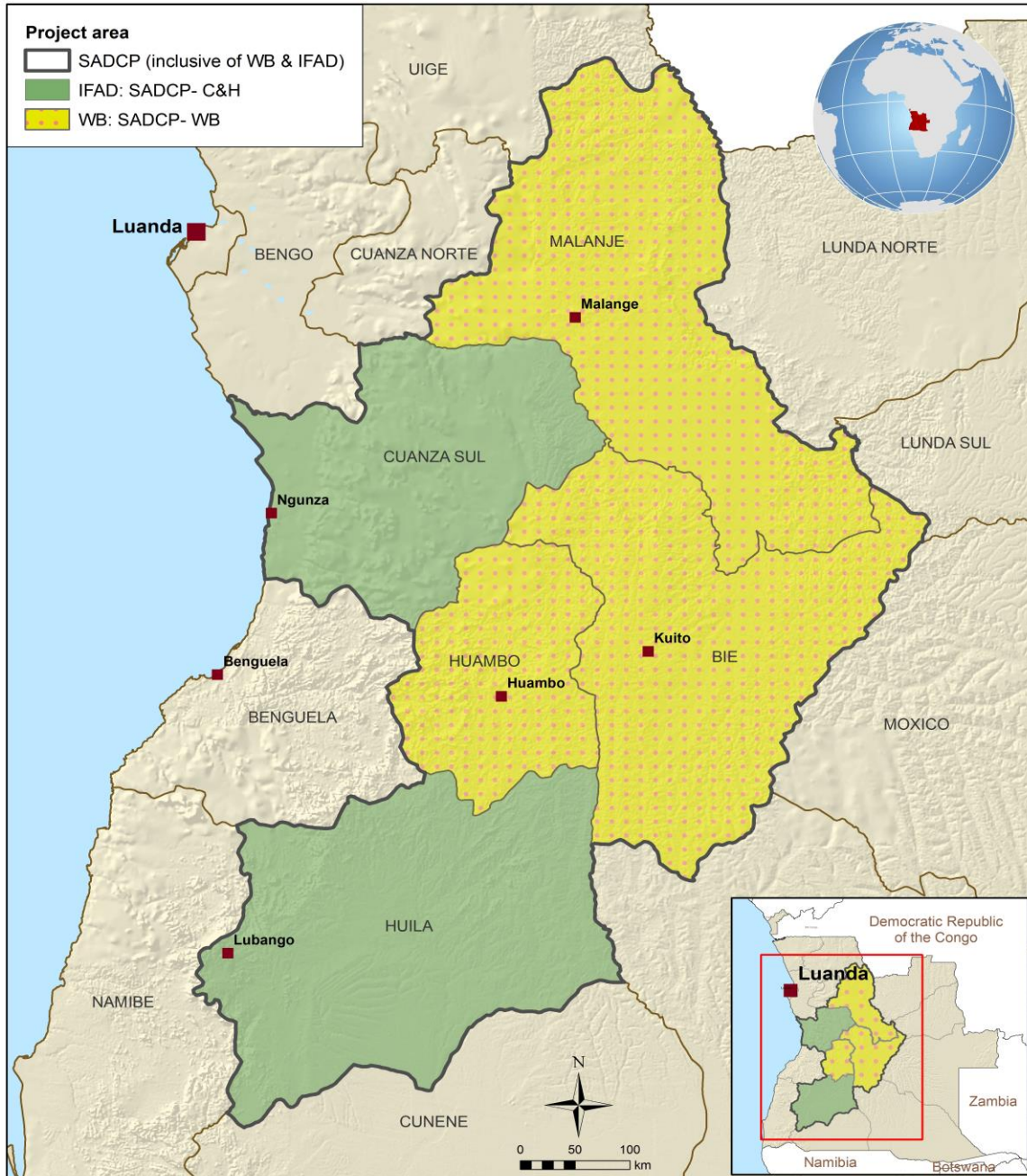
RIMS	Results and Impact Management System
SADCP	Smallholder Agriculture Development and Commercialization Project
SECAP	Social Environmental and Climate Assessment Procedures
SSI	Small-scale Irrigation
SADCP- CH	Smallholder Agriculture Development and Commercialization Project – Cuanza Sul and Huila
SADCP- WB	Smallholder Agriculture Development and Commercialization Project – World Bank
WHO	World Health Organization of the United Nations

Map of the project area

Angola

Smallholder Agriculture Development and Commercialization Project (SADCP)

Design report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
 Map compiled by IFAD | 10-01-2017

Executive Summary¹

A. Rationale

i. The Government of Angola (GOA) requested IFAD and the World Bank (WB) to support, under parallel financing, the Smallholder Agriculture Development and Commercialisation Project (SADCP). The SADCP represents a significant scaling up of support to a greater number of smallholder farmers, from 50,000 farm families under the Market Oriented Smallholder Agriculture Project (MOSAP) to at least 235,000 farmers under the SADCP, covering five provinces as compared to three under MOSAP. As requested by the GOA, SADCP will be implemented in two separate regions, each clearly assigned to one development partner.

ii. SADCP is designed to address two critical constraints to agricultural development in Angola. First, it will increase institutional capacity through capacity building, both nationally and in the project areas. Second, it will upgrade smallholder agricultural production and improve market linkages. It will address critical bottlenecks in the agricultural supply and value chains, including extension, irrigation, productivity enhancement, conservation agriculture and climate change adaptation, post-harvest management, value addition, and market linkages of selected crops. All of these initiatives build on the experience gained under MOSAP.

B. Intervention Area, Target Group and Targeting Strategy

iii. The WB-funded SADCP (SADCP-WB) will be implemented in Bie, Huambo, and Malanje Provinces. The IFAD-funded SADCP (SADCP-C&H) will support Cuanza Sul and Huila Provinces. SADCP-C&H will cover ten municipalities in two new provinces, namely Cuanza Sul and Huila. The SADCP-C&H mirrors the SADCP-WB.

iv. The core target group consists of 60,000 rural households, representing about 300,000 people, including 50,000 farmers who will benefit through farmers' field schools (FFS) and 10,000 who will benefit from participation in FFS combined with investment support (of which 1,000 farmers will also benefit from irrigation development). The target group consists of: (i) small farmers with access to less than two hectares of land with potential for production and productivity increases, and (ii) groups of women and youth who will be involved in processing, marketing and service provision. Women will comprise at least 50% and youth for 30% of the target group.

v. The targeting strategy is based on: (a) geographic targeting; (b) self-targeting; and (c) targeting tools to ensure inclusiveness. These tools include: (a) facilitation and empowering measures; (b) gender approaches; and (c) activities to reach out to youth.

C. Project Development Objective, Outcomes and Components

vi. The Project Development Objective (PDO) is to "increase smallholder agriculture productivity, production and marketing for selected crops in the Project areas".

vii. **Component 1: Capacity Building and Institutional Development (US\$ 15.5 million).** This component will strengthen smallholder farmers' technical, organisational and managerial competencies and support a more conducive policy and enabling environment for smallholder agriculture. Support to government will ensure that adequate capacity is built for farming as a business and enhance commercialisation and value addition. The component consists of three subcomponents: (a) Strengthening Capacity of Smallholder Farmers and Farmers' Organisations (FO)

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through Farmers' Field Schools (FFS). The project will undertake an independent evaluation of FFS performance under MOSAP. Lesson learnt will be integrated into the project FFS implementation arrangements. FFS implementation will be sub-contracted to FAO as envisaged under the SADCP-WB project; (b) Strengthening Institutional Capacity of Local, Provincial, and National Units of MINAGRI; and (c) Strengthening Capacity and Global Knowledge to Address Emerging Research Problems. The component will achieve three outcomes: (i) Strengthened smallholder farmers and FOs' technical, organisational and managerial competence; (ii) a more conducive policy and enabling environment for smallholder agriculture; and (c) enhanced government capacity to support smallholder agricultural production and commercialisation.

viii. **Component 2: Support for Increased Production and Commercialisation (US\$14.7 million)**. This component will strengthen smallholder capital and market linkages through support on a priority basis for investment sub-projects for farmers' organisations (FOs) to improve their agricultural production and productivity. For market access and commercialisation the project will first develop business models and test pilot them before any rolling out activities as of third year of implementation. The project will promote provision of matching grants and short and medium term credit to be extended by PFIs (banks and non-bank microcredit institutions). The project will sustainably link smallholders and their FOs to buyers, input suppliers and PFIs. This will be achieved through two sub-components: (i) provision of technical support to be provided by contracted service providers; and (ii) investment support including the mobilization of PFIs. As for the SADCP-WB three main types of investments will be provided: (a) rehabilitation of small scale irrigation (SSI) schemes; (b) agricultural production and productivity improvements; and (c) post-harvest and value addition investments including storage, processing and marketing facilities. The expected outcome is "Investments in agricultural production and post-harvest management increased".

ix. **Component 3: Programme Management (US\$8 million)**. This component is comprised of two sub-components: (i) Project management; and (ii) Monitoring & Evaluation. It will support IDA in managing the project effectively and in accordance with its objective, procedures and fiduciary guidelines and M&E system-to be established. The Project will use the same governance and oversight bodies as SADCP-WB, both at the national and the provincial levels. This will strengthen the complementarities and synergies between the two parallel-funded projects, ensure coherence and enhance government efforts for achieving economies of scale and sustainable results and impact. A separate Project Implementation Unit (PIU) will be established in Luanda under IFAD funding.

D. Adherence to IFAD policies and SECAP

x. The project is aligned with IFAD's Policies for Targeting; Gender Equality and Women's Empowerment; and IFAD's Social, Environmental and Climate Assessment Procedures (SECAP). The project is also aligned with IFAD's Environmental and Natural Resource Management Policy and Climate Change Strategy. The project nutrition focus is aligned with IFAD's commitment to nutrition-sensitive interventions and mainstreaming nutrition.

xi. The environmental and social category for the project is B, as most of the potential negative impacts of the sub-projects under Component 2 are site-specific and mostly reversible, or mitigation measures can be articulated as part of Environmental and Social Management Plans (ESMPs). All irrigation schemes to be rehabilitated are small scale. The climate risk classification for SADCP is moderate. This is based on the fact that the agricultural production is predominantly rain-fed, and also, the evident variability in duration, distribution and quantity of rainfall as well as increasing temperatures that are adversely impacting productivity.

E. Implementation Arrangements

xii. **Project oversight and coordination.** MINAGRI will be the executing agency and delivery systems will be fully integrated into decentralised government structures. Implementation arrangements will build on the mechanism employed by MOSAP and the SADCP-WB. MINAGRI/IDA will be responsible for administration and coordination. MINAGRI will be supported by the Project Coordination Committee (PCC) which will be chaired by the Minister of Agriculture. At provincial level, there will be a Provincial Project Coordinating Committee (PPCC) which will be chaired by the Provincial Director of Agriculture, and composed of the IDA provincial Director, NGOs, representatives of beneficiaries and of private sector operators. To ensure that the decisions of PCC are executed in a timely manner, the PCC will appoint a Project Implementation Sub-Committee (PISC) consisting of the MINAGRI/IDA Director General, the Project Manager and the Financial Manager.

F. Project Management Structures.

xiii. A Project Implementation Unit (PIU) will be established in Luanda; it will be staffed by a coordinator, a financial management specialist, a procurement specialist, an M&E and knowledge management specialist and support staff. In each participating province, there will be a Provincial Project Implementation Unit (PPIU) which will be staffed by an area coordinator, an accountant and key-support staff. Both the PIU and the two PPIUs will be entrusted with the day-to day implementation of the project including management, technical supervision, planning, fiduciary management, reporting, etc.

G. Cost and Financing

xiv. Total Project costs of SADCP-C&H, over the seven-year implementation period, including physical and price contingencies, are estimated at US\$38.2 million. Component 1 represents 40% of total cost, Component 2 represents 39% of total cost and Component 3 represents 21% of total cost.

H. Project financing

xv. SADCP-C&H will be funded by: (i) an IFAD loan of US\$28.8 million (75.5% of total project cost); (ii) a Government contribution equivalent to US\$8.2 million (21.6% of total cost), to cover duties and taxes as well as some operational costs of the public extension and agricultural research services; and (iii) a beneficiary contribution equivalent to US\$1.1 million (3% of total cost) to co-finance sub-projects under subcomponent 2.2

I. Benefits and Impact

xvi. The Project will improve the livelihoods and nutrition status of 60,000 beneficiary, households, create employment at farm/FOs level and facilitate the development of agricultural value chains.

xvii. The main benefits will be: (i) increased agricultural production and productivity stemming from: adoption of improved technologies; enhanced access to and efficiency of water use; (ii) increased cash income for participating smallholders; (iii) improved food security and nutrition and reduction in the vulnerability to external shocks, notably climate change; (iv) reduced transaction costs and post-harvest losses through bulking and marketing by FOs and other value chain actors and enhanced access of smallholders to finance; (v) increased value added by smallholders and FOs; (vi) enhanced bargaining power, understanding of markets and management capacity of smallholders and their organisations; (vii) improved natural resources conservation, enhanced bio-diversity and resilience to climate change; and (viii) improved institutional capacity of MINAGRI, IDA at central, provincial and municipality levels.

Logical Framework

Results Hierarchy	Indicators				Means of Verification			Assumptions (A) / Risk s (R)
	Name	Baseline	Mid-term (YR4)	End Target	Source	Frequency	Responsibility	
Goal: To diversify the economy, generate revenue and improve livelihoods and food security of poorer households	1. Increased asset index for 60,000 households	Baseline data	10% increase (from baseline)	25% increase (from baseline)	Baseline, mid-term and end of project surveys	Yr1, Yr4, Yr7	Service provider	
	2. Decrease in chronic malnutrition among children under 5 years	Cuanza sul (34.3%); Huila (33.7%)	2.5% reduction from baseline	5% reduction from baseline	Baseline survey, nutritional assessments	Yr1, Yr4, Yr7	Service provider	
Development Objective: To increase smallholder agriculture productivity, production and marketing for selected crops in the Project areas.	3. Number of beneficiaries reached 3a. of which women (%) 3b. of which youth (%) 3c. of which FFS beneficiaries receiving nutrition education	0	20.000	60.000	Reports of implementing entities and IDA records	6-monthly	PIU, PPIU, IDA, service providers	Substantial policy, governance and macroeconomic risks (R) Weak institutional capacity of project implementation (R)
	4. Average crop yields	Baseline data			Surveys of the FFS/FBS participants and sub-project beneficiaries	Yr1, Yr4, Yr7	PIU IDA, service provider	
	Maize (MT/ha)	0.5	1.0	2.1				
	Beans (MT/ha)	0.3	0.55	0.9				
	Onion (MT/ha)	8.0	12.0	14.0				
	Irish potato (MT/ha)	9.0	10.0	12.0				
	Cassava (MT/ha)	7.0	9.0	13.0				
5. Proportion of targeted smallholder production marketed (%)	15	20	25	Surveys of the FFS/FBS participants and sub-project beneficiaries	Yr1, Yr4, Yr7	PIU IDA, service provider		
Outcome 1: Smallholder farmers' technical, organisational and managerial competence improved							Delays in setting up PIU and PPIUs and signing of contracts with service providers	
Output 1.1: Smallholder farmers' technical, organisational and managerial competence improved	6. Number of farmers having completed FFS training (of which 50% women/ 30% youth)	0	20,000	60,000	IDA records	6-monthly	IDA, service provider	
Output 1.2: Supported smallholder farmers' organisations and cooperatives (FOs) functioning	7. Percentage of FOs operational	0	30%	60%	Reporting service provider	6-monthly	PIU, IDA	

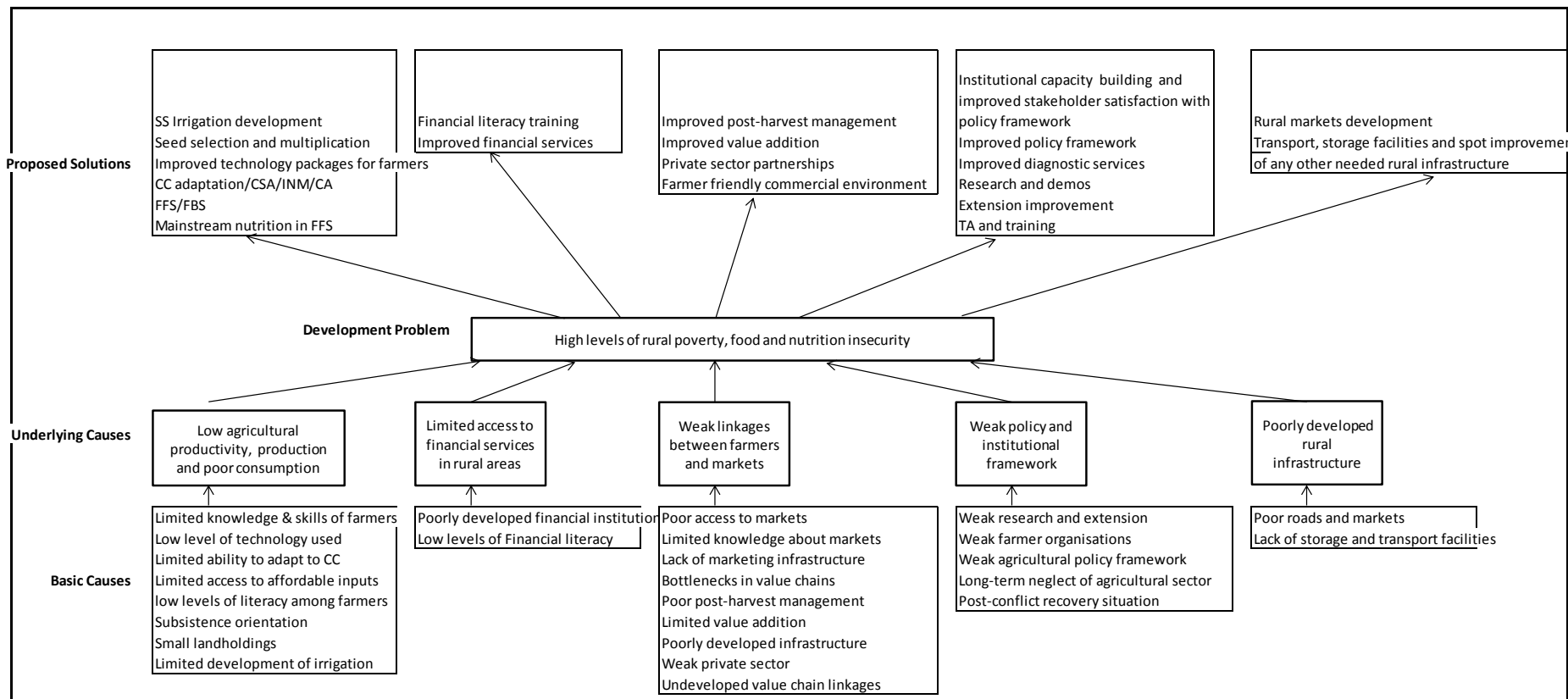
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Outcome 2: More conducive policy and enabling environment for smallholder agriculture	8. Appropriate smallholder agricultural policies included in national & sectoral development plans	0	1	3	National Development Plans/sector Strategy Reports/ Surveys of the FFS/FBS participants	Yr1, Yr4, Yr7	PIU, IDA, service provider	Slow start-up of activities @ Weak capacity of public service@ (R)
Output 2.1: MINAGRI staff that benefitted from training	9. Number of MINAGRI/IDA/ICA staff having completed training course	0	100	150	Reporting service provider	6-monthly	PIU, IDA	
Output 2.2: Registration of farmers' associations and cooperatives (including Water User Associations) streamlined and supported	10. No. of registered entities (with membership data disaggregated by gender)	0	50	165	Registrar	Annual	MINAGRI	
Outcome 3: Government capacity to support climate resilient smallholder agricultural production and commercialisation enhanced	11. Percentage of beneficiaries of FFS that adopted at least 2 new technologies	0%	80%	80%	Ex-post evaluation	Yr7	PIU	Weak capacity of public services (R)
Output 3.1: Institutional capacity of national and provincial-level agricultural research system strengthened	12. Number of recommended technology packages for project crops and target groups developed	0	5	10	IIA & IDA	Annual		Sufficient capacity of IIA& IDA to prepare technology kits (A)
Output 3.2: Number of climate resilience technologies demonstrated in project area	13. Number of adapted climate resilience technologies applied	0	8	20	Reporting IDA	6-monthly	IDA	
Outcome 4: Investments in agricultural production and post-harvest management increased								Slow start-up of activities (R)
Output 4.1: Sub-projects (SP)/Business plans (BP) technical, economic, financial, social, environmental and climate resilience feasibility proven	14. Number of SPs/BPs approved for financing and implemented, of which: SP for production enhancement SP for value addition and commercialization ²	0 0 0	50 40 3	150 120 30	IDA reporting	Annual	PPIUs	
Output 4.2: Financial products for farmers organisations and rural businesses introduced	15a. Number of farmers accessing project financial services	0	1,000	5,000	PFI & IDA reporting	Annual	PIU	
	15b. Amount of PFI credit mobilized (USD million)	0	0.3	1.2	PFI reporting	Annual	PIU	

² SPs mainly dealing with marketing/commercialisation will be tested and piloted during the first two years before taken to scale.

Republic of Angola: Smallholder Agricultural Commercialisation and Development Project in Cuanza Sul and Huila provinces

Figure 1: Problem Tree Analysis and Theory of change



I. Strategic context and rationale

A. Country and rural development context

1. The Republic of Angola is one of Africa's most resource-rich countries, representing sub-Saharan Africa's second largest oil producer, and the world's fourth largest producer of diamonds. The country also possesses a wealth of other natural resources, including minerals, water, arable land, forests and fisheries. The country covers an area of 1,247,000 km² and is the third largest country in sub-Saharan Africa. The 2014 census estimated its population at 24.3 million people of whom some 38% are living in rural areas.³ After four decades of civil war, much of the country's economy collapsed, infrastructure destroyed and institutions weakened. Since the return of peace about 14 years ago, the Government, together with its national and international partners have made substantial progress in re-establishing the foundation needed to address these problems. This has resulted in the development and implementation of programmes aimed at restoring order and security, revitalising the economy, restoration of basic social services and the rehabilitation of infrastructure.

2. Although the agriculture sector contributes on average only 5.5% to GDP, 44% of the employed population works in the sector according to the recent census. Moreover, 46% of households were engaged in some agricultural activity and 6% were engaged in fishing. The Food and Agriculture Organisation (FAO) estimates that almost 68% of economically active adults worked in the agriculture sector in 2014. More than half of Angola's poor are located in rural areas and depend almost exclusively on agriculture for their livelihood. Almost a third of agricultural households are headed by women. Women are responsible for 70% of traditional subsistence agriculture and 24% of commercial agriculture.

3. Oil prices declined by over 72% between 2014 and 2016. This led to important changes in the economy including: (i) emergence of a current account deficit - the first since the financial crisis of 2008–2009; (ii) a scarcity of foreign currency; and (iii) local currency depreciation and inflationary pressures, with annual inflation currently around 26%. The drop in oil prices also drastically reduced government revenues, leading to large cuts in expenditures, including the virtual elimination of fuel subsidies, the cancelation of capital expenditures, and a reduction in acquisitions of goods and services.

4. These changes prompted the government to accelerate efforts to diversify the economy. Angola depends heavily on food imports. The Government Strategy to Exit the Crisis places a strong emphasis on agriculture as an immediate way to increase domestic production and reduce imports. Particularly, the government is facilitating private sector involvement in the agriculture sector and is encouraging national financial institutions to support the sector more deeply. Increased agricultural production (particularly cereals and vegetables) and productivity have the potential to ease the current account pressures and the foreign exchange scarcity.

5. **Poverty and inequality.** Angola did not meet its Millennium Development Goals targets in 2015. Angola ranks low on both human development and business environment indicators. Its overall institutional capacity has not been rehabilitated since the return of peace and bureaucratic hurdles inhibit private sector growth. Performance related to social indicators is mixed: good progress has been made in poverty reduction, primary education, and gender equality since 2002, but other social indicators remain very poor. For example, maternal mortality is 450 per 100,000 births, and malnutrition is acute with 30% of children less than five years of age suffering from stunting and 16% underweight.

6. The overall poverty rate declined from 62% in 2001 to about 37% in 2009⁴. This was a major achievement, but much more needs to be done to reduce poverty as part of the shared prosperity agenda. Major disparities in the poverty rate exist across different provinces as well as between rural and urban areas. The rural poverty rate is almost 58%, in contrast with an urban poverty rate of less than 30 percent. In the capital city (with a population of about five million), the poverty rate is only

³ Government of Angola (2016), "Censo 2014. Resultados definitivos do recenseamento geral da população e de habitação de Angola 2014", Instituto Nacional de Estatística.

⁴ IBEP 2008-2009.

about 9%. Smallholder agricultural production and productivity development and commercialisation are hence critical to reduce rural poverty.

7. **Continuing rural-urban migration.** Angola experienced rapid urbanisation, with 62% of the population currently living in urban areas compared to 15% in 1970. This was exacerbated by the armed conflict. A massive migration of rural people in search for a more secure environment took place during the armed struggle. The population of Luanda grew from less than half a million in 1970 to an estimated over 6 million in 2014. After the civil war, low agricultural productivity, limited availability of social services and infrastructure and the scarcity of job opportunities prevented rural people from returning to their areas of origin. These same factors continue to be the main drivers of rural–urban migration, which affects mainly young people.

8. Other indicators reflecting current human development conditions include: (i) 56% of the population (78% in rural areas) do not have access to safe water sources; (ii) only 24% of the rural population (63% in urban areas) have access to government health facilities within a 2 km radius; (iii) life expectancy at birth is estimated at 52.3 years (HDR 2015), among the lowest in the world; (iv) despite major efforts at educational reform, adult illiteracy is still widespread in rural areas (59%) compared to urban areas (20%); (v) youth unemployment is pronounced at 46%, against a general unemployment rate of 24%; (vi) Angola ranks 121 out of 142 countries in the Gender Gap Index 2014.

9. **Women.** While efforts have been made to reach gender parity in net enrolment for primary schooling, girls continue to have less access to secondary education. Illiteracy rates are substantially higher for women (47%) than among men (20%). Moreover, the combination of limited access to vocational training and education opportunities relegates women to sectors such as subsistence agriculture and informal trade. Women and men participate in unequal terms in the management and control over assets and in decision-making, both at household and community level. Over 23% of households are headed by women. The Ministry of Family Affairs and for the Promotion of Women (MINFAMU) developed a National Gender Policy and Implementation Strategy. Despite the approval of the Family Law and the Law Criminalising Domestic Violence, the use of customary law, strongly favouring men, is still widespread.

10. **Youth.** The government defines youth as people aged 15 to 35. They represent 32.4% of all citizens in the country. Migration levels among youth peaks at 24.5% for the age group between 25 and 35 years. The youth in rural areas are faced with the challenge of wanting to explore alternative livelihood opportunities to subsistence farming while having little formal training to equip them to face the labour market. School completion rates decrease after the primary level and progressively drop along the education pathway. Poverty is lower among the 15 – 35 year old range group than any other age group. A large number of households are youth headed. It is more frequent for the youth aged 20 – 24 years to have promiscuous sexual behaviour, placing this particular group, their partners and their unborn children at greater risk of HIV.

11. **Child and women’s malnutrition.** Stunting, wasting, and underweight are all considered to be of “medium” public health significance. Child stunting is a public health concern in the country. Furthermore, adolescent girls or women who were stunted during childhood are more likely to have an obstructed labour or experience other complications during delivery, subsequently heightening the risk of maternal mortality. Chronic malnutrition is 29% prevalent, acute malnutrition is 8% prevalent and underweight for age is 16%. Causes of malnutrition are highly complex. They feature not only immediate causes such as poor infant feeding and caring practices, and low dietary diversity; but also a diverse set of underlying causes. The latter include poor consumer knowledge and literacy, limited affordability of food due to inflated food prices, large post-harvest losses due to the near-absence of conservation and processing infrastructure, among others.

12. **Agricultural sector.** Although Angola used to be a major agricultural exporter, a large share of the food consumed in the country is currently imported, with the exception of roots and tubers. Almost 36 percent of cereal consumption (about 1.1 million tons) is met through imports. This is due in part to the destruction of the agricultural production and marketing infrastructure during the civil war, and in part to the improvements in terms of trade that came from high oil prices and increased oil exports volume. The fall in oil price registered in the last two years and the consequent currency devaluation is a natural incentive for domestic production to increase and substitute part of the imports. However, the extent to which this incentive will materialise depends on other factors such as adequate macroeconomic framework, improvements in the business climate, infrastructure and labor skills. The

government is in the process of implementing policies that will increase revenue and reduce expenditure. At the same time, the government is striving to improve the business climate to promote economic development, diversification of the non-oil economy (including agriculture), and competitiveness.

13. Angola has an estimated 35 million ha of arable land, of which less than 4 million ha are currently under cultivation. Overall, agricultural productivity and crop yields are extremely low. The soils are generally fertile in the north and the central highlands (Bié, Huambo, and Malanje provinces) and average rainfall exceeds 1,000 mm per year. The country has enormous potential to increase cropped area, raise crop yields, and exploit the potential of its diverse agro-climatic regions to increase production. Inclusive growth in the agriculture sector can reduce rural poverty, diversify the economy, accelerate economic growth, increase food security, improve social indicators in rural areas, and achieve the Sustainable Development Goals. The proposed Smallholder Agriculture Development and Commercialisation Project (SADCP) aims to provide a major impetus to the agriculture sector, which will improve the lives of rural poor people.

14. **Market opportunities.** Until the recent decline of oil prices the rural economy and the agricultural sector has received insufficient attention in the rapidly evolving economy. Agriculture, essentially subsistence-based, is typified by low yields, low prices and low returns to labour and land. Only a limited part of agricultural production reaches the market. Poorly developed infrastructure (especially roads and electricity), limited access to financial services, poor agricultural research and extension services, and limited availability of agricultural inputs represent the major constraints to growth in the sector. Market demand is high for most food crops and opportunities exist for expanding smallholders' production. However market outlets in rural areas are insufficient and marketing systems that were severely disrupted during the civil war, are yet to be strengthened. Farmers' organisations (FOs) can play an efficient role in bulking the production of smallholders and linking with traders and markets in urban areas.

15. The Market Oriented Smallholder Agriculture Project (MOSAP) was implemented in a post-conflict situation in which most smallholder agricultural production focused on subsistence agriculture. This situation still prevails for the target households in the new Project provinces, where most subsistence farmers remain net food buyers. As the households participating in the FFSs (under Component 1) advance to the stage where they can begin the transition from subsistence to market-oriented production, the Project will support sub-project proposals (under Component 2) from more advanced associations and FOs that focus on post-harvest value addition in concert with productivity and production. The approach will be guided by a number of lessons learned from MOSAP in linking smallholder farmers with markets.

16. **Rural Finance Sector.** The financial sector, comprising 27 commercial banks, non-banking financial institutions, and microfinance institutions (MFIs), has been meeting the evolving demands of the economy and contributing to economic diversification and reducing dependency on the oil sector. Though competitive, the banking sector is highly concentrated, with five banks holding over 75 percent of market share. It has been expanding throughout the country but the scope of products and services offered are mostly focused on traditional mass-market banking products. The banks have sound and highly liquid balance sheets and adequate financial resources to support economic diversification, employment generation and sustainable poverty reduction. This notwithstanding, loans are concentrated in a few sectors in Luanda province. A few banks have microfinance portfolios, but loans are mostly extended under government or donor-supported programmes.

17. The share of agriculture in the loan portfolio of banks is minimal and mainly short term. The development of new products and services for agriculture and formal credit/deposit insurance is not in vogue. The central bank, Banco Nacional de Angola (BNA), is a principal member of the Alliance for Financial Inclusion and committed to implement a financial inclusion policy and strategic framework. BNA has also made good progress in strengthening its banking supervision framework. It has issued regulations covering governance, risk management, external audit, consumer protection, etc. The recently approved Financial Institution Law (FIL) provides a framework for deposit guarantee, the Bank Resolution Fund and inter-institutional National Council of Financial Stability. The banking sector's liquidity remains high at about 0.75% of GDP. Angola's non-bank financial sector is small, but it is likely to grow with the passing of the FIL in December 2015, which stipulates the creation of a host of non-bank financial institutions.

18. GOA and BNA have focused, in recent years, on economic diversification, deepening financial inclusion, developing rural financial systems, microfinance and financing agriculture and agribusiness, with specific attention on family farming. The financial sector is yet to give due attention to these emerging areas, and there is still a long way to go to achieve a diversified economy with more inclusive, sustainable and robust growth. The current economic environment has provided a unique opportunity to refocus policies, re-engineer systems and processes, foster structural transformation, and bring about institutional development and upscale innovations for agriculture and rural development. Both public and private institutions, including the banking sector, have to work closely to increase production and productivity of smallholder farmers by facilitating access to finance, technology and markets.

19. **Current Policy Framework.** A key policy in Angola's National Development Programme, 2013-2017, is the promotion of economic growth and increased employment. Government envisions the intensification of economic diversification supported through investment in rehabilitation and development of new infrastructure. In addition, the government targets the development of macroeconomic policies to stimulate private investment and the creation of a more efficient and flexible public institutional structure. The latter would include restructuring of the central and local administrative bodies for purposes of rationalisation of resources and increased efficiency.

20. The government is fighting poverty on various fronts including: (i) the 2005 Anti-poverty Strategy (ECP); (ii) the 2009 National Strategy for Food and Nutrition Security (ENSAN); (iii) the Integrated Municipal Program for Rural Development and the Fight Against Poverty (PMIDRCP), which resulted from the 2010 merger of the ECP and ENSAN; and (v) the National Development Plan (NDP) 2013-2017. Government continues to allocate more than 30% of its budget to improving social conditions; a figure that is projected to increase over the next five years. The main priorities identified in the ECP are: (i) the reconstruction of infrastructure; (ii) increased access to education, health, and other basic services; and (iii) decentralisation of governance structures. The ECP highlights rural development, with a focus on the improvement of food security and the revitalisation of the rural economy.

21. The PMIDRCP aims: *"to reduce levels of extreme poverty in Angola and in particular in rural areas, promoting access to basic public services and turn Angola into a prosperous country with social justice."* This programme is implemented countrywide and led by the Secretariat of Social Issues of the Presidency. PMIDRCP includes several social programmes, such as Pro-ajuda ("help for work" aiming at the social inclusion of the more vulnerable households), Agua para todos (Water for all), Cartão Kikuia (provision of 10 thousand kwanzas to cover basic living expenses) and Programa de Aquisição de Produtos Agrícola (PAPAGRO) aiming at purchasing agricultural products from smallholder farmers.

22. **Climate change (CC).** Climate models predict Angola will experience higher temperatures (1.2 to 3.2°C by the 2060s), more extreme weather events, an expansion of arid and semi-arid regions, seasonal shifts in rainfall, localised floods, increased wildfires, sea level rise, increased rainfall in the northern parts of the country, changes in river flows as well as changes in sea and lake temperatures (NAPA, 2011). The agriculture sector is particularly vulnerable to the impacts of hazards such as drought and flood, as well as changes in the onset and duration of the growing season. Other possible changes are likely to include reduced duration of the growing season in southern and coastal regions, and a shift from two growing seasons to one in the northern regions (Lotz-Sistika and Urquhart, 2014). Potential impacts include: crop failures due to heat and drought stress, production losses due to unpredictable onset of rains, reduced planting area due to consumption of seed stores, and increased susceptibility to pests and disease. These are expected to adversely affect productivity as most of the agricultural production is rain-fed.

B. Rationale

Theory of Change

23. Following decades of civil war and neglect, Angola's smallholder farmers face multiple challenges which have perpetuated their struggle to escape poverty. The problem tree and theory of change shown in Figure 1 identifies four major causal factors: (i) low agricultural productivity and production; (ii) limited access to appropriate financial services; (iii) weak linkages between farmers and markets; and (iv) weak policy and institutional framework. Each of these causal factors has a

number of contributory elements which need to be tackled by the Project in order to address the core problem of persistently high levels of rural poverty, food and nutrition insecurity. Climate change amplifies the impact of all of these causal factors. The theory of change indicates how the Project will pursue its objective increasing smallholder productivity, production and access to markets through four major outcomes:

- **Smallholder farmers' technical, organisational and managerial competence improved.** This will be achieved by strengthening the capacity of smallholder farmers and their organisations through Farmer Field and Business Schools (FFBS) in order to improve their technical, organisational, commercial and managerial skills.
- **More conducive policy and enabling environment for smallholder agriculture.** This will be delivered through strengthening local, provincial and national units of the Ministry of Agriculture and **associated** institutions, notably in the fields of agricultural statistics, agricultural policy analysis, irrigation development, and enhanced delivery of extension and business advisory services. It will be complemented by the WB to strengthen the policy framework in country.
- **Government capacity to support climate resilient smallholder production and commercialisation enhanced.** This will be achieved by strengthening the capacity and global knowledge of national research institutions to address emerging research issues pertinent to smallholder agriculture.
- **Investments in agricultural production, productivity and post-harvest management for value addition increased.** This will involve technical and financial support to smallholders to expand the area under small-scale irrigation and drainage and co-finance smallholders' investments for increased productivity, production, access to markets, value addition and enhanced access to appropriate financial services.

24. SADCP builds on a previous World Bank and IFAD-supported project - MOSAP - approved in July 2008 and implemented over seven years. MOSAP was designed to increase agricultural production through the provision of improved agricultural services and investment support to smallholder farmers. Activities implemented under MOSAP included: (a) training of over 50,000 smallholder farmers in the use of improved agricultural technologies to increase crop production (the training was provided by service providers and FAO to over 25,000 producers on family farms through FFSs⁵; (b) training more than 60 agricultural technicians within MINAGRI; (c) providing support to over 10,000 smallholder beneficiaries by financing approximately 280 sub-projects⁶; and (d) building the capacity of ADI staff in targeted provinces and municipalities. In addition to capacity building, MOSAP contributed to: (a) an increase in agricultural production; and (b) the adoption of improved technologies for maize, beans, cassava, and Irish potatoes in the project areas.

25. The overall SADCP, which will be parallel funded by IFAD and the World Bank, will scale up the geographic focus of MOSAP in order to reach additional beneficiaries in more municipalities and communes within five provinces: Bié, Huambo, Cuanza Sul, Huila and Malanje⁷. Additionally, it will include rehabilitation of small-scale gravity-fed irrigation schemes as a pilot programme for smallholders. Building on lessons learned from MOSAP, SADCP strongly emphasises capacity building, institutional development, linking smallholders to markets, by strengthening MINAGRI's capacity for statistics, policy analysis, market information, irrigation development, and agricultural extension. Also building on lessons learned, SADCP aims to mainstream environmental considerations and climate-smart agriculture (CSA) practices. through investments in more efficient use of water resources, soil conservation, and integrated natural resource management. In addition, SADCP will explore new avenues to blend matching grants and equity contributions of beneficiaries, with loans to support their investments, gradually crowding-in formal partner finance institutions.

⁵ The FFS is a group-based learning process introduced in Angola by FAO and implemented under MOSAP to train smallholder farmer beneficiaries. An independent evaluation carried out in 2015 found a strong positive impact of FFS training on the crop management practices and crop yields of participating farmers.

⁶ Subprojects are demand-based and supported in the form of matching grants provided by the project to rural communities and smallholder groups for small-scale agricultural infrastructure, production, processing, and marketing.

⁷ SADCP-WB will be implemented in Bie, Huambo and Malanje provinces while SADCP-C&H (IFAD funding) will be in Cuanza Sul and Huila provinces.

26. The Angola NAPA, elaborated in 2011, identifies agriculture and fisheries as the most vulnerable, sectors and prolonged drought, flooding and soil erosion as major threats. The adaptation measures prioritised in the NAPA were further elaborated in the Intended Nationally Determined Contributions (INDC, 2015). SADCP will address the priorities identified by NAPA for agriculture and food security (sustainable land and water management, controlling soil erosion, and more climate resilient farming systems), through the FFS extension method, small-scale irrigation, and technical and financial support to smallholders and FOs. The FFS curriculum used under MOSAP already includes techniques to assist climate change adaptation, e.g. conservation agriculture and composting, and will be further improved. These capacity building efforts will also benefit IDA's field technicians, who will be trained as FFS Master Trainers. A climate vulnerability analysis in the project area was undertaken during the design phase (see appendix 15) and illustrates that several crops targeted by SADCP, including cassava, sweet potato, maize, millet and sorghum, coffee are well suited to the current conditions and the expected climate change impacts in Huila and Cuanza Sul provinces.

27. SADCP is aligned with the three Strategic Objectives of IFAD 10. The Project will increase poor rural people's productive capacities and nutrition (SO1) by providing training on good agricultural practices for farmers using rainfed or irrigation agriculture. The Project will increase target beneficiaries' access to markets (SO2) by providing broad-based training in agribusiness development and marketing, by brokering market linkages and by providing low-cost post-harvest training and assets. Finally, the Project will strengthen the environmental sustainability and build climate resilience of target beneficiaries' economic activities (SO3), by promoting climate smart agriculture practices and sustainable diversification of farming systems for improved livelihood strategies and nutrition and making them less susceptible to climatic extremes.

II. Project description

A. Project area and Target group

Project intervention area

28. SADCP-C&H will cover about 10 municipalities in Cuanza Sul and Huila provinces⁸. Most of this area is located on the North and South-Western periphery of the central highlands, which is well-endowed with natural resources, including water and fertile soils though some areas have acidic soils. The highlands have a bi-modal rainy season with an October onset and peak in December, before a second 'late' rain in March-April.

Target group⁹

The core target group will be 60,000 smallholder households benefitting from FFS or investment support¹⁰. This core target group will include: (i) small subsistence farmers with access to less than 2.0 hectares with a potential for production and productivity increases, (ii) small and stable family farms of 2-5 hectares with some level of organisation, mainly through associations, producing at subsistence level with the potential to graduate into a market-oriented level; and (iii) groups of women and youth who will be involved in processing, marketing and service provision activities. Women, in particular heads of household, widows and young women, will account for at least 50% and youth between 18 and 35 years old for 30% of the primary target group. SADCP-C&H will consider extending assistance to FOs that were mobilised by former MOSAP but are still vulnerable and in need of further support. Such support will be provided by the project if none will be planned under the SADCP-WB.

29. A secondary target group includes public and cooperative sector beneficiaries (IDA technical staff, cooperatives and associations), agro-dealers, wholesale traders and commercial farmers, that are key for the development of value chains. Among the secondary target group such as IDA Staff, cooperatives and associations are regarded as direct beneficiaries and will be provided with support from the project. Such support will include *inter alia* training, improved working conditions in the

⁸ The World Bank-supported parallel SADCP-WB will cover 26 municipalities in the provinces of Bie, Huambo and Malanje.

⁹ Appendix 2 summarises the major challenges faced by the target group.

¹⁰ 50,000 farmers benefitting from FFS only and 10,000 farmers benefitting from FFS combined with investment support (of which 1,000 farmers who will also benefit from irrigation development).

participating municipalities and improved mobility. While, agro-dealers, wholesalers and commercial farmers will benefit from market information systems and access to some training, and establishment of economic partnerships with smallholder farmers graduating from FFSs.

Targeting strategy

30. The project will use three targeting mechanisms to ensure the participation of poor households, while not being exclusive of other households. The mechanisms will include: (i) geographical targeting, (ii) self-targeting; and (iii) empowering measures.

31. **Geographical targeting.** The project will target poor municipalities and communes in the two intervention Provinces. The main selection criteria will be: (i) a high population density and total population so as to be able to reach the project targets; (ii) provincially-focused municipalities for poverty reduction; (iii) poverty incidence above country average; (iv) suitability for promoting market-oriented production of crop and livestock products; (v) lack of supply chains for agricultural inputs; and (vi) geographical contiguity to maximise efficiency of project operations.

32. **Self-targeting.** The FFS approach will ensure self-targeting. After receiving information on the FFS approach, smallholder farmers in the selected municipalities and communes can decide if they want to become member of a FFS. The project will support the establishment of as many FFS as requested by the farmers. For a second target group, namely organised groups of farmers, with particular attention to women and youth groups, the project will undertake a participatory assessment to ensure that interventions are demand-driven and respond effectively to needs of the farmers taking into account the maturity of the organisation.

Targeting Tools to Ensure Inclusiveness

33. **Empowering measures.** Within the selected municipalities and communes, the project will promote the participation of women, youth and poor smallholder farmers by using empowerment and capacity building measures to encourage their participation. Empowering measures will include: (i) information and mobilisation campaigns using local information meetings and media; (iii) agribusiness linkages and input supply through FOs, also for the vulnerable groups; (iv) inclusive FFSs; (v) a broad range of skills training activities; and (vi) monitoring of inclusiveness. In addition to developing technical skills, the project will support beneficiaries to develop skills in household nutrition, basic literacy and numeracy, business and leadership.

34. **Gender approaches.** Gender will be mainstreamed with a focus on supporting women to overcome constraints including access to assets, training and inputs. SADCP will help women to: (i) become member of FFSs; (ii) enhance their skills in farming, with particular reference to vegetables and irrigated crops; (iii) enhance women's representation of at least 30% in decision-making structures of FFSs and FOs, and strengthening of their leadership capacity; (iv) access financial services through financial institutions; (v) access to labour-saving technologies; and (vi) nutrition-sensitive agriculture and home gardens for women. The project will apply the Gender Action Learning System (GALS), which is an innovative approach deepening project impact by strengthening communication and win-win collaboration between vulnerable and more powerful actors. GALS is based on action-learning exercises that are used with different stakeholder groups (e.g. men and women farmers, middlemen and traders) at both the individual and collective levels. Multi-stakeholder platforms will be organised to identify and plan win-win strategies. In addition, the gender approach will be based on: (a) quotas if required, at least 50% of women among beneficiaries of the various activities; (b) monitoring of women's participation in activities; and (d) gender training for programme implementers.

35. **The gender strategy for the Project** aims to provide equal opportunities for women and men to participate in and benefit from project activities. Women are targeted to account for at least 50% of the FFS facilitators and 50% of women beneficiaries - from which women-headed households will account for 30% of FFS members; and one target group comprises young women. Women headed households and women in male-headed households will be empowered to engage in farming-related activities. The use of GALS will ensure that women are fully part of decision-making in the household and regarding project activities. Their participation in FFSs will be used to encourage their membership and leadership in FOs, apex organisations and policy engagement. A gender study is foreseen at the onset of project implementation to identify the factors that impede women gaining access to value chains as producers as well as processors and managers. The study's findings and

recommendations will guide the project in facilitating the full participation of women. Climate-smart investments will support the use of labour-saving technologies, such as rainwater harvesting, conservation agriculture and fuel saving-stoves. GALS will stimulate discussions at the household level regarding workloads which are expected to result in a more equitable allocation of tasks between household members.

36. **Gender Equality and Women's Empowerment Policy.** The Project will bring an innovative feature to the FFS by integrating the GALS. This will lead to: (i) an equitable share of participation and benefits for women and men; (ii) improved decision-making capacities at household and community levels; and (iii) an equitable share of workloads in farming and domestic activities. In addition, SADCP-C&H will foster economic empowerment of women in the rural economy.

37. **Youth Participation.** The Project interventions will create rural labour opportunities, in particular for rural youth in upstream/downstream agribusiness development. The project will: (i) prioritise young people for training in areas related to the development of skills in post-harvest handling and marketing; (ii) promote junior FFSs to attract participation of youth, and the training curricula will be developed to ensure their full and active participation; and (iii) support the creation of youth-led enterprises. As a measure to support young people and youth groups the IFAD Youth Desk will support linkages of the youth target groups with initiatives promoted by IFAD partners working with youth in the region (e.g. Global Youth Innovation Network (GYIN), Young Professionals for Agricultural Development (YPARD) etc.). Equality between young men and young women will be respected in their selection and participation, and implementers will be trained in approaches for reaching out and involving youth, especially young women who may face additional constraints compared to their male counterparts¹¹.

B. Development objective and impact indicators

38. The Project Development Objective (PDO), common to the SADCP-WB and the SADCP-C&H is "to increase smallholder agriculture productivity, production and marketing for selected crops in the Project areas". The proposed PDO indicators are:

- (i) the average yields of selected crops in the project area (including cassava, maize, beans, Irish potatoes, and most important horticultural crops);
- (ii) the proportion of production marketed by smallholder farmers; and
- (iii) the number of direct beneficiaries (of which female, youth, and FFS beneficiaries receiving nutrition sensitization).

39. As per the IFAD Strategic Framework 2016-21, the ultimate goal is "*to diversify the economy, generate revenue and improve livelihoods and food security of poorer households*", to be measured through two indicators in the Huila and Cuanza Sul provinces: (a) decrease from 2.5% to 5% in chronic malnutrition (stunting) among children under five years-old with variations across targeted regions; and (b) increase in asset index for 60,000 households (50% women and 30% youth) receiving project services.

40. The strategy is to build upon the outcomes achieved under MOSAP to increase productivity, production, and market linkages over a larger project area. This will be achieved by: (a) building on synergies with ongoing agricultural programmes; (b) maximising opportunities for quick-win results by focusing on farmers who received training under MOSAP or other programmes; (c) strengthening the knowledge and skills of smallholder farmers and their associations as well as agricultural extension staff and service providers; (d) recapitalising productive agricultural systems and infrastructure, including irrigated agriculture; and (e) providing access to demand-driven agricultural services and markets. Investments will be based on a flexible, participatory, demand-driven and nutrition- and gender-sensitive approach.

¹¹ Anna Robinson-Pant (2016): Learning knowledge and skills for agriculture to improve rural livelihoods, UNESCO.

C. Project Outcomes and Components¹²

Component 1 – Capacity Building and Institutional Development – US\$15.5 million (US\$7.7 million from IFAD and US\$7.8 million equivalent from GOA)

41. The objective of this component is to improve the technical, institutional, managerial, marketing and business skills of beneficiaries and to strengthen the capacity of government agricultural extension services, agricultural research institutions, and private agricultural service providers. The expected results are: (a) smallholder farmers' organisations established and strengthened; (b) technical and managerial competence of smallholder farmers improved; and (c) government capacity to support smallholder agricultural production and commercialisation enhanced.

42. This component consists of three subcomponents: (a) Strengthening Capacity of Smallholder Farmers and Farmers' Organisations through FFS; (b) Strengthening Institutional Capacity of Local, Provincial, and National Units of MINAGRI; and (c) Strengthening Capacity and Global Knowledge to address emerging research problems.

Sub-component 1.1: Strengthening Capacity of Smallholder Farmers and Farmers' Organisations through Farmer Field Schools – US\$6.7 million (US\$4.5 million from IFAD and USD2.2 million equivalent from GOA)

43. The objective of this subcomponent is to strengthen the capacity of smallholder farmers and FOs through FFS. The expected outcome is "smallholder farmers' technical, organisational and managerial competence improved". This will include: (a) supporting the establishment of smallholder FOs; (b) strengthening the knowledge of farmers on Good Agricultural Practices (GAPs), climate change adaptation, marketing and business opportunities, use of quality seed/planting materials of improved varieties, timely planting and weeding, etc.; (c) increasing levels of financial literacy and strengthening the functional literacy and numeracy of farmers; (d) improving dietary diversity awareness among households as well as knowledge about infant feeding and infant caring practices; (e) improving soil fertility through integrated nutrient management (INM), integrated pest management (IPM) and water/nutrient use efficiency; (f) promoting conservation agriculture; and (g) building the capacity of staff at the municipal level through training-of-trainers and on-the-job training.

44. The FFS training is expected to benefit 60,000 smallholder farmers in the two provinces. The FFS methodology empowers smallholder farmers to set their own agenda and take steps to improve their agricultural knowledge and economic situation. In order to adequately target rural youth and especially with most vulnerable youth (orphans, heads of households, HIV-positive youth, etc.), the project will also support Junior Farmer Field and Life Schools (JFFLS), an effective approach that has been already piloted in other African countries by FAO (e.g. Kenya).

45. For effective implementation of the FFS approach, the government will ensure that each commune has at least three agricultural extension specialists at each EDA. The Project expects to cover all communes in the 10 targeted municipalities by the end of the third year. This will ensure that all farmers in the target group benefit from at least one full FFS training cycle. In order to improve the effectiveness and implementation of the FFS approach an in-depth evaluation of the performance of FFS established under MOSAP will be carried out at the onset of implementation, possibly jointly with the World Bank. This evaluation will be undertaken by an independent entity.

Sub-component 1.2: Institutional Strengthening of Local, Provincial and National Units of the Ministry of Agriculture – US\$7.7 million (US\$3 million from IFAD and US\$4.7 million from GOA)

46. The second subcomponent aims at strengthening the capacity of local, provincial, and national units of MINAGRI in the areas of irrigation, extension, market information, statistics, and policy analysis. The expected outcome is a "more conducive policy and enabling environment for smallholder agriculture".

47. Project financing will be provided for: (i) Data and statistics: Support to expand data collection for crop production (including forecasts) and post-harvest surveys, through training, data collection, data processing and analysis and backstopping to produce regular production statistics and contribute to the national agricultural census; (ii) Market information systems: Development of market

¹² A short description of the project components is given below and focuses on activities to be supported by the IFAD-funded SADCP in two provinces (Huila and Cuanza Sul); more details are provided in Appendix 4.

information systems benefitting farmers and traders including training, equipment, data collection, processing and analysis, consultancies and support to data dissemination; (iii) Agricultural policy analysis: Agricultural policy training, annual sector review processes, possibly with a link to Angola's commitment under the CAADP, studies and policy development on climate change adaptation and resilience, and policy dialogue processes – in conjunction with the World Bank and other actors (e.g. FAO); (iv) Small-scale irrigation (SSI): Technical training on gravity-fed irrigation systems at provincial and municipal levels to enhance ADI staff supervision skills, policy support such as preparation of WUA regulations, and inventory of potential irrigation schemes to rehabilitate; (v) Extension services: Construction and rehabilitation of agricultural extension facilities, e.g. office-residential complexes in selected communes and provision of equipment for extension staff; (vi) Implementation support to IDA, to ensure project performance such as short term specialised technical assistance, establishment of the management information system, update of the Environment and Social Management Framework (ESMF), and annual external audit; and (vii) Environmental education: equipment of the ecological education centre in Huambo operated by the ministry of environment and expertise for demonstrations and training.

48. Under this subcomponent IFAD financing will mainly focus on the provision of adequate extension facilities and equipment in the Huila and Cuanza Sul provinces and complement the SADCP-WB for other activities listed above, particularly at the local/provincial level.

Sub-component 1.3: Strengthening Capacity and Global Knowledge to Address Emerging Research Issues - US\$1.0 million (US\$0.2 from IFAD and US\$0.8 million equivalent from GOA)

49. The third subcomponent aims to strengthen the institutional capacity of Angola's agricultural research system to enhance smallholder access to agricultural innovations and technologies that address emerging issues in the productivity, production, and value chains of priority crops. This will include increasing the availability of improved technologies for farmers, and introducing new knowledge and technologies that may be available within the region or globally. The expected outcome is: "government capacity to support climate resilient smallholder agricultural production and commercialisation enhanced".

50. The main activities to be financed under this sub-component include: (a) supporting the multiplication of improved seeds and planting material (including drought tolerant varieties); (b) developing climate resilience technology packages for selected crops; (c) improving soil diagnostic services; (d) building the technical capacity of the research and extension system; and (e) scaling up the testing and demonstration of improved technologies. IFAD-financing would mainly be used to strengthen the institutional capacity at provincial level.

Component 2 – Support for Increased Production and Commercialisation - US\$14.7 million (US\$13.6 from IFAD, and US\$1.1 million equivalent from beneficiaries)

51. The objective of this component is to strengthen smallholder capital and market linkages through: (i) supporting investments of FOs to improve agricultural productivity, production, market access and value addition through a combination of own resources of promoters, a matching grant and credit extended by Partner Financial Institutions (PFIs) (banks and non-bank microcredit institutions); (ii) linking smallholders and their FOs to buyers, input suppliers and PFIs. The beneficiaries will mainly be FOs composed of farmers trained through FFS (under MOSAP, the SADCP, or any other training programme) and/or existing FOs that have the capacity to manage and implement such investments. Three main types of investments will be supported: (a) rehabilitation of small-scale irrigation schemes; (b) agricultural production and productivity improvements; and (c) post-harvest and value addition investments. To access financing support, eligible FOs will submit subproject proposals/business plans (BPs). The adaptation options that could be supported under this component are elaborated in Annex 2 of Appendix 12. Overall, the expected outcome is "investments in agricultural production and post-harvest management increased".

Sub-component 2.1: Provision of Technical Support - US\$6.5 million (US\$6.5 from IFAD)

52. This sub-component will support capacity building and technical assistance for enabling sub-projects promoters to emerge and good sub-project proposals to be prepared, ensuring an informed decision about their feasibility; while the financial support to approved sub-projects/BPs is embedded in sub-component 2.2.

53. The sub-component will be implemented by a competitively recruited main service provider, comprising a team of highly qualified technicians located in the targeted provinces and municipalities, equipped with adequate transport and operational budget and working very closely with IDA staff, that will assist promoters in preparing and analyzing their subproject proposals/business plans and in following up the implementation of approved sub-projects under sub-component 2.2 below.. In coordination with the provincial and municipal IDA offices and the PPIU, the provision of technical support will address the following activities: (a) information and sensitisation; (b) assessment of actors, supply and demand in the target value chains and selection of beneficiaries; (c) facilitating market linkages and access to financial institutions; (d) support to sub-projects/business plans preparation, appraisal, implementation, monitoring and evaluation; and (e) support to independent review, oversight and due diligence mechanisms to ensure transparency, avoid elite capture and comply with IFAD anti-corruption and anti-fraud policies.

54. **Information and sensitisation** activities will be carried out by IDA and the main service providers to inform potential beneficiaries about the conditions to participate focusing on component 2 implementation mechanisms. This would include preparation, editing and printing of messages by consultants, organisation of sensitisation workshops at provincial and municipal level targeting actors of the value chains/FOs, radio and television communications, etc. In addition, the required value chain studies would be is carried out.

55. **Assessment of actors, supply and demand in targeted value chains, facilitation of market linkages and beneficiary selection.** This would include assessment of existing FOs and other value chains actors, market and technical studies, screening and organisational audits of FOs proposing sub-project ideas before embarking on business plan preparation, establishment of partnerships with buyers/input suppliers, organisation of partnerships meetings, dialogue platforms and study tours. An assessment of value chain actors and a market study will be jointly undertaken with SADCP-WB at the onset on implementation, and will cover the IFAD target area. It will allow to map existing actors, identify market opportunities and priorities for investments. It will also ascertain the willingness of larger commercial farmers and agribusinesses to consider partnering with FOs and consider smart-subsidies in the form of cost-sharing and contract farming arrangements.

56. **Support to sub-projects/business plan preparation, implementation, monitoring and evaluation.** The project will support the following activities: (a) organise a training of trainers on the participatory preparation and analysis of business plans using the Rural Invest methodology and software; (b) assist eligible beneficiaries in identifying and preparing sub-projects for increasing crop productivity and production as well as post-harvest value addition and marketing that meet the criteria for investment support under Component 2; (c) assist the discussion of business plans (BPs) with PFIs and pre-negotiating credit commitments; (d) assist the appraisal and review of BPs and approval of matching grants; (e) support an oversight mechanism to ensure transparency and fairness in the selection of beneficiaries, preparation and appraisal of BPs, approval then disbursement of approved matching grant; (vii) Under the leadership of the PDGs, the Oversight Agent mandate is as follows: " independent review of the beneficiary selection, SP/BP preparation and appraisal process, grant approval processes etc. by an Oversight Agent to ensure that all procedures, criteria were applied in a fair and transparent manner in order to ensure transparency and avoid elite capture; and (f) supervise the implementation of approved sub-projects/BPs. In addition, the service provider will train selected MINAGRI/IDA/EDA staff in project implementation. It is extremely important that this subcomponent only supports sub-projects/BPs that are viable and sustainable.

Sub-component 2.2: Provision of Investment Support - US\$8.3 million (US\$7.2 from IFAD and US\$1.1 million equivalent from the beneficiaries)

57. This subcomponent will support beneficiaries to carry out their selected BPs and crowd-in PFIs to extend loans to co-finance the investments. Sub-project proponents will be required to make a minimum contribution (in-kind or cash) to ensure ownership and commitment. For FOs, such a contribution will be at least 10%, but may vary between 10% and 30%, depending of the type of investment. Sub-projects/BPs will be identified, appraised, and approved based on the procedures and criteria summarised in Appendix 4. An Oversight Agent (specialised firm) will be recruited to work closely with the Provincial Governance Committee (PGC) in each participating province, conduct due diligence on the process before any submitted subproject approval is finalised. This agent will review how selection criteria were applied at all stages of SP proponents identification, selection, BP

preparation and review, in order to ensure transparency and avoid elite capture. The agent will also support the PGCs to address complaints/grievances and feedback received from any FO, SP proponent or third party and report accordingly to the Project Coordination Committee (PCC) and IFAD for decision making. A full set of criteria, procedures, and eligible expenditures will be defined in the Project Implementation Manual (PIM). While the menu of investment options will be flexible, the eligibility criteria and the subject preparation and appraisal procedure will be strictly followed. Although the disbursement mechanisms and advances may vary, taking into consideration the type of sub-project, the eligible expenditures are for goods, works, and services.

58. Investment support for small-scale irrigation and related infrastructure. Development of irrigation will focus on rehabilitation of small-scale gravity-fed irrigation (SSI) schemes that could be rehabilitated at modest cost, covering an estimated 500 hectares¹³. At the onset of implementation a survey will be conducted to map existing schemes that would fit the eligibility criteria and assess whether this minimum target could be exceeded. At mid-term review the implementation performance of SSI rehabilitation will be fully assessed and a decision to expand the acreage will be taken accordingly. SSI development will be done through a participatory planning and development process, including the establishment of WUAs to ensure sustainability and to avoid conflicts. Different steps will be followed including prefeasibility studies, feasibility studies, detailed design (including construction drawings, tender documents and operation and maintenance (O&M) manual), and environment assessment. Findings and recommendations will be discussed with stakeholders and support will be subject to commitment from beneficiaries in scheme development and O&M. The works will consist of: (a) upgrading of the area around the intake and the main canal; (b) construction of water collecting structures and/or rehabilitation of damaged embankments; (c) installation of control structures like water gates; (d) upgrading of the main canals and lining critical stretches of the distribution system; and (e) use of local plants/grass to control canal erosion. SADCP will use a mix of construction methods, including machinery-based and labor-based construction methods. No infrastructure investments will be made before the local authorities confirm the beneficiaries' land user rights and water rights. Criteria for selecting irrigation schemes are detailed in Appendix 4 and will notably include technical and environmental aspects, market potential, rehabilitation costs and financial and economic considerations.

59. Investments in agricultural production. This includes financial support to sub-projects aiming mainly at a sustainable increase of agricultural productivity and production. The economic rationale for agricultural production investment support is that: (a) the agriculture sector was decapitalised during the civil war and productivity remains low; (b) adoption and use of improved agricultural practices and technology are limited; and (c) access to capital and financial services are very limited for smallholders.

60. Eligible investment items financed under such sub-projects are demand-based agricultural technology packages, at both household level (members of FOs) and collective (FO) level. It would include improved seeds and planting material, fertilisers and approved pesticides, draft animals and animal traction equipment, mechanisation tools and equipment, biological and/or physical soil and water conservation methods, small-scale storage equipment and facilities, etc. (see details in Appendix 4) as well as associated capacity building of FOs and implementation support to ensure the sub-projects success, and environmental and social impact assessments where required. Indicatively, the project would support about 120 sub-projects which represents 80% of investment subprojects mainly dealing with investments in primary production, farm production and productivity assets.

61. Investments in post-harvest and value addition. The objective is to promote investments in value addition, reducing post-harvest losses, and strengthening market linkages. The economic rationale for supporting sub-projects pursuing this objective is that: (a) crop losses are high and appropriate packaging, storage, and small-scale processing and market infrastructure facilities are extremely limited; (b) an opportunity exists for supporting value addition, including facilitating contract farming arrangements; and (c) FOs' involvement in collective marketing is an efficient and effective way to strengthen them. Financial support for FOs and rural enterprises' value addition activities is crucial for the sustainability of public investment in SSI development as well as for investments in

¹³ In the Bié, Huambo and Malanje provinces covered by the SADCP-WB, a detailed study funded by MOSAP identified 15,000 ha of inactive SSI schemes, of which 5,500 ha could be rehabilitated at a cost lower than US\$1,500-2,000 per hectare. The average size of these schemes was 32 ha. The MINAGRI Irrigation Division confirmed that schemes with similar characteristics could be found in the Cuanza Sul and Huila provinces.

agricultural production. There is a need to approach support to market linkages and commercialisation with great caution due to lack of knowledge and operational experience in the provision of such support. Therefore the project will test pilot models for commercialization during the first two years with a view of learning lessons. Subsequently adjustment will be made to the provision of matching grants for this type of subprojects.

62. Eligible investments will be at both household and community level and may include processing, cleaning, grading, weighing, packaging and cooling equipment, storage facilities, transport equipment, packaging materials, and associated services (capacity building, subproject monitoring and implementation support, and environmental and social impact assessments). Options for household level post-harvest reduction and storage will also be promoted and smallholders may select from these options. Market infrastructure such as rural markets and spot improvements of feeder roads (including small bridges and culverts) will also be eligible (see the menu of investment options in Appendix 4) provided they are of small scale nature and don't have any adverse environmental impact. Eligible beneficiaries will include FOs which have proven capacities for market-oriented production, processing and marketing. Proposals and business plans will go through a thorough preparation and appraisal process to determine their technical, financial and organisational feasibility, and sustainability and environmental and social impacts. A key feature will be more complex sub-projects that may require multiple stages of support or greater focus on business development services. Special attention will be given to promote youth groups or groups with a relevant number of young members. Those meeting the eligibility criteria will be supported accordingly. Other projects have shown that young people are more attracted to work in agriculture towards the 'upper' part of the value chain. Therefore these specific investments are expected to be more attractive for youth groups. Indicatively the project would support about 30 sub-projects mainly dealing with post-harvest activities and value addition.

63. **Mobilisation of Partner Financial Institutions (PFIs).** The project will explore new avenues to encourage financial institutions to co-finance sub-projects. PFIs can benefit by expanding their client base and enhancing their rural business. This approach acknowledges that matching grants are not suitable for business financing and market development and should be considered as a catalyst for smallholder farmers to progressively access formal financial services and part of the phasing-out strategy of the project. In addition to raising the capacity and creditworthiness of smallholders/FOs through assistance in elaborating bankable sub-projects/BPs and mitigating PFIs' credit risk through the matching grants, the project will support the following activities to mobilise PFIs:

- **Preparatory activities**¹⁴: (i) In-depth review of financial services and products offered and analysis of the potential for partnership; (ii) Negotiating multiyear Memorandum of Understanding (MoUs) with PFIs determining commitments of each party and support to be provided; and (iii) Preparation of guidelines for credit disbursement by PFIs, along with the matching grant - to be included in the PIM;
- **Support implementation of MoUs** will include *inter alia*: (i) Capacity building of PFIs' staff in agricultural credit appraisal, risk analysis, credit monitoring and evaluation, etc.; (ii) Development of financial services and products adapted to the needs of the target group, including introduction of best practices and alternative delivery channels; (iii) Sensitization and training of smallholder farmers in the knowledge and use of financial services and products; (iv) Develop and/or customise financial literacy curriculum; (v) Facilitating PFIs' access to technical support/refinancing from IFAD strategic partner investment banks; (vi) Provision of medium to long-term line of credit to PFIs if deemed necessary; and (vii) Strengthening of PFIs' environmental, social and climate risk management systems.

64. This support is in line with the BNA's policy direction and efforts for financial inclusion and education, which the project would assist through media campaigns and the establishment of an enabling policy environment. Mobilisation of PFIs to co-finance sub-projects would likely expand after the first two years allowing for progressive graduation of targeted farmers/FOs to access financial services.

¹⁴ To be conducted at the onset of implementation (or possibly between project approval and disbursement effectiveness),

65. At mid-term review, or even before, the mobilization of PFIs and rural finance activities will be carefully reviewed and a decision will be made whether or not continue these activities depending on the targeted beneficiary FOs' ease of access to PFIs financing.

Component 3 – Project Management, Monitoring and Evaluation - US\$8 million (*US\$7.6 million from IFAD and US\$0.4 million equivalent from GOA*)

66. The objective of this component is to ensure timely and efficient project coordination, management, monitoring and evaluation, and learning and knowledge management. It consists of two subcomponents: (i) project management; and (ii) project monitoring and evaluation.

Subcomponent 3.1. Project Management – US\$7.1 million (*US\$6.7 from IFAD and US\$0.4 from GOA*)

67. This component will include the national Project Implementation Unit (PIU) and two Provincial Project Implementation Units (PPIUs). The PIU and PPIUs will have the responsibility for project management, including planning and budgeting and fiduciary matters (financial and procurement management), coordination, monitoring and evaluation (M&E), learning and knowledge sharing, environmental and social safeguards compliance, audits, and reporting. This subcomponent will ensure that the project is implemented correctly, on time, and in accordance with the project document, the PIM and the Financing Agreements. This will be the responsibility of a project coordinator (PC) and a team of experts located at the national and provincial levels. SADCP will finance the procurement of office equipment, office consumables, vehicles, project staff salaries, short term technical assistance, training of PIU/PPIUs staff, and the PIU/PPIUs operational costs.

Subcomponent 3.2. Monitoring and Evaluation - US\$0.9 million (*US\$0.9 from IFAD*)

68. This subcomponent aims at establishing an M&E system to monitor project performance and measure the output, effects, and eventually the impacts of project activities. This will include the establishment of a Management Information System (MIS) within the PIU/PPIU. M&E and knowledge management functions will be undertaken by specialised staff at both the PIU and PPIUs level. Baseline data will be collected at the beginning of project implementation. Short term specialised consultants will support the establishment and implementation of the M&E and knowledge management systems and functions. The project will also support a mid-term review, thematic impact evaluations, learning and knowledge management, and communication activities.

D. Lessons learned and adherence to IFAD policies and the SECAP

69. **IFAD involvement in Angola.** IFAD has been working in Angola since 1991, beginning with the Fund's first project, Malanje Smallholder Sector Rehabilitation Project. Starting in 2007, the Market Oriented Smallholder Agriculture Project (MOSAP) was formulated by the World Bank for an amount of US\$ 49.5 million to be co-financed by IFAD with a loan of US\$ 8.5 million and became effective in 2009. MOSAP implementation fell behind schedule early on, with field activities having started only around mid-2012, some 2.5 years after effectiveness. This delay was attributed to the difficulties in recruiting and retaining project staff, as well as extremely limited capacity in the Ministry of Agriculture. But after a project restructuring and after the recruitment of FAO to run FFS, project implementation accelerated and by the closing date in March 2016, 91% of IFAD funds had been disbursed and results in terms of adoption of improved technologies were highly encouraging. The Angola Fisheries and Aquaculture Project (AFAP) recently became effective, more than a year after IFAD approval.

70. **Lessons learnt.** The lessons derived from previous projects and incorporated into SADCP project design are summarised as follows:

- (i) *The FFS approach was very effective in enhancing smallholder farmers' capacity to generate and use new knowledge and adopt improved agricultural practices and technology.* FFS training was effective in equipping about 22,000 subsistence farmers with the skills and experience needed to engage in commercial agriculture, as witnessed by the high success rate of the investment sub-projects under MOSAP. SADCP will train a much larger number of farmers (210,000) and expand existing FFS themes such as climate change adaptation, nutrition, horticulture, gender, business skills and financial literacy. To ensure the success of this scaled up and thematically enhanced FFS training, it will be essential to improve the quality and

- supervision of government technicians and to emphasise training of and reliance on farmer facilitators.
- (ii) *While MOSAP was successful in reaching women, more needs to be done to ensure that women play an equal role in FOs and influence investment decisions.* Women had only limited influence on the choice of sub-projects, an issue that will receive extra attention under the proposed project. Women's participation in FOs was lower than that of men with only a few occupying leadership positions. More women will be encouraged to get training as FFS facilitators and become community leaders. The inclusion of literacy and numeracy skills in the FFS curriculum will also help women farmers to play a more important role in FOs' decision making.
 - (iii) *Importance of linking smallholder farmers with markets and implementing sub-projects.* The MOSAP project completion report (PCR) envisaged that future operations in Angola should support market linkages and a value chain approach. It recognised that MOSAP provided limited support for marketing, mostly in connection with Component 2. Analysis of market opportunities should be carried out before investing in production systems, and training on business and marketing aspects should complement production-oriented training. Long-term success requires not only improved on-farm productivity but also opportunities for farmers to have access to, and compete in, output markets. This led to the PCR recommendation that SADCP-C&H needs to provide support for marketing activities at several levels, including assistance to FOs and entrepreneurs in bulking of agricultural produce or purchase of inputs, and in small and medium scale processing. Such interventions can stimulate investment diversification and the strengthening of rural enterprises.
 - (iv) *The use of service providers contributes to greater efficiency in the implementation of activities as well as greater effectiveness in the achievement of project results.* Components 1.1 and 2 will be implemented through contracted service providers who will support farmer groups to be more aware about risks, help build technical, commercial, financial and organisational skills and be able to identify priorities. These service providers will regularly support individual farmer groups until the investment sub-projects are up and running satisfactorily, normally over a period of up to two years, and be available for occasional assistance thereafter.
 - (v) *A capable and internationally experienced service provider will be required to help farmer organisations develop and implement investment proposals.* The use of small, local service providers to assist FOs in the preparation and implementation their sub-projects was problematic under MOSAP because of their limited technical and organisational capacity. Improving the quality of technical and business assistance and making it available to a much larger number of beneficiaries will require recruitment of a highly capable and internationally experienced service provider who will also train the local NGOs and private sector subcontractors and supervise their work.
 - (vi) *Financing demand-driven investment sub-projects promotes their sustainability.* The modalities for preparing and implementing sub-projects under MOSAP were generally successful, with over 70 % of sub-projects judged sustainable by the independent evaluation. The key elements of success were: (a) creation of ownership through community participation in sub-project preparation and implementation, as well as direct community contributions (cash or in kind); (b) FOs' commitment to engage in O&M before disbursement of the project contribution; (c) training of FOs and assistance with establishment of user rules and cost-sharing agreements; and (d) awareness raising and encouragement for farmer organisations to identify and contract technical assistance.
 - (vii) *Building government capacity accelerates project implementation and increases country ownership of results.* MOSAP implementation was slow, especially at the beginning of the project. To accelerate SADCP implementation and ensure sustainability, targeted government capacity building will be essential, in the following areas: (a) improving the competence, work conditions and motivation of government staff involved in extension and advisory services to FOs; (b) improving the accuracy and timeliness of agricultural statistics to allow for more informed decision making; and (c) informing and promoting agriculture sector policy dialogue.
 - (viii) *The creation of a dedicated project management unit is an effective instrument for decision-making, coordination and guidance of project implementation.* Thus, a PIU will be set up within

IDA in Luanda, jointly with the World Bank, to enhance coordination and policy dialogue within IDA and the Ministry of Agriculture and also to draw lessons from other programmes. This Luanda-based unit will be lean in structure and staffed with key personnel for dealing with project management, M&E and fiduciary issues. The rest of the team will be based in the PPIUs as well as in contracted service providers.

- (ix) *Involvement of local authorities at the provincial, municipal and communal levels in the monitoring of project activities facilitates local coordination and contributes to successful project implementation.* Over time, it will also help to convince local authorities to provide budgetary resources for smallholder farmer support and development. In addition, Provincial IDA Directorates and EDAs will fulfil a role of local coordination and guidance.
- (x) *An incentive system covering key staff involved in implementation has proved to be effective in promoting project performance.* Government staff will be provided with a satisfactory work environment (training, equipment, and living conditions) that will serve their future professional advancement.
- (xi) Reaching project effectiveness is a lengthy process involving many steps in Angola, *therefore it is proposed to extend the project duration to seven years.*
- (xii) *Projects should have a clear and comprehensive exit strategy.* To that aim the SADCP puts the emphasis on building capacity at different levels, but in particular through FFS, promoting FOs and enhancing their technical, managerial and business skills, linking farmers and their organisations to value chains actors such as buyer/traders, input suppliers and financial institutions and granting them vital productive assets.
- (xiii) *M&E systems, including baseline surveys, are important management tools for project adaptation to changing contexts.* Therefore, the Project will establish a strong M&E staff structure, both at national and provincial levels. It will also involve contracted service providers in delivering timely and relevant monitoring data on the results of sub-projects allowing Project Management to have continuous flow of information on key activities.

71. **Social, environmental and climate change issues and procedures.** The potential social, environmental and climate change impacts of the project are predominantly positive:

- (i) Adoption of improved farming practices, storage and processing technologies promoted by FFS will help conserve soil and water and enhance climate resilience and promote conservation and processing methods for enhanced consumption of vegetables, fruits and legumes by households;
- (ii) Improved farming and marketing of food crops will increase smallholder revenues and enhance food security.
- (iii) Diversification of crops for more healthy and diverse diets of households in combination with increased food safety (better storage, hygiene, and processing facilities) and raised nutrition awareness will contribute to improved nutrition¹⁵.

72. There are also potential negative impacts that could materialise. For component 1, these include the potential impact of extending cultivation and increasing use of agro-chemicals, while for component 2, site-specific negative impacts of investment sub-projects that could result from the poor siting or construction of irrigation schemes and crop storage and processing facilities. The potential negative impacts of component 1 will be mitigated by including suitable environmental and waste management practices, proper use and safe handling of agro-chemicals and natural resource use standards in the FFS curriculum. For component 2, since the nature and location of the sub-projects will not be known in advance, Environmental and Social Management Plans (ESMP) will be developed at each site to mitigate impacts. Also, selection and design criteria for SSI will be included in the PIM.

73. The environmental and social category for the SADCP is B, as most of the potential negative impacts are site-specific and mostly reversible or mitigation measures can be articulated as part of a simple ESMP. The infrastructure development such as rehabilitation of feeder roads and SSI schemes (averaging about 25 ha) will be small-scale and located in non-sensitive areas. The IFAD-funded

¹⁵ Nutrition does not only have a social but also economic impact on livelihoods and households.

SADCP will benefit from the Environmental and Social Management Framework (ESMF) that was developed for the SADCP-WB and publicly disclosed in December 2015, as well as the subsequent Resettlement Action Framework. The IFAD SADCP budget will include funds to extend the ESMF to the project area. This will be facilitated by the fact that activities of the two projects are the same, though the potential for expansion of the cultivated areas into fallow areas is more explicit under the SADCP-WB.

74. The ESMF of the SADCP-WB establishes the procedures for the environmental and social assessment, review, approval and implementation of investments. It specifies roles, responsibilities and reporting procedures for managing and monitoring environmental and social concerns. It identifies the training, capacity building and technical assistance needed to ensure the implementation of the provisions. About US\$250,000 will be set aside for ESMF elaboration and implementation, particularly for infrastructure such as gravity fed irrigation scheme rehabilitation is lower than that included in the World Bank financing. Approximately half is for undertaking Environmental Impact Assessments (EIAs) and developing, implementing and monitoring ESMPs. Given the fact that the IFAD investments will involve less infrastructure development, the costs of ESMF implementation in the SADCP area are estimated to be lower. The framework also includes a grievance mechanism and provisions for chance finds that will be applicable in the IFAD target areas.

75. The climate risk classification for SADCP is moderate. The main climate related risk for the target beneficiaries is rainfall variability. The central highlands receive sufficient annual rainfall but dry spells sometimes occur. The improved farming techniques promoted by the FFS will not just increase smallholder production but it will also enhance their resilience to climate variability and change. FFS capacity building will be targeted at both the farmers and field-level technicians, thus further promoting climate change adaptation as trained technicians move to other duty stations.

76. The adaptation options proposed for the main crops in the highlands include promotion of pathogen-resistant and water-tolerant cassava cultivars and promotion of improved post-harvest storage and processing. The latter is also recommended for sweet-potato while the former also applies to bananas. The promotion of multiple varieties of robusta and arabica coffee in the same production areas, shade trees and other forms of intercropping and agro-forestry in new plantations. Promotion of improved drought-tolerant maize varieties, increased access to weather forecasts and early warnings and promotion of sorghum, millet as climate-resilient alternatives to maize.

77. More detail on minimising the potential negative environmental and social impacts as well as climate risk is included in the Social Environmental and Climate Assessment Procedures (SECAP) Review note, which is attached as appendix 12.

III. Project implementation

A. Approach

78. The approach to project implementation recognises that: (i) the project implementation capacity of IDA is limited; (ii) many farmer organisations have limited technical, organisational and commercial capacity; (iii) hitherto, government approaches to smallholder agriculture development have relied on unsustainable mechanisms like providing farmers with free seed and fertiliser; and (iv) pro-community socio-economic policies, such as local empowerment, targeting and promoting gender equity are, at best, incipient in Angola's rural development sector.

79. Therefore the project will adopt a phased approach, focused initially on farmer education and subsequently on investment support based on learning by doing, and relying on service providers for the implementation of activities outside the core competencies of IDA. The phasing of implementation in IFAD-supported provinces would be as follows:

Table 1: Phasing of implementation (in Huila and Cuanza Sul provinces covered by IFAD)

Number of hectares	Project Year						Total
	1	2	3	4	5	6	
Rain-fed with FFS	-	12,330	12,330	12,330	12,330	12,330	61,650
Rain-fed with investment support and FFS	-	-	685	3,425	4,110	4,110	12,330
Horticulture with investment support and FFS	-	-	10	30	30	30	100
Horticulture with FFS	-	100	100	100	100	100	500
Irrigation schemes	-	100	100	100	100	100	500
Total hectares	-	12,530	13,225	15,985	16,670	16,670	75,080
Number of beneficiaries							
Rain-fed with FFS	-	9,000	9,000	9,000	9,000	9,000	45,000
Rain-fed with investment support and FFS	-	-	500	2,500	3,000	3,000	9,000
Horticulture with investment support and FFS	-	-	100	300	300	300	1,000
Horticulture with FFS	-	1,000	1,000	1,000	1,000	1,000	5,000
Irrigation schemes	-	200	200	200	200	200	1,000
Total beneficiaries	-	10,200	10,800	13,000	13,500	13,500	60,000

B. Organisational and Implementation Framework

Project oversight and coordination

80. The SADCP-C&H will use the same governance and oversight bodies as the SADCP-WB¹⁶. This will strengthen the complementarities and synergies between the two parallel-funded projects, ensure coherence, economies of scale and sustainable results and impacts. At the national level, there will be two oversight committees: the Project Coordination Committee and the Project Implementation Sub-Committee.

81. The **Project Coordination Committee (PCC)** will be chaired by the Minister of Agriculture or his delegate. The PCC will: (i) provide strategic guidance; (ii) promote inter-ministerial coordination; (iii) review and approve the Annual Work Plan and Budget (AWPB); (iv) review and approve the annual reports of the project and decide on corrective measures to solve implementation issues; (v) review decisions made by Provincial Governance Committee (PGC); and (vi) issue directives to guide project interventions, methods and criteria. The Director General of IDA will be the Secretary of the PCC. The PCC will be composed of the National Directors and the Director General of MINAGRI, and representatives of the following Ministries: Planning, Finance, Commerce and Trade, Urban Affairs and Environment, Family and Women, Health and Education. The PCC will meet twice a year, additionally when necessary.

82. The **Project Implementation Sub-Committee (PISC)** of the PCC is a small sub-committee of the PCC that will consist of the IDA Director General, the Project Coordinator and the Project Finance Manager. Its task will be to: (i) speed up PCC's decisions and implementation procedures; (ii) approve sub-projects under Component 2 that require central level decision making; (iii) propose the agenda for the PCC meetings and prepare the support documents; (iv) submit the AWPB to PCC for review and approval; and (v) submit the Annual Progress Report. At the provincial level, there will be a Provincial Project Coordination Committee (PPCC) in each participating province. The composition and tasks of PPCC will reflect the composition and tasks of the PCC, at the provincial level with representatives of MINAGRI and the other Ministries represented in the PCC. The PPCC will include the Provincial Director of Agriculture, the Provincial Director of IDA and the Area Project Coordinator, a representative of civil society or NGO, a representative of the private sector and two (minimum) representatives of beneficiaries/producers' organisations. The PPCC will also meet twice a year, additionally when necessary. This sub-committee tasks will be: (i) speed up decisions and procedures; (ii) oversee the sub-projects (under Component 2) elaboration, review and approval

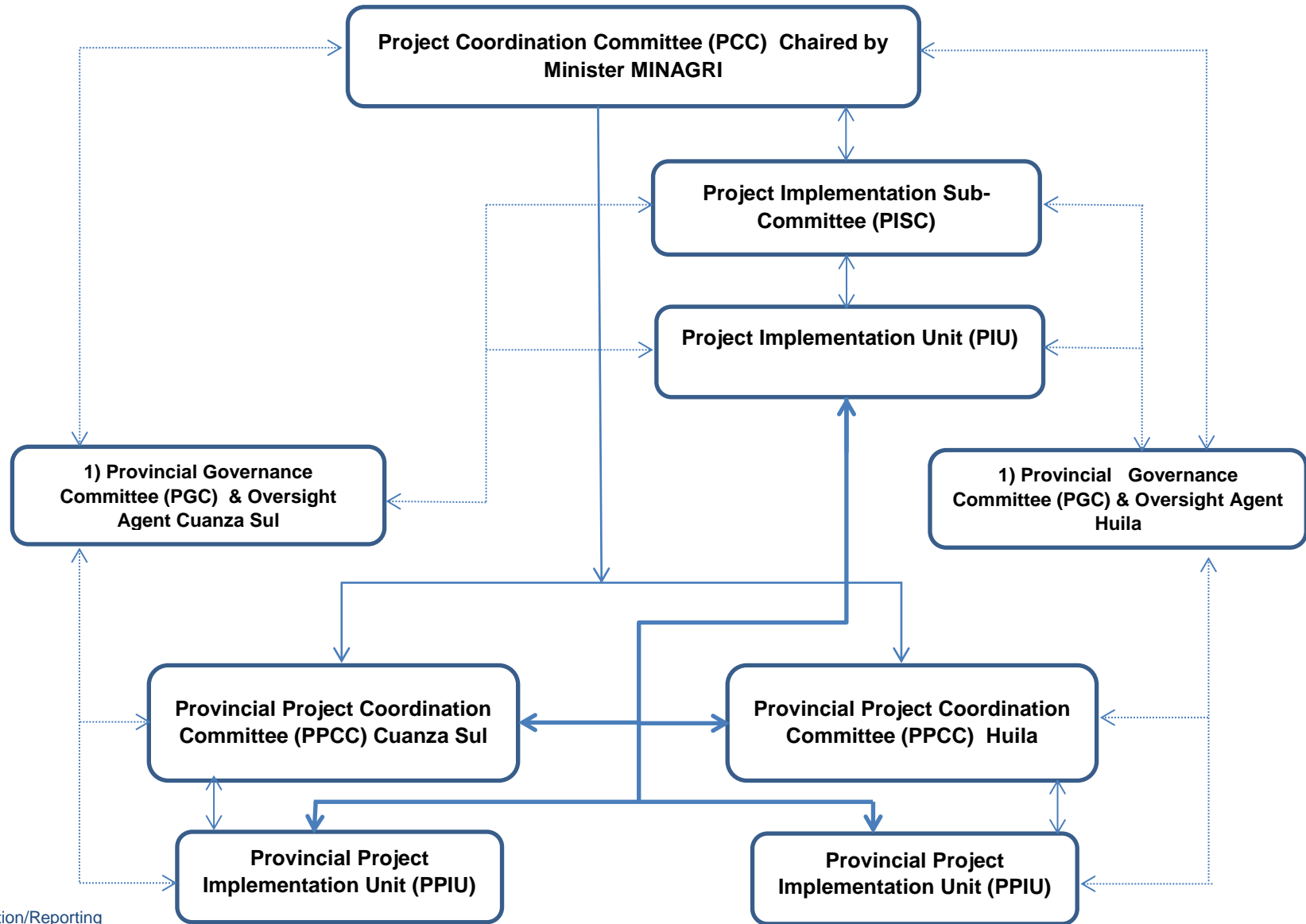
¹⁶ The World Bank funding was approved by its Board of Directors on July 5th, 2016.

processes (that would be to a great extent subcontracted to area service providers); (iii) review the provincial level AWPB prepared by the PPIU and the main area service providers; and (iv) review the provincial level Annual Report prepared by the PPIU for submission to the PIU.

Provincial Governance Committee (PGC)

83. To ensure good governance and accountability during project implementation, there is need to establish a Provincial Governance Committee (PGC) in each province. The PGCs will be comprised of local authorities and traditional leaders who will be supported (as need arises) by the oversight agent. The role and functions of the PGCs will be to oversee implementation from a good governance and accountability point of view. The PGCs will establish a grievance mechanism as articulated in the ESM. They will aim at receiving any grievance (inclusive of sub-project allocations). The PGC will keep records of evidences and complaints with minutes of the discussions, recommendations and decisions achieved. The PGCs will establish detailed mechanisms for the grievance and complaint process, describing format, language, time for reply and alternative resources including access to Courts of Law as a last resort after exhausting all the viable peaceful local alternatives/options. Permanent and open dialogue will also be promoted as this is the most suitable way of peacefully addressing any grievance expressed. The oversight agent will be entitled to spot-check the sub-projects approval process at PGC level to ensure fairness and transparency and will report to PCC.

ORGANISATIONAL AND IMPLEMENTATION FRAMEWORK



 Direct Coordination/Reporting Functions
 Governance/Oversight Functions

1) The oversight Agent will work with both Provincial Governance Committees

Project management structures

84. MINAGRI will establish a **Project Implementation Unit (PIU)** at the national level, located in the IDA facilities in Luanda, overseeing the implementing of the SADCP-C&H, which will work very closely with the PIU looking after the SADCP-WB. It will be responsible for: (i) day-to-day project coordination and management including technical supervision and coordination, project planning, quality oversight, communication, reporting, procurement, financial management, monitoring of project activities and of its progress on a regular basis, and impact evaluation; and (ii) managing fiduciary issues in conformity with the IFAD Financing Agreement and other project documents such as the Project Design Report, the Project Implementation Manual (PIM) and the Safeguards Frameworks and Manuals.

85. The PIU will include: a Project Coordinator, a Financial Management Specialist, a Procurement Specialist, an Accountant, a M&E and Knowledge Sharing Specialist, and support staff. Short term consultants will be hired to support project implementation (notably for rural finance, gender, and nutrition issues). The PIU will also benefit from support of the technical specialists of the WB-funded PIU, notably in the domains of communication, environment and social safeguards, and irrigation.

86. Two **Provincial Project Implementation Units (PPIUs)** will be established for the Huila and Cuanza Sul provinces. They will be located in one of the targeted municipalities, at the existing EDA Office, considering the long distance between the targeted municipalities and the provincial capital. Choice of the location will be made considering criteria such as: easy access to other target municipalities, presence of IDA/EDA staff and current office conditions. The PPIUs will be lightly staffed, as most of the investment and technical support duties will be implemented by service providers and fiduciary management will mostly be done centrally. Therefore, each PPIU may include: an Area Coordinator, an Accountant, a Procurement Assistant, an Administrative Assistant/Secretary and a Driver. The Area Coordinators will work in close collaboration with the Provincial Directors of IDA and the Heads of EDA Offices of targeted municipalities and will support the development of their capacities.

Implementation arrangements for the components

87. Since institutional capacity in Angola is quite limited, project implementation will rely to a large extent on the recruitment of competent service providers. Government ownership and institutional sustainability will be guaranteed by the inclusion of national and provincial-level staff in capacity building activities and in key project oversight and coordination roles.

88. As the SADCP-WB and SADCP-C&H have the same development objectives and indicators, components and subcomponents, target groups, implementation strategies and modalities, financial management and procurement procedures etc., a common PIM will be used¹⁷. The design variations introduced in the SADCP-C&H, namely the rural finance activities under component 2, will be duly reflected in the PIM.

89. To ensure complementarity and synergy between SADCP-WB and SADCP-C&H, a MoU will be signed between the two projects, no later than three months after effectiveness. The MoU will specify the procedures for parallel planning, monitoring, communication, learning and knowledge sharing, share of expertise/staff, joint procurement of service providers, etc.

90. **Component 1: Capacity Building and Institutional Development.** For smallholder farmer capacity strengthening activities (sub-component 1.1), the Government would like to continue its partnership with FAO for the FFS training program, following the successes achieved under MOSAP. For effective implementation of the FFS approach, the government will ensure that each commune participating in the project has at least three agricultural extension specialists at each EDA. FAO will provide training, coaching and supervision to IDA/EDA staff and FFS facilitators who will implement FFS field activities. This will ensure that institutional capacity of IDA and EDA staff is enhanced and their ability to address developmental issues-such as rural poverty, gender, nutrition-sensitive and climate-resilient agriculture and youth issues will be further raised. Thus, FAO's role will be critical in assisting IDA to implement the FFS sub-component as IDA/EDAs are expected to take greater responsibility in running the FFS as from year 4 onwards. The SADCP-C&H expects to cover the ten targeted municipalities in Huila and Cuanza Sul provinces by the end of the third year, with at least

¹⁷ A draft PIM has been submitted by the government to the WB and received No Objection.

three municipalities covered in the first year and six in the second year. This will ensure that all farmers in the target group benefit from at least one full FFS cycle during the project.

91. Institutional strengthening activities (sub-component 1.2) will be implemented at national level with IDA, GEPE and other MINAGRI structures and with the MINAGRI and IDA Offices at provincial and municipal level. A multiyear planning exercise will be undertaken based on needs assessment and involving all stakeholders (notably the Ministry of Commerce and value chain actors, and the Ministry in charge of environment), to determine which activities will be respectively funded under the WB and IFAD loans. Such plan will be reviewed every year against progress and duly reflected into the AWPBs. Activities to be implemented at provincial/municipal level will be planned taking into account the specific needs of each project intervention area. These activities will be undertaken in coordination with partners who have similar objectives of strengthening the policy framework for smallholder agriculture, and build on existing national and provincial level policy processes.

92. Support to agricultural research (sub-component 1.3) will be done by the Institute of Agricultural Research (*Instituto de Investigação Agronómica*, IIA) and the partner(s) selected for the specific R&D activity. These activities must be well planned and justified (to address issues pertinent to smallholder farmers), including sharing of funding between the WB and IFAD loans. Consequently IDA and IIA will prepare at project start a detailed multiyear work plan and budget for these activities. Implementation of such work plan will be progressive and adapt to emerging issues and farmers needs as expressed during implementation. IDA and IIA will also prepare a MOU defining the responsibility of each party in the work plan, including the supervision mechanisms. The MOU should also be prepared as soon as the project starts, no later than six months after effectiveness.

93. **Component 2: Support for Increased Production and Commercialisation.** The implementation modalities for technical support to farmer organisations under sub-component 2.1 include contracting a main service provider (one team in each province) to: (a) identify market actors and opportunities, map and assess the capacity of FOs and support them to prepare subproject (SP) proposals/business plans (BPs); (b) provide technical assistance to IDA and beneficiaries of irrigation schemes to establish or strengthen existing WUAs; (c) provide implementation support to beneficiaries of sub-projects; and (d) strengthen the capacity of local NGOs and agricultural input providers to respond to the smallholder demands. This service provider is expected to sub-contract local NGOs and consultants for specific activities, for example organisational audit of FOs proposing sub-projects, specific capacity building activities, accompanying subproject implementation, etc. Overseeing the preparation, approval and implementation of the sub-projects/BPs will be the responsibility of the main service provider mentioned above.

94. The main service provider should have international expertise and demonstrated capacity to manage a large contract, and be associated with competent national service providers if available. Procuring such service provider will be done jointly with the SADCP-WB, which would make the scope of the work larger and more attractive to international service providers.

95. In helping smallholders/FOs prepare and implement their investment proposals/BPs, the service providers will apply the eligibility criteria for subproject and matching grant mobilisation as detailed in Appendix 4. Eligibility criteria and subproject preparation, appraisal, approval, implementation and ex-post evaluation procedures will be further defined in the PIM. While the menu of investment options will be flexible, the eligibility criteria will be strictly followed. Recipients of matching grants will be required to contribute at least 10% of the subproject's cost in kind and/or cash.

96. Under sub-component 2.2, the project will provide funding to FOs through matching grants and facilitated access to credit extended through PFIs. These will finance items such as: agricultural inputs (improved seeds, approved chemicals, fertilisers); small agricultural tools and machinery; warehouses and storage equipment; weighing, grading, processing and packaging equipment and materials; transport equipment; biological and/or physical soil erosion control methods; reforestation; among others. Investments will be both at individual level of the beneficiary group/FO as well at collective level. Although the disbursement mechanisms may vary taking into consideration the type of grant, the eligible expenditures are for goods, works, and services.

97. During the first two years the FFS will not yet have matured to a level where the members can take on full-scale commercial production. Therefore, the Project will initially seek to obtain subproject proposals from more advanced FOs. This will allow the Project to test the procedures and institutional

arrangements for supporting the development, evaluation, approval and implementation of investment proposals early on, so that they can be fine-tuned at the time of the Mid-Term Review.

98. Each sub-project proposal/BP will go through a thorough preparation, appraisal and approval process to determine its feasibility and sustainability as well as its environmental and social impacts. The business plan will define: the technology to be used and associated capacity building activities and implementation support needed; the investments costs and their proposed funding (through own resources, grant and credit); the operational costs/incomes and forecasted cash flows (before and after financing); the market demand and risks; the organisational and implementation arrangements; the expected benefits (comparing the with and without project situation); the environmental and social impacts and proposed mitigation measures; the overall subproject risks; etc.

99. For investments in small-scale irrigation, no infrastructure investments will be made before the local authorities confirm the beneficiaries' land and water user rights. The site or scheme-specific environment and social assessment (ESMP) will consider the ability of downstream users to use water, as well as, any environmental flows required to maintain the integrity of the freshwater ecosystem.

100. For other investment projects with more localised impacts, standard procedures contained in the ESMF will be followed.

C. Planning, M&E, learning and knowledge management

Planning

101. Preparation of the AWPB will be organised so that a consolidated draft endorsed by the PCC is submitted to IFAD for review and No Objection latest by 31st October every year or 60 days before the start of the next Project Year. This process is critical to ensure the timely submission of the draft to each level of approval. The AWPB final draft will be distributed to all SADCP implementing agencies by 31st December of every year to ensure a smooth transition of implementation from year to year. The timeframe and process of AWPB preparation, review and approval will follow the same as that of the SADCP-WB in order to ensure harmonisation of national-level activities under components 1 and 2. Considering the well elaborated capacity needs, efforts will be made to link the project to the IFAD funded Centres for Learning on Evaluation and Results (CLEAR) Initiative. The CLEAR initiative aims to customise an M&E and impact assessment curriculum and develop a corresponding certification framework to train and certify project staff in all IFAD-supported projects to improve in-country M&E capacities.

Monitoring and evaluation

102. The components of the M&E system will be: (i) baseline and end of project surveys; (ii) regular data collection on project activities, outputs, outcomes and impact; and (iii) special studies. A project database will be created for storing the baseline and end line survey data, as well as all data associated with the implementation of project activities directly linked to outputs.

103. All activity-related data will be collected by Project stakeholders working at the community level, including IDA technicians and FFS facilitators, service providers and contractors. These data will be entered in activity monitoring sheets and reported monthly or more frequently if needed. Reporting forms will accompany reports to be sent to the PIU. Primary data will initially be collected and maintained by socio-economic group, age and gender subsequent to which they will be aggregated by community, commune, municipality and for the project globally as a basis for monitoring, analysis and decision making at the different levels. The PIU will submit six monthly narrative and financial reports to the IFAD Country Programme Manager (CPM). These reports will contain data on pre-defined basic indicators.

104. Adequate M&E systems being put in place for the service providers engaged in FFS and the development and implementation of sub-projects. One of the key lessons of MOSAP was that M&E data was not systematically used as a project management tool, and that this handicapped the learning of lessons from experience gained. Provision will be made to have an M&E system to report: process; lesson learnt; changes and impact. These areas will be clearly identified, the procedures spelled out and the means to verify them established.

105. The M&E system will devote significant attention to assessing the poverty impact. Rigorous impact assessment will be conducted on the basis the baseline survey. As little analysis is available on FOs and grassroots institutions, the baseline survey will include coverage of the institutional landscape of grassroots organisations. Impact surveys will be implemented at mid-term and completion. These surveys will monitor logical framework indicators, and RIMS indicators as well as specific reduction impact. They will be undertaken by a specialised service provider contracted through a competitive process.

106. A full-time M&E Officer under the supervision of the project coordinator will be responsible for the monitoring and evaluation of the project. The PPIU staff, the main service providers, the implementation partners and the beneficiaries will play an important role in M&E functions.

107. **Mid-term review and achievement report.** A joint Mid-Term Review will be organised by the Ministry of Agriculture and IFAD during the third or fourth year to: (i) assess achievements and interim impact, the efficiency and effectiveness of SADCP management; (ii) identify key lessons learnt and good practices; and (iii) provide recommendations to reorient project implementation as needed. In the last year of implementation, funding will be provided to assist the government in preparing a project completion report (PCR) focussing on results, impacts, lessons learnt and sustainability. The team and stakeholders of the SADCP-WB will participate in these exercises to cross-fertilise experience between the two projects and maximise knowledge sharing.

Learning and knowledge management

108. The M&E system will generate quality data that will enable IDA and the Ministry of Agriculture to carefully monitor the Project and provide reliable information on smallholder agricultural development in the project area to the Ministry of Finance, thus building a case for additional government investment in the sub-sector. Based on IFAD's experience with smallholder agricultural investment in the region, knowledge gained in other countries of the region will be made available to SADCP. In turn, the SADCP experience will inform regional learning on smallholder agricultural development farmer capacity building and investment support mechanisms. In terms of learning, results from FFS implementation will allow to draw lessons on best ways to equip smallholders with knowledge and practical tools to apply good agricultural practices, adapt to climate change, improve their marketing, resilience, literacy and business skills, raise their nutrition awareness and status, and progressively move into commercial agriculture. Activities related to adaptive agriculture research, seed multiplication, soil diagnostic services, characterisation of production systems and development of adapted technology packages under sub-component 1.3 will also produce useful material for knowledge management.

D. Financial management, procurement and governance

109. **Financial Management (FM).** In the absence of any recent Public Expenditure and Financial Accountability (PEFA) assessments for Angola, reference has been made to project-specific assessments by the World Bank and the Transparency International Corruption Perceptions Index. Public FM and procurement systems remain relatively weak and the inherent risk is classed as "high". Safeguard measures will therefore be put in place to reduce this to "medium" once implemented. SADCP-C&H will employ similar financial management systems to those used under MOSAP and SADCP-WB, including use of the PRIMAVERA accounting software. Both the PIU and the two provincial PIUs will include accounting staff. Given the parallel financing, IFAD financial management procedures will be followed as articulated in the project implementation manual.

110. Angola is on ordinary lending terms and the loan will be denominated in US\$. Funds will be administered through a designated account that will be opened solely to receive Project funds from IFAD. Project accounts (PAs) will be maintained in both US\$ and AOA. The US\$ project account is intended to be used for paying suppliers for contracts denominated in US\$ and any cost incurred in foreign currency.

111. *An advance of US\$0.3 million will be made upon entry into force of the financing agreement for start-up activities.* Details on the Financial Management arrangements are presented in Appendix 7.

112. Procurement. All procurement will be carried out in accordance with IFAD Procurement Guidelines and IFAD "Policy on preventing fraud and corruption in activities and operations". Procurement responsibility will rest with the MINAGRI/IDA. All procurement will be executed only

against approved Annual Work Plan and Budget (AWPB) which align with the Procurement Plans, specifying items to be procured, responsibility for the procurement and the appropriate procurement methods. All procurement financed by IFAD will be exempt from duties and taxes. Details on the procurement arrangements are presented in Appendix 8.

Governance

113. The governance bodies at national and provincial levels (PCC, PISC, PPCC, PGC, see chapter III.B) will integrate stakeholders from all concerned ministries as well as representatives of beneficiaries, the private sector and civil society. They will fulfil an important role in ensuring good governance, transparency, compliance with the financing agreement with IFAD, learning and knowledge sharing, ensuring synergies between donors and contribution to higher level policy and strategic goals.

E. Supervision

114. Supervision of the SADCP-C&H will be carried out by IFAD, in close collaboration with the World Bank and with IDA and other implementation partners. Supervision and implementation support missions by the World Bank and IFAD will be synchronised. This will reduce the burden of large numbers of missions and will facilitate learning across the respective project provinces. Implementation support will focus on technical issues, planning, gender and targeting, procurement, financial management, M&E, partnerships, the integration of activities within the evolving governance framework; and monitoring of outputs and outcomes. IFAD and the World Bank will coordinate their missions to ensure effective use of human resources. At least one supervision mission and one follow-up mission will be conducted every year.

F. Risk identification and mitigation

115. The overall risk of SADCP is assessed as substantial due to weak capacity for implementation and fiduciary matters. The main risks¹⁸ and the proposed mitigation measures are as follows:

Table 2: Mains risks and mitigation measures

Main risks	Implementation arrangements chosen to mitigate risk
Weak institutional capacity including procurement and governance.	SADCP-C&H will be implemented mainly by service providers with proven experience in the areas for which they will be recruited, e.g. farmer field schools will be sub-contracted to FAO as envisaged under the SADCP-WB. Capacity building will be provided to IDA staff at provincial and municipality level in project design, coordination, monitoring and overseeing. Notwithstanding the relatively high recurrent costs, professional staff turnover is a risk in a very competitive job market with high demand and low supply.
Slow start-up of activities.	Hiring a Project Expeditor for a six-month period to support IDA in: (i) setting up the PIU and PPIUs; (ii) preparing TORs and advertisements for the recruitment of PIU and PPIUs staff; (iii) preparing tender documents, launching tenders and preparing guidelines for the selection of service providers; (iv) preparing contracts with Project staff and service providers; (v) setting up provincial offices; and availability of start-up financing under the loan.
There are a few service providers with the required knowledge and experience in the project area.	Procure experienced service providers in other provinces, in the region and internationally to be Lead Service Providers and encourage partnerships with local ones as well as training. Recruiting joint service providers with World Bank is likely to attract the interest of competent consultants in contract tenders.
Weak institutional and fiduciary management capacities.	A qualified Finance Manager supported by Accountants will be appointed to the PIU/PPIUs for financial management (FM) including the development of a financial management and information system according to IFAD rules and regulations, elaboration of project financial management procedures to be included in the PIM, training provincial FM staff, and reporting

¹⁸ Environmental, social and climate change risks, which are rated moderate, are addressed under section II. D.

IV. Project costs, financing, benefits and sustainability

A. Project costs

116. Total Project costs of SADCP in Huila and Cuanza Sul provinces, over the seven-year implementation period, including physical and price contingencies, are estimated at US\$38.2 million. Component 1 (US\$15.5 million) accounts for 40% of total costs. Component 2 (US\$14.7 million) represents about 39% of total costs. Component 3 (US\$8.0 million) represents 21% of total costs. The summary of Project costs by component is shown below. Expenditure Categories

Table 3: Project Cost Summary by Component (including contingencies, 000 US\$)

	<i>Local</i>	<i>Foreign</i>	<i>Total</i>	<i>% Foreign Exchange</i>	<i>% Total Base Costs</i>
A. Capacity Building and institutional Development					
1. Strengthening Capacity of Smallholders Farmers Organizations through FFSs	1.8	4.6	6.4	72	18
2. Institutional Strengthening of Local, Provincial and National Units of MINAGRI	4.6	2.6	7.3	36	20
3. Strengthening Capacity and Global Knowledge to address Emerging Research issues	0.7	0.2	0.9	19	3
Sub-total:	7.2	7.4	14.6	91	40
B. Support for Increased Production and Commercialization					
1. Provision of Technical Support	5.8	0.3	6.1	5	17
2. Provision of Investment Support	7.2	0.9	8.2	11	22
Sub-total:	13.1	1.2	14.2	8	39
C. Project Management					
Project Management	5.9	0.8	6.7	11	18
Monitoring and Evaluation	0.1	0.7	0.8	87	2
Sub-total:	6.0	1.5	7.5	20	21
TOTAL BASELINE COSTS	26.3	10.1	36.4	28	100
Physical Contingencies	0.0	0.0	0.0	64	-
Price Contingencies	1.3	0.5	1.8	27	5
Total Project Cost	27.5	10.6	38.2	28	105

B. Project financing

117. The SADCP-C&H¹⁹ will be funded by: (i) an IFAD loan of US\$28.8 million (75 percent of total project costs); (ii) a Government contribution equivalent to US\$8.2 million (22 percent of total costs), to cover duties and taxes as well as some operational costs of the public extension and agricultural research services; and (iii) a beneficiaries' contribution equivalent to US\$1.1 million (3 percent of total costs) to co-finance sub-projects under subcomponent 2.2. Details are presented in the tables below.

118. **Expenditure Categories.** The expenditure categories are based on the standardisation that IFAD is adopting after phasing its loan and grant system. The project cost by expenditure categories are shown in the table below:

¹⁹ The World Bank credit (US\$70 million) to support the SADCP in Bie, Huambo and Malanje was approved on 5 July 2016.

Table 4: Project costs by category of Expenditure (US\$ '000)

	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
I. Investment Cost					
A. Civil Works	0.7	1.1	1.8	60	5
B. Goods & Equipment					
Vehicles	0.3	0.5	0.8	60	2
Equipment	0.1	0.3	0.4	70	1
Subtotal	0.4	0.7	1.1	63	3
C. Consultancies /a					
Individual Consultancy - Local	1.2	-	1.2	-	3
Individual Consultancy - foreign	-	1.0	1.0	100	3
Firm - NGO consultancy - Local	6.2	-	6.2	-	17
Firm - NGO consultancy - Foreign	-	5.0	5.0	100	14
Subtotal	7.4	6.1	13.5	45	37
D. Training & Workshops					
Local training & workshops	0.6	0.0	0.6	5	2
International training	-	-	-	-	-
Subtotal	0.6	0.0	0.6	5	2
E. Operating costs	2.4	0.4	2.8	15	8
F. Matching Grants	4.8	-	4.8	-	13
G. Credit	1.2	-	1.2	-	3
Total Investment Costs	17.5	8.3	25.7	32	71
II. Recurrent Costs					
A. Travel allowances	0.3	-	0.3	-	1
B. Incremental Salaries	4.9	-	4.9	-	13
C. Operation & Maintenance (O&M)					
Vehicle O&M	0.4	0.4	0.7	50	2
Office equipment O&M	0.2	0.2	0.4	40	1
Building O&M	3.0	1.3	4.3	30	12
Subtotal	3.6	1.8	5.4	33	15
Total Recurrent Costs	8.8	1.8	10.6	17	29
Total BASLINE COSTS	26.3	10.1	36.4	28	100
Physical Contingencies	0.0	0.0	0.0	64	-
Price Contingencies	1.3	0.5	1.8	27	5
Total PROJECT COSTS	27.6	10.6	38.2	28	105

Republic of Angola
 Smallholder Agriculture Development and Commercialization Project in Cuanza Sul and Huila provinces (SADCP-C&H)
Components by Financiers
 (USD Million)

	IFAD		Beneficiaries		The Government		Total		Local		
	Amount	%	Amount	%	Amount	%	Amount	%	For. Exch.	(Excl. Taxes)	Duties & Taxes
A. Capacity Building and Institutional Development											
1. Strengthening Capacity of Smallholder Farmers and Farmers' Organizations through Farmer Field Schools	4.5	66.7	-	-	2.2	33.3	6.7	17.6	4.8	1.9	-
2. Institutional Strengthening of Local, Provincial and National Units of the Ministry of Agriculture	3.0	38.2	-	-	4.8	61.8	7.7	20.3	2.8	4.3	0.6
3. Strengthening Capacity and Global Knowledge to address Emerging Research Issues	0.2	22.8	-	-	0.8	77.2	1.0	2.6	0.2	0.8	0.0
Subtotal	7.7	49.7	-	-	7.8	50.3	15.5	40.5	7.8	7.0	0.6
B. Support for Increased Production and Commercialization											
1. Provision of Technical Support	6.5	100.0	-	-	0.0	-	6.5	16.9	0.3	6.2	-
2. Provision of Investment Support	7.1	86.3	1.1	13.3	0.0	0.4	8.3	21.7	1.0	7.2	0.2
Subtotal	13.6	92.3	1.1	7.5	0.0	0.2	14.7	38.6	1.3	13.3	0.2
C. Project Management											
Project Management	6.7	94.1	-	-	0.4	5.9	7.1	18.7	0.8	6.1	0.3
Monitoring and Evaluation	0.9	100.0	-	-	-	-	0.9	2.2	0.7	0.1	-
Subtotal	7.6	94.7	-	-	0.4	5.3	8.0	20.9	1.5	6.2	0.3
Total PROJECT COSTS	28.8	75.5	1.1	2.9	8.2	21.6	38.2	100.0	10.6	26.5	1.1

C. Summary benefits and economic analysis

Benefits

119. The Project will improve the livelihoods and nutrition status of 60,000 beneficiaries, create employment at farm/POs level and boost the development of agricultural value chains. The main benefits generated by the project would be as follows: (i) increased agricultural production stemming from: adoption of improved technologies; enhanced access to and efficiency of water use; (ii) increased cash income for participating smallholders; (iii) improved food security and nutrition and reduction in the vulnerability to external shocks, notably climate change and rising food prices; (iv) reduced transaction costs and post-harvest losses through bulking and marketing by POs and other value chain actors and enhanced access of smallholders to finance; (v) increased value added by smallholders and POs; (vi) enhanced market/business opportunities and economies of scale benefiting actors of the supply chains following the enhancement of market linkages between smallholders and buyers/processors; (vii) enhanced bargaining power, understanding of markets and management capacity of smallholders and their organisations; (viii) incremental employment generated through increased production and the increased share of production that is marketed/processed; (ix) foreign exchange savings through reduced importation of food; (x) improved natural resources conservation, enhanced bio-diversity and resilience to climate change; and (xi) improved social stability, overall wellbeing and livelihoods in targeted areas. The Project will also improve the institutional capacity of MINAGRI, IDA at central, provincial and municipality levels. The Government's implementation of smallholder farmer development policies and strategies will be progressively developed during the life of the Project.

Financial analysis

120. The financial analysis was based on five farm models, derived from seven crop models, namely maize, beans, vegetables (onion, tomato and cabbage), Irish potato and cassava. The financial models assess whether the improved technology packages are commercially viable and enable the beneficiaries to generate sufficient additional income, to increase their food security and resilience to shocks and to raise their asset base and creditworthiness. These models take into consideration the yield and input use evolution in the "without project" and "with project" situations. Five typical farm models were elaborated with cropping patterns representing the situation of smallholders in the project area (average size of 1 ha per household for the rainfed crop model; 0.12 ha for the horticulture model and 0.5 ha for small scale irrigation schemes).

121. All financial models show substantial increases in income that should attract smallholders in adopting improved technologies, enhance their integration into markets and raise their creditworthiness vis-à-vis buyers and financial institutions (see appendix 10). All farm models are commercially viable with: (i) significantly higher cash flows in the with-project situation; (ii) benefit/costs (B/C) ratio's between 1.2 and 2.1; (iii) return to family labour between AOA 712 and 1,338 per day; and (iv) Financial Net Present Values (FNPV) varying from AOA 36,164 for the 1 hectare of rain-fed farm with FFS support only, to AOA 0.7 million for the 0.5 hectare irrigation model.

Economic analysis

122. The economic and financial analysis (EFA) was prepared in September 2016, using a similar approach to the one used for the EFA of the SADCP-WB (carried out in June 2015), with due adaptation to specificities (crops, farm size and models) in the targeted provinces, and IFAD requirements for EFAs. It was conducted over a 20-year period in constant 2016 prices, aggregating additional net profits derived from the various models. The assumptions are the following: (i) financial prices and costs and benefit streams were transformed into economic values through calculating economic import/export parity prices at farm gate, applying conversion factors for each category of costs, eliminating taxes and transfers; (ii) economic costs were generated by COSTAB; (iii) incremental costs after the Project implementation period, in particular for maintenance of irrigation schemes and other infrastructure, as well as costs to follow up farmers were taken into account; (iii) a shadow exchange rate of AOA190/US\$; (iv) a discount rate of five percent; (v) an economic cost of labour of AOA 340 per day, compared to a financial cost of 400 AOA per day; (vi) a long-term adoption rate of 50%, which is realistic given the difficult conditions in rural areas.

123. The Project would yield an Economic Internal Rate of Return (EIRR) of 18% and a NPV of US\$ 28.3 million. The Project is therefore highly attractive from an economic standpoint. The incremental economic benefit from year 8 onwards would be valued at approximately US\$ 6.7 million per annum²⁰.

D. Sustainability

124. Sustainability is built-into the project through: (i) the FFSs which will give rise to large numbers of trained farmer facilitators who will continue to provide technical assistance to their peers long after the project has ended; (ii) with investment support, smallholder farmers and their organisations will generate higher incomes, be better linked with traders, input suppliers, agro-processors and financial institutions, be more creditworthy and bankable, accumulate capital, increase their social and market thrust and thereby become less dependent on external support for realising their investment projects and more credible actors in the value chains; and (iii) enhanced institutional capacity of public services. The support provided to the Government institutions will greatly enhance policy, research, extension and implementation capacity and will ensure a greater project sustainability.

125. As indicated earlier and as recommended in the lessons learnt from MOSAP, the project exit strategy relies on: building capacity at different levels, at farmers/FOs but also at public services and value chain actors level, linking smallholders/FOs to value chains actors (buyer/traders, input suppliers) and raising their assets, business profile, and credit worthiness, and supporting smallholders to progressively move into commercial agricultural production.

²⁰ The EFA carried out for the SADCP-WB resulted in an EIRR of 19 percent and a NPV of US\$50 million (at a 10 percent discount rate).

Appendix 1: Country and rural context background

A. Country context

1. The Republic of Angola is located in South-western Africa and bordered by the Atlantic Ocean to the west, Namibia to the south and the Democratic Republic of the Congo and Zambia to the north and east, respectively. The country covers an area of 1,247,000 km² and is the third largest country in sub-Saharan Africa. The 2014 census estimated the population at 24.3 million people of whom some 38% are thought to live in rural areas²¹. Angola is one of Africa's most resource-rich countries, representing sub-Saharan Africa's second largest oil producer, after Nigeria, and the world's fourth largest producer (in value) of diamonds. The country also possesses a wealth of other natural resources, including minerals, water, agriculture, forestry and fisheries.

2. In 1975, after 14 years of fighting, Angola became independent from Portugal, but immediately after independence it became engulfed in one of Africa's most prolonged civil conflicts between the Popular Movement for the Liberation of Angola (MPLA) and the National Union for the Total Independence of Angola (UNITA). Peace seemed imminent in 1992 when national elections were held, but fighting was renewed when UNITA rejected the election results. A new peace agreement, the Lusaka Protocol, was signed in 1994, but war resumed in 1998. In April 2002, a cease-fire was called following the death of the leader of UNITA, Jonas Savimbi, and, on 21 November 2002, the Government and former rebels signed a peace agreement that definitively ended the conflict. The political process appears to have stabilised since 2002 and in the most recent legislative election, President Dos Santos' ruling party won over 72% of the vote.

3. After almost four decades of war, much of the country's economy had collapsed, infrastructure destroyed, institutions weakened or no longer functioning, society polarised, an estimated 4 million people displaced, poverty rampant and the newly created political process fragile. Over the last 11 years since signing the peace accords, the Government, together with its national and international partners, have made substantial progress in re-establishing the foundation needed to address many of these problems. This has resulted in the development and implementation of programmes aimed at restoring order and security, revitalising the economy, restoration of basic social services and the rehabilitation of basic infrastructure.

B. Agricultural sector

4. Before independence, Angola had a long history of exporting agricultural commodities and was once the world's third largest exporter of coffee. During the colonial period, agriculture had a dual structure, with a commercial sector of about 800,000 ha managed by Portuguese settlers using modern technologies and a traditional sector primarily composed of smallholder family farms cultivating about 3.4 million ha.

5. After independence, most Portuguese settlers left the country and many former commercial farms and plantations were converted into state farms, which have since been privatised. The civil war resulted in a virtual collapse in commercial production as large numbers of rural inhabitants either fled or reverted to subsistence agricultural production. Rural infrastructure suffered because of widespread destruction of roads, bridges, irrigation systems, and warehouses, compounded by the presence of thousands of land mines in rural areas. Although the situation has improved with the rehabilitation of main roads and bridges and clearance of mines, the agriculture sector has not yet fully recovered from the destruction and decapitalisation. As a consequence, agricultural exports are currently negligible.

6. With an annual average share of 5.5 percent (2002–2013), agriculture is the third largest contributor to the gross domestic product. However, public spending in the sector has not only been low but has declined over time. For example, the share of agriculture in the national budget in 2013 was 1.1 percent (US\$702 million); in 2014, the share was 0.5 percent (US\$597 million); and in 2015, the share was 0.41 percent (US\$544 million). It is important to note that the budget allocations for the

²¹ Government of Angola (2016), "Censo 2014. Resultados definitivos do recenseamento geral da população e de habitação de Angola 2014", Instituto Nacional de Estatística.

agriculture sector not only fall under the Ministry of Agriculture (MINAGRI), but also under the Ministries of Commerce, Industry, and Transport (e.g. for PAPAGRO, the Food Crops Purchase Programme). Due to the decline in oil prices and oil revenues, the national budget will be constrained and allocations to agriculture are likely to be adversely affected. Public investment support is critical to capitalise agriculture, rebuild agricultural infrastructure, strengthen institutions, and increase investment in agricultural research and development (R&D). In light of Angola's recent experience, increased public and private investment is needed in agriculture and public-private partnerships (PPPs) must be promoted.

7. While the agriculture sector is essential to promote national development and economic diversification, its potential will remain untapped if productivity does not increase significantly. Agricultural production has increased gradually since 2002 (end of the war), but crop yields remain very low compared to other countries in Sub-Saharan Africa. According to FAO, the average yield of beans in Angola is 0.34 ton per ha compared to 0.60 ton per ha in the southern African region; the average yield of groundnuts is 0.38 ton per ha compared to 0.88 ton per ha in the region; and the average millet yield is 0.24 ton per ha compared to the regional average of 0.70 ton per ha. Substantial scope clearly exists for increasing crop yields and crop production through use of improved agricultural technology as well as through an increase in cultivated area. This will require the use of animal traction, mechanisation, adoption of improved agronomic practices, improvements in soil fertility, use of modern agricultural inputs, increased cropped area under irrigation, and dissemination of agricultural knowledge to farmers. In addition, there is substantial scope for a value chain approach, strengthening market linkages, improving commercialisation, and building agribusiness facilities through local entrepreneurs.

C. Rural finance sector

8. The financial sector overall, comprised of commercial banks, non-banking financial institutions, and microfinance institutions (MFIs) such as credit cooperatives and microcredit companies, has been meeting the evolving demands of the economy and contributing significantly to economic diversification of the country with a view to reducing dependency on the oil sector. Currently there are 27 licensed banks (compared to 10 in 2005). Though competitive, the Angolan banking sector is also highly concentrated, with 5 banks alone having over 75 percent of combined market share. The banking sector has been expanding in terms of number of branches and ATMs throughout the country. Notwithstanding the expansion, the scope of products and services offered are mostly focused on traditional mass-market banking products. The banks have sound and highly liquid balance sheets, with a large proportion of the assets being held in cash (19 percent) and investment securities (24 percent). Loans are concentrated in a few sectors, like wholesale and retail commerce, personal services/consumer finance and real estate. Geographically too, credit is highly concentrated in the Luanda province (approximately 87 percent), and generally speaking in urban areas. The larger, older and urban-based firms have greater access to credit. High collateral is required for every loan. A few banks have microfinance portfolios, but the loans to individuals or groups thereunder are mostly extended under government-sponsored or donor-supported programmes. The share of agriculture in the loan portfolio of the banking sector is minimal, much less than the share of agriculture in the GDP. Short-term finance is preferred over long-term finance for agriculture investment. This deters capital formation in agriculture. The development of new products and services for low-income people has been few and the risk perception of bankers for agriculture has been very high. The insurance market is weak and formal credit/deposit insurance is not in vogue. The banks have a high loan-deposit ratio (59 percent). The fact that funding is based on domestic deposits rather than capital means that the banking sector has adequate financial resources to support and fuel economic diversification, employment generation and sustainable poverty reduction in Angola.

9. The central bank, Banco Nacional de Angola (BNA), has commenced reforming the banking sector. The new legal framework for financial institutions has been put in place in December 2015, but the regulations for the segment of MFIs are being awaited. Out of 25 MFIs, only 5 are operating. However, only one MFI (KixiCrédito) is delivering various microcredit products supervised by BNA. The sector is expected to transform and graduate to the next level, i.e., the formation of Microfinance banks that provide wide ranging financial services within a conducive regulatory framework. The Cooperative sector, notwithstanding their potential for decentralised lending in rural areas, is very weak and the regulatory framework is fragile. Credit cooperatives need a major overhaul through

appropriate developmental and regulatory interventions. Some of the international (e.g., World Vision, Care, Development Workshop) and domestic NGOs (e.g., ADRA, ADESPOVE) are associated in various financial sector-related programmes, particularly in agricultural value chain and livelihood finance. Potentially, they could intensify mobilisation of farmers associations, farmers groups and self-help groups, with thrust on savings and bring about linkages with banks, service providers and the market. Mobile and agent banking are in their infancy, lacking far behind the dynamic development in a number of countries in East and Southern Africa. BNA has already drafted regulations for new financial products and services such as leasing and factoring; banking security and fraud prevention; agent and mobile banking. The BNA confirmed its interest to collaborating with the SADCP-C&H to improve access to rural finances services and financial inclusion. The private sector, mobile network operators and NGOs could play a significant role in the financial inclusion space. Nearly 47 percent of the people are financially included in the country²² BNA has become a committed driver of the national financial inclusion agenda for the last few years, but the policy is not yet in place and developmental interventions are yet to gather required momentum.

10. The Government of Angola and BNA have given focus in recent years to economic diversification, deepening of financial inclusion, developing rural financial system, microfinance and financing agriculture and agri-business with focus on family farming. The country's financial sector is yet to give due attention to these emerging areas, but there is still a long way to go in order to achieve a truly diversified economy and a more inclusive, sustainable and robust growth. The current economic environment has provided a unique opportunity to refocus policies, re-engineer systems and processes foster structural transformation, bring about institutional development and upscale innovations in financial sector for agriculture and rural development. Both public and private institutions, including the banking sector, have to work closely to increase production and productivity of smallholder farmers by facilitating access to finance, technology and market

D. Policy framework

11. A key policy set out in Angola's **National Development Plan (NDP)**, 2013-2017, is the promotion of economic growth and increased employment. To implement this policy, public investment will continue to be a major driver. If successful, government estimates that as a percentage of GDP, the petroleum sector will decline from 45% to 27% by 2017. More specifically, government envisions the intensification of economic diversification supported through investment in rehabilitation and development of new infrastructure. In addition, the Government targets the development of macroeconomic policies to stimulate private sector investment and the creation of a more efficient and flexible public institutional structure. The latter would include restructuring of the central and local administrative bodies for purposes of rationalisation of resources and increased efficiency.

12. The Government is fighting poverty on various fronts including: (i) the 2005 **Anti-poverty Strategy (ECP)**; (ii) the 2009 National Strategy for Food and Nutrition Security (**ENSAN**); (iii) inclusion of poverty alleviation activities in the national annual plan and budget, covering various social and economic sectors; (iv) the nationwide **Integrated Municipal Program for Rural Development and the Fight Against Poverty (PMIDRCP)**, which resulted from the 2010 merger of the ECP and ENSAN; and (v) the above-mentioned **National Development Plan (NDP) 2013-2017**, which lays down the broad guidelines for the development of Angola, and which includes the key elements from the ECP and the ENSAN. Government continues to allocate more than 30% of its budget to improving social conditions; a figure that is projected to increase over the next five years.

13. The main goal set out in the ECP is to cut the country's poverty level in half by 2015 and to consolidate peace and national unity through sustained improvement in living standards of all Angolans. The main priorities identified in the ECP are: (i) the reconstruction of infrastructure; (ii) increased access to education, health, and other basic services; and (iii) decentralisation of governance structures. The ECP highlights rural development, with a focus on the improvement of food security and the revitalisation of the rural economy. Key proposed actions are: (i) strengthening of the production capacity of the traditional sector, particularly food crops and fisheries; (ii) re-launching of rural commerce; (iii) sustainable development of natural resources; and (iv) reorganisation of the legal framework and public institutions. Priority actions are to be guided by the following basic principles: (i) a focus on smallholders; (ii) the importance of community

²² BNA Stability Report 2014.

participation; (iii) the concentration of planning, implementation and monitoring at the municipal level; (iv) complementary activities with donors, the private sector and NGOs; (v) specific targeting of women, including access to land; and (vi) HIV/AIDS should be treated as a cross-cutting concern.

14. The goal set out by ENSAN is to ensure that, at all times, all Angolans have physical and economic access to adequate quantities of food of good quality and variety to permit them to contribute to the human, economic and social development of the country. The main policy priorities are to: (i) increase and diversify agriculture and sustainable fish production to improve the well-being of the population; (ii) improve the conditions of access to food; (iii) diminish the levels of malnutrition of the population; and (iv) guarantee and secure the sanitary conditions and the quality of food and potable water.

15. The **Integrated Municipal Program for Rural Development and the Fight Against Poverty** (PMIDRCP) resulted from the 2010 merger of the ECP and ENSAN. Its general objective is: "To reduce levels of extreme poverty in Angola and in particular in rural areas, promoting access to basic public services and turn Angola into a prosperous country with social justice." This program is implemented in the whole country and led by the Secretariat of Social Issues of the Presidency. PMIDRCP includes several social programmes, such as Pro-ajuda ("help for work" aiming at the social inclusion of the more vulnerable households), Agua para todos (Water for all), Cartão Kikuia (provision of 10 thousand kwanzas to cover basic living expenses) and Programa de Aquisição de Produtos Agrícola (PAPAGRO) aiming at purchasing agricultural products from smallholder farmers.

16. Both the ECP and the ENSAN are reflected in the NDP 2013-2017, which lays down the broad guidelines for the development of Angola, such as: guaranteeing the fundamental rights and freedoms and the development of civil society; ensuring the improvement of quality of life, fighting hunger and extreme poverty; promote sustainable, competitive and equitable development ensuring the future to generations to come; promote the development of science, and technology; developing the entrepreneurship and private sector. In relation to the agricultural sector, the Plan aims to promote integrated and sustainable development of the sector by the exploitation of the potentiality of productive natural resources and the competitiveness of the sector in order to ensure food security and domestic supplies of regional and international markets in light of a gender sensitive approach.

17. Other key subsidiary programmes and policies focused on agriculture and rural development include: (i) the Rural and Agricultural Development Program, (ii) the Small Industry Enterprises Development Program, (iii) the National Strategy for Rural Trade and Entrepreneurship, and (iv) the National Program for Rural Women Development.

18. In parallel to these efforts, Government is also making considerable headway towards promoting administrative decentralisation and decentralisation of decision making powers from the central level to municipalities through several complementary programmes and plans. These include: (i) Integrated Municipal Programme for Rural Development and Poverty Alleviation (PMIDRCP); (ii) the Municipalisation of Health Services; and (iii) Consultation and Social Dialogue Councils (CACSS). In addition, the NDP includes measures that reinforce the integrated vision of development, especially the Requalification of Rural Villages (*Programa de Requalificação de Aldeias Rurais*) expected to be implemented during the course of 2014.

19. With regards to trade policy measures that affect agriculture, the Government imposed regulatory measures in 2015 on the import market with the objective to protect domestic production and restrict monopolistic practice, particularly through import quotas (see Joint Executive Decree no. 34/15 of 23 January 2015). This mainly affects the trade of horticulture, chicken cuts, palm oil, sugar, wheat flour, rice, bovine meat, soybean oil and corn flour e.g. commodities that are not currently produced by the SADCP-C&H target groups. In any case, such trade regulations could provide market opportunities for smallholder producers while having potential adverse impact on consumers. Considering the potential impacts of such policy measures on smallholder farmers and consumers, they will be closely looked at through the agricultural policy analysis activities supported by the project (under subcomponent 1.2), in close coordination with those funded under the SADCP-WB and other ongoing initiatives tackling agricultural and trade policies supported by the World Bank, FAO, UNDP and other donors.

20. Concerning land issues, the current land tenure arrangements in Angola are based on the principles of the customary land ownership system. In the project intervention area, arable land is available and is generally not a major issue. There is an ongoing process to revise the Land Law; any

improvement of land use rights validation processes would assist smallholder farmers to better access to services offered by formal financial institutions. However, land issues are not the main bottleneck that currently restrict smallholders' access to rural financial services (see section on rural finance).

E. Climate change

21. Climate models predict Angola will experience higher temperatures (1.2 to 3.2°C by the 2060s), more extreme weather events, an expansion of arid and semi-arid regions, seasonal shifts in rainfall, localised floods, increased wildfires, sea level rise, increased rainfall in the northern parts of the country, changes in river flows and changes in sea and lake temperatures (NAPA, 2011). The temperature increases and shifts in rainfall patterns are expected to adversely affect the agricultural productivity in the targeted regions of the SADCP as most of the agricultural production is rain fed.

22. Angola's policy on climate change was set out in the country's **National Adaptation Programme of Action (NAPA)** in 2011. The NAPA identifies agriculture and fisheries as the most vulnerable national sectors and prolonged drought, flooding and water induced soil erosion as major threats. The NAPA process identified 30 adaptation actions and options to respond to identified threats, which were then ranked based on potential benefits and costs.

23. The top climate change adaptation priorities identified by NAPA for agriculture and food security include: (i) promoting sustainable land and water management for increased agricultural yields; (ii) soil erosion control through organic methods; (iii) diversifying crops to less climate sensitive cultures; and (iv) implementing water-harvesting system in drought-prone areas. These are often referred to as "no-regrets" options as they tend to increase smallholder farmer incomes as well as assist in climate change adaptation. SADCP will promote sustainable land management practices through the Farmer Field Schools (FFS). The FFS curriculum used under MOSAP already included farming techniques to assist climate change adaptation, e.g. conservation agriculture and composting. Capacity building on climate risk analysis through the Farmer Business Schools. These capacity building efforts will also benefit IDA's field technicians, who will be trained as FFS Master Trainers.

24. A climate vulnerability analysis on crops targeted in the SADCP project area covered by IFAD funding was undertaken during design by the Africa Climate and Development Initiative (ACDI) based at the University of Cape Town. The analysis illustrates that cassava production is particularly well suited to the extended rainfall and high temperatures of the midlands of Cuanza Sul. Cuanza Sul and Huila both include some areas of moderate suitability for *C. robusta*. With the exception of the semi-arid zones in Huila province and the coastal plains of Cuanza Sul, sweet potato can be grown throughout the planalto. Apart from the arid extents of southern Huila and western Cuanza Sul, large extents of land are 'moderately' suitable for Cavendish table banana production. The majority of the planalto is 'highly suitable' or 'excellent' for maize production. Millet and sorghum are the only cereal crops which are appropriate for cultivation across the entire planalto, including southern Huila and the western coastal lowlands of Cuanza Sul.

25. The spatial range of suitability for a number of climate-sensitive crops such as coffee, maize and plantain bananas is likely to be reduced in low-lying and coastal parts of Cuanza Sul as well as the southerly parts of Huila. An additional effect of climate change on some crops will be to reduce the potential range of growing seasons, particularly in the case of maize. Another impact of climate change that is likely to reduce the productivity of certain crops analysed is increased incidence of pests and disease. In the case of cassava, sweet potato and banana, there are multiple soil-borne pathogens that may become more frequent or severe as a result of climate change. For example, crops are likely to be more vulnerable to *Fusarium* or *Phyophthora* as a result of increased temperature and humidity, or as a result of waterlogging during periods of prolonged rainfall.

Appendix 2: Poverty, targeting and gender

A. Population and national poverty context

1. Angola is a natural resource-rich country that experienced a rapid economic growth since the end of the civil war in 2002. Between 2002 and 2014 the growth of real gross national income (GNI) per capita increased from US\$2,900 to US\$6,800, largely led by oil production. In 2014, the oil sector represented 45% of national GDP and accounted for 95% of the country's total exports. However, the country is currently experiencing a major financial crisis, mainly due to declining world market oil prices, which fell by two-thirds in 2015.

2. Since the end of the civil war, social indicators have generally improved, though at a pace slower than that of the economy at large. There is still a large gap between income per capita and other welfare indicators such as poverty rates, life expectancy, educational attainment or access to water and basic sanitation.

3. Angola's HDI (Human Development Index) increased by 36.3% between 2000 and 2014, although the country continues in the low human development category as it ranks 149 out of 188 countries and territories (HDR, 2015). Table 1 reviews Angola's progress in each of the HDI indicators.

Table 1. Angola's progress in relation to HDI indicators

Year	Life expectancy	Expected years of schooling	GNI per capita	HDI value
2000	45.2	5.5	2,912	0.390
2005	48.6	7.9	4,148	0.449
2010	50.7	10.2	6,520	0.509
2014	52.3	11.4	6,822	0.532

Source: UNDP, HDR 2015

4. **Poverty** remains high and its reduction has been slow. The latest data available (IBEP 2008/2009) estimate that 37% of the population had monthly consumption below the poverty line, which was set at 4,793 kwanzas (US\$ 49 as per 2009 exchange rate). Poverty is more severe and widespread in rural (58%) than urban (19%) areas, and also varies across the country, surpassing 50% in the east and centre regions (including Cuanza Sul). The poverty rate increases with the head of household's age and decreases with his/her level of education. Poverty is greater in female-headed households, particularly in rural areas. Many women are de facto heads of households because they are members of polygamous households, or because of male labour migration. The latest census (2014) estimates that 38% households are headed by women, and they form the majority of the households living in poverty.

5. **Inequality** in Angola is high with a Gini index of 0.55. The richest 20% of the population receive 59% of all incomes, whilst the poorest 20% receive only 3%. A high level of inequality, between households and between regions, presents serious challenges for poverty reduction. The HDI results in a loss of 37% (from 0.532 to 0.335) due to inequality. Income distribution has not significantly improved in recent years, and most analysts agree that the gap between the rich and the poor has been growing.

6. **Child malnutrition.** According to the World Health Organisation (WHO) classification system, stunting, wasting, and underweight are all considered to be of "medium" public health significance. Child stunting is a serious public health concern in Angola. Beyond two years of age, deficits in linear growth are largely irreversible, and can have detrimental consequences in later life. Furthermore, adolescent girls or women who were stunted during childhood are more likely to have an obstructed labour or experience other complications during delivery, subsequently heightening the risk of maternal mortality. Table 2 summarises the most recent evidence in the country.

Table 2: Child malnutrition <5 in Angola

Indicator	Prevalence	Classification
Chronic Malnutrition (stunting, or height-for-age)	29.2	Medium
Acute Malnutrition (wasting, or weight-for-height)	8.2	Medium
Underweight (weight-for-age)	15.6	Medium

Source: World Bank, Health, Nutrition and Population (HNP) Discussion Paper Angola Nutrition Gap Analysis. Human Development Network 2011

7. Although the national average rate of stunting shows “medium level of public health significance” according to WHO’s cut-off point, disparities by region, sex, and area of residence exist. In the West, South, and Central-South regions, stunting rates were higher than the national average at 34.3%, 33.7%, and 31.3%, respectively. Although the prevalence of stunting was similar in rural areas (33.0%) and major cities outside of Luanda (30.1%), rates were considerably lower in Luanda (19.6%).

8. **Women and youth.** While efforts have been made to reach gender parity in net enrolment for primary schooling, girls continue to have less access to secondary education. Illiteracy rates are substantially higher in women (47%) than among men (20%). The increase in primary school coverage and efforts to reach gender parity in school enrolment since the end of the war have contributed to reduce this rate to 30% among young women (15-24 years old). Despite these efforts, two million children are still outside the school system and girls continue to have less access to secondary education, vocational training and higher education.

9. The combination of limited access to formal vocational training and higher education opportunities strongly condition women’s reduced income levels as such circumstances relegate them to sectors such as subsistence agriculture and informal trade. Women and men participate in unequal terms in the management and control over assets and in decision-making, both at household and community level. Over 23% of households are women headed households. Angola is signatory to all major international and regional conventions and protocols relevant for the advancement of women’s rights and elimination of all types of violence against women. The Ministry of Family Affairs and for the Promotion of Women (MINFAMU) developed the National Gender Policy and Implementation Strategy. Despite the approval of the Family Law and the Law Criminalising Domestic Violence, the use of customary law, strongly favouring men, is still widespread.

10. The Angolan Government defines youth as people aged 15 to 35. The youth represent about a third of all citizens in the country (32.4%). Migration levels among youth peaks at 24.5% for the age group between 25 and 35 years. The youth in rural areas are faced with the challenge of wanting to explore alternative livelihood opportunities to subsistence farming while having little formal training to equip them to face the labour market. School completion rates decrease after the primary level and progressively drop along the education pathway. Poverty is lower among the 15 – 35 year old range group than any other age group. Most households are youth headed, growing in size progressively with age. It is more frequent for the youth aged 20 – 24 years to have more than one sexual partner, placing this particular group, their partners and their unborn children at greater risk of HIV. This same group reported to have the highest level of knowledge on HIV/AIDS.

11. **Urbanisation and rural-urban migration.** Angola records high urbanisation levels with 62% of the population living in urban areas compared to 15% in 1970. Since Independence, Angola experienced rapid urbanisation, which was further exacerbated by the long armed conflict. A massive migration of rural people in search for a more secure environment offering better income-generating opportunities took place during the war years. The population of Luanda grew from less than half a million in 1970 to over 3 million by 2000. After the civil war, the low agricultural productivity, the limited availability of social services and infrastructures and the scarcity of job opportunities prevented rural people from returning to their areas of origin. These are still the main drivers of the current migration that affect mainly young people.

12. In fact, there is a large division between the rural and urban areas. Economic activity – other than oil and diamonds – is highly concentrated in Luanda and the coastal areas: 77% of formal employment was concentrated in Luanda in 2007, and there are other significant regional asymmetries in the country as well. Luanda concentrates 75% of manufacturing, 65% of commerce and 90% of banking and financial activities.

13. Since Independence, Angola experienced rapid urbanisation, with 62% of the population living in urban areas compared to 15% in 1970. This was further exacerbated by the long armed conflict. A massive migration of rural people in search for a more secure environment offering better income-generating opportunities took place during the war years. The population of Luanda grew from less than half a million in 1970 to over 3 million by 2000 (and was estimated at over 6 million in 2014). After the civil war, the low agricultural productivity, the limited availability of social services and

infrastructures and the scarcity of job opportunities prevented rural people from returning to their areas of origin. These same factors continue to be the main drivers of the current rural–migration, which affects mainly young people.

14. Other indicators reflecting current human development conditions include: (i) 56% of the population (78% in rural areas) do not have access to safe water sources; (ii) only 24% of the rural population (63% in urban areas) have access to government health facilities within a 2 km radius; (iii) life expectancy at birth is estimated at 52.3 years (HDR 2015), among the lowest in the world; (iv) despite major efforts at educational reform, adult illiteracy is still widespread in rural areas (59%) though lower in urban areas (20%); (v) youth unemployment is pronounced at 46%, against a general unemployment rate of 24%; (vi) Angola ranks 121 (out of 142 countries) in the Gender Gap Index 2014.

15. **Education.** Despite adult literacy rate has increased in recent years reaching 66% in 2014, illiteracy is still widespread in rural areas (59%) in comparison to urban areas (20%). Illiteracy rates are substantially higher in women (47%) than among men (20%). The increase in primary school coverage and efforts to reach gender parity in school enrolment since the end of the war have contributed to reduce this rate to 30% among young women (15-24 years old). Despite these efforts, two million children are still outside the school system and girls continue to have less access to secondary education, vocational training and higher education.

16. **Health.** The latest data available (IBEP 2008/09) estimate that only 24% of the population have access to a health post within a radius of 2km in rural areas, in comparison to 63% in urban areas. In addition, 22% of the rural population have no access to any health service at all. In recent years, child and maternal mortality have gone down, along with deaths due to malaria, and women's access to and uptake of prenatal care has gone up, but with significant differences between urban and rural areas. However, Angola has one of the highest rate of diarrheal disease in the world and also high rates of nutritional problems (stunting and micronutrients deficiencies). HIV prevalence in 2015 was only 2.2%.

17. **Water and sanitation.** Angola has abundant water resources, but existing infrastructure is largely inadequate to serve its population. As a result, less than half of the population (44%) have access to drinkable water. Rural areas (22%) remain far behind urban areas (57%) in terms of access to water services, and still large numbers of rural people rely on a seasonal supply of surface water. Access to sanitation is slightly higher (60%) but the gap between rural (26%) and urban areas (86%) is enormous. The situation varies across the country with the lower rates in the east and south.

18. **Employment.** The economically active population accounts for 7.2 million people of which 24% are unemployed. Unemployment is higher in urban areas (19%) than in rural areas (6%), and affects in a similar way to men and women. However, it is particularly high among youth (47% in young men and 45% in young women). The main economic activities are agriculture, livestock and fisheries (44%). In 2014, 46% of households were engaged in agriculture (cereals 74%, horticulture 23%, fruit farming 13% and forestry 16%) and 5.7% in fisheries.

B. Institutional context

19. The **Estrategia de Combate da Pobreza** (ECP – the Strategy for Poverty Reduction) 2003-2005, subsequently was renamed as Global Strategy for Poverty Reduction (EGRP) for the 2006-2010 period. Its global objective consisted on consolidating peace and national unity through sustainable improvement of the living conditions for the most vulnerable people, and creating the conditions for their active participation in the economic and social development of the country. Food security and rural development are identified as priority areas to minimise the risk of hunger, meet internal food needs and revitalise the rural economy. To achieve this goal, the government strategy is to develop the smallholder sector through community participation and local-level planning and implementation. The objectives of the agricultural sector, as stated in ECP, are to: (a) increase production and productivity, particularly of food crops; (b) promote agro-industry; (c) promote sustainable development of natural resources; and (d) create employment and income for rural communities.

20. **National Food Security and Nutrition Strategy** (ENSAN) approved in 2009 aiming at helping ensure that all Angolans enjoy availability of food of adequate quality and variety at all times, as well

as physical and economic access to this food, so that they may contribute to the human, economic and social development of Angola". It has a multi-sectorial and multidisciplinary approach.

21. **Integrated Municipal Program for Rural Development and the Fight Against Poverty (PMIDRCP).** In 2010, the Government merged the ECP and ENSAN resulting into PMIDRCP whose general objective is: To reduce levels of extreme poverty in Angola and in particular in rural areas, promoting access to basic public services and turn Angola into a prosperous country with social justice. This program is implemented in the whole country and led by the Secretariat of Social Issues of the Presidency. PMIDRCP includes several social programmes, such as Pro-ajuda ("help for work" aiming at the social inclusion of the more vulnerable households), Agua para todos (Water for all), Cartão Kikua (provision of 10 thousand kwanzas to cover basic living expenses) and Programa de Aquisição de Produtos Agrícola (PAPAGRO aiming at purchasing agricultural products from smallholder farmers).

22. The **National Development Plan 2013-2017** lays down the broad guidelines for the development of Angola, such as: guaranteeing the fundamental rights and freedoms and the development of civil society; ensuring the improvement of quality of life, fighting hunger and extreme poverty; promote sustainable, competitive and equitable development ensuring the future to generations to come; promote the development of science, and technology; developing the entrepreneurship and private sector. In relation to the agricultural sector, the Plan aims to promote integrated and sustainable development of the sector by the exploitation of the potentiality of productive natural resources and the competitiveness of the sector in order to ensure food security and domestic supplies of regional and international markets in light of a gender sensitive approach.

C. Description of beneficiaries

Socio-economic characterisation of target group

23. The SADCP will cover 36 municipalities in five provinces, of which 26 municipalities in the provinces of Bie, Huambo and Malanje covered by the WB funding, and 10 municipalities in Cuanza Sul and Huila provinces covered under IFAD funding. Most of this area is located on the North- and Southwestern periphery of the central highlands of Angola, which is well-endowed with natural resources, including water and fertile soils though some areas have acidic soils.

24. The highlands have a bi-modal rainy season with an October onset and peaks in December, before a second 'late' rain at the end of the season in March-April. The winter months of May to August/September are dry and characterised by a mean temperature of ~17°C, ~4-5°C lower than the mean temperatures in the hot season.

25. The following ten municipalities have been identified by IDA to make up the SADCP-C&H (IFAD-funded) intervention area: (i) in Cuanza Sul province: Conda, Amboim (Gabela), Cassongue, Wacu Congo (Cela) and Kibala; (ii) in Huila province: Caconda, Caluquembe, Chicomba, Chipindo and Cacula.

26. According to a recent FAO assessment of farming systems, four types of farmers can be found in the central highlands of Angola, as presented in the table below. The project beneficiaries will belong to these first two categories, namely (a) the small subsistence family farms; and (b) the small & stable family farms. These targeted smallholder farmers cultivate an average 1.37 ha. Farm size varies between 0.5–2 ha. Although most smallholders produce at the subsistence level with a high incidence of poverty and food insecurity, the potential for increased production is large, with regard to both expansion of cultivated area per farmer and increased productivity per unit of land. With the proper enabling environment, an adequate supply of agricultural inputs (including seeds and fertiliser), diffusion of labor-saving technology, and better access to markets, smallholders' agricultural incomes could rise significantly over a relatively short period. A small minority of smallholders cultivate 2–5 ha and are considered to be potential change agents. The most vulnerable farmers are those who farm less than 1 ha, often female-headed households, which make up a large share of the overall population in some villages.

Table 3. Types of producers in Angola' central highlands

Agrarian systems	Description
Small Subsistence Family Farms	Total area: 0 - 2 ha Labour: 5 family member labourers
Small & Stable Family Farms	Total area: 2 -5 ha Labour: 3-5 family member labourers Diverse irrigated crops: <0.5 ha
Medium Family Farms with Employees	Total area: 5 - 15 ha Labour: 3-5 family member labourers, 5 permanent employees Diverse irrigated crops: < 1 ha Animal traction: < 5 heads
Commercial Family Farms	Total area: >100 ha Labour: 3-5 family member labourers, 10 permanent employees Diverse irrigated crops: < 3 ha Associations with livestock

Source: Carranza & Treakle, 2014

Small subsistence households

27. The first and most basic production system is the most representative of the agriculture of the highlands (and probably most of the country), reaching roughly 90% of the households. Average household land holdings of this group are relatively small, partly due to the high population density²³ (among the highest in the country), the loss of productive assets during the civil war that have not been replaced, and frequent climatic hazards (floods due to excessive rainfall in September/October and drought).

28. The main farming system is rain-fed agriculture, with some small-scale irrigation systems. Poor smallholder farmers have plots of up to 2 hectares while only half of this area is generally put to agriculture use as they rarely have access to animal traction. Major food crops grown include cereals (maize, millet and sorghum), beans potatoes, vegetables and some fruits (pineapple, bananas) in some areas of Cuanza Sul. They hardly use any manure or fertilisers, and only the crop residues from maize and beans that remain in the soil actually degrade and contribute to fertility restitution. In general, poor farmers own few productive assets such as hand tools, poultry, few goats and pigs and in some cases a bicycle. In Huila province, they also own some cattle.

29. Their main sources of income are the sale of poultry, goats and pigs, charcoal and forest products and agriculture labour. Agricultural surplus is sold or traded for basic consumption goods, while some communities also grow vegetables and fruit crops in small-scale to be sold in nearby road or formal markets. Cattle are a symbol of wealth and power, therefore, are only sold for special events (weddings, funerals) or in time of crisis. Other sources of monetary income include labour migration to the major Angolan cities and informal labour in the nearby towns. However, such alternative income-generating activities are often erratic or are seasonal in the sense that people choose to migrate in the "quiet" season from May to August.

30. Being a subsistence agricultural system, there is hardly any profit to the farmers, since it mainly feeds the household. Poor farmers subsist on their own crops (maize, beans, potato, cassava...) and some fish and wild foods (berries, mushrooms...). However, due to unforeseen or unfavourable weather conditions (sporadic droughts or flooding), frequently farmers obtain yields that are insufficient even for their own food security and therefore they depend on market purchase of cereals during the lean period (November - February).

31. Labour in the family farming sector is mostly family labour, with a calendar of activities that lasts 6-8 months, which ultimately benefits farmers with some free time, allowing for other non-agricultural activities that contribute to the general household income. For some farmers this allows for additional side-work on other plots in exchange for money or commodities (corn flour, rice, salt, oil, soap). In fact, the farmers of this production system usually do provide external services to other properties to increase earnings, which are typically 500 Kwanzas/day (less than USD 3 a day). This however ends

²³ 32.2 inhabitants/km² in Cuanza Sul and 29.9 inhabitants/km² in Huila (Angola's population density is 19 inhabitants/km²)

up creating a vicious circle of poverty: selling their labour when it is most needed for agriculture results in a labour short-fall on their own plots, which in-turn reduces their productivity leaving them in critical situations. Sometimes these farmers end up having to also perform work in exchange for basic food and seeds to secure future cultivation.

32. Women have a very important role in all economic activities while participating in more activities that require less physical effort; these activities are those that require more labour, such as taking care of the seed and the crop harvest. Typically male associated activities require more physical effort, such as tillage and the construction of irrigation canals. Young people migrate to the urban centres (Luanda mostly) in search of temporary jobs. Children on the other hand, participate in animal care and weed control activities.

Small and stable households

33. This group is still small and differ little from the previous system. They are classified as stable due to their autonomy in securing seeds and labour, giving them higher productivity and better overall performance securing food for the household throughout year. Farmers who belong in this type of production system are often family farmers that previously belonged to the subsistence system. However they managed to stabilise their situation either through the diversification of their crops and agricultural practices, or through the multiple activities of the members of the household.

34. The main differences with the subsistence group are:

- i. Animal traction: either they own one ox that serves as animal traction or have the financial means to hire the service.
- ii. Horticulture: they have in general a small horticulture system that makes up a large part of the income of these farmers.
- iii. Sale of products: they sell their products shortly after the harvest to intermediate buyers who dictate the selling price. With this income they buy household products (soap, oil...), seeds and fertilisers (1 or 2 bags), even a motorcycle, a plough or an oxen for animal traction

Description of project beneficiaries

35. Project beneficiaries will belong to these first two categories. The major problems faced by poor smallholder farmers to access the market are the following, among others:

- i. Lack of affordable agricultural inputs including animal traction: The great majority of smallholder farmers use traditional methods of farming and family labour, as they have no access to animal traction. Until recent, agricultural inputs (especially fertilisers) were mainly provided free of charge by the Government. With the ongoing financial crisis, the free distribution stopped and the price of fertilisers rose sharply in the local market (when available) preventing small farmers from using them.
- ii. Lack of functioning infrastructure and production facilities. Warehouses, feeder roads, irrigation schemes and other infrastructures that enable farmers to better access the market are inadequate, in poor condition or inexistent. Lack of access to post-harvest, storage and processing facilities constitutes a barrier to entry into agricultural markets, since the emphasis of buyers is more on quality. Access to storage facilities increases farmers' flexibility in selling their products, as well as their bargaining power
- iii. Limited knowledge and skills and poor extension services. Smallholder farmers are often illiterate, with poor technological skills. The majority are not trained with financial and marketing skills and are unable to meet the quality standards of the market. Lack of production knowledge leads to lower quality in production. Extension services have no capacity to reach all farmers as they are understaffed and lack the necessary resources.
- iv. Limited organisation among smallholder farmers. There are few operational associations and cooperatives in the project area, mainly created by NGOs and development projects. Since the colonial times when smallholder farmers worked for cooperatives or state companies, they prefer to work individually or with family members. Raising awareness on the advantages of the associative specially in terms of improving their bargaining power in the negotiation with traders is essential.

- v. Limited access to financial services. Formal financial institutions are reluctant to provide financial services to smallholders because of their lack of collateral (i.e. titled land), unstable earnings, the risky nature of farming activities and difficulties in evaluating smallholders' capacity to save and repay their loans. Some projects have established informal savings and credit schemes with promising results.
- vi. Lack of markets in rural areas and lack of bargaining power. There are no formal agricultural markets or agro-processing industries in the area, and therefore smallholder farmers are obliged to market their products in the local market or through informal traders that normally pay very low prices. The bargaining power of the small farmers is especially low since they have poor access to market information.

D. Target groups and targeting

Target groups

36. Overall, the core target group of SADCP amounts to 235 000 smallholder households. The core target group of the SADCP-C&H in the Cuanza Sul and Huila provinces consists of 60,000 rural households, representing about 300,000 people, including 50,000 farmers who benefit through farmers' field schools (FFS) and 10,000 farmers who will benefit from FFS combined with investment support (of which 1,000 farmers who will also benefit from irrigation support).

37. This core target group will consist of: (i) small subsistence farmers with access to less than 2 hectares of land with a potential for production and productivity increases; (ii) small and stable family farms with some level of organisation, mainly through associations, with access to up to 2-5 hectares of land producing at subsistence level with the potential to graduate into a market-oriented level with focused direct support; and (iii) groups of women, youth who will be involved in processing, marketing and service provision activities. Women, in particular heads of household, widows and young women, will account for at least 50% and youth, between 18 and 35 years old, for 30% of the core target group. SADCP-C&H will consider extending assistance to FOs that were mobilised by former MOSAP but are still vulnerable and in need of further support. Such support will be provided by the project if none will be planned under the SADCP-WB

38. A secondary target group includes public and cooperative sector beneficiaries (IDA technical staff, cooperatives and associations), agro dealers, wholesale traders and commercial farmers, that are key for the development of the value chain. Among the secondary target group such as IDA Staff, cooperatives and associations are regarded as direct beneficiaries and will be provided with support from the project. Such support will include *inter alia* training, improved working conditions in the participating municipalities and improved mobility. While, agro-dealers, wholesalers and commercial farmers will benefit from market information systems and access to some training, and establishment of economic partnerships with smallholder farmers graduating from FFSs.

Target mechanisms

39. The SADCP will use three targeting mechanisms to ensure the participation of poor households, while not being exclusive of other households. The mechanisms will include: (i) geographical targeting, (ii) self-targeting; and (iii) empowering measures.

40. **Geographical targeting.** The project will target poor municipalities and communes in the Huila and Cuanza Sul Provinces. The main selection criteria will be: (i) a high population density and total population so as to be able to reach the project targets; (ii) provincially-focused municipalities for poverty reduction, (iii) poverty incidence above country average, (iv) suitability for promoting market-oriented production of crops and livestock products, (v) lack of supply lines for agricultural inputs, and (vi) geographical contiguity to maximise efficiency of project resources.

41. **Self-targeting.** The farmers' field school (FFS) approach will ensure self-targeting. After receiving information on the FFS approach, smallholder farmers in the selected municipalities and communes can decide if they want to become member of a FFS. The project will support the establishment of as many FFS as requested by the farmers. For a second target group, namely organised groups of farmers, with particular attention to both women and youth groups, the project will undertake a participatory assessment of these groups to ensure that programme interventions will be

demand-driven and respond effectively to needs of the farmers taking into account the maturity level of the organisation.

Targeting Tools to Ensure Inclusiveness

42. **Empowering measures.** Women are specifically targeted to account for at least 50% of the FFS facilitators and 50% of women beneficiaries-from which women-headed households will account for 30% of members of FFS; and one target group comprises young women. Women heading households and women in male-headed households will be empowered to effectively engage in farming related activities. Their participation in FFS will be used to encourage their membership and leadership in farmers' organisations, apex organisations and policy engagement activities. Climate-smart investments will support the use of labour-saving technologies, such as rainwater harvesting, conservation agriculture, and the use of fuel saving-stoves provide opportunities which can be used for household energy. GALS will stimulate discussions at the household level regarding workloads which invariably result in an improved allocation of tasks between household members. Within the selected municipalities and communes, the project will promote the participation of women, youth and poor smallholder farmers by using empowerment and capacity building measures to encourage their active participation. Empowering measures will include: (i) information and mobilisation campaigns, using local information meetings and media on project goal, approaches and the FFS methodology; (iii) agribusiness linkages and input supply through farmers' organisations, also for the vulnerable groups; (iv) inclusive FFS; (v) a broad range of skills training activities; and (vi) monitoring of inclusiveness.

E. Gender approach

Gender equity

43. Angola ranks 121 (out of 142 countries) in the Gender Gap Index 2014. Concerning educational attainment – one of the four dimensions that makes up this index – gender inequality is even higher, ranking 138 out of 142. There is still a significant gender gap in educational attainment in Angola. Despite significant progress in primary school enrolment (boys 84.2% and girls 82.6 in 2014), gender disparities persist in access to secondary education, vocational training and higher education opportunities. This limited access to education together with the high women illiteracy rate (47%) strongly condition women's reduced income levels and strong presence in subsistence agriculture and informal trade.

44. In Angola, rural women represent 52% of the rural population and are responsible for about 70-80% of agricultural production, 90% of basic products, 100% of the processing of basic products, and 90% of their marketing. Women and men perform different tasks in agriculture. Table 3 shows the tasks performed by men and women in relation to the main value chains in Huila province.

Table 4. Tasks performed by women and men farmers in Huila province

Value chain	Men	Women
Maize, Beans and Potatoes		
Production	<ul style="list-style-type: none"> • Purchase of inputs (seeds, fertilisers) • Land preparation (with and without animal traction) • Handling water pumps (if irrigation scheme) 	<ul style="list-style-type: none"> • Opening furrows by hoe • Planting seeds by hoe • Weeding by hoe • Forming ridges to earthen up the crop's roots • Opening and closing irrigation channels by hoe (if irrigation scheme) • Harvesting
Conservation Transformation	<ul style="list-style-type: none"> • Maize: cutting sticks for building a "matala" for drying maize 	<ul style="list-style-type: none"> • "Matala" construction • Milling • Processing (i.e. sweet potato)
Marketing	<ul style="list-style-type: none"> • Final price negotiation and sale (when commercial crop) • Collecting the money 	<ul style="list-style-type: none"> • Final price negotiation and sale (when surpluses of subsistence crop)
Vegetables		
Production	<ul style="list-style-type: none"> • Purchase of inputs (seeds, fertilisers) 	<ul style="list-style-type: none"> • Opening furrows by hoe • Planting seeds by hoe

	<ul style="list-style-type: none"> • Land preparation (using animal traction) • Handling water pumps • Agro-chemicals pulverisation 	<ul style="list-style-type: none"> • Weeding by hoe • Opening and closing irrigation channels by hoe • Harvesting
Conservation Transformation		<ul style="list-style-type: none"> • Processing (few cases)
Marketing	<ul style="list-style-type: none"> • Final price negotiation and sale (when commercial crop) • Collecting the money 	<ul style="list-style-type: none"> • Transport to marketplace/sale point • Final price negotiation and sale (when surpluses of subsistence crop)
Coffee		
Production	<ul style="list-style-type: none"> • Land preparation during the planting phase (using animal traction) in few cases 	<ul style="list-style-type: none"> • Cultural care of the plants • Harvesting
Conservation Transformation		<ul style="list-style-type: none"> • Drying and hulling • Grinding for local market
Marketing	<ul style="list-style-type: none"> • Final price negotiation and sale • Collecting the money 	<ul style="list-style-type: none"> • Final price negotiation and sale in local market
Livestock, Goats and Sheep		
Production	<ul style="list-style-type: none"> • Supporting mating • Supporting delivery • Transhumance (if necessary) • Selecting animals for slaughter (livestock only for traditional ceremonies) or sold (goats and sheep) • Selecting animals for descendants (sisters' sons) • Healthcare services 	<ul style="list-style-type: none"> • Feeding and grazing activities • Milking • Care of animals not involved in transhumance including healthcare services • Cooking for traditional ceremonies
Marketing	<ul style="list-style-type: none"> • Final price negotiation and sale • Collecting money 	
Poultry		
Production	<ul style="list-style-type: none"> • Monitoring the work of his wife • Purchase of veterinary drugs 	<ul style="list-style-type: none"> • Care of her chickens • Care of her husband's chickens • Healthcare of all chickens
Marketing	<ul style="list-style-type: none"> • Collecting the money from the sale of his animals 	<ul style="list-style-type: none"> • Final price negotiation and sale • Collecting the money from the sale of her animals

Source: FAO local technical staff consulted during the design field mission

45. In general, men perform tasks that need more physical strength (plough cultivation) and technical skills, and also take the decision and collect and handle the household income. Women, in contrast, actively participate in unskilled farm work and marketing, and do not participate in decision-making and have no control over household income.

46. In the agriculture sector, it is estimated that adult men work 5 hours a day on the farm, while women work 6 hours; men work 3 hours a day off-farm and women 2.5 hours. Besides those figures, household work, which is women's responsibility in rural areas, must be taken into account. MINADER/FAO²⁴ estimates conclude that farming women work 14 hours a day on household and economic activities if they have a husband and 15 hours a day if they are single, divorced or widow. However, women's work is usually underestimated, even by the own rural women. When women were asked about their working hours during the field mission, many stated that they do not work at all (as they are not paid for their work). Despite their key role in achieving household food security, they have limited access and control over resources and services and their participation in decision-making processes is limited.

²⁴ MINADER/FAO (2004): Review of Agricultural Sector and Food Security – Strategy and Investment Priority Setting (TCP/AND/207)

Access to land

47. The principles regulating inheritance and land tenure are determined by customary practices, which often vary from region to region. In general, women are not entitled to own property on equal terms with men. Women gain the right to land ownership only through marriage. In general, the right of a woman to own land and to access economic resources may depend on her reproductive capacity, as well as on her marital status. This implies that, in some regions, a woman who cannot have children, who has divorced or who has become a widow may easily lose her right to land ownership. Widowed women might inherit land in trust for their sons, which are then allocated to the sons upon marriage. Women that are single or divorced, and widows who have lost all their sons, are forced to return to their families, and might be given a small area to farm. There are also some gaps in access to land due to complex and costly administrative procedures that penalise poor and poorly educated women.

Access to rural credit

48. Rural women do not own physical assets (i.e. land or livestock) to secure loans, as household assets are generally the property of male heads of households (or the male relatives of the deceased). Other constraints limiting the access to formal savings and credit schemes are: the high illiteracy rate, the lack of identity card, the lack of bank offices in rural areas, high transaction costs (transport cost, paperwork, time...) and cultural norms that restrict women's mobility and the interaction with male bank staff. However, women actively participate in informal savings and credit schemes implemented by NGO that are having excellent results.

Access to extension services

49. Women have limited access to training and extension services, partially because extension is frequently delivered through associations and cooperatives and they are not members. It was confirmed during the project design field visit that only single and divorced women and widows are members of associations and cooperatives. In a married couple, only the man is member of the cooperative, and he is supposed to share extension information with his wife, which rarely occurs. Seeds and agricultural inputs are frequently supplied through associations and cooperatives, so women do not benefit from improved inputs either.

Women's concerns and needs

50. In 2014, the Ministry of Family and Women's Promotion coordinated a National Listening of Rural Women aiming at learning rural women's concerns and needs. Nearly 400 listening meetings - including commune, municipality and provincial levels - involving more than 44.000 rural women were organised throughout the country. While speaking on their behalf or representing their community, women gave voice to many concerns that affect their daily life as the lack of basic resources, the difficult access to education and healthcare, land ownership problems, the persistence of domestic violence and the need of professional training. The outcomes of the National Listening have been the basis for the elaboration of a National Development Programme for Rural Women, which will be soon approved. Table 4 show a summary of the main needs of rural women expressed in the consultations in the three project provinces.

Table 5. Main needs of rural women in Cuanza Sul and Hula provinces

Area	Cuanza Sul province	Huíla province
Economic and productive	<ul style="list-style-type: none"> • Acquisition of land and means of production • Rural credit for agricultural inputs and equipment • Support to fisheries • Food assistance • Employment for youth 	<ul style="list-style-type: none"> • Access to land and means of production • Rural credit for agriculture • Construction of mills, silos and small transformation units in rural areas • Rehabilitation of feeder road • Job opportunities and microenterprises • Professional training centres
Social services	<ul style="list-style-type: none"> • Scaling up school feeding programme • Construction of schools, hospitals and bank offices • Salary and resources for literacy trainers • Increase in teachers and police officers • Training of traditional birth attendants • Assistance to orphans and very poor people 	<ul style="list-style-type: none"> • Construction of schools and health posts and bank offices • Literacy programmes for rural people • Training of traditional birth attendants • Assistance to orphans, abandoned children, elderly and very poor people
Others	<ul style="list-style-type: none"> • Improvement of communication network, • Improvement of electricity and water supply • Raising awareness on gender-based violence, alcohol abuse, responsible fatherhood and early pregnancy 	<ul style="list-style-type: none"> • Improvement of communication network, • Improvement of electricity and water supply • Mobile civil registration campaign (ID) • Raising awareness on gender-based violence • Implementation of measures against inhuman cultural practices

Gender strategy

51. Many constraints to improved livelihoods for poor rural women and women-headed household are similar to those of poor male-headed households, however, women face additional constraints that prevent their full and equal participation in agriculture and commercial activities and in decision-making processes in their communities. The project will ensure that rural women are given equal opportunities to participate in and benefit from project activities. To this end, the project will ensure that (i) women are target equally within the target groups and (ii) a gender mainstreaming strategy and action plan are developed based on the real needs and constraints of rural women in the project area.

52. The Project will monitor targeting effectiveness by collecting and analysing gender disaggregated data and results between men and women headed households and incorporate necessary adjustments.

53. A gender study will be carried out at project onset to identify the factors that prevent women from gaining equal access to value chains, as producers but also processors and managers, and propose measures to facilitate women access and mainstreaming gender issues into project activities.

54. The gender study will include a pilot experience of the implementation of the Gender Action Learning System (GALS) with one FFS. Learning from the GALS pilot experience will be used to include GALS as the main approach to build social inclusion and ensuring that participation, project activities and decision-making are more equally distributed across social levels and across gender.

55. The studies will be carried out by a team of consultants that will be led by the gender specialist who will be recruited for the PMU. The results of the gender study will be the basis of the project gender mainstreaming strategy and its action plan. The gender mainstreaming action plan will be developed to include various levels (beneficiaries, components, implementation staff) to ensure maximum participation of women in project activities and the consequent benefits. Activities for gender mainstreaming will be carried out in coordination with the Ministry of Family and Women's Promotion.

56. The project gender strategy will pay special attention to mainstreaming gender in FFS and FBS. Despite the participation of women in FFS and FBS is usually greater than that of men, few women hold decision-making positions. The main reason for women not being involved in decision-making processes is their traditional gender role in the community, in addition to women's high illiteracy rate and lack of time. The strategy will include training and awareness raising on gender issues for both

men and women. The Project will revise the FFS curriculum to contribute to women empowerment and improved gender relations. Some modifications that need to be introduced are among others: (i) starting the literacy and numeracy training in the first cycle, (ii) including a module on violence against women and gender relations. In planning the time of the training, in particular of this last module, consideration will be given to the seasonal calendar, related variations of the workloads, and migration periods, to make sure that the time and period of the training do not represent a barrier to participation (it should be taken into account that frequently participation of men in the gender training is lower compared to that of women).

57. Additional specific training will be provided only to women, to promote their empowerment, enhance their capacity to articulate their roles and rights as well as strengthen their political voice in respective households and communities, and fully participate in and benefit from development opportunities, through confidence, self-esteem and self-respect building. Women's groups will be promoted and will receive vocational training for their engagement in income generating activities (i.e. processing and conservation units) and home gardens aiming at increasing their income and improving household food security and nutrition. Savings and credit schemes will be promoted within these women's groups reinforcing women's control over the income generated through these activities.

58. The Project will also provide training on gender issues and gender mainstreaming in agriculture to MINAGRI staff and others relevant implementing partners and government officials from the two provinces, possibly by the same team of consultants who carried out the initial gender study or other service providers

Attachment 1 – Main documents consulted

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Appendix 3: Country performance and lessons learned

A. Country performance

1. IFAD has been working in Angola since 1991, beginning with the Fund's first project, Malanje Smallholder Sector Rehabilitation Project. After the signing of the Lusaka Peace Accord in November 1994, IFAD began formulating new projects. At the time of the preparation of the country strategic opportunities paper (COSOP) in 1994, there were two active loan-funded projects, the Northern Region Food Crops Development Project (PRODECA) and the Northern Fishing Communities Development Programme (PESNORTE). PESNORTE became effective in 1999. However, with the new outbreak of war in late 1998, it was impossible to work in the field and operations all but ceased. When the war ended in early 2002 and the security situation improved and the project area became accessible again, project objectives were re-evaluated and judged to still be valid. The implementation period was subsequently extended to the end of 2007, providing valuable operational lessons to be applied in future lending programmes. Following the preparation of the COSOP, a new project, the Market Oriented Smallholder Agriculture Project (MOSAP), was formulated by the World Bank for an amount of USD 49.5 million to be co-financed by IFAD with a loan of USD 8.5 million and became effective in 2009. MOSAP implementation fell behind schedule early on, with field activities having started only around mid-2012, some 2.5 years after effectiveness. This delay was attributed to the difficulties in recruiting and retaining project staff, as well as extremely limited capacity in the Ministry of Agriculture to guide, manage and monitor the project. But after a project restructuring and after the recruitment of FAO to run a smallholder farmer education program ("Farmer Field Schools", FFS), project implementation accelerated and by the project closing date in March 2016, 91% of IFAD funds had been disbursed and results in terms of smallholder farmer adoption of improved technologies were highly encouraging. The Angola Fisheries and Aquaculture Project (AFAP) recently became effective, more than a year after IFAD approval.

B. Lessons learned

2. The lessons derived from previous projects and incorporated into project design are summarised as follows:

- (i) *The FFS approach to agricultural extension was very effective in enhancing smallholder farmers' capacity to generate and use new knowledge and adopt improved agricultural practices and technology.* FFS training was effective in equipping about 22,000 subsistence farmers with the skills and experience needed to engage in commercial agriculture, as witnessed by the high success rate of the investment sub-projects that a subset of the trained farmers were engaged in under MOSAP. The proposed World Bank and IFAD follow-up projects (SADCP-WB and SADCP-C&H) will train a much larger number of farmers (210,000) and take on new themes such as nutrition, horticulture, marketing and business skills, financial literacy and strengthen the curriculum in fields such as climate-smart agriculture. To ensure the success of this scaled up, thematically enhanced FFS training, it will be essential to improve the quality and frequency of supervision of government technicians and to emphasise training of and reliance on farmer facilitators.
- (ii) *While MOSAP was successful in reaching women, more needs to be done to ensure that women play an equal role in farmers' organisations and influence project investment decisions.* Women had only limited influence on the choice of sub-projects, an issue that will need extra attention under the proposed project. Women's participation in farmers' organisations was lower than that of men and women usually had a secondary role, with only a few occupying leadership positions. More women could be encouraged to get training as FFS facilitators and become community leaders, for example by arranging training sessions to favor women's participation. The inclusion of literacy and numeracy skills in the FFS curriculum under the SADCP will also help women farmers benefit from the training provided, to play a more important role in farmers' organisations' decision making, and to develop marketable production.
- (iii) *Importance of linking smallholder farmers with markets and implementing subprojects.* MOSAP was implemented in a post-conflict situation in which most smallholder agricultural production

reverted to subsistence. This situation still prevails for the target households in the three new provinces, where most subsistence farmers remain net food buyers. MOSAP provided fairly limited support in marketing and value chain development. During the course of implementation three PDO indicators were dropped including two that related to market access, viz:

- percentage of participating smallholder farmers with secured market access through contractual arrangements with agribusinesses or traders; and
- percentage of participating smallholder vulnerable groups with secured access to market through contractual arrangements with agribusinesses or traders.

3. These changes were made to sharpen MOSAP's focus on production and productivity on the basis that other projects supporting smallholder agriculture were better placed to support the development of market linkages. However, training on marketing and commercialisation formed part of the FFS curriculum and was the main focus of the training in the third year cycle. It was expected that as farmer organisations become more mature, they would serve as a tool for increased group marketing. Some associations explored higher level organisational development and were registered as cooperatives in order to put in place more coordinated output marketing and access to credit.

4. The Project Completion Report (PCR) found that stakeholders had positive perceptions about better market knowledge about input supplies and downstream marketing channels. However, the PCR considered that the project could have developed an additional focus on input market access to complement sub-project investments and training. The PCR also found that the smallholder sector has the potential to reach much higher levels of production provided farmers have the right commercial incentives. It noted that farmers were sceptical about increasing production of local cash crops unless there are provisions for a secure market outlet. Consequently, a strategy to encourage the production of crops should go beyond the provision of inputs; and support farmers to develop storage, processing, and marketing strategies.

5. The PCR considered that future operations in Angola should support market linkages and a value chain approach. It recognised that MOSAP provided limited support to marketing, mostly in connection with Component 2. Analysis of market opportunities should be carried out before investing in production systems, and training on business and marketing aspects should complement production-oriented training. Long-term success requires not only improved on-farm productivity but also opportunities for farmers to have access to, and compete in, output markets. This led to the PCR recommendation that SADCP-C&H needs to provide support for marketing activities at several levels, including assistance to farmer groups, members of groups or entrepreneurs for establishment and initial operation via credit of marketing associations of agricultural produce or purchase of inputs, private small and medium scale processing plants, equipped with storage facilities and quality testing. Such interventions can stimulate diversification and investments and the strengthening of rural enterprises.

6. As demonstrated by MOSAP implementation experience, *the use of service providers for activities that are outside the core competences of the government contributes to greater efficiency in the implementation of activities as well as greater effectiveness in the achievement of project results.* Outputs 4.1 and 4.2 will be implemented through contracted service providers to support smallholder farmer groups and increase their awareness of risks, help build technical, commercial, financial and organisational skills and identify priorities. These service providers will regularly support individual farmer groups until the investment sub-projects are up and running satisfactorily, normally over a period of up to two years, and be available for occasional assistance thereafter.

7. *A capable and internationally experienced service provider will be required to help farmers' organisations develop and implement investment proposals, especially for value chain investments.* The use of small, local service providers to assist farmers' associations in the preparation and implementation of MOSAP sub-projects was problematic because of their limited technical and organisational capacity. Improving the quality of technical and commercial assistance and making it available to a much larger number of beneficiaries will require recruitment of a highly capable and internationally experienced service provider who will also train the local NGOs and private sector subcontractors with whom they will work.

8. *Financing demand-driven subproject investment proposals promotes their sustainability.* The modalities for preparing and implementing demand-driven sub-projects under MOSAP were generally

successful, with over 70 percent of sub-projects judged sustainable by the above-mentioned independent evaluation. The key elements of success were (a) creation of ownership through community participation in all stages of subproject preparation and implementation, as well as direct community contributions (cash or in kind); (b) farmers' organisations' commitment to engage in O&M before disbursement of project contribution; (c) training of farmers' organisations and assistance with establishment of user rules and cost-sharing agreements; and (d) awareness raising and encouragement for farmers' organisations to identify and contract the technical assistance they need.

9. *Building government capacity accelerates project implementation and increases country ownership of results.* MOSAP implementation was slow, especially at the beginning of the project. To accelerate SADCP implementation and ensure sustainability of project results, targeted government capacity building will be essential, especially in the following areas: (a) improving the competence and motivation of government staff involved in supervision of extension agents; (b) improving the accuracy and timeliness of government agricultural statistics to allow for more informed decision making; and (c) enabling senior government staff to address structural constraints through informing and promoting agriculture sector policy dialogue.

10. *The creation of a dedicated project management unit, separate from the implementing institution, is an effective implementation instrument for decision-making, coordination and guidance of project activity implementation.* Thus, a Project Management Unit (PMU) will be set up within IDA in Luanda, aligned with the SADCP-WB, to enhance coordination and policy dialogue within IDA and the Ministry of Agriculture and also to draw lessons from other sector programmes. However this Luanda-based coordination unit will be lean in structure and only with key personnel for dealing with programme management, M and E and financial management. The rest of the team will be based in Provincial Project Implementation Units in Cuanza Sul and Huila Provinces.

11. *Involvement of local authorities at the provincial and municipal ("comuna") levels in the monitoring of project activities facilitates local coordination and contributes to a successful project implementation.* Over time, it will also help to convince local authorities to make available budgetary resources for smallholder farmer support and development. In addition, Provincial IDA Directorates and EDAs (in the municipalities) will fulfil a role of local coordination and guidance;

12. *An incentive system covering key staff involved in the implementation of project activities has proved to be an effective element in promoting project performance and helping to achieve project targets.* Government staff working under the project will be provided with a satisfactory work environment (training, equipment, living conditions) that will serve their future professional advancement;

13. Reaching project effectiveness is a lengthy process involving many steps in Angola, *therefore it is proposed to extend the project duration to seven years.*

14. *Projects should have a clear and comprehensive exit strategy to enhance sustainability beyond project end.* SADCP puts the emphasis on building capacity at different levels, but in particular regarding its main beneficiary, by providing comprehensive training through Farmer Field Schools, promoting its organisation through various levels of association, linking farmers and their organisations to agriculture value chains in long term commercial relations and granting them vital productive assets thus empowering smallholders to improve their livelihoods in a sustainable manner.

15. *Monitoring and evaluation systems, including baseline surveys, are important management tools that support and give guidance for project adaptation to changing contexts.* Therefore SADCP will set a strong monitoring & evaluation staff structure, both at national and provincial level. It will also specifically involve contracted service providers in delivering timely and relevant monitoring data on the results of investment sub-projects supported by the project allowing Project Management to have continuous flow of information on key activities and related achievements.

Appendix 4: Detailed project description

1. The Project is structured around three components: (i) Component 1: Capacity building and institutional development; (ii) Component 2: Support for increased production and commercialisation; and (iii) Component 3: Project Coordination and Management. The sub-components and activities for components 1 and 2 are described in detail below.

Component 1 – Capacity Building and Institutional Development

2. The objective of this component is to improve the technical, institutional, managerial, and marketing skills of farmer beneficiaries and to strengthen the capacity of government agricultural extension specialists, agricultural research institutions, private agricultural service providers, and NGOs related to different aspects of agriculture, including value chains.

3. Under this set of interventions, SADCP will further support pluralistic extension services delivery to promote the adoption of good agricultural practices for sustainable intensification innovations in both irrigated farms and rainfed agriculture. This will include (a) support to applied research on selected areas of both irrigated and rainfed agriculture; (b) establish and facilitate Farmer Field and Business Schools (FFS) providing applied training to farmers on the adoption of good agricultural practices (GAP), including use of quality seed/planting materials of improved varieties, timely planting and weeding, integrated soil fertility management, integrated pest management and water-nutrient use efficiency, and conservation agriculture; (c) establish community seed systems; and (d) promote Climate Smart Agriculture (CSA) in rainfed areas. This activity will be implemented under the overall responsibility of IDA with backstopping and technical support on applied research from the IIA and international research centers.

Sub-component 1.1: Strengthening Capacity of Smallholder Farmers and Farmers' Organisations through Farmers Field Schools

4. The objective of this subcomponent is to strengthen the capacity of smallholder farmers and farmers' organisations through FFSs, including: (a) supporting the establishment of smallholder farmers' organisations; (b) strengthening the knowledge of farmers on agricultural practices, technology, inputs, and marketing; (c) strengthening the functional literacy and numeracy of farmers; (d) improving dietary diversity awareness among households as well as knowledge about infant feeding and infant caring practices; (e) improving soil fertility and integrated nutrient management; (f) promoting conservation agriculture and sustainable land and water use; and (g) building the capacity of relevant government staff at the municipal level to implement an FFS program through training-of-trainers courses and on-the-job training. The expected outcome is "smallholder farmers' technical, organisational and managerial competence improved".

5. The FFS training is expected to benefit 60,000 smallholder farmers in the Huila and Cuanza Sul provinces covered by the SADCP-C&H (and total of 210,000 farmers in the five provinces also considering the SADCP-WB), a significant increase as compared to what achieved under MOSAP. The FFS methodology empowers smallholder farmers to set their own agenda and take steps to improve their agricultural knowledge, incomes and livelihood. It will include training of master trainers (mainly EDAs' agricultural extension staff), who will in turn train other government extension staff and farmer facilitators by using the enhanced and improved FFS curriculum. For effective implementation of the FFS approach, the government will ensure that each municipality participating in the project has at least three agricultural extension specialists at each EDA. Scaling up the FFS initiative involves:

- (a) Increasing training capacity at the commune (*comuna*) and municipality (*municipio*) levels (three agricultural extension specialists in each EDA) and farmer facilitators at the community (*aldeia*) level (farmers selected by farmers) who will become paid FFS facilitators, backstopped by the EDA agricultural extension specialists.
- (b) A complete FFS training cycle is approximately 30 months (12 months in cycle 1, 6 months in cycle 2, and 12 months in cycle 3). One agricultural extension specialist is expected to cover 14 FFS at any one time. The curriculum of each FFS cycle is summarised below.

- (c) An FFS group will consist, on average, of 30 smallholder farmers (both men and women) from the same village or surrounding villages, and the training will be conducted within the village itself. Women farmers are expected to comprise at least 50 percent of all trainees.

6. The project expects to cover all targeted communes and municipalities by the end of the third year, with at least 30% of total target covered in the first year and 60% in the second year. This will ensure that all farmers in the target group benefit from at least one full FFS training cycle during the project.

Summary of Farmers Field and Business Schools Cycles

1st cycle – Basic crops	2nd cycle - Diversification	3rd cycle - Consolidation
<ul style="list-style-type: none"> - Participatory diagnostics - Organisation of the FFS program - Production techniques for the main crops of the area (cassava, beans, maize, potato, beans, vegetables, coffee) - Social themes on gender, basic sanitation, HIV/AIDS, planning, etc. 	<ul style="list-style-type: none"> - Reinforcement of the themes of the 1st cycle - Diversification of crops: (beans, vegetables, potatoes etc.) - Climate-smart agriculture: soil management, irrigation, soil improving plants, agro-forestry, crop rotation, composting, etc. - Rational use of chemical fertilisers - Social themes as per 1st cycle plus nutrition (to accompany crop diversification) 	<ul style="list-style-type: none"> - Sustainable management of soils - Reinforcement of the structure and management of farmer organisations - Integration of agriculture-livestock, forestry - Commercialisation, processing and access to credit and financial services - Social themes: literacy and numeracy

7. The above FFS curriculum will be further improved under the SADCP-WB and SADCP-C&H, reinforcing its content on issues such as gender (in particular gender-based violence and more equal gender relations), nutrition (including dietary diversity through kitchen gardens and conservation and processing of nutrient-dense products) and hygiene. Other aspects of the curriculum to be enhanced are natural resources and waste management, climate resilient and conservation agriculture, and business skills including financial literacy and knowledge and use of financial services and products. The curriculum will incorporate the recommendations for climate change adaptation resulting from the climate risk analysis that was undertaken as part of the design. In order to improve the effectiveness and implementation of the FFS approach an in-depth evaluation of the performance of FFS established under MOSAP will be carried out at the onset of implementation, possibly jointly with the World Bank. This evaluation will be undertaken by the an independent entity.

8. As part of the FFS training, the project will make a concerted effort to promote the active participation of women and other vulnerable groups in agricultural production and value chain activities. Specifically, the project will support their acquisition of basic skills to (a) increase their ability to actively participate in smallholder farmer group formation and leadership; (b) increase their chances of benefitting from investment sub-projects under Component 2²⁵; and (c) more effectively operate in an increasingly commercial environment.

9. The issue of malnutrition will be addressed in FFS training as it is critical to reduce the prevalence of diseases, facilitate normal growth of children²⁶, and improve human productivity. The project will encourage the production and consumption of fresh vegetables and promote balanced nutrition to address the problems of malnutrition for adults as well as children in the project area. The ongoing extension activities under FFS already include a nutrition module that raises awareness about malnutrition's causes and measures for reducing it, such as growing more nutritious crops, preparing more diverse meals, and using improved methods to preserve seasonal crops rich in vitamins and minerals for use throughout the year. Specific focus will be placed on training girls and women, because they are responsible for preparing daily meals for the family, and on increasing the

²⁵ For example, the grinding mills funded under MOSAP reduced the time and energy spent by women on food preparation and freed their time for other activities, with a significant positive impact on household revenue and quality of life.

²⁶ The 1,000 days between pregnancy and a child's second birthday are the most crucial time to optimize a child's cognitive, immune system and physical development. Poor nutrition during pregnancy (diet, wellbeing, and health) can have harmful long-term effects for the child in leading to stunting and consequentially also predisposing the child to metabolic diseases later in life. Furthermore, exclusive breastfeeding during the first 6 months of a child's life and complementary feeding from 6 to 18-24 months of age is essential to optimize health and development. Each of these represents an important pillar for improving nutrition rates in Angola.

awareness of both male and female household heads of the importance of allocating adequate resources for improving nutrition²⁷. Nutrition issues will also be addressed as part of the project's awareness and communication efforts, notably a Behavior Change Communication (BCC) campaign for nutrition. Such campaign will allow: (i) identifying effective behavior change strategies through in-depth social diagnostic; and (ii) developing materials such as "community memory for nutrition" through pictures, audio messages, or videos, which allow access to a wider audience, particularly among illiterate population groups.

10. In order to adequately target rural youth and especially with most vulnerable youth (orphans, heads of households, HIV-positive youth, etc.), the project will also support Junior Farmer Field and Life Schools (JFFLS), an effective approach that has been already piloted in other African countries by FAO (e.g. Kenya). This approach is similar to the standard FFS but also includes basic life skills and targets vulnerable young people, especially those who are under 18 and at risk of migration or being involved in hazardous labour to survive.

11. The available limited transport facilities constrain EDA agricultural extension specialists' ability to travel to villages and interact with smallholders. To address this problem, the project will provide all government extension staff involved in FFS with motorcycles to enable them to effectively reach smallholder beneficiaries (see subcomponent 1.2).

12. The key selection criteria for determining smallholder farmers' eligibility as beneficiaries of the FFS training program are: (a) farming as the main economic activity; (b) willingness to work in a group/organisation; (c) awareness and willingness to resolve their agricultural problems; (d) preferred location with easy access to the FFS site; (e) average farm size not greater than 5 ha; (f) gender, such that at least 50 percent of FFS participants are women; (g) potential for knowledge transfer to other villages in the same area; and (h) existence of farmer leaders and champions for modernising agriculture.

Sub-component 1.2: Institutional Strengthening of Local, Provincial and National Units of the Ministry of Agriculture

13. The second subcomponent aims at: (a) strengthening the institutional capacity of local, provincial, and national units of MINAGRI in the areas of irrigation, extension, market information, statistics, and policy analysis to improve provision of services to smallholder farmers at the farm-level investments; and (b) rehabilitating and constructing agricultural extension facilities at the local level of MINAGRI, including offices and residential complexes for agricultural extension staff. The expected outcome is a "more conducive policy and enabling environment for smallholder agriculture".

1.2.1. Institutional Capacity Strengthening

14. The objective of this group of activities is to strengthen MINAGRI's institutional capacity at the national and decentralised levels to provide appropriate data, statistics, and market information as well as the complementary services needed for SADCP farm-level investments. This subcomponent represents a new area of investment and builds on lessons learned under MOSAP and the need to strengthen technical services to increase the impact of community-level investments. In parallel to working with smallholder farmer's organised in FFS, FAO will provide training, coaching and supervision to IDA and EDA staff in the targeted intervention areas. This will ensure that institutional capacity of IDA and EDA staff is enhanced and their ability to address developmental issues-such as rural poverty, gender and youth issues will be further raised. The PIU will coordinate implementation of these activities in collaboration with the MINAGRI's Department of Planning and Studies (*Gabinete de Estudos, Planificação e Economia*, GEPE) and IDA. Financing will be provided to strengthen: (a) agricultural statistics; (b) market information systems; (c) agricultural policy analysis; and (d) irrigation-related services.

15. **Agricultural Statistics.** Project support under this activity will expand the regular collection and dissemination of data on crop forecasts, crop production, agricultural input and output prices, and

²⁷ Nutrition is contingent on people's practices and preferences. Dietary, care and health habits are partly driven by knowledge but also by preferences rooted in cultural norms and values as well as broader food, social and health systems, making certain goods or services more or less accessible and acceptable. Beyond imparting messages however, it is important to understand the drivers of habits in order to understand and improve people's attitudes towards healthy eating or child care practices, skills in selection of healthier and local foods, adoption of healthy and safe food practices, and application of skills to prepare culturally acceptable balanced meals, exclusively breastfeed, and prepare complementary foods.

other agricultural and economic variables, with a focus on SADCP project areas. GEPE will be responsible for its implementation. At present, GEPE undertakes regular post-harvest surveys on crop production but has not been able to expand the frequency or scope of these surveys to allow for crop forecasts or collection of detailed price data, according to standard practice in many Sub-Saharan African countries. Recent efforts to strengthen agricultural statistics have been made with the support of FAO and other partners at the national level, and as part of the larger 'Global Initiative to Improve Agricultural and Rural Statistics', to which the World Bank is a partner. In line with these efforts, a full agricultural census is planned for 2016. A strategic plan for the Division of Statistics is also under development and is expected to provide a roadmap for a comprehensive approach to data collection, processing, dissemination, and analysis for the agriculture sector and capacity strengthening within MINAGRI.

16. The SADCP-WB and gap-funding from SADCP-C&H will provide targeted financing in three areas: (a) expansion of data collection for crop forecasts and post-harvest surveys; (b) preparation of regular agricultural statistics and reports at national, municipal, and commune levels; and (c) support to the national agricultural census. To expand data collection for crop forecasts and post-harvest surveys, project funding will be used to undertake training of enumerators and MINAGRI technical staff in target provinces as well as to provide operational support to provincial directorates to undertake data collection. This work is expected to support MINAGRI's effort to expand survey data collection nationwide. Lessons learned from this initiative will be instrumental in the expansion of this program to additional provinces under government funding outside the project. The project will also provide funding for technical assistance and capacity building at the national and provincial levels to improve the quality of regular reports and statistics. The project will finance technical assistance and training for the agricultural census's design and implementation. Some support will also be provided to include a module within the census to capture data on SADCP overall beneficiaries.

17. **Market Information Systems** This activity will also be implemented by GEPE in coordination with the National Directorate of Rural Trading at the Ministry of Commerce (Trade). The project will support these two institutions to increase the availability of market information (prices and market situation) on a regular basis at least for the crops targeted in the project area. This will allow more informed production and marketing decisions. Farmers currently have relatively limited access to retail, wholesale, and producer prices within major marketing centers. In addition to crops, the market information system will deal with the prices of critical agricultural inputs. Project financing is designed to support establishment of a market information system for key agricultural commodities and inputs and dissemination of this information for the benefit of farmers. Support is likely to include development of action plans at the provincial level and technical assistance to design possible options for the market information system. This could include linkages to farmers' or traders' groups such as UNACA (*Confederação das Associações de Camponeses e Cooperativas Agropecuárias de Angola*) - the National Federation of Farmers' Association and Cooperatives- and linkages to Ministry of Commerce initiatives (notably the Program for Acquisition of Agriculture Products (*Programa de Adquisição de Produtos Agropecuários*), PAPAGRO).

18. **Agricultural Policy Analysis.** The project will provide funding to support studies and training in agricultural policy analysis, carry out annual sector review processes and establish or strengthen platforms for discussing relevant policy issues that will arise from implementation. These activities will be led by GEPE (MINAGRI's Department of Planning and Studies). This is expected to include policy dialogue related to major issues such as fertiliser and seed policy, agricultural finance, market access and rural infrastructure, food security and human nutrition, as well as their social and environmental implications including the impact of climate change on agriculture and resilience. These policy discussions should utilise existing policy mechanisms at the national and provincial level. The main purpose of this activity is to strengthen MINAGRI's capacity to analyze agricultural policy constraints and identify appropriate policy solutions to address them; activities will be undertaken in coordination with the World Bank and other partners, who have expertise in the area of policy. The project will support the country to comply with its commitments under the CAADP to institute two reviews annually of the agriculture sector, which were agreed in June 2014 as part of the African Union Summit in Malabo and contained in the Malabo Declaration on Accelerated Agricultural Growth.

19. **Irrigation-related Services.** The project will strengthen the capacity of MINAGRI/ADI staff who deal with provision of SSI-related services, particularly at provincial and municipal levels where staff have limited capacity to provide technical backstopping to communities undertaking rehabilitation and

construction of SSI systems. The service provider (to be hired under Component 2) will also include targeted technical training on gravity-fed irrigation systems and support to WUAs at both provincial and municipal levels. This will enable more effective technical backstopping for irrigation activities in Component 2. Training will primarily target the provinces with the highest potential for gravity-fed SSI systems. In addition, the project will also support an inventory/reconnaissance study of potential SSI schemes to be rehabilitated in the targeted provinces, particularly for Huila and Cuanza Sul which were not covered by the study undertaken during design and funded by MOSAP.

20. **Environmental education.** The Ministry of Environment has the mandate for ensuring environmental protection and climate change adaptation. As part of the strategy to mainstream environmental and climate risk management and demonstrate activities in specific sectors, ecological centers have been constructed in Namibe, Cabinda, Cuando Cubango and Huambo Provinces. The center in Huambo, one of the five provinces covered under the SADCP-WB and SADCP-C&H, can be used by the SADCP-C&H as a training base for the smallholders and technicians in environmental management and climate change adaptation options as well as renewable energy technologies for post-harvest facilities where feasible. The project will thus provide support to equip the Huambo ecological education centre as well as mobilisation of expertise for demonstrations and training.

21. Under the above activities, IFAD-financing would mainly focus on the provision of adequate support for activities to be implemented in the Huila and Cuanza Sul provinces and complement WB-funding for other activities implemented at national/MINAGRI headquarter level.

1.2.2. Provision of Extension Infrastructure and Facilities

22. Most of Angola's agricultural infrastructure in rural areas was destroyed during the civil war and agricultural production suffered a great deal. In this context, critical agricultural extension facilities need to be rehabilitated and/or built at the local level. This will require construction and rehabilitation of office and residential complexes for agricultural extension staff in selected communes. In addition, the extension officers will need motorbikes and office equipment. The government will identify the priority houses and offices to be rehabilitated or built in the targeted communes and municipalities as well the equipment needed. An estimated 40 new houses and 10 new offices would be required in the 80 beneficiary communes in the three provinces covered under the WB funding; the needs for the two provinces covered under IFAD funding will be provided by IDA before project start. This activity will be implemented by the Project Implementation Unit (PIU)/Provincial Project Implementation Units (PPIUs), in collaboration with IDA/EDAs. The government will allocate specific resources for operations and maintenance (O&M) of buildings, transport means and office equipment as part of its contribution.

23. Under that activity funding would focus on the provision of adequate extension facilities and equipment for the Huila and Cuanza Sul provinces (indicatively, provision was made for procuring about 10 vehicles, 40 motorbikes, 10 office equipment sets, civil works, studies and work supervision under the IFAD loan).

Sub-component 1.3: Strengthening Capacity and Global Knowledge to address Emerging Research Issues

24. This subcomponent aims to strengthen the institutional capacity of Angola's national- and provincial-level agricultural research system to enhance access to modern agricultural innovations and technologies that increase agriculture productivity and production. The objective is to strengthen the research systems to address emerging issues in the productivity, production, and value chains of priority food and horticultural crops (vegetable, coffee). This will include scaling up the availability of improved technologies for farmers, thereby filling technical knowledge gaps around cropping systems within the project areas and introducing new knowledge and technologies that may be available within the region or globally, where appropriate. The expected outcome is "government capacity to support climate resilient smallholder production and commercialisation enhanced". Project financing will be provided to develop and support proposals for addressing specific R&D initiatives linked to project objectives and building on relevant global or regional sources of knowledge and technology.

25. The main activities to be financed under this sub-component include: (a) improving soil diagnostic services; (b) supporting the multiplication of seeds and planting material; (c) building the technical capacity of the national research and extension system; (d) developing technology packages for selected crops; and (e) scaling up the testing and demonstration of improved technologies. The expected outcome is: “capacity of research systems to support smallholder agricultural production and commercialisation enhanced”. In particular, financing under the SADCP will be provided for the following:

- (i) **Multiplication of seeds and planting material.** Scaling up breeder or foundation seed production within the IIA, developing partnerships with seed producers to increase production of certified or quality-declared seed, and scaling up production and dissemination of virus-free cassava cuttings.
- (ii) **Development of recommended technology packages for project crops (*cartas tecnológicas por culturas*).** Packaging and recommendations for priority crops for use by farmers, delivered by extension system/technical service providers.
- (iii) **Improvement of soil diagnostic services (soil analysis and fertiliser recommendations).** Provision of equipment, training, and operational costs within Cuanza Sul and Huila to improve soil testing facilities and development of fertiliser recommendations.
- (iv) **Training of national research and extension system on specific technical topics by international experts.** Support to partnerships to bring in outside knowledge for the benefit of the national research and extension system from partners such as the Brazilian Agricultural Research Corporation (*Empresa Brasileira de Pesquisa Agropecuária, EMBRAPA*), Consultative Group for International Agricultural Research (CGIAR) institutes, or within the Southern African Development Community region.
- (v) **Scaling up the testing/demonstration of new technologies based on CGIAR research system or others.** Support for R&D activities within the IIA to test new technologies brought in from the CGIAR system, EMBRAPA, or countries within the region and targeting priority crops.

26. Implementation of these activities will be done by the Institute of Agricultural Research (*Instituto de Investigação Agronómica, IIA*) and the partner(s) selected for the specific R&D activity. IDA and IIA will prepare a detailed work plan for the R&D activities to be financed, with the time frame and budget. The PIU will retain the fiduciary responsibility.

27. IDA and the IIA will prepare a detailed work plan for the R&D activities to be financed, with the time frame and budget. They will also prepare a memorandum of understanding (MOU) setting the responsibility of each party in the implementation of the work plan, including the supervision mechanisms during implementation. The MOU should be prepared no later than six months after effectiveness.

28. Similarly to subcomponent 1.2, IFAD-financing would mainly focus on the provision of adequate support for activities to be implemented in the Huila and Cuanza Sul provinces and complement WB-funding for other activities implemented at national level.

Component 2 – Support for Increased Production and Commercialisation

29. The objective of this component is to strengthen smallholders’ capital, market linkages and incomes through: (i) supporting, on a demand basis, investments of farmers’ groups and organisations (FOs) to improve agricultural productivity, production, market access and value addition (for an estimated 10,000 beneficiaries) through a combination of own resources of promoters, a matching grant and short and medium term credit extended by Partner Financial Institutions (PFIs); (ii) sustainably linking smallholders and their FOs to buyers, input suppliers and partner financial institutions. The beneficiaries will be selected from those trained through FFS (under MOSAP, the SADCP-C&H, or any other training program) and/or be member of existing FOs that demonstrate to have the capacity to manage and implement such investments. The expected outcome is “investments in agricultural production and post-harvest management increased”.

30. Different type of investments will be supported including: (a) rehabilitation of SSI schemes; (b) agricultural production and productivity improvements; and (c) post-harvest and value addition investments including storage, processing and marketing facilities. To access financing support, eligible beneficiaries/FOs will submit subproject proposals/business plans.

31. Subcomponent 2.1 will support all necessary capacity building and technical assistance activities for enabling eligible sub-projects promoters to emerge and good subproject proposals to be prepared, appraised and agreed for funding by all three parties involved (promoters, SADCP and PFIs) ensuring an informed decision about their feasibility from technical, economic, financial, social, and environmental perspectives; while Subcomponent 2.2 comprises the financial support to approved sub-projects/BPs implementation itself.

Sub-component 2.1: Provision of Technical Support

32. This subcomponent aims to provide technical support in the following fields: (a) sensitizing, informing, identifying and selecting eligible beneficiary FOs; (b) mapping and characterising value chain actors and opportunities to facilitate the identification of eligible FOs and of sound sub-project (SP) proposal; (c) facilitating economic partnerships between beneficiary FOs and other value chain actors and link FOs with PFIs and facilitate access to their services, particularly investment and working capital credit, thanks to the mobilisation of PFIs activities (see subcomponent 2.2); (d) assisting eligible FOs to prepare their SP proposals/business plans (BPs), including providing specialised technical assistance to IDA and beneficiaries to develop Small Scale Irrigation (SSI) schemes and establish Water User Associations (WUAs) or strengthen existing WUAs; (e) support the ex-ante appraisal, independent review and approval process of SPs/BPs through support to appropriate decision bodies and due diligence mechanisms; (f) provide implementation support to beneficiaries of SPs to ensure that the objectives of each SP funded under the project are achieved; (g) ensure the ex-post evaluation of impacts and implementation performance of funded SPs; (h) oversee the provision of adequate capacity building activities to SP promoters to ensure the success and expected impact of each funded SP/BP; (i) strengthen the capacity of IDA, local NGOs/consultants and agricultural input providers participating in SPs' implementation to respond to the smallholder demands.

33. The implementation modalities for providing the above technical support include contracting an experienced and competent main service provider, as recommended from lessons learnt from MOSAP (see Appendix 3). Such service provider will be at the forefront of all above-mentioned activities and act as a coordinator of the component 2 implementation, working in very close collaboration with the provincial and municipal IDA offices. This is also to ensure a competitive and transparent process and avoid elite capture in matching grant allocation.

34. The SADCP-C&H will fund the following main group of activities: (a) provision of overall technical and implementation support by a qualified service provider; (b) information and sensitisation; (c) assessment of actors, supply and demand in the target value chains and facilitating market linkages; (d) support for sub-projects/business plans preparation, appraisal, implementation and monitoring and evaluation – including irrigation sub-projects.

35. **Main service provider.** The SADCP-C&H will hire a main service under a multi-year results-based contract. This provider will establish teams located in the two targeted provinces (one team in each province) comprised of different fields of expertise: team/area managers; agribusiness, value chain and marketing; small scale irrigation; farmers' and rural organisations and capacity building; agronomist/livestock specialist; communication, M&E and knowledge sharing; nutrition; field technicians; and support functions (administration, finance, and accounting). These experts will be provided with adequate transport means, office equipment and operational budget to perform efficiently their duties, in close collaboration with MINAGRI/IDA provincial and municipal staff and with FAO that will oversee the implementation of FFS. Provision for backstopping, short term specialised technical assistance on key topics pertinent to the SADCP, mid-term review and evaluation will also be embedded into the main service provider contract.

36. The main service provider should have international expertise and demonstrated capacity to manage large contracts. It should be associated with competent national service providers, if available. Procuring such service provider will be done, to the extent possible, jointly with the SADCP-WB making the scope of the work larger and more attractive to international service providers. Applicants will be provided with professional assistance to prepare business plans.

37. **Information and sensitisation.** Information and sensitisation activities will be carried out by IDA and the main service provider to inform potential beneficiaries on the project and conditions to participate and benefit from it, focusing on component 2 objectives and implementation mechanisms. This would include: (i) preparation, editing and printing of messages by consultants; (ii) organisation of sensitisation workshops at provincial and municipal level targeting actors of the value chains (FOs, input suppliers, traders/buyers, transporters, processors and agro-industries, etc.) and local NGOs; (iii) targeted radio and television communication; etc.

38. **Assessment of actors, supply and demand in targeted value chains, facilitation of market linkages and beneficiaries selection.** This would include: (i) assessments of existing FOs and other value chains actors in the ten targeted municipalities; (ii) various market studies and technical studies; (iii) organisational audits/screening of FOs proposing sub-project ideas for selecting FOs complying with eligibility criteria, before embarking on a full scale business plan preparation; (iv) establishment of economic partnerships with large buyers/input suppliers that could become major of supply/output for FOs benefiting from investment support; (v) organisation of partnerships meetings, dialogue platforms and study tours.

39. The proposed value chains and actors assessment will be undertaken jointly with SADCP-WB and work on the IFAD target area will be earmarked to start at the onset of implementation. Such studies will map existing actors, identify market opportunities and help define support for production, storage and marketing that should be prioritised at private (FOs) level as well as public market access investments at the different levels. The studies will also assess whether commercial farms and large agribusinesses (mainly in Luanda) might consider smart subsidies in the form of cost-sharing and contracting farming arrangements. The potential of such arrangements with Nestlé for coffee (cropped in three out the ten targeted municipalities) will notably be investigated.

40. Both the information/sensitization activities and assessment of actors, supply and demand in targeted value chains and municipalities will facilitate the identification and selection of potential beneficiary FOs that would be likely to comply with the FO eligibility criteria (see below) and would propose sound sub-projects proposals; avoiding a mass communication campaign/calls for proposals that might generate non eligible or a too numerous demand which the project would have difficulty to answer to. Rather the communication and calls for proposals will be made at local level (in targeted municipalities and communes) through targeted meetings and local media.

41. **Beneficiaries Selection Criteria.** The proposed selection criteria for determining the eligibility of FOs as beneficiaries of investment support under Component 2 are the following:

- (a) all members of the organisation have already completed training in FFS curriculum;
- (b) most of the organisation members have a commercial orientation and produce for the market;
- (c) the organisation follows good governance practices and has dynamic leaders who respect the organisation's rules;
- (d) the organisation has not benefitted from SADCP investment support or has already completed a first investment sub-project with satisfactory performance;
- (e) the organisation is willing and able to provide financial contribution for implementing its envisaged sub-project; and
- (f) the results of the organisational audits of the organisation is positive.

42. **Support to sub-projects/business plan preparation, appraisal, implementation, monitoring and evaluation.** Under this group of activities, the project will fund the following activities: (i) organise a training of trainers on the participatory preparation and analysis of business plans using the Rural Invest methodology and software developed by FAO; (ii) train selected MINAGRI/IDA/ICA staff participating in SP/BP preparation, appraisal and implementation support in various fields, as needed (such as environment & climate change adaptation, gender approach, nutrition-sensitive agriculture, etc.); (iii) assist FOs in the participatory and iterative preparation of their subproject proposal and business plan that could meet the eligibility criteria for investment support (see below). This will done by the main service prodder staff and by selected local consultants trained in the Rural Invest methodology; (iv) assist the discussion of prepared SPs/BPs with PFIs and pre-negotiating credit commitments through business meetings; (v) assist the appraisal and environmental

screening (when necessary) of prepared SPs/BPs by technical experts, before they are presented to the grant approval committees (PISC and PGCs); (vi) support to the grant approval committees sessions (particularly for the representatives of beneficiaries, the civil society and the private sector in these committees); (vii) Under the leadership of the PDGs, the Oversight Agent mandate is as follows: " independent review of the beneficiary selection, SP/BP preparation and appraisal process, grant approval processes etc by an Oversight Agent to ensure that all procedures, criteria were applied in a fair and transparent manner in order to ensure transparency and avoid elite capture; (viii) making public the grants approved by the PGCs/PISC through posting on boards at municipal/provincial level, communication on local radios and publication on local newspapers and web sites of MINAGRI/IDA and of the PISC/PGCs; (ix) support the implementation of approved SPs/BPs both the main service provider field staff, participating IDA/ICA staff and local consultants as envisaged in the approved SP/BP; (x) ex-post evaluation of funded SPs/BPs after two years of implementation by the service provider staff and local consultants if necessary to generate lessons, and inform adequately the M&E system of the project; (xi) specialized technical assistance to set up and implement a methodology/software for technical-financial monitoring of funded SPs/BPs and generating references.

43. It is extremely important that the component supports SPs/BPs that are viable, sustainable, and likely to make a major contribution to increased productivity, production, and marketing, including value addition. The service providers may receive training for some topics particularly on the participatory preparation and analysis of BPs, establishment of technical and financial reference to prepare/analyse such BPs, etc. They may in turn provide coaching to local NGOs and consultants they would possibly subcontract - with PIU agreement- to carry some of the tasks mentioned above such as assisting BP preparation and analysis, organisational audit of subproject promoters, environment and social screening, etc.

44. Technical support for the rehabilitation and development of small-scale irrigation schemes will be the overall responsibility of the main service provider which will hire the needed technical and social expertise to perform this task, in close cooperation with the IDA and MINAGRI technicians.

Sub-component 2.2: Provision of Investment Support

45. This sub-component will provide financing to eligible beneficiaries (through matching grants and facilitated access to credit) for carrying out the approved sub-projects/business plans and crowd-in PFIs for loans partially financing the investment. As indicated above, investment support will be provided for those competitively selected sub-projects that deal with the development of small scale irrigation, agricultural production and productivity improvements, and post-harvest activities and value addition, individually or in a fully justified package of investments. An Oversight Agent (specialised firm) will be recruited to work closely with the Provincial Governance Committee (PGC) in each participating province, conduct due diligence on the process before any submitted subproject approval is finalised. This agent will review how selection criteria were applied at all stages of SP proponents identification, selection, BP preparation and review, in order to ensure transparency and avoid elite capture. The agent will also support the PGCs to address complaints/grievances and feedback received from any FO, SP proponent or third party and report accordingly to the Project Coordination Committee (PCC) and IFAD for decision making. A full set of criteria, procedures, and eligible expenditures will be defined in the Project Implementation Manual (PIM). While the menu of investment options will be flexible, the eligibility criteria and the subject preparation and appraisal procedure will be strictly followed. Although the disbursement mechanisms and advances may vary, taking into consideration the type of sub-project, the eligible expenditures are for goods, works, and services.

46. Detailed eligibility criteria, and eligible expenditures in each category will be included in the Project Implementation Manual (PIM). While the menu of investment options will be flexible, the eligibility criteria will be strictly followed. Beneficiaries of matching grants will be required to contribute at least 10 percent of the subproject's cost (in kind and/or cash) in the case of FOs/individuals; the contribution may vary between 10-30%, depending of the type of investment. This will stimulate the beneficiaries' ownership of the subproject and ensure their commitment for implementation as well as

sustainability. The maximum matching grant contributed by the project is set at US\$100,000. Sub-projects that will require project contribution above US\$100,000 may be considered on exceptional basis and will require prior IFAD clearance.

47. **Type of investment supported.** FOs and even some critical enterprises may be eligible for five different investment support options:

- Investment support for irrigation only (for those eligible FOs that get FFS training during the latter phase of the Project);
- Investment support for production only (for those eligible FOs that get FFS training during the latter phase of the Project)
- Investment support for post-harvest activities, value addition and marketing only (for those eligible FOs and enterprises trained in FFS in the latter phase of the Project)
- Investment support for production and value addition (for eligible FOs and enterprises that received FFS training but no investment support under MOSAP, in rainfed areas)
- Investment support for irrigation, production and value addition (for eligible FOs and enterprises developing irrigation schemes under the Project)

48. Funding for any follow-up phase of the investment proposal for any of the above categories will be subject to satisfactory completion of the previous phase of the investment proposal. Verification will be the responsibility of the PPIUs and the PIU. IFAD and the World Bank will randomly select sub-projects for evaluation to verify satisfactory performance during implementation support missions.

49. **The sub-projects cycle.** As indicated above the beneficiary identification/selection and the sub-projects cycle encompass a number of steps involving different types of actors, as summarized below.

- Sensitization and information campaign in targeted municipalities (including meetings for targeted audiences and use of local media of which local radios)
- Assessments of value chains and mapping local and value chains actors for facilitating the identification of suitable FOs and the likeliness to support FOs and SPs/BPs that would comply with eligibility criteria, including targeted local calls for proposals
- Reception and analysis of SP ideas and request for support from FOs (to be screened by the main service provider)
- Organisation audit of FOs that proposed eligible SP ideas (by the service provider staff and local consultants overseen by the main service provider)
- Review of the organisational audit and selection/rejection of the FO (by the service provider in close consultation with IDA/EDAs and the PPIUs)
- Assistance to the preparation of the SP/BP for eligible/selected FOs (by the service provider and trained local consultants as necessary) through a participatory and iterative process
- Assistance to the discussion of the prepared SP/BP with PFIs for securing the credit funding part of the BP
- Appraisal (ex-ante evaluation) of the SP/BP by independent technicians providing their advice to the grant approval committee (PGC and PISC), particularly for complex projects
- Analysis of the proposed SP/BP by the grant approval committee (PISC or PGC) and approval (in principal) or rejection of the proposed matching grant (MG)
- Independent review of the FO selection process, SP/BP preparation and appraisal process, compliance with procedures and criteria as set out in the PIM by the oversight Agent (by batches of SPs/BPs)
- Publication of authorized matching grants on web sites, boards, radio, etc.

- Support to approved SP/BP implementation that went through the oversight/due diligence process; disbursement of the MG by tranches and adequate and timely reporting to PPIUs/PIU by the main service provider
- Ex-post evaluation of funded SPs/BPs and drawing lessons for improving implementation and informing the M&E system
- Generation of technical and financial references from the execution of SPs/BPs for learning and M&E purposes

50. The Oversight Agent would report directly to the PGCs and to the PCC: "In line with the IFAD anti-fraud and anti-corruption policy a feedback mechanism will be established under which any sub-project proponent or SP beneficiary or third party might report on perceived irregularities and non-compliance with the SADCP-C&H procedures, eligibility criteria, procurement and disbursement activities under component 2. Feedback/complaints will be addressed diligently by the Oversight Agent that will report adequately to the project steering committee (PCC) and propose adequate corrective measures. Details of such feedback/grievance mechanism will be further developed in the PIM.

51. The authorized ceilings of the grant approval committees will be as follows:

- (a) PGCs at provincial level will approve sub-projects up to US\$50,000, with the first two proposals in each category to be cleared by IFAD; and
- (b) PISC, at the national level, will approve sub-projects above US\$50,000 and up to US\$100,000, with prior review and clearance by IFAD.

52. In case obtaining a working capital and/or investment loan from a PFI PGC forms an integral of the financing plan of the SP/BP, the first tranche disbursement of the matching grant will be subject to the approval of the envisaged loan by the identified PFI.

53. The PISC and PGC will include representatives of beneficiaries (through FOs and community-based organisations), of the civil society (NGOs) and of the private sector to ensure full transparency in the selection process of SP/BP proposals eligible for investment support (see Appendix 5) to ensure transparency and avoid elite capture.

54. **Sub-projects evaluation criteria.** Sub-project proposals will be evaluated against the following evaluation criteria for matching grants:

- (a) The financial viability of proposed sub-project activities in the "with project situation", based on a cash flow analysis after financing, taking into consideration the received financing (promoters' own resources, matching grant and credit) as well the repayment of proposed working capital and investment loans;
- (b) The economic viability of proposed subproject activities, comparing the "with project" and "without project situations";
- (c) The extent to which these activities add value and are consistent with the Project objectives, such as to promote production and productivity, improve market access, add value and raise income of participating farmers;
- (d) The expected positive impact on market demand for smallholder produce and adequate assessment of market demand, prices and marketing risks;
- (e) The extent to which the proposal adopts good agricultural practices and/or addresses climate change adaptation recommendations and/or introduces agricultural innovations in Angola's context;
- (f) The extent to which the proposal has minimum adverse environmental and social impacts and the soundness of proposed mitigation measures;
- (g) Possible replicability and scalability by other farmers and FOs in the Project area and beyond;

- (h) Likelihood of sustainability, including soundness of proposed organisational and implementation arrangements during the investment and operation phases, and sharing of expecting benefits between sub-project promoters;
- (i) Reasonable duration to get results (less than two years);
- (j) Implementable with a clearly defined timeline for work and implementation responsibilities.

55. The full set of criteria and procedures will be further defined in the PIM. Farmers' organisation with poor performance under MOSAP will not be eligible for any new investment support under the project, but every effort will be made to reach a diverse and large number of qualified farmers' organisations. In other words, selection of farmers' organisations for investment support will focus on both equity and efficiency criteria.

56. Type of investments excluded from financing. Not all sub-projects will be eligible for funding under component 2. The preliminary negative list of sub-projects is summarised below and will be included in the PIM:

- (a) *Sub-projects with negative impact on the environment or health:*
 - (i) Sub-projects with any activity in protected areas
 - (ii) Earth dams greater than 8 m
 - (iii) Sub-projects requiring the use of banned agrochemicals
 - (iv) Sub-projects that will damage cultural property
 - (v) Sub-projects involving logging in protected areas/natural forests
 - (vi) Sub-projects using waters from international rivers
- (b) *Sub-projects for private or non-agricultural use:*
 - (i) Private residential houses
 - (ii) Schools, libraries, and related facilities
 - (iii) Health centers/clinics
- (c) *Sub-projects in which beneficiaries are members or staff of the following entities:*
 - (i) MOSAP and/or SADCP-C&H implementation committees
 - (ii) MOSAP and/or SADCP PIU or PPIUs
 - (iii) Local governments (village, communes, municipalities)

Investments in Irrigation Systems and Support Infrastructure

57. Development of Small-scale Irrigation (SSI) will contribute to the sustainable increase of the productivity, production and incomes of smallholder farmers. It will mainly focus on rehabilitation of existing schemes and be at modest scale, covering about 500 ha in the SADCP-C&H area.²⁸ At the onset of implementation a survey will be conducted to map potential existing schemes that would fit the eligibility criteria in the SADCP-C&H project area and assess whether this minimum 500 ha target could be exceeded. At mid-term review the implementation performance of SSI rehabilitation will be fully assessed and decision to scale up this investment activity will be taken accordingly.

58. Development of SSI schemes will be made through an integrated participatory planning and development process, including the establishment of Water User Associations (WUAs) to ensure the investment's sustainability and to avoid possible future conflicts. The project will finance the costs of

²⁸ A study in the three provinces covered by MOSAP showed that significant areas that were formerly used for small-scale gravity-fed irrigation schemes could be rehabilitated at modest cost. The detailed study funded by MOSAP identified 15,000 ha of inactive small-scale irrigation schemes, of which 5,500 ha could be rehabilitated at a cost lower than US\$1,500 per hectare. The average size of these schemes was 32 ha. The MINAGRI Irrigation Division confirmed that similar type of rehabilitation of SSIs would be possible in Cuanza Sul and Huila provinces.

the schemes' rehabilitation/construction as well as the studies and work supervision costs. Irrigation infrastructure development will be based on clearly articulated investment proposals. Different steps will be followed including prefeasibility studies, feasibility studies, detailed design, and environment assessment (ESMP) to quantify the negative and positive impacts due to construction and operation and provide recommendation to sustain ecological flow to other users. Studies' findings and recommendations will be thoroughly discussed with stakeholders and project support will be subject to commitment from beneficiaries in scheme development and O&M.

59. No infrastructure investments will be made before the local authorities confirm the beneficiaries' land user rights and water rights. Regarding land and water user rights, the site- or scheme-specific ESMP (to be prepared after the site/design details are known) should consider the ability of downstream users to use water, as well as, any environmental/ecology flow required to maintain the integrity of the ecosystem, as an important element.

60. Irrigation development will be restricted to schemes that are clearly feasible from a technical point of view; are economically and financially viable; and have firm commitment from potential beneficiaries to scheme development and to O&M. Criteria for selecting irrigation schemes will include: (i) technical considerations (with emphasis on water availability) and cost of rehabilitation; (ii) economic viability of investment/rehabilitation; (iii) upfront financial contributions and commitment of beneficiaries; (iv) market potential and private sector investment; (v) synergies (clear complementarity and no overlap). The proposed detailed eligibility criteria are presented in the table below:

Requirements	Eligibility Criteria
Pre-requirements	<ul style="list-style-type: none"> Financial, economic, environmental, and social feasibility of the proposed investment Availability of water of acceptable quantity and quality and of irrigable land (soils, topography)
Core requirements	<ul style="list-style-type: none"> Beneficiary commitment to contribute to the O&M costs of the investment Proven opportunities to link irrigation scheme with profitable cropping pattern and identified market outlets Land surveyed and registered, allowing processing for secured access to land through, for example, <i>Direito de Uso e Aproveitamento da Terra, título provisório</i>, or <i>certidão de garantia de posse da terra</i> issued by the municipality or local authorities. High number of potential direct beneficiaries (in particular women) and low average cost per beneficiary Good physical access to irrigation perimeter Willingness to make in-kind contribution of labor and materials
Additional requirements	<ul style="list-style-type: none"> Women smallholder farmers among beneficiaries High degree of organisation and social capital among producers, and clear potential to evolve into a formal WUA Reasonably low average cost per hectare (including investment and O&M costs) Assurance to receive water rights from responsible local authorities Rehabilitation of existing irrigation infrastructure will have preference over construction of new irrigation schemes

61. The technical studies and reports to be delivered for target schemes will include: (i) Prefeasibility studies' technical reports; (ii) Feasibility studies' reports; (iii) Detailed design report (including construction drawings and schedule as well as tender documents); and (iv) Preliminary operation and maintenance (O&M) manual. Those schemes fulfilling the prefeasibility level requirements will pass to feasibility and detailed design levels for a more detailed studies, analyses, and designs using best practices. Studies' findings and recommendations are to be thoroughly discussed with stakeholders, and presented with relevant supporting technical annexes

62. The feasibility studies will be conducted in collaboration with irrigators/WUA, and in consultation with the resident IDA extension agent. These should at a minimum include: (i) hydrologic and water resources availability study to acceptable level of reliability taking current and foreseeable rainfall and catchment characteristics as well as climate change projections into consideration; (ii) bathymetric surveys (reservoir dams sedimentation); (iii) for dams over 20 years old, dam safety and

instrumentation to ensure reasonable operation of the scheme for anticipated service years; (iv) diagnostic meteorological and hydrometric network survey and water resources monitoring; (v) land suitability, engineering and soils surveys and investigations to include but not limited to topographical, salinity, fertility, geotechnical, groundwater table and water quality; (vi) surface and sub-surface hydraulics with focus on prevailing and/or proposed irrigation structures and systems; (vii) agronomic in the light of land suitability, market, climatic condition. It will also determine scheme-specific crop and field irrigation water requirements and water sources withdrawals with due consideration to other uses and users; (viii) detailed inventory of irrigation and drainage infrastructures and assets including last-mile access roads; (ix) diagnostic assessment of the irrigation O&M system, to include technical, institutional and related challenges and opportunities for improvement in view of subsequent assessment of training and capacity building related needs; (x) Socio-economic studies and an analysis of input and output markets; and (xi) ESMPs.

63. In general, the rehabilitation and construction works will consist of (a) upgrading of the area around the intake and the main canal; (b) construction of water collecting structures and/or rehabilitation of damaged embankments; (c) installation of control structures like water gates; (d) upgrading of the main canals and, where necessary, lining critical stretches of the distribution system; and (e) use of local plants/grass to control canal erosion. In places where the installation of buried pipes is feasible, hand-dug earthen canals may be substituted by pipes, if water losses warrant this. Considering the higher unit cost of installing gravity-buried pipe systems, the costs and benefits of this option will be evaluated and discussed with the community before installation of any such system.

64. The project will endorse a mix of construction methods, including both plant-based and labor-intensive construction methods that are designed to: (a) build local capacity in irrigation construction and maintenance; (b) create local entrepreneurship for sustainable delivery of irrigation services; and (c) deliver planned irrigation construction investments on time, of high quality, and at potentially significantly lower cost than contractor and equipment-based constructions experienced in past irrigation projects in Angola. The choice of construction method will be made on a case-by-case basis at the feasibility stage, as this will determine subsequent stages of design/supervision and tendering. After field visits to some of the irrigated areas, the cost for small-scale gravity-fed irrigation scheme rehabilitation or development was estimated to be between US\$1,000–US\$2,000 per ha.

65. Specific procurement methods for the construction of SSI schemes are detailed in Appendix 8. The procurement methods will be also detailed in the PIM to indicate ceilings for investment costs per hectare for the applicable irrigation technologies; these ceilings will need to be regularly reviewed and updated; the bidding documents will be critically reviewed and, when applicable, provisions granted in the World Bank's and IFDA's Procurement Guidelines will be used to reject all bids. Procurement guidelines will ensure that the contract management/supervision is diligently carried out by the service providers and the PIU/PPIUs.

Investments in Agricultural Production

66. This includes financial support to FOs-promoted sub-projects aiming mainly at a sustainable increase of smallholder climate resilient agricultural productivity and production for key priority food and horticultural crops in the project area. The main economic rationale for agricultural production investment support is that: (a) the agriculture sector was decapitalised during the civil war and productivity remains low; (b) adoption and use of improved agricultural practices and technology are limited; (c) access to capital and financial services are very limited for smallholder. The main focus will be on crops identified as a priority for the project area (that is, maize, beans, cassava, potatoes, and soybean and horticultural crops such as onions, carrots, tomatoes, cabbage and coffee).

67. Eligible investment items financed under such sub-projects are demand-based agricultural technology packages including improved seeds and planting material, fertilisers and approved pesticides, draft animals and animal traction equipment, mechanisation tools and equipment, biological and/or physical soil and water conservation methods, storage equipment and facilities, etc. as well as associated capacity building of FOs and implementation support to ensure the sub-projects

success, and environmental and social impact assessments where required. The preliminary list of eligible expenditures for investment sub-projects for agricultural production includes the following:

- (a) Seed multiplication
- (b) Multiplication of vegetative planting material (cassava, sweet potatoes, fruits trees, and nurseries)
- (c) Seeds of improved crop varieties
- (d) Chemical fertilisers
- (e) Approved pesticides (insecticides, fungicides, and weedicides, and so on)
- (f) Draft animals and animal traction equipment (ploughs, disc harrows, rippers, seeders, and cultivators)
- (g) Tillers and related equipment
- (h) Small tractors and related traction equipment
- (i) Plant protection equipment (sprayers and so on)
- (j) Small farm tools for tillage, planting, weeding, and harvesting
- (k) Biological and/or physical soil erosion control methods
- (l) Cultivation of nitrogen fixing plants
- (m) Reforestation
- (n) Storage equipment and facilities for agricultural inputs

68. Indicatively the SADCP-C&H would support about 120 sub-projects mainly dealing with investments in farm production assets in the IFAD-targeted provinces.

Investment in post-harvest and value addition

69. The main objective is to promote investments aimed at increasing value addition, reducing post-harvest losses, and strengthening market linkages for key priority food and horticultural crops in the project area. The main economic rationale for supporting sub-projects aiming at achieving this objective is that: (a) crop losses are high and appropriate packaging, storage, and small-scale processing and market infrastructure facilities are extremely limited in the project area; (b) an opportunity exists for supporting value addition activities, including facilitating the development or expansion of contract farming arrangements; and (c) FOs' involvement in collective marketing efforts is not only economically desirable and efficient but is also a very effective way to strengthen them. The ultimate goal is to improve the performance and efficiency of the targeted value chains. Financial support for FOs and rural enterprises' value addition activities is also crucial for the sustainability of other investments in SSI development and in agricultural production and productivity enhancement.

70. Eligible investments under such sub-projects will include processing, cleaning, grading, weighing, packaging and cooling equipment, storage facilities, transport equipment (for bulking production and marketing it after storage or processing), packaging materials, and associated services (capacity building, subproject monitoring and implementation support, and environmental and social impact assessments where required) and working capital requirements. Market access infrastructures such as rural markets and spot improvements of feeder roads (including small bridges and culverts) will also be eligible.

71. The preliminary list of eligible expenditures for sub-project in post-harvest activities and value addition covers the following:

- (a) Cassava processing mills
- (b) Maize processing mills, hullers, and huskers
- (c) Bean-shelling equipment

- (d) Milk chillers
- (e) Fruit and vegetable dryers and processing equipment (including for coffee)
- (f) Rural market/farmers' market facilities
- (g) Small-scale storage equipment and facilities for commodities
- (h) Transport equipment (ox cart, trailers, and motor trailers)
- (i) Spot improvement of feeder roads
- (j) River crossing points with small bridges
- (k) Manual/mechanical weighing and quality equipment (for example, scales, moisture meters)
- (l) Packaging equipment and facilities for storage and marketing
- (m) Bags, boxes, and other containers and packaging material
- (n) Fumigation material and equipment for storage

72. Horticulture and high value crops are subject to seasonality and the risk of oversupply and post-harvest losses are high. The support to bulking, storage and low-cost processing technology (such as cooling²⁹) would greatly improve the capacity of farmers to play the market and not be subject to market flooding and opportunistic traders that are well aware of product perishability. The project will pilot and promote different low cost technologies for storage and processing of perishable products. Examples include passive/active cold storage, processing, cleaning, grading, weighing, and packaging facilities and equipment. The project will provide farmers and local traders with training in post-harvest value addition activities such as product handling, storage, and transport. To ensure the sustainable adoption of such technologies, the project will also support local suppliers of spare parts and other material. This will create demand for goods and services in the rural areas and thus provide opportunities for non-farm job creation. The programme will give particular attention to young people engaging in these activities.

73. As above, sub-project proposals and business plans will go through a thorough preparation and appraisal process to determine their technical, financial, organisational and economic feasibility, sustainability and environmental and social impacts. The business plan will define a clear marketing strategy; any storage, handling and processing investments needed, costs and expected benefits, risks, responsibilities to be shared among the farmers' organisation members, partnership with other actors (large farms, informal and formal traders), and investments needs, among others.

74. Proposals will be identified, appraised, and approved based on a full set of eligibility and design criteria and evaluation procedures that will be defined in detail in the PIM. Proposals will be evaluated by the PGC and PISC with support from independent technical expert wherever necessary. Although the disbursement mechanisms and advances may vary, taking into consideration the type of grant, the eligible expenditures are for goods, works, and services.

75. Eligible beneficiaries will notably include smallholder FOs that have proven capacities for market-oriented production and/or bulking and marketing and/or processing activities. During the first two years of project implementation, notably in Huila and Cuanza Sul provinces which didn't benefit from MOSAP, the FFS supported by project in the project area will not yet have "graduated" to a level where the smallholder groups concerned can easily take on full-scale commercial production. Therefore, the project will initially seek to support investment proposals from more advanced FOs present in the SADCP project area. This will allow the project to test the procedures and institutional arrangements put in place for supporting the development, evaluation, approval and implementation of investment proposals early on, so that they can be fine-tuned at the time of the Mid-Term Review.

76. A key distinguishing feature will be more complex sub-projects that may require multiple stages of support or greater focus on business development services. Indicatively the project would support

²⁹ For example, a storage temperature of below 12 degrees is sufficient to triple the shelf life and decrease rapid deterioration of most of horticulture products. Investments in the cold chain tend to be highly capital demanding, but ongoing research and availability of low cost post-harvest technologies brings opportunities for farmer groups and other chain actors to invest in these technologies.

about 30 sub-projects mainly dealing with post-harvest activities and value addition in the IFAD-targeted provinces.

77. There is a need to approach support to market linkages and commercialisation with great caution due to lack of knowledge and operational experience in the provision of such support. Therefore the project will first test pilot models for commercialization during the first two years with a view of learning lessons. Subsequently adjustment will be made to the provision of matching grants for this type of subprojects.

Mobilisation of Partner Financial Institutions

78. The Project will explore new avenues to encourage national Partner Financial Institutions (PFIs), notably commercial banks and microfinance institutions, to co-finance eligible production and value addition sub-projects with short and medium term credit. This approach takes cognisance of the fact that one-off matching grants may not optimise business sustainability and market development, but should be considered as a catalyst and/or a strong instrument to help smallholder farmers develop and subsequently “graduate” from dependency on financial hand-outs to semi-formal and formal financial markets. In addition to raising the capacity and credit worthiness of smallholder producers/FOs, structuring their demand through assistance in elaborating bankable sub-projects/BPs and encouraging the participation of private sector financing through the mobilisation of matching grants, the Project will support the following activities to mobilise PFIs:

79. **Preparatory activities**, to be conducted at the onset of implementation (or possibly between project approval and loan effectiveness), will include:

- an in-depth review of financial services and products offered and analysis of the potential for partnership;
- negotiating multiyear Memorandum of Understanding (MoUs) with PFIs determining commitments of each party and support to be provided; and
- preparation of guidelines for credit disbursement by PFIs, along with the matching grant - to be included in the PIM.

80. Based on the outcomes of the preparatory activities, the Project will support the **implementation of signed MoUs** which may include:

- train and orient the PFIs on the subproject procedures and expected outcomes;
- capacity building of PFIs’ staff in agricultural credit appraisal, risk analysis, credit monitoring and evaluation, etc.;
- development of financial services and products adapted to needs of the target group;
- training and sensitization of smallholder farmers in the knowledge and use of financial services and products;
- introducing best practices and alternative delivery channels;
- market assessments;
- facilitating PFIs’ access to technical support/refinancing from IFAD strategic partner investment banks;
- incentive mechanisms such as a medium-to-long term line of credit as a means to support financial outreach and deepening; and
- strengthening of PFIs’ environmental, social and climate risk management systems.

81. The envisaged support is in line with the Banco Nacional de Angola (BNA, central bank) policy direction and efforts for financial inclusion which encourage financial institutions to support more productive sectors and rural areas, and its thrust programmes like financial education. The project would assist the expansion of the later, including media campaigns, and the establishment of an enabling policy environment. Mobilisation of PFIs to co-finance sub-projects would likely expand after the first two years of implementation allowing for progressive graduation of targeted farmers/FOs to access developed financial services.

82. At mid-term review, or even before if necessary, the mobilization of PFIs and rural finance activities will be carefully reviewed and decision will be made whether or not continue these activities depending on the targeted beneficiary FOs’ ease of access to PFIs financing

Component 3 – Project Management, Monitoring and Evaluation

83. This is a cross-cutting component servicing the two technical components. The objective will be to strengthen overall coordination, monitoring and evaluation through the establishment and support to a Project Implementation Unit (PIU) at national level, and five Provincial Project implementation Units (PPIUs). The project will finance the PIU/PPIUs operational costs, procurement of office equipment, office consumables and vehicles, and the associate equipment and vehicle operation and maintenance costs. It will provide project staff salaries, and technical assistance to address specific needs. Support will also be provided to PIU/PPIU staff to receive training as and when needed. The PIU will be tasked with overall responsibility of coordinating and monitoring implementation of project activities, including (a) financial management and reporting, (b) procurement, (c) preparing and coordinating the implementation of annual work plans and budgets including procurement plans, and (d) monitoring and evaluation of project activities, learning and knowledge sharing.

Appendix 5: Institutional and implementation arrangements

I. KEY IMPLEMENTING INSTITUTIONS

1. Public institution

1.1 Ministry of Agriculture (MINAGRI)

1. **Institute for Agrarian Development (*Instituto de Desenvolvimento Agrário* - IDA).** IDA has the overall responsibility for supporting smallholder agriculture in Angola, promoting production increases and the improvement of livelihoods of rural households and thus of actively contributing for achieving the projects objectives. IDA will be the main implementing partner. It will play a key role in both the overall project management and the coordination of government and non-government agencies participating in the Project.

2. **EDAs (*Estações de Desenvolvimento Agrário*)** are the field offices of IDA at municipal level where extension staff is located. The agricultural activities and marketing take place on the farms and in the villages at the Commune and Municipal level. Given the nature of the project, implementation at the field level is the most important. EDAs are responsible for extension, capacity building of farmers/FOs, statistics and collecting data for the Ministry of agriculture, implementation of various government-sponsored programmes. However, their staffing is very limited and their administrative and technical capacities are generally weak. Therefore the project will provide both institutional capacity building to EDAs (including office and housing facilities and equipment where necessary) and targeted technical assistance through service providers working closely with EDA (and ICA) staff.

3. **Provincial Directorates of Agriculture.** The MINAGRI Provincial directorates are responsible for the agriculture sector support and policy issues relating to their respective province, as well the overall coordination of the actions carried out by agriculture institutions present in the province. Project activities will be implemented at local level, in *municípios, comunas and aldeias*. The involvement of the provincial directorates of agriculture in the project is important for overall oversight of project implementation at field level by IDA/contracted service providers, implementation of activities at provincial level related to agricultural statistics, policy analysis, agricultural research, implementation of best agricultural practices, etc.

1.2 Specialised agricultural institutions

4. **The Angola's Coffee Institute (ICA):** It will play an advisory role for the implementation of the Project in relation to the coffee value chain in areas suitable for the cultivation of this cash crop. It will provide advice to IDA and EDAs on all aspects of the coffee value chain. It may be called on to participate in the Project Coordination Committee and in the policy dialogue.

5. **The Veterinary Service Institute (ISV):** It will play an advisory role for the implementation of the Project in relation to different livestock value chains in areas suitable for livestock raising. It will provide advice to IDA and EDAs on all aspects of livestock value chains. It may be called on to participate in the Project Coordination Committee and in the policy dialogue.

1.3 Other ministries:

- Ministry of Commerce (marketing)
- Ministry of Industry (processing)
- Ministry of Family and Women's Promotion (gender)
- Ministry of Health (nutrition)
- Ministry of Education (literacy and numeracy training)
- Ministry of Finance (MoF): The MoF is responsible for the financial supervision of all government programs. It will supervise the budget process and the allocation of project financing from external sources.
- Ministry of Environment

2. Service Providers

6. Service providers are expected to play a key role in the implementation of project activities. The project will request the services of the following entities:

7. **FAO:** Following the successful experience of the MOSAP project co-funded by IFAD/World Bank, the Project will require the services of FAO for the implementation of the Farmer Field School methodology in Cuanza Sul and Huila provinces. The project will also capitalise on FAO experience in understanding the Angolan agriculture context and its close link to MINAGRI.

8. **NGOs:** there are well-established national and international NGOs with long experience in working with local communities and also in establishing and reinforcing farmers' groups and developing their capacities. Their major weakness is the lack of experience in supporting market linkages and partnerships between smallholder farmers and the private sector, although there are a few NGOs already working in similar initiatives.

9. **Consultancy firms and individual consultants:** There is a wide range of competent consultancy firms and independent consultants with working experience in the implementation of agricultural and related value chain projects in Angola that can provide the services required by the Project. They may lack experience in working with rural communities and informal traders.

10. In addition to the entities mentioned above, banks, agriculture traders and processors, commercial farm operations, agro-dealers and other partners may also be involved in the implementation of project activities.

II. PROJECT OVERSIGHT

At the national level, there will be the following oversight committees:

Project Coordination Committee

11. The project will establish a Project Coordination Committee (PCC), chaired by the Minister of Agriculture (or by the Secretary of State to whom he delegates this task). The PCC will: (i) provide strategic guidance; (ii) promote inter-ministerial coordination.; (iii) review and approve the Annual Work Plan and Budget (AWPB) prepared by the PIU; (iv) review and approve the annual reports of the project and decide on corrective measures to solve project related implementation problems and issues; (v) review decisions made by Provincial Governance Committee (PGC); and (vi) issue directives to guide future project interventions, methods and criteria. The Director General of IDA will be the Secretary of the PCC. The PCC will be composed of the National Directors and the Director Generals of MINAGRI, and representatives of the following Ministries: Planning, Finance, Commerce and Trade, Urban Affairs and Environment, Family and Women, Health and Education. Representation of financial and technical partners including civil society and of provincial representatives is still to be discussed with the government. The PCC will meet twice a year, and additionally whenever necessary.

Project Implementation Sub-Committee

12. Project Implementation Sub-Committee (PISC) of the PCC. The PISC is a small executive and technical project implementation sub-committee of the PCC that will consist of (at least) the IDA Director General, the Project Coordinator and the Financial Management Specialist. Its task will be to: (i) speed-up decisions and procedures; (ii) approve sub-projects under Component 2 (agricultural investment support) that require central level decision making (based on the feasibility studies prepared by the PIU); (iii) propose the agenda for the PCC meetings and prepare the support documents; (iv) propose the Annual Work Plan and Budget (AWPB) to PCC for analysis and decision; and (v) submit the Annual Report of the project. The PISC will, in addition, include a representative of NGO or civil society and a representative of the private sector, when deciding on the approval of sub-projects

At the provincial level, there will be two committees:

Provincial Project Coordination Committee

13. The composition and tasks of Provincial Project Coordination Committees (PPCC) will reflect the composition and tasks of the PCC, including the provincial level representatives of MINAGRI and the other Ministries represented in the PCC. The PPCC will also meet twice a year, and additionally whenever necessary.

Provincial Governance Committee

14. The Provincial Governance Committees (PGCs) will include the Provincial Director of Agriculture, the Provincial Director of IDA, the Area Project Coordinator, a representative of civil society or NGO, a representative of the private sector and (minimum) two representatives of beneficiaries/producers' organisations. The PGC tasks will be as follows: (i) speed up decisions and procedures; (ii) oversee the sub-projects (under Component 2) elaboration, review and approval processes (that would be to a great extent subcontracted to two area service providers), (iii) review the provincial level Annual Work Plan and Budget (AWPB) prepared by the AIU and the main area service providers for submission to the PIU; and (iv) review the provincial level Annual Report prepared by the PPIU (or AIU) for submission to the PIU.

III. PROJECT MANAGEMENT

Project Implementation Unit

15. MINAGRI will establish a Project Implementation Unit (PIU) at the national level, located in the IDA facilities in Luanda, overseeing the implementing of the SADCP-C&H. It will be responsible: (i) for day-to-day project coordination and management including technical supervision and coordination, overall project planning, quality oversight, communication, reporting, procurement, financial management, monitoring of project activities and of its progress on a regular basis, and impact evaluation; and (ii) manage fiduciary issues in conformity with the standards and requirements agreed upon with IFAD, in accordance with the Financing Agreement and other project documents such as the Project Design/Appraisal Documents, the Project Implementation Manual (PIM) and the Environment and Social Management Framework.

16. The PIU will be accountable to the Director General of IDA.

17. The PIU will include: a Project Coordinator, a Financial Management Specialist, a Procurement Specialist, an Accountant, a M&E and Knowledge Sharing Specialist, and support staff. Short term consultants will be hired to support project implementation (notably for rural finance, gender, and nutrition issues). The PIU will also benefit from support of the technical specialists of the WB-funded PIU, notably in the domains of communication, environment and social safeguards, and agribusiness/value chain development.

Provincial (or Area) Project Implementation Units

18. Two Provincial Project Implementation Units (PPIUs) will be established for the Huila and Cuanza Sul provinces. They will be located in one of the targeted municipalities, at the existing EDA Office, considering the long distance between the targeted municipalities and the provincial capital. Choice of the location will be made considering criteria such as: easy access to other target municipalities, presence of IDA/EDA staff and current office conditions.

19. The PPIUs will be lightly staffed, as most of the investment and technical support duties will be implemented by service providers and fiduciary management will mostly be done centrally. Therefore, each PPIU may include: an Area Coordinator, an Accountant, a Procurement Assistant, an Administrative Assistant/Secretary and a Driver. The Area Coordinators will work in close collaboration with the Provincial Directors of IDA and the Heads of EDA Offices of targeted municipalities and will support the development of their capacities.

IV. PROJECT ADMINISTRATION MECHANISMS

20. The project will be implemented at four levels: National, Provincial, Municipal, and Commune/local. The project will be implemented by the Agricultural Development Institute (IDA) of MINAGRI, from the National to the Municipal level, and there will be strong coordination and consultation mechanisms with the relevant government stakeholders and authorities at these different levels:

21. At the **National Level**: MINAGRI will be responsible for the overall implementation of the project, in full consultation with the other relevant Ministries at the national level that are involved in the project, in order to ensure that the project activities are consistent with national policies:

- A *Project Coordination Committee* (PCC), chaired by the Minister of Agriculture (or by delegation by the Secretary of State of Agriculture) will have the overall decision making responsibility regarding the management of the project, including approval of work plans and budgets;
- The *Director General of IDA* (within MINAGRI) will be the executive level head responsible for strategic direction of the project;
- A *Project Implementation Unit* (PIU), headed by a *Project Coordinator*, will be established within IDA (within MINAGRI) and will be responsible for day-to-day management of the project; and
- A small executive *Project Implementation Sub-Committee* (PISC), under the PCC, will be established to speed-up decisions and procedures.

22. At the **Provincial Level**: At the Provincial level, the Provincial delegation of IDA will be responsible for project implementation, in coordination with the provincial Directorate of Agriculture and consultation with other provincial government and provincial level representatives of the other Ministries that are involved.

- A *Provincial Project Coordination Committee* (PPCC), chaired by the Vice-Governor of economic development will oversee project implementation, including monitoring local project progress and making decisions in line with the objectives and institutional arrangements that are consistent with the project document and legal agreements. The Provincial Director of IDA (within the provincial government) will be responsible for strategic direction of the project at the Provincial level;
- lightly staffed *Provincial (or Area) Project Implementation Units* (PPIU) will be established in each of the project area and will be responsible for day-to-day coordination of the project and liaison with the IDA provincial Office;
- A small executive *Provincial Governance Committee* (PGC), under the PPCC, will be established to speed-up decisions and procedures.

23. **At the Municipal Level**: At the Municipal level, the local Agricultural Development Office of IDA (*EDA*) will be responsible for project implementation, in coordination and consultation with the *Município* administration. The EDA will obtain the consent of the *Município* administration before forwarding sub-project proposals to the Provincial level.

24. **At the Commune/local Level**: The main level for the implementation of sub-projects is at the level of rural communities/villages (*aldeias*) and smallholder farmer organisations.

V. IMPLEMENTATION OF PROJECT COMPONENTS

25. As noted above, government institutional capacity in Angola is quite limited. Therefore, project implementation will rely to a large extent on the recruitment of competent and experienced service providers. Government ownership and institutional sustainability will be guaranteed by the inclusion of national and provincial-level staff in capacity building activities and in key project oversight and coordination roles, as detailed under Project Structures above.

Component 1: Capacity Building and Institutional Development

26. For smallholder farmer capacity strengthening activities included in Component 1, the Government has indicated it would like to continue its partnership with FAO for the implementation of a Farmer Field School (FFS) training programme, following the successes achieved under MOSAP with this partnership. To ensure that IDA has sufficient capacity to take over and replicate the FFS

sub-component, FAO will provide on the job-training, coaching and supervision to participating IDA/EDA (and ICA) staff and FFS facilitators. In fact field activities to directly support FFS implementation will be done by Master trainers mainly issued from IDA/ICA staff; while FFS facilitators will be chosen from farmers within the targeted communes. For an effective implementation of the FFS approach, the government will ensure that each commune participating in the project has at least three agricultural extension specialists at each EDA. During the Mid Term Review, IDA's capacity will be reviewed with a view of FFS training programme to be handed over to the IDA and EDA staff. Financial resources have been set aside to ensure such seamless hand over.

27. As was done under MOSAP, FAO will sub-contract local NGOs for topics where specialised inputs are required, for example capacity building of smallholder FOs and functional literacy and numeracy.

28. The Project expects to cover all 10 municipalities by the end of the third year, with at least 30 percent of total covered in the first year and 60 percent in the second year. This will ensure that all farmers in the target group benefit from at least one full FFS training cycle during the project.

29. For the institutional strengthening activities under sub-component 1.2, which are to be implemented at central level with IDA and GEPE, and other MINAGRI structures – including data gathering and statistics, market information systems for smallholders, among others –service providers will be hired to ensure coherence among the different capacity strengthening efforts.

30. For the research sub-component (1.3), IDA and the IIA will prepare a detailed work plan for the R&D activities to be financed, with the time frame and budget. They will also prepare a memorandum of understanding (MOU) setting the responsibility of each party in the implementation of the work plan, including the supervision mechanisms during implementation. The MOU should be prepared during the first year of the project.

Component 2: Support for Increased Production and Commercialisation

Sub-component 2.1: Provision of Technical Support

31. The implementation modalities for providing technical support to IDA and smallholders under sub-component 2.1 include contracting an experienced and competent service provider (one team in each province) - possibly associated with competent national service providers to: (a) support Farmers' Organisations (FOs) to prepare subproject (SPs)/business plans (BPs) proposals for competitive funding under Subcomponent 2.2; (b) provide specialised technical assistance to IDA and smallholder beneficiaries of small scale irrigation (SSI) schemes to establish and/or strengthen Water User Associations (WUAs) and elaborate then implement successfully their SSI scheme sub-project; (c) provide implementation support to smallholder beneficiaries of sub-projects to ensure that the objectives of each SP/BP funded under the project are achieved; and (d) strengthen the capacity of local NGOs and consultants and agricultural input providers to respond to the smallholder demands. Service providers are expected to sub-contract local NGOs and consultants for specialised inputs, for example organisational audit of smallholder farmer organisations proposing projects, drafting of business plans. Service providers may need to provide some prior training for some of these activities.

32. The main service provider is expected to sub-contract local NGOs and consultants for some activities, for example for: organisational audit of smallholder FOs proposing SP ideas, assisting the elaboration of business plans, specific training and capacity building activities, accompanying approved SPs/BPs implementation, etc. However, overseeing the preparation, approval and implementation of the SPs/BPs will be the responsibility of the main service provider mentioned above.

33. The main service provider may provide some prior training then coaching to these local actors to perform requested tasks at the expected quality level from them. This will increase the local level capacity and sustainability of the project interventions over time. It will also strengthen the capacity of local NGOs/consultants and agricultural input providers to be able to respond promptly to the smallholder needs. Selected NGOs' capacity will be strengthened to help disseminate knowledge and identify appropriate FOs to prepare subproject proposals; private agricultural input suppliers will be strengthened in developing systems to supply critical agricultural inputs and services to smallholder farmers; and private enterprises' capacity will be strengthened in agricultural marketing, post-harvest

management, specific value chains, and processing as well as in strengthening market linkages so that

34. The main service provider will have international expertise and demonstrated capacity to manage a large contract, and be possibly associated with competent national service providers if available. Procuring such service provider would, to the extent possible, be done jointly with the SADCP-WB, which would make the scope of the work larger and more attractive to competent international service providers.

35. In helping smallholders/FOs prepare and implement their investment proposals/BPs, the service provider will apply the eligibility criteria for sub-project, matching grant mobilisation and eligible expenditures in each category, as detailed in the Project Implementation Manual (PIM). While the menu of investment options will be flexible, the eligibility criteria will be strictly followed. Recipients of matching grants will be required to contribute at least 10 percent of the subproject's cost in kind and/or cash.

Sub-component 2.2: Provision of Investment Support

36. Under sub-component 2.2, the project will provide matching grants to smallholder FOs for their investment sub-projects in production and value chain assets. The Project will finance items such as agricultural inputs, storage, packaging and processing facilities and materials, collection centers, transport equipment, among others. Eligible investments will be both at individual (FO member) and collective (FO) level. The task of accompanying the implementation of the funded SPs/BPs will be the responsibility of the main service provider and locally mentioned under sub-component 2.1 above, and the approval of grants will be done by the project implementation sub-committee

37. During the first two years of operations, the FFS supported by SADCP-C&H will not yet have "graduated" to a level where the smallholder groups concerned can easily take on full-scale commercial production. Therefore, the project will initially seek to obtain investment support proposals from more advanced FOs present in the SADCP-C&H Project area. This will allow the project to test the procedures and institutional arrangements put in place for supporting the development, evaluation, approval and implementation of investment proposals early on, so that they can be fine-tuned at the time of the Mid Term Review.

38. Any sub-project requesting financing under this subcomponent will prepare a project proposal and a business plan that will go through a complete appraisal process to determine its economic feasibility and sustainability as well as its environmental and social impacts. The business plan will define a clear marketing strategy; any storage, handling and processing investments needed, costs and expected benefits, risks, responsibilities to be shared among the farmers' organisation members, partnership with other actors (large farms, informal and formal traders), and investments needs, among others.

39. Proposals will be identified, appraised, and approved based on a full set of eligibility and design criteria and evaluation procedures that will be defined in detail in the PIM. Proposals will be evaluated and selected by an independent technical committee (see project management structures above) based on the defined criteria. Although the disbursement mechanisms and advances may vary, taking into consideration the type of grant, the eligible expenditures are for goods, works, and services.

40. For the specific case of investments in small-scale irrigation schemes, no infrastructure investments will be made before the local authorities confirm the beneficiaries' land user rights and water rights. Regarding land and water user rights, the site- or scheme-specific environment and social assessment supported by an Environmental and Social Management Plan (ESMP) (to be prepared after the site/design details are known) should consider the ability of downstream users to use water, as well as, any environmental/ecology flow required to maintain the integrity of the freshwater ecosystem concerned, as an important element.

41. For other investment projects with more localised impacts, standard procedures contained in the Environmental and Social Management Framework will be followed.

Appendix 6: Planning, M&E and learning and knowledge management

Planning

1. The process of preparing the AWPB will be organised in such manner that a consolidated draft that has been vetted by the Project's Steering Committee is submitted to IFAD for review and provision of a 'No Objection' latest by 31st October of every Project Year or 60 days before the start of the proceeding Project Year. Proper planning and coordination of this process is critical to ensure the timely submission of the draft to each level of approval. The AWPB final draft would need to have been distributed to all AFAP implementing agencies by 31st December of every Project Year to ensure a prompt start of activity implementation for the upcoming Project Year.

Monitoring and evaluation

2. The Project's **Monitoring and Evaluation (M&E)** system will constitute the main project management tool for tracking project implementation progress and results. The components of the M&E system will be: (i) baseline and end of project surveys, (ii) regular M&E data collection on project activities, outputs and impacts; and (iii) special studies. A project database will be created for storing the baseline and end of project survey data, as well as all monitoring data associated with the implementation of project activities directly linked to outputs.

3. All activity-related data will be collected by project stakeholders working at the community level (IDA technicians and FFS facilitators, service providers and contractors). These data will be entered in activity monitoring sheets and reported monthly (or more frequently, if deemed needed). Data reporting forms will accompany reports to be sent to the PMU. Primary data will initially be collected and maintained by socio-economic group, age and gender subsequent to which they will be aggregated by community, commune, municipality and for the project globally as a basis for monitoring, analysis and decision making at the different levels. The PMU will submit six monthly narrative and financial reports to the IFAD Country Programme Manager (CPM). These reports will contain data on pre-defined basic indicators.

4. There will be a particular emphasis on adequate M&E systems being put in place also for the service providers engaged in Farmer Field Schools and the development and implementation of smallholder agriculture investment sub-projects. One of the key lessons of MOSAP was that M&E data was not systematically used as a project management tool, and that this handicapped the learning of lessons from experience gained under the project. Provisions will be made to have an M&E system to report: process; lesson learnt; changes and impact. These areas will be clearly identified, the procedures spelled out and the means to verify them established.

5. In line with IFAD's corporate priorities, the project's M&E system will devote significant attention to assessing the poverty impact. Under SADCP, rigorous impact assessment will be conducted using appropriate methodologies that ensure that the target group is compared with a control group not benefiting from programme support. Impact surveys will be implemented at baseline, midterm and completion. These surveys will monitor logical framework indicators, IFAD corporate Results and Impact Management System (RIMS) indicators as well as specific poverty reduction impact. They will be undertaken by a specialised service provider contracted through a competitive process.

6. A full-time M&E Officer under the supervision of the project coordinator will be responsible for the monitoring and evaluation of the Project. This person will be hired by the SADCP-WB and shared with SADCP-C&H just as the gender expert that will be hired under SADCP-C&H will be shared with the World Bank-funded project.

Learning and knowledge management

7. The project will attempt to implement new mechanisms for supporting smallholder farmers so it is important that the PIU adopt a learning-by-doing stance, and shares lessons learned from experience with relevant stakeholders. The Project's M&E system will generate quality data that will enable IDA and the Ministry of Agriculture to carefully monitor the Project and provide reliable information on smallholder agricultural development in the project area to senior officials in the Ministry of Finance, thus building a case for additional government investment in the sub-sector.

Based on IFAD's broad and multifaceted experience with different mechanisms for supporting smallholder agricultural investment in the region, knowledge and experience gained in other countries of the region will be made available for SADCP. In turn, the SADCP experience will feed into the wider regional learning on smallholder agricultural development and, in particular, farmer capacity building and investment support mechanisms. In terms of learning, results from FFS implementation will allow to draw lessons on best ways to equip smallholders with knowledge and practical tools to apply good agricultural practices, adapt to climate change, improve their marketing, resilience, literacy and business skills, raise their nutrition awareness and status, and progressively move into commercial agriculture. Activities related to adaptive agriculture research, seed multiplication, soil diagnostic services, characterisation of production systems and development of adapted technology packages under sub-component 1.3 will also produce useful material for knowledge management.

Appendix 7: Financial management and disbursement arrangements

Summary of Financial Management arrangements

1. Financial Management Assessment (FMA) has been undertaken as part of the project design in accordance with IFAD requirements and Financial Management Division (FMD) guidelines on financial management assessment at design. The assessment is based on review of operation of the recently completed MOSAP and the ongoing AFAP. A decision has been made by IFAD management that the new project will be a parallel financing with the SADCP-WB. Each of the two PIUs, SADCP-C&H and the World Bank Financed SADCP will follow procedures of the respective funding institution with each institution separately supervising its own financing. IFAD will supervise SADCP-C&H and implementation will follow IFAD procedures.

Summary of strengths and weaknesses of the proposed FM arrangements

2. Summarised below are the key strengths and weaknesses on the basis of which financial management arrangements have been designed.

Strengths:

- i. A stand-alone PIU overseen by IDA will be put in place to implement SADCP-C&H;
- ii. Project specific staffs will be recruited, thus they will not be affected by mandatory transfers;
- iii. The proposed USD single currency loan both by IFAD will ease accounting for the two financiers;
- iv. MOSAP statutory audit was conducted by private auditors whose performance was rated satisfactory. AFAP will be audited by a private audit firm and this arrangement will be adopted under SADCP-C&H; and
- v. Project funds will flow directly from the designated account to the operating accounts managed by PIU which will facilitate timely implementation of activities.

Weaknesses:

- i. There is limited financial management staff capacity at all levels to handle accounting and reporting requirements of the project;
- ii. Proposed counterpart and private sector financing may not be realised as planned owing to the current economic conditions in the Country;
- iii. The coding and configuration of the accounting software may not adequately address the accounting needs of the project;
- iv. Whereas there exist internal audit arrangements under the National Inspectorate of Finance, internal audits are not regularly carried out. Audits are done when there are special requests or when there are allegations of financial mismanagement; and
- v. The experience of the IFAD funded AFAP shows that there is a very big effectiveness lag usually associated with delays in satisfying disbursement conditions including staff recruitment.

3. The capacity constraints to be addressed and operating changes to be made are as follows:

- i. The major capacity gaps to address will be capacity of the finance staff. Qualified and experienced finance staff with technical capacity to manage projects cannot be easily found. The experience with AFAP shows that there are significant delays in constituting PIUs mainly due to lack of staff with requisite qualifications and experience. This will require special attention including early recruitment and training to support on time start-up of the project, taking an option of start-up costs; and
- ii. There will be need to internal audit arrangements as the project resources may not be adequate to develop the capacity National Inspectorate of Finance to handle the internal audit needs of the SADCP-C&H in addition to the current tasks.

4. Angola's inherent risk is high as measured by Transparency International's Corruption Perceptions Index (CPI). The country's annual CPI in 2015 score of 15 (scale 0- high risk and 100 - low risk), 19 in 2014 and 23 in 2013. The 2015 ranking put the Country at 163rd position out of 168

countries which falls in the high-risk category. There is no public information available on PEFA Assessments.

5. At project level, the residual risk taking into account mitigation measures based on MOSAP and AFAP has been assessed by the IFAD as substantial; IFAD overall rating at design is high. Project design has taken into consideration this risk profile and included mitigating measures at project level. The main considerations made include the following.

- a) IDA in consultation with IFAD will carry out a recruitment of finance staff. The staff will be engaged on performance based contracts. Performance indicators developed by IDA will be cleared by IFAD;
- b) GOA will make a decision to take up a start-up advance to meet start-up costs including staff recruitment;
- c) In the Project area, Accountants will be recruited at provincial level to follow up justifications and to ensure reports and expenditure support documents from the provinces are collated and submitted to PIU on a timely basis;
- d) Consideration will be made to outsource financial management services to an qualified and experienced individual or a firm;
- e) Existing accounting software will be upgraded taking into consideration modules necessary to facilitate budget control and production of financial reports by component, expenditure category and financier.

6. The following Financial Management conditions or covenants for Board presentation and conditions for withdrawal.

- i. The designated account (DA) and two project accounts (OAs) will have been duly opened and specimen of signatures of the authorised persons to manage the DA shall be submitted to IFAD;
- ii. The PIU, headed by the Project Coordinator shall have been fully constituted and adequately staffed with in addition to the Project Coordinator, Financial Management Specialist, M&E Officer, Procurement Officer and staff responsible for operations at the provinces will have been recruited;
- iii. A draft financial manual will have been developed and submitted to IFAD for comments/approval;
- iv. Primavera accounting software will have been procured and coded with the SADCP C&H chart of accounts to facilitate generation of reports as required by the IFAD.
- v. There are no proposed exceptions to the general conditions.

I. Project Financial Profile

7. **Nature of project eligible expenditures** – SADCP-C&H expenditure categories have been assigned in accordance with the standard expenditure categories. Eligible expenditures include the following expenditure categories: (i) vehicles, (ii) equipment and materials, (iii) consultancies, (iv) training, (v) workshops, (vi) grants and subsidies, (vii) salaries and allowances (viii) credit, and (ix) operating costs. The summary costs and financing plan are shown in the table below. Detailed cost tables are presented in appendix 9.

8. **Financing Plan** – SADCP-C&H will be a parallel financing with the SADCP-WB project. Total project costs of SADCP in Huila and Cuanza Sul provinces, over the seven-year implementation period, including physical and price contingencies, are estimated at US\$ 38.2 million. The project will be funded by: (i) an IFAD loan of US\$ 28.8 million (75 percent of total project costs); (ii) a Government contribution equivalent to US\$ 8.2 million (22 percent of total costs), to cover duties and taxes as well as some operational costs of the public extension and agricultural research services; and (iii) a beneficiaries' contribution equivalent to US\$ 1.1 million (3 percent of total costs) to co-finance sub-projects under component 2. The detailed cost tables show the exact activity level attribution to the various financiers which reflect eligibility of expenditure by expenditure category.

9. The World Bank and IFAD financing will be parallel with varying activity level contributions. Any synergies during implementation will be tapped for the benefit of both projects. A memorandum of Understanding (MOU) will be entered into between the two projects to define management of shared resources.

II. Implementation arrangements

A. Implementing and participating organisations with fiduciary responsibilities

10. MINAGRI will be the lead project agency implementing the project on behalf of the Ministry of Finance, the borrower. MINAGRI will be responsible for overall project implementation in consultation with other relevant national agencies and ministries to ensure consistency with national policies. Implementation will be through a Project Implementation Unit (PIU) established by MINAGRI at National level composed of project specific recruited staff headed by a Project Coordinator. The PIU will be accountable to the Director General of Angolan Institute for Agricultural Development (IDA) who will be the executive level head responsible for the strategic direction of the project.

11. The PIU will be responsible for project coordination and management of fiduciary issues in conformity with the standards and requirements agreed upon with the IFAD; and (b) manage the project in accordance with the financing Agreement and other project documents such as the Project Design Report and the PIM. The PIU will be responsible for the day-to-day management of the project.

12. There shall be a standalone PIU at national level with Provincial Project Implementation Units (PPIUs) for the two provinces. The key staff in the provinces will include Provincial Project Coordinator, Accountant, an M&E officer and other subject matter specialists.

13. There shall be established a Project Coordination Committee (PCC), chaired by the Minister of Agriculture (MINAGRI), or his/her nominee/Delegate. The Director General, IDA will be the Secretary to the Committee which will be composed of national directors and director generals of MINAGRI, and representatives from ministries and institutions with direct relevancy to the achievement of SADCP C&H's goal and development objective including the ministries of Planning, Finance, Commerce. The PCC will provide strategic guidance towards the achievement of Project objectives and contribute to the higher level sector policy and strategic goals. This will also be responsible for review and approval of Annual Work Plans and Budgets, annual reports and decisions of the Provincial Project Coordination Committee (PPCC).

14. The following will be the roles and responsibilities of the other implementing organisations.

- a) The Project delivery systems will be integrated into the decentralised government organisational and operational structures that cascade from the national level to commune and municipal levels. Given low technical capacity at lower levels, there will be technical backstopping from the PIU and engagement of technical service providers to support activities at the lower levels. At provincial level, the provincial delegation of IDA will be responsible for project implementation, in coordination and consultation with other provincial government and province-level representatives of other ministries involved.
- b) At the municipal level, Agricultural Development Office of IDA at the Municipality level will be responsible for implementation, in coordination and consultation with the municipal administration. At the commune level, rural communities/villages (aldeias) and smallholder farmers' groups and organisations will be the main implementers of the sub-projects.
- c) The proposed MOU between two projects will provide for the knowledge sharing and transfer from the World Bank financed SADCP to help set up financial management systems at SADCP C&H. This can be used in combination with services of technical assistance in the first two years of implementation or as shall be deemed appropriate during implementation.
- d) PIU will be the central financial management hub of the project responsible for data processing and reporting. Payments to service providers and contractors will be centralised except for PPIU operational costs and provincial level activity payments that will be transferred to the PPIU accounts.
- e) Involvement of other public/ private institutions in the delivery of Project activities other than those directly implementing the project will be treated as service provision, and will be translated into output-based contracts and MOUs. Any advance payment will be in line with public procurement provisions and stipulated in the contracts for service provision.

III. Financial Management Risk Assessment

A. Inherent risks, Country issues, Entity risks and Project design

15. Major Country accountability issues affecting fiduciary environment.

- a) There is no public information in respect of Angola's recent PEFA assessments. At World Bank's appraisal of SADCP, the Bank indicated that the Government is undertaking a number of public financial management reform initiatives including the roll out of the state financial management system (SIGFE). In its assessment, it indicated that the public financial management systems remain weak with the overall risk rating being HIGH.
- b) Government accountability, transparency and corruption factors.
 - (i) Transparency International's Global Corruption Perception Index scores put Angola in the high risk category. The country's annual CPI in 2015 score of 15 (scale 0- high risk and 100 -low risk), 19 in 2014 and 23 in 2013. The 2015 ranking put the Country at 163rd position out of 168 countries which falls in the high-risk category; and
 - (ii) According to the World Bank, GOA is undertaking a number of public financial management reform initiatives, including the roll out of the state financial management system to improve public financial management.

16. The implementation arrangements pose a risk of low disbursements arising from delays in start-up and delays in submission of withdrawal applications; weak financial management capacity, weak procurement capacity, delays in financial reporting, delays in submission of and poor quality audit reports, among others.

17. Overall assessment indicates that Angola is a high risk country, characterised by weak financial management systems. SADCP-C&H design arrangements have taken into account this high inherent risk, and proposed appropriate financial management safeguard measures to be put in place at project level. The SADCP-C&H PIU will have project specific recruited staff that will source qualified and experienced staff, operate separate bank accounts and run a dedicated off the shelf accounting software.

B. Project Control Risks

Table 2. Summary of FM Risks and mitigating actions:

	Initial Risk Assessment	Proposed mitigation	Final Risk Assessment
Inherent Risk			
1. TI Index	H	-	H
Control Risks			
1. Organisation and Staffing	H	Par 18	H
2. Budgeting	M	Par 19 - 20	M
3. Funds Flow and Disbursement arrangements	H	Par 21 - 22	H
4. Internal Controls	H	Par 23	M
5. Accounting systems, Policies and Procedures	H	Par 24 - 25	M
6. Reporting and Monitoring	H	Par 26 - 28	M
7. Internal Audit	H	Par 29	H
8. External Audit	M	Par 30 - 31	M
Fiduciary Risk @ Design	H		H

IV. Financial Management and Disbursement arrangements

18. Organisation and staffing.

- a) The Ministry of Finance, as the representative of the borrower, will take overall fiduciary responsibility of on all matters pertaining to SADCP-C&H. IDA as the lead executing agency will ensure the overall oversight for the implementation of Project at National, Provincial and Commune and Municipal level through its structures. This includes the provision of general policy directions for the implementation, coordinating, implementing and ensuring coordination with other relevant agencies and supervision of the PIU (headed by the Project Coordinator) and the respective PPIUs.

- b) The Financial Management Specialist (FM Specialist) of the project will report to the project coordinator and will be responsible for managing the project finance staff and all accounting functions of the project including funds flow, preparation of annual financial statements, periodic financial reporting and overseeing the arrangements for audits, in accordance with GOA procedures and IFAD's audit requirements for the entire project. The FM specialist will assign a staff within the team to ensure that SADCP C & H financial management requirements have been adequately attended.
- c) The Provincial level, accountants (responsible to the provincial PC) to manage financial management requirements of SADCP-C&H will be recruited on competitive basis and will be engaged on performance based contracts. As the financial management focal points at their respective provinces they will be responsible for SADCP C&H financial management requirements including processing payments, justifying expenditure and generating financial reports. As part of start up, they will receive training on the Project accounting requirements including IFAD procedures and guidelines. They will also receive regular technical backstopping including on job training from PIU.
- d) The experience with AFAP has shown that delays in constituting of PIU delayed start up losing one year of project implementation. Coupled with scarcity of experienced project accountants and high staff turnover, there is a risk that project start-up will be delayed. It is proposed that outsourcing financial management services/Technical Assistance to a qualified and experienced individual(s) or a firm be considered as an option to a full time Financial Management Specialist whenever there are difficulties in finding the required staff.

19. Budgeting-The project will be implemented on the basis of approved Annual Work Plans and Budgets (AWPBs). The budgeting process will be done jointly between PIU, PPIUs and implementing agencies using a bottom – up approach. The PIU will consolidate the AWPB, present it for approval by the PCC in accordance with the PIM/Financial Manual. To facilitate proper budget monitoring and control, PIU will provide budget templates to provinces, and other implementing agencies that mirror its code/chart of accounts reflecting components, categories and activities together with funding sources as part of preparation for implementation readiness. The approved budget will also be posted into the primavera accounting software to facilitate real time reporting of budget against actual expenditure and budget monitoring and control. Detailed budget schedules will be included in the financial manual.

20. Disbursement arrangements and Flow of Funds – Project design has put into consideration financial management requirements that will ensure that the loan proceeds and other financing sources will be used for their intended purposes. The following summarises the funds flow arrangements:

- a) Bank Accounts – The designated account denominated in USD specifically for receiving IFAD loan proceeds and operated by the borrower will be opened in the a commercial bank in Angola acceptable to IFAD;
- b) Two project operation accounts one denominated in Angolan Kwanzas (AOA) and another in USD opened in a commercial Bank acceptable to IFAD will be operated by the lead project agency in accordance with GOA procedures;
- c) A project counterpart account denominated in AOA will be opened by the lead project agency to receive counterpart funds from the borrower. Counterpart financing provided by the borrower shall cover the payment of duties and taxes and any other project costs to be financed by the borrower.
- d) Authorised allocation estimated at USD 2.0 million has been proposed for the first two years of project implementation. During implementation, if this is deemed insufficient, it will be increased to handle the high operations in the subsequent years. The threshold of direct payments from IFAD will be limited only to large payments over the equivalent of USD 100,000.
- e) The funds flow chart attached depicts the use of the standard disbursement methods including (a) Direct payment method for bigger payments over USD 100,000; (b) use of designated account; and (c) reimbursement if the GOA has pre-financed any transactions. Detailed instructions for disbursements will be included in the LTB issued for SADCP-C&H and the PIM/Financial Manual.

21. SADCP-C&H Funds flow Chart - The Project will have external and domestic funding sources: External funding sources are IFAD loan while domestic funding sources will include GOA and Beneficiaries. IFAD loan disbursements will be through one designated bank account in USD opened in a commercial bank acceptable to IFAD. Two project operations accounts one denominated AOA and another in USD managed by the lead project agency. The SADCP-C&H Coordinator and the General Director of IDA will be principal signatories to the account. Domestic funding from the beneficiaries will be earmarked for specific activities as a contribution that will not flow through the above system. GOA will fund taxes, duties and other costs earmarked for GOA financing. A project counterpart account will be opened. Beneficiary financing will not require opening of a bank account as their contribution will not flow to the project. The funds flow chart is attached at annex 1.

a) **The financial management risks under the area of funds flow and disbursement include the following:**

- i. Delays in submission of withdrawal applications arising out of delays in posting data, difficulties in collating expenditure justification documents to support the SOEs and low staff capacity;
- ii. Unsystematic capture and reporting of counterpart and beneficiary contribution;
- iii. Delays in release of counterpart contribution funds; and
- iv. Pre-financing taxes with IFAD loan resources.
- v. Exchange rate volatility

b) The proposed mitigations for the financial management risks under the area are:

- i. The finance team at PIU and PPIUs will be facilitated to enable them carry out field visits to follow up justifications to facilitate generation of SOEs and quick turn over of withdrawal applications;
- ii. Include in PIM clear approach and forms for capture of beneficiary and counterpart contributions;
- iii. The use of designated account reconciliation as part monthly management accounts. This will reflect amounts withdrawn and not yet claimed clearly identifying advances which should guide the FM Specialist in prioritisation of follow up actions;
- iv. Opening of a two Operating accounts, one in USD and another in AOA. The USD operations account will be used for payments of transactions in respect of procurements done in USD and foreign travel/foreign training related costs that require financing in USD.
- v. Train staff in IFAD financial management procedures, including disbursement requirements;
- vi. Submit withdrawal application whenever expenditure is 30% of the authorised allocation or three months since the last submission.

22. Internal Controls: At project level, internal controls will be set to ensure that project resources are properly utilised for purposes they are meant and funds reach intended beneficiaries. IFAD financial management procedures will be applied in the implementation of SADCP C&H. The key controls should include evidence of funds reaching intended beneficiaries and the use of financial management procedural manuals, adequate segregation of duties with the following functional responsibilities performed by different units or persons, budget control, proper use of accounting software, data backup, and storage of accounting records, among others.

(a) **The FM risks under the area of internal controls include the following:**

- i. Selection and managing of sub projects to ensure the right beneficiaries are selected and funds have been used as proposed;
- ii. Lack of segregation of duties, given the high staff turnover;
- iii. Inadequate scope or absence of internal audit which may not help enforce the prescribed internal control environment given the capacity of the National Inspectorate of Finance; and
- iv. Improper handling and storage of accounting records.

- (b) The following measures will be put in place to strengthen internal controls:
- i. Adherence to the internal control framework will be verified during the internal and external audit exercises and reported to the IFAD in the form of an internal audit report and Management letter, in line with IFAD's audit guidelines. Compliance to the internal controls will also be part of the fiduciary checks performed during supervision missions and external Audit.
 - ii. As part of the controls, budget monitoring and control will be supported through the Project accounting software and reflected in the financial reporting templates at provincial levels and details on internal controls shall be provided in the PIM;
 - iii. Consideration to outsource internal audit services; and
 - iv. Regular supervision and implementation support missions, for the first years of implementation at least thrice in the year.

23. Accounting Systems, policies and procedures - The accounting systems, policies, and procedures to be used by the PIU in accounting and managing the project funds will be documented in the Financial Manual. The manual will describe the accounting system, internal control procedures, basis of accounting, standards to be followed, authorisation procedures, financial reporting process, budgeting procedures, financial forecasting procedures, and contract management. In addition, the manual should document procedures to be undertaken for the replenishment of the designated accounts and auditing arrangements.

24. Primavera accounting software that has been used under MOSAP and is being used by AFAP will be procured and implemented by SADCP-C&H. The coding of the chart of accounts will reflect funding sources, components and categories to provide for accounting and reporting requirements of SADCP-C&H. The financial management risks under this area is poor coding of chart of accounts and failure to report using International Public Sector Reporting Standards (IPSAS).

25. Financial reporting -The objective of monitoring and reporting is to ensure that complete, accurate and timely reports are produced in accordance with International Public Sector Accounting Standards (IPSAS). The PIU will be the financial management and reporting hub, responsible for posting, reconciling and reporting on project finances. In line with the IFAD requirements, PIU will prepare and present Interim unaudited financial reports on a semi-annual basis. The contents of the reports will consist of at least the following: a statement of source and uses of funds, a statement of uses of funds by project component and expenditure category, and a summary variance report explaining financial performance for the period.

- a) The PIU will also produce annual project financial statements, will comprise the following:
- i. A statement of sources and uses of funds/cash receipts and payments that recognises all cash receipts, cash payments, and cash balances controlled by the project for this project and separately identifies payments by third parties on behalf of the entity;
 - ii. The accounting policies adopted and explanatory notes. The explanatory notes should be presented in a systematic manner with items on the statement of cash receipts and payments cross-referenced to any related information in the notes. Examples of this information include a summary of fixed assets by category of assets;
 - iii. A management assertion that project funds have been expended in accordance with the intended purposes, as specified in the relevant IFAD financing agreement.
- b) Each PPIU will produce, on a monthly basis, financial reports required to manage and monitor implementation of project activities at the provincial level. PPIUs will produce and submit monthly financial reports to the PIU. The financial reports produced by the PPIUs will be used to produce consolidated reports to be used for generation of withdrawal applications and to meet other reporting requirements. The formats and contents of quarterly financial reports produced by the PPIUs will be documented in the Financial Manual.

26. Internal Audit -Internal audits will be conducted to provide assurance that there exists strong internal controls, the project is being implemented in accordance with the PIM/Financial Manual, complies with GOA regulations and is complying with the IFAD financing covenants. The key risk is weak capacity of the National Inspectorate of Finance (INF) to cover the internal audit requirements of the project. The risk that internal audit may not provide the required service has been assessed as high.

27. External Audit - The project's financial statements will be audited by independent auditors in accordance with International Standards on Auditing and the audit report will be submitted to IFAD within six months after the financial year-end. The costs incurred for the audit will be borne by the project. The arrangements for the appointment of the external auditors of the project financial statements shall be in accordance with the IFAD audit guidelines. The Audit Terms of Reference and appointment of auditors are subject to IFAD No Objection. Audit TORs are included in the Project Financial Manual.

28. The auditors will be required to express a three audit opinions on the project financial statements, operation of the designated account and on the certified Statements of Expenditure (SOEs). In addition, a detailed management letter containing the auditor's assessment of the internal controls, accounting system and compliance with financing covenants in the IFAD Financing Agreement and suggestions for improvement will be prepared and submitted together with the audit report.

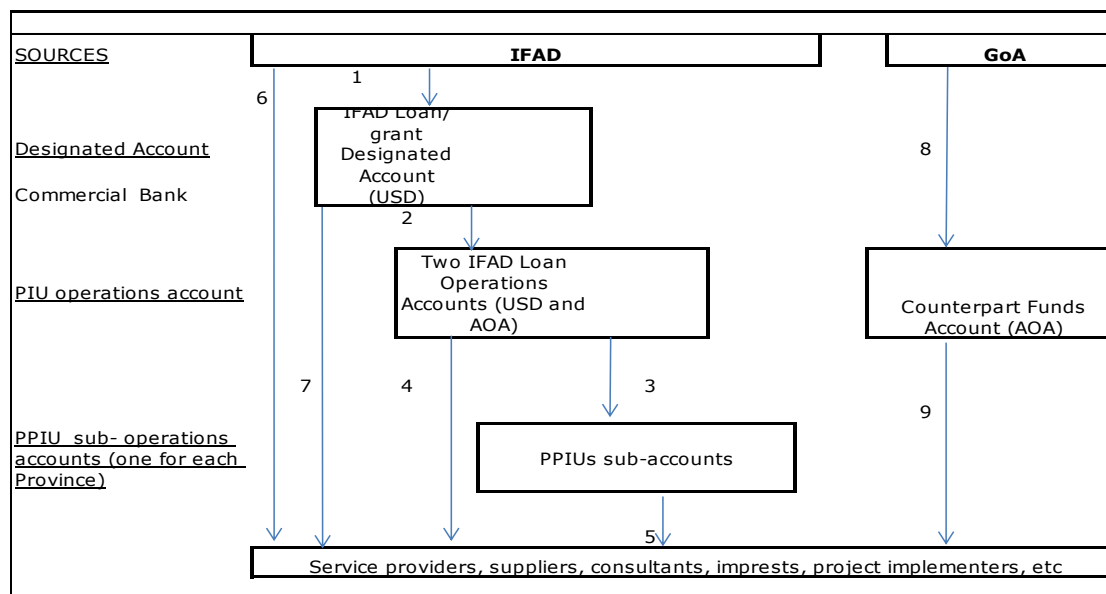
V. Implementation Readiness

Table 3: FM Actions Summary: The actions needed to mitigate financial management risks are summarised below:

	Action	Responsible Party / Person	Target Date / Covenants
1	Constituting PIU headed by a Project Coordinator and PPIUs	IDA/MINAGRI	Within first six months or as shall be agreed during negotiations
2	Compile the first AWPB and its related Procurement plan	PIU/IDA	Withdrawal condition
3	Open the required bank accounts	IDA/MINAGRI	Withdrawal condition
4	Draft PIM that should include a comprehensive financial manual with a comprehensive project chart of accounts	PIU/IDA	Within first six months of entry into force
5	Establish a PCC headed by the Secretary of State/MINAGRI	MINAGRI	Within six months of entry into force
6	Procure and install Primavera accounting software and configure it to meet the accounting and reporting requirements of project.	PIU/IDA	Part of start-up activities
7	Hire an external auditor	IDA/MIAGRI	No later than nine months of implementation

29. FM Supervision plan: The Project will be supervised by the IFAD. The risk profile described above requires IFAD implementation support especially in the first years of implementation. IFAD missions should include sufficient provision for facilitating the PIU to put in place the systems and controls to manage fiduciary aspects of the project. In the first two years, it is proposed that there should be at least two IFAD missions supplemented by a fiduciary follow-up mission to ensure financial management systems and tools are in place and implemented.

Annex 1. Funds flow chart



- Line 1: Authorised allocation into the DA and subsequent replenishments in USD;
 Line 2: Transfers into the two OAs in one in USD for procurements done and contracts entered into in USD and foreign travel/foreign trainings and another in AOA for all local currency transactions;
 Line 3: Transfer of funds from the OA into Sub Accounts managed by PPIUs for covering eligible local costs;
 Line 4: Payments for goods supplied, works executed, services rendered, salaries and other expenses for Project implementation and management from the OA (in AOA) and from USD account for USD payments;
 Line 5: Payments of contractual services and service providers, both locally and nationally executed by the PPIUs;
 Line 6: Direct payments to the suppliers of goods and service providers from IFAD for payments equal to or above USD 100,000;
 Line 7: Payments from the designated account to service providers and contractors with contracts denominated in USD and foreign travel costs;
 Line 8: Funds from GOA into the project counterpart account; and
 Line 9: Payment for taxes, duties and other payments allocated to be financed by GOA.

Appendix 8: Procurement

1. Procurement of Goods, Works and Services financed by the IFAD loan will be undertaken by the PIU both at Headquarters and province level in accordance with the IFAD's Procurement guidelines and procedures. These will be described in the Project Implementation Manual (PIM) with additional requirements of IFAD's Prior-Review procedures specified in the Letter to the Borrower (LTB). It has been decided that the Smallholder Agriculture Development and Commercialisation Project (SADCP-C&H) will be parallel financing with the World Bank, and IFAD's Procurement Procedures and Guidelines shall be applicable.
2. Project specific principles governing project procurement will be the following:
 - a. Procurement will be carried out in accordance with the Financing Agreement, the Letter to the Borrower and the Project Implementation Manual and any subsequent changes reflected in IFAD's mission reports (e.g. supervision reports, mid-term reviews, etc.); All procurement shall be carried out in accordance with the IFAD's procurement guidelines. The overall procurement responsibility will rest with the MINAGRI/IDA.
 - b. Procurement shall be conducted within the project implementation period (from the date of effectiveness to the date of completion). Procurement cannot be undertaken between the date of completion and the closing date;
 - c. Procurement must not exceed the availability of funds duly allocated by the financial agreement;
 - d. Procurement Plans must be consistent with the approved Annual Work Plan and Budget (AWBP); and
 - e. The principle of value for money must be sought: Best value does not necessarily mean the lowest initial price option, but rather represents the best return on investments, taking into consideration the unique and specific circumstances of each procurement activity; the balance of time, cost and quality required; and the successful overall outcome of the contract in meeting its original objectives.
3. Further, ICB procurement will be done in accordance with IFAD Procurement Guidelines and Handbook, using the World Bank's Standard Bidding Documents (SBD). All ICBs will be subject to the IFAD's prior review and the SBD will be agreed between IFAD and the PCU/IDA.
4. The following project activities are subject to IFAD's procurement procedures:
 - a. **Goods.** This activity will include procurement of vehicles and motorcycles, agricultural implements, IT equipment, and furniture. Goods will also include any activities included in the selected subproject proposals.
 - b. **Works.** This activity will include rehabilitation of irrigation systems, rehabilitation of roads, construction of bridges/drifts, construction of technical staff housing and office complexes, construction of warehouses and market infrastructure, and rehabilitation and/or construction of critical agricultural extension facilities at local level. Specific activities for irrigation are (i) upgrading of the area around the intake and the main canal; (ii) construction of collecting structures for the accumulation of water to be distributed and/or rehabilitation of damaged embankments; (iii) installation of control structures like water gates; (iv) upgrading (digging) of the main canals and, where necessary, lining critical stretches of the distribution system; and (v) use of local plants/grass to control canal erosion. Works will also include any activities included in the selected subproject proposals.
 - c. **Consultancies.** This activity will include (i) recruitment of service providers for capacity building of community associations, agricultural statistics, market information systems, agricultural policy analysis, irrigation-related services, and agricultural research that will include improving soil diagnostics services; multiplication of seeds and planting materials; strengthening national research and extension systems; and scaling up testing and demonstration of improved technologies at the international and regional levels; and (ii) recruitment of project staff.

Particular Methods of Procurement of Goods, Works, and Non-consulting Services

- a. **International competitive bidding (ICB).** Except as otherwise provided in the paragraph below, Goods, Works, and Non-consulting Services shall be procured under contracts awarded on the basis of ICB.
- b. **Other methods of procurement of goods, works, and non-consulting services.** The following methods, other than ICB, may be used for procurement of goods, works, and non-consulting services for those contracts specified in the Procurement Plan.

Other Procurement Methods

Procurement Method
(a) National Competitive Bidding (NCB), subject to the provisions of the paragraph below on NCB
(b) National Shopping
(c) Direct contracting
(d) Community participation procedures acceptable to the Bank/Fund

5. For NCB, Angolan regulations will apply. All bid documents will need to be satisfactory to IFAD and subject to the additional procedures and modifications stipulated below and to be reflected in the Financing Agreement.

6. **General.** The procedures followed for NCB shall be those set forth in '*Lei No. 20/10 da Contratação Pública*' of the Republic of Angola of September 7, 2010, ('the Law'), with the modifications described in the following paragraphs.

7. **Eligibility.** The eligibility of bidders shall be as defined in the IFAD Procurement Guidelines; therefore, no bidder or potential bidder shall be declared ineligible for contracts financed by the fund for reasons other than those provided in guidelines. Bidding shall not be restricted to domestic bidders. No restriction based on nationality of bidders and/or origin of the goods shall apply other than those imposed by primary boycotts as contemplated in the guidelines. Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement that will affect their ability to participate in the bidding process such as, but not limited to, the submission of evidence of good standing with regard to taxes paid to the Angolan Government and with regard to social security contributions made in Angola.

8. Prior registration or obtaining a license or authorisation shall not be a requirement for any bidder to participate in the bidding process.

9. Government-owned enterprises or institutions of Angola shall be eligible to participate in the bidding process only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the borrower or sub-borrower.

10. **Bidding documents.** Standard bidding documents acceptable to the Fund shall be used.

11. **Participation by joint ventures.** Participation shall be allowed from joint ventures on condition that such joint venture partners will be jointly and severally liable for their obligations under the contract.

12. **Preferences.** No domestic/regional preference or any other kind of preferential treatment shall be given for domestic/regional bidders, for domestically/regionally manufactured goods, and/or for domestically/regionally originated related services.

13. **Applicable procurement method.** Subject to these provisions, procurement shall be carried out in accordance with the 'Public Competitive Bidding' method (*Concurso Público*) set forth in the Law.

14. **Qualification.** Qualification criteria shall entirely concern the bidder's capability and resources to perform the contract considering objective and measurable factors. The qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified and only such criteria so specified shall be used to determine whether a bidder is qualified. Qualification criteria shall be assessed on a 'pass or fail' basis, and merit points shall not be used. Bidders' qualifications shall be assessed by post-qualification and such an assessment shall be conducted separately from the technical and commercial evaluation of the bids.

15. **Advertisement.** A shorter version of the advertisement text, including the minimum relevant information, may be published in a national newspaper of wide circulation provided that the full text is simultaneously published in the official gazette (*Diário da República*) or on a widely used website or electronic portal with free national and international access.
16. **Bid preparation time.** Bidders shall be given at least 28 days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.
17. **Bids submission and bid opening.** Bids may be submitted by electronic means only provided that the Fund is satisfied with the adequacy of the system, including, among other things, that the system is secure, maintains the integrity, confidentiality, and authenticity of the bids submitted, and uses an electronic signature system or equivalent to keep bidders bound to their bids.
18. Bids shall be opened in public, immediately after the deadline for their submission in accordance with the procedures stated in the bidding documents. The public bid opening shall take place in only one session. At the public bid opening, the names of the bidders and the total amount of each bid and of any alternative bids if they have been requested or permitted, shall be read aloud and recorded when opened. Bids shall not be evaluated as part of the bid opening process, and no bid shall be rejected during the public bid opening session, except for late bids. Bidders shall not be allowed to complete their bids after the deadline for submission of bids has expired.
19. **Bid validity.** No automatic extension of the bid validity shall apply. If justified by exceptional circumstances, an extension of the bid validity may be requested in writing from all bidders before the original bid validity expiration date and it shall cover only the minimum period required to complete the evaluation and award of the contract. The extension of the bid validity requires the IFAD's No Objection for those contracts subject to prior review.
20. **Bid evaluation:** Evaluation of bids shall be made in strict adherence to the evaluation criteria declared in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms and the manner in which they will be applied for the purpose of determining the lowest evaluated bid shall be established in the bidding documents. A weighting/scoring system shall not be used.
 - a. A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid. No negotiations shall be permitted.
 - b. Bidders shall not be eliminated on the basis of minor, non-substantial deviations.
 - c. Requests for clarification and the bidder's responses shall be made in writing and they shall not be notified to other bidders.
 - d. After the public opening of bids, information relating to the examination, clarification, and evaluation of bids and recommendations concerning the awards shall not be disclosed to bidders or other persons not officially concerned with this process until publication of the award of the contract.
21. **Rejection of all bids and re-bidding.** All bids shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the IFAD's prior concurrence.
22. **Securities.** Bid securities shall not exceed 3 percent of the estimated cost of the contract; and performance securities shall not exceed 10 percent of the contract price. The successful bidder shall be given at least 15 days from the receipt of notification of contract award to submit a performance security. No advance payment shall be made without a suitable advance payment security.
23. **Publication of contract award.** Information on contract award shall be published at least in a national newspaper of wide circulation within two weeks of receiving the IFAD's No Objection to the award recommendation for contracts subject to prior review and within two weeks from the award decision for contracts subject to post review. The publication shall include the following information: (a) the name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) evaluated prices of each bid that was evaluated; (d) the names of bidders whose bids were rejected and the reasons for their rejection; and (e) the name of the winning bidder, the final total contract price, and the duration and summary scope of the contract.
24. **Complaints by bidders and handling of complaints.** The borrower shall establish an effective and independent protest mechanism allowing bidders to protest and to have their protest handled in a timely manner.

25. **Contract and contract modifications.** Contracts shall be in writing and the bid of the successful bidder shall become part of the contract documents without any modification introduced by the contracting authority. In the case of contracts subject to prior review, the IFAD's No Objection shall be obtained before agreeing to (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (d) the proposed termination of the contract. A copy of all contract amendments shall be furnished to the IFAD for its record.

26. **Right to inspect/audit.** In accordance with the Procurement Guidelines, each bidding document and contract financed from the proceeds of the financing shall provide that bidders, suppliers, and contractors, and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the IFAD, at its request, to inspect their accounts, records, and other documents relating to the submission of bids and contract performance and to have them audited by auditors appointed by the IFAD. Acts intended to materially impede the exercise of the IFAD's inspection and audit rights constitute an obstructive practice as defined in the Procurement Guidelines.

27. **Fraud and corruption.** In accordance with the Procurement Guidelines, each bidding document and contract financed from the proceeds of the financing shall include provisions on matters pertaining to fraud and corruption. The IFAD will sanction a firm or individual, at any time, in accordance with prevailing IFAD sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (a) to be awarded a IFAD-financed contract; and (b) to be a nominated subcontractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded a IFAD-financed contract.

28. **Debarment under the national system.** The IFAD may recognise, if requested by the borrower, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption, or similar misconduct, and further provided that the IFAD confirms that the particular debarment process afforded due process and the debarment decision is final.

29. **Particular methods of procurement of consultants' services**

- (a) **Quality- and Cost-Based Selection (QCBS).** Except as otherwise provided in the next paragraph, consultants' services shall be procured under contracts awarded on the basis of QCBS.
- (b) **Other methods of procurement of consultants' services.** The following methods, other than Quality- and Cost-Based Selection, may be used for procurement of consultants' services for those contracts specified in the Procurement Plan:

Other Procurement Methods for Consulting Services

Procurement Method
(a) Quality-Based Selection (QBS)
(b) Selection under a Fixed Budget (FBS)
(c) Least-Cost Selection (LCS)
(d) Selection Based on the Consultants' Qualifications (CQS)
(e) Single Source Selection (SSS)
(f) Selection of Individual Consultants (IC)
(g) Single source procedures for the selection of Individual Consultants
(h) Selection of UN agencies
(i) Procurement involving local communities will be conducted according to procedures to be detailed in the PIM and acceptable to IFAD.

30. **IFAD Review of Procurement Decisions:** The review thresholds are shown in below Table. The Procurement Plan shall set forth those contracts that shall be subject to prior review by the IFAD. All other contracts shall be subject to post review by the IFAD. The IFAD may, at its own discretion,

require that a sample of contracts below the threshold be subject to prior review, at any time or when the Procurement Plan is updated.

Thresholds for Procurement and Review Methods

Expenditure Category	Contract Value Threshold (US\$)	Procurement/Selection Method	Contracts Subject to Prior Review
Works	≥ 10,000,000	ICB	All
	≥ 3,000,000 < 10,000,000	NCB	All
	< 3,000,000	NCB	None (Post Review)
	< 100,000	Shopping	None (Post review)
	All values	Direct Contracting	All
Goods	≥ 1,000,000	ICB	All
	≥ 250,000 < 1,000,000	NCB	All
	< 250,000	NCB	None (Post Review)
	< 75,000	Shopping	None (Post review)
	All values	Direct Contracting	All
Consulting Services – Firms	≥ 200,000	QCBS/Other (QBS/FBS/LCS)	All
	< 200,000	CQS/Other (QCBS/QBS/FBS/LCS)	None (Post Review)
	All values	SSS UN Agencies	All
Consulting Services - Individuals (IC)	≥ 100,000	IC – Qualification	All
	< 100,000	IC – Qualification	None (Post review)
	All Values	IC – SSS	All

The Procurement Unit

31. SADCP procurement activities shall be coordinated by a Procurement Specialist (PS) who will be responsible for undertaking procurement activities within the defined thresholds and prepare procurement documents for processes. The PS will help in running the unit's responsibilities. The PS should have the relevant experience and sound knowledge and understanding of IFAD procurement procedures applying to internationally financed projects. The PS will facilitate procurement for the SADCP with following guidelines to be specified in the Project Implementation Manual (PIM), including procurement procedures for Goods, Works and Services; community based procurement procedures, internal control, reconciliation and dispute resolution, risk management; post procurement, audit and monitoring, etc.

Procurement Plan

32. The implementing agency has to prepare its procurement plan for the activities to be carried out during the first 18 months of project implementation. The Procurement Plan shall be submitted to the Project Steering Committee for approval prior to submission to IFAD for review and No Objection. This procurement plan shall be agreed between the borrower and the IFAD during negotiations. The procurement plan will be made available at the project's database and on the IFAD's website after loan approval. The Procurement Plan shall be prepared annually and submitted to IFAD for review and expression of No Objection 60 days before the beginning of each subsequent project year. When preparing the Procurement Plan, an accurate and realistic planning and prioritisation of needs is an essential prerequisite to effective procurement and a key tool for monitoring project implementation.

33. The frequency of procurement supervision missions will be once every six months. Special procurement supervision for post-procurement reviews will be carried out at least once every 12 months.

34. Procurement Plan shall include the following:

- a) A brief description of each procurement activity to be undertaken during that project implementation period;
- b) The estimated value of each activity in US\$ equivalent to Angolan Kwanza (AOA);
- c) The method of procurement to be adopted for each activity;
- d) Works Procurement Packages with Methods and Time Schedule
- e) Goods Procurement Packages with Methods and Time Schedule
- f) Consultancy Assignments with Selection Methods and Time Schedule
- g) The method of review IFAD will undertake for each activity (Post or Prior Review); and
- h) Timelines showing milestones when the key stages of the procurement cycle will be achieved.

I. General

- a) **Project:** The project aim is to increase smallholder agriculture productivity, production, and marketing for selected crops in the project areas.
- b) **Country:** Angola
- c) **Borrower:** Republic of Angola
- d) **Project Name:** Smallholder Agriculture Development and Commercialisation Project (SADCP)
- e) **Loan No.**
- f) **Project Implementing Agency (PIU):** MINAGRI/IDA.
- g) **Implementing Partners/Donor:** IFAD

II. Goods and Works and Non-consulting Services

Prior Review Threshold: Procurement decisions subject to prior review as follows.

Expenditure Category	Contract Value Threshold (US\$)	Procurement/Selection Method	Contracts Subject to Prior Review
Works	≥ 10,000,000	ICB	All
	≥ 3,000,000 < 10,000,000	NCB	All
	< 3,000,000	NCB	None (Post Review)
	< 100,000	Shopping	None (Post review)
	All values	Direct Contracting	All
Goods	≥ 1,000,000	ICB	All
	≥ 250,000 < 1,000,000	NCB	All
	< 250,000	NCB	None (Post Review)
	< 75,000	Shopping	None (Post review)
	All values	Direct Contracting	All

- **Reference to (if any) Project Operational/Procurement Manual:** Procurement related to goods, works and services, consultants' services will be carried out, by PIU/PPIU of SADCP, following procedures as laid down in the Operational Manual to be approved by the IFAD.
- **Any Other Special Procurement Arrangements:** PIU and PPIU shall comply strictly with procurement provisions as indicated in the manual for sub-projects.

III. Selection of Consultants

- (i) **Prior Review Threshold:** Selection decisions subject to prior review by the IFAD. In addition, all TOR's for consultant's services, irrespective of value of the contract, shall be reviewed by the IFAD.

Expenditure Category	Contract Value Threshold (US\$)	Procurement/Selection Method	Contracts Subject to Prior Review
Consulting Services –Firms	≥ 200,000	QCBS/Other (QBS/FBS/ LCS)	All
	< 200,000	CQS/Other (QCBS/QBS/ FBS/LCS)	None (Post Review)
	All values	SSS UN Agencies	All
Consulting Services - Individuals (IC)	≥ 100,000	IC – Qualification	All
	< 100,000	IC – Qualification	None (Post review)
	All Values	IC – SSS	All

Risk Identification and Mitigation

35. The risk mitigation measures for the project include enhancement of the SADCP's procurement capacity by: (a) hiring experienced Procurement Specialist at the PIU, whose main duty will be to hire a service provider and provide support to the team; (b) training of procurement personnel at federal and provincial levels and (c) preparation of the procurement implementation manual. Considering the above mitigating measures, the residual procurement risk for the project is considered Moderate. Further the potential risks to project success and mitigation measures are summarised below:

Issues	Mitigation Measures
Inadequate and incomplete TORs, technical specifications and Bill of Quantities (BOQ)	Capacity building and Technical assistance
Inadequate contract administration	Continuous capacity building and strict follow-up and supervision
Inadequate procurement planning and monitoring and follow-up of procurement activities	Make Procurement Planning a requirement as part of the Annual Work Plan and Budget
Non-compliance with procurement regulations	Technical assistance and/or capacity building
Inefficiencies in procurement processes	Strict follow-up and supervision
Inadequate capacity in procurement	Technical assistance and/or capacity building
Inadequate record keeping	Capacity building
Improper Receipt of bids and opening	Capacity building and/or technical assistance
Bid examination and evaluation requiring improvements	Capacity building and/or technical assistance

Appendix 9: Project cost and financing

1. This Appendix presents the main assumptions underlying the derivation of project costs and the financing plan, and the results of the project costs estimates using the Costab software.

Main assumptions for project costing

2. **Project duration and start.** The SADCP-C&H duration would be seven years. It will be presented to the IFAD Executive Board in April 2017. It is estimated that the IFAD loan would be declared effective in July 2017. The World Bank-funded SADCP (SADCP-WB) was approved in July 2016 and the IBRD loan is expected to come into effectiveness in December 2016.

3. **National and international inflation and exchange rate.** National inflation inputted in the Costab is based on forecasts provided by the Economist Intelligence Unit (EIU). Inflation in Angola has peaked since 2015 following the successive reductions in fuel subsidies and the Kwanza's continued weakness against the US\$, which continues to push up the cost of imported goods. Inflation will establish at 26% in 2016, but would lower to 14% in 2017 and progressively reach 7% as from 2020. During the project implementation period (July 2017-July 2024), an average yearly international inflation of 1.6% has been considered. The initial exchange rate for the analysis has been set at Kwanza (AOA) 165 to US\$ 1, the official rate prevailing in November 2016. In the absence of AOA/US\$ exchange rate forecasts provided by the Central Bank of Angola (BNA) a constant purchasing power exchange rate, as calculated by Costab, has been used. Considering the high national inflation rate and the difficulties in forecasting the AOA/US\$ exchange rate, the costs have been inputted in US\$ in the Costab.

Summary of project costs and financing

4. Total project costs of SADCP in Huila and Cuanza Sul provinces, over the seven-year implementation period, including physical and price contingencies, are estimated at US\$ 38.2 million. Component 1 (US\$ 15.5 million) accounts for 40 percent of total costs. Component 2 (US\$ 14.7 million) represents about 39 percent of total costs. Component 3 (US\$ 8.0 million) represents 21 percent of total costs.

5. The project will be funded by: (i) an IFAD loan of US\$ 28.8 million (75 percent of total project costs); (ii) a Government contribution equivalent to US\$ 8.2 million (22 percent of total costs), to cover duties and taxes as well as some operational costs of the public extension and agricultural research services; and (iii) a beneficiaries' contribution equivalent to US\$ 1.1 million (3 percent of total costs) to co-finance sub-projects under subcomponent 2.2.

6. Summary of project costs and financing are presented in the tables below. Detailed cost tables and additional summary cost tables are available in the Project Life File.

Republic of Angola
 Smallholder Agriculture Development and Commercialisation Project in Cuanza Sul and Huila Provinces (SADCP-C&H)
 Detailed design report
 Appendix 9: Project cost and financing

Republic of Angola
 Smallholder Agriculture Development and Commercialization Project in Cuanza Sul and Huila provinces (SADCP-C&H)
Components Project Cost Summary

	(AOA Million)					(USD Million)				
	Local	Foreign	Total	%	% Total	Local	Foreign	Total	%	% Total
				Foreign	Base				Foreign	Base
			Exchange	Costs				Exchange	Costs	
A. Capacity Building and Institutional Development										
1. Strengthening Capacity of Smallholder Farmers and Farmers' Organizations through Farmer Field Schools	294.5	764.1	1 058.6	72	18	1.8	4.6	6.4	72	18
2. Institutional Strengthening of Local, Provincial and National Units of the Ministry of Agriculture	766.5	433.2	1 199.7	36	20	4.6	2.6	7.3	36	20
3. Strengthening Capacity and Global Knowledge to address Emerging Research Issues	123.6	28.2	151.8	19	3	0.7	0.2	0.9	19	3
Subtotal	1 184.6	1 225.5	2 410.2	51	40	7.2	7.4	14.6	51	40
B. Support for Increased Production and Commercialization										
1. Provision of Technical Support	957.8	46.7	1 004.5	5	17	5.8	0.3	6.1	5	17
2. Provision of Investment Support	1 195.6	149.5	1 345.1	11	22	7.2	0.9	8.2	11	22
Subtotal	2 153.4	196.2	2 349.6	8	39	13.1	1.2	14.2	8	39
C. Project Management										
Project Management	979.2	126.0	1 105.2	11	18	5.9	0.8	6.7	11	18
Monitoring and Evaluation	17.3	116.3	133.7	87	2	0.1	0.7	0.8	87	2
Subtotal	996.6	242.3	1 238.9	20	21	6.0	1.5	7.5	20	21
Total BASELINE COSTS	4 334.6	1 664.0	5 998.6	28	100	26.3	10.1	36.4	28	100
Physical Contingencies	2.6	4.6	7.2	64	-	0.0	0.0	0.0	64	-
Price Contingencies	2 637.4	1 068.7	3 706.1	29	62	1.3	0.5	1.8	27	5
Total PROJECT COSTS	6 974.6	2 737.4	9 711.9	28	162	27.6	10.6	38.2	28	105

Republic of Angola
 Smallholder Agriculture Development and Commercialization Project in Cuanza Sul and Huila provinces (SADCP-C&H)
Components by Financiers
 (USD Million)

	IFAD		Beneficiaries		The Government		Total		For. Exch.	Local	
	Amount	%	Amount	%	Amount	%	Amount	%		(Excl. Taxes)	Duties & Taxes
A. Capacity Building and Institutional Development											
1. Strengthening Capacity of Smallholder Farmers and Farmers' Organizations through Farmer Field Schools	4.5	66.7	-	-	2.2	33.3	6.7	17.6	4.8	1.9	-
2. Institutional Strengthening of Local, Provincial and National Units of the Ministry of Agriculture	3.0	38.2	-	-	4.8	61.8	7.7	20.3	2.8	4.3	0.6
3. Strengthening Capacity and Global Knowledge to address Emerging Research Issues	0.2	22.8	-	-	0.8	77.2	1.0	2.6	0.2	0.8	0.0
Subtotal	7.7	49.7	-	-	7.8	50.3	15.5	40.5	7.8	7.0	0.6
B. Support for Increased Production and Commercialization											
1. Provision of Technical Support	6.5	100.0	-	-	0.0	-	6.5	16.9	0.3	6.2	-
2. Provision of Investment Support	7.1	86.3	1.1	13.3	0.0	0.4	8.3	21.7	1.0	7.2	0.2
Subtotal	13.6	92.3	1.1	7.5	0.0	0.2	14.7	38.6	1.3	13.3	0.2
C. Project Management											
Project Management	6.7	94.1	-	-	0.4	5.9	7.1	18.7	0.8	6.1	0.3
Monitoring and Evaluation	0.9	100.0	-	-	-	-	0.9	2.2	0.7	0.1	-
Subtotal	7.6	94.7	-	-	0.4	5.3	8.0	20.9	1.5	6.2	0.3
Total PROJECT COSTS	28.8	75.5	1.1	2.9	8.2	21.6	38.2	100.0	10.6	26.5	1.1

Republic of Angola
 Smallholder Agriculture Development and Commercialization Project in Cuanza Sul and Huila provinces (SADCP-C&H)
Disbursement Accounts by Financiers
 (USD Million)

	IFAD		Beneficiaries		The Government		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
A. Works	1.6	86.4	0.2	10.7	0.1	2.9	1.9	4.9	1.1	0.6	0.2
B. Goods & Equipment											
1. Vehicles	0.6	83.0	-	-	0.1	17.0	0.8	2.0	0.5	0.2	0.1
2. Equipment	0.3	83.0	-	-	0.1	17.0	0.4	1.1	0.3	0.1	0.1
Subtotal	1.0	83.0	-	-	0.2	17.0	1.2	3.1	0.7	0.2	0.2
C. Consulting Services											
1. Individual consultancy	2.3	99.5	-	-	0.0	0.5	2.3	6.1	1.1	1.2	0.0
2. Firm - NGO consultancy	11.9	99.8	-	-	0.0	0.2	11.9	31.1	5.3	6.6	0.0
Subtotal	14.2	99.8	-	-	0.0	0.2	14.2	37.2	6.3	7.8	0.0
D. Training & Workshops											
1. Local training & workshops	0.6	100.0	-	-	0.0	-	0.6	1.6	0.0	0.6	-
2. International Training	-	-	-	-	-	-	-	-	-	-	-
Subtotal	0.6	100.0	-	-	0.0	-	0.6	1.6	0.0	0.6	-
E. Operating Costs	1.1	12.5	-	-	8.0	87.5	9.1	23.8	2.4	6.1	0.7
F. Salaries & allowances	5.2	100.0	-	-	-	-	5.2	13.7	-	5.2	-
G. Grants & Subsidies	3.9	81.3	0.9	18.8	-	-	4.8	12.6	-	4.8	-
H. Credit	1.2	100.0	-	-	-	-	1.2	3.1	-	1.2	-
Total PROJECT COSTS	28.8	75.5	1.1	2.9	8.2	21.6	38.2	100.0	10.6	26.5	1.1

Republic of Angola
 Smallholder Agriculture Development and Commercialization Project in Cuanza Sul and Huila provinces (SADCP-C&H)
Expenditure Accounts by Components - Totals Including Contingencies
 (USD Million)

	Capacity Building and Institutional Development							Total
	Strengthening Capacity of Smallholder Farmers and Organizations through Farmer Field Schools	Institutional Strengthening of Local, Provincial and National Units of the Ministry of Agriculture	Strengthening Capacity and Global Knowledge to address Emerging Research Issues	Support for Increased Production and Commercialization		Project Management		
				Provision of Technical Support	Provision of Investment Support	Project Management	Monitoring and Evaluation	
I. Investment Costs								
A. Civil Works	-	0.5	-	-	1.3	-	-	1.9
B. Goods & Equipment								
Vehicles	-	0.5	-	-	-	0.3	-	0.8
Equipment	-	0.2	0.1	-	-	0.1	-	0.4
Subtotal	-	0.7	0.1	-	-	0.4	-	1.2
C. Consultancies /a								
Individual Consultancy - Local	-	0.2	-	0.6	0.4	-	-	1.2
Individual Consultancy - foreign	-	0.6	0.0	-	-	-	0.5	1.1
Firm - NGO consultancy - Local	-	0.8	0.1	5.3	0.2	-	0.1	6.6
Firm - NGO consultancy - Foreign	4.5	0.1	-	0.3	0.2	-	0.3	5.3
Subtotal	4.5	1.7	0.2	6.2	0.8	-	0.9	14.2
D. Training & Workshops								
Local training & workshops	-	0.2	0.0	0.3	0.1	-	-	0.6
International training	-	-	-	-	-	-	-	-
Subtotal	-	0.2	0.0	0.3	0.1	-	-	0.6
E. Operating costs	2.2	-	0.7	-	-	-	-	3.0
F. Matching Grants	-	-	-	-	4.8	-	-	4.8
G. Credit	-	-	-	-	1.2	-	-	1.2
Total Investment Costs	6.7	3.1	1.0	6.5	8.3	0.4	0.9	26.9
II. Recurrent Costs								
A. Travel allowances	-	-	-	-	-	0.3	-	0.3
B. Incremental Salaries	-	-	-	-	-	5.2	-	5.2
C. Operation & Maintenance (O&M)								
Vehicle O&M	-	-	-	-	-	0.7	-	0.7
Office equipment O&M	-	-	-	-	-	0.4	-	0.4
Building O&M	-	4.6	-	-	-	-	-	4.6
Subtotal	-	4.6	-	-	-	1.2	-	5.8
Total Recurrent Costs	-	4.6	-	-	-	6.7	-	11.3
Total PROJECT COSTS	6.7	7.7	1.0	6.5	8.3	7.1	0.9	38.2
Taxes	-	0.6	0.0	-	0.2	0.3	-	1.1
Foreign Exchange	4.8	2.8	0.2	0.3	1.0	0.8	0.7	10.6

/a including studies and technical assistance.

Republic of Angola
 Smallholder Agriculture Development and Commercialization Project in Cuanza Sul and Huila provinces (SADCP-C&H)
Disbursements by Semesters and Government Cash Flow
 (USD Million)

	Financing Available			Costs to be Financed by Government		
	IFAD	Beneficiaries	Total	Project	Cash	Cumulative
	Amount	Amount		Costs	Flow	Cash Flow
1	2.3	-	2.3	3.0	-0.6	-0.6
2	2.3	-	2.3	3.0	-0.6	-1.3
3	2.4	0.1	2.5	3.1	-0.6	-1.9
4	2.4	0.1	2.5	3.1	-0.6	-2.4
5	2.8	0.1	3.0	3.5	-0.6	-3.0
6	2.8	0.1	3.0	3.5	-0.6	-3.6
7	2.3	0.1	2.4	3.0	-0.6	-4.1
8	2.3	0.1	2.4	3.0	-0.6	-4.7
9	2.2	0.1	2.3	2.9	-0.6	-5.3
10	2.2	0.1	2.3	2.9	-0.6	-5.9
11	1.4	0.1	1.5	2.1	-0.6	-6.5
12	1.4	0.1	1.5	2.1	-0.6	-7.0
13	0.9	-	0.9	1.5	-0.6	-7.6
14	0.9	-	0.9	1.5	-0.6	-8.2
Total	28.8	1.1	29.9	38.2	-8.2	-8.2

Appendix 10: Economic and Financial Analysis

1. This Appendix presents the economic and financial analyses of the Smallholder Agriculture Development and Commercialisation Project in Cuanza Sul and Huila provinces (SADCP-C&H) that will be proposed to IFAD funding.

A. Project beneficiaries and benefits

2. **The project beneficiaries** are smallholder farmers cultivating 0.5 to 2 hectares and living in areas with high potential for agricultural growth, in terms of agro-ecological and climatic conditions and market access. The total number of direct project beneficiaries is estimated at 60,000 (300,000 household members), of which 50,000 would benefit from FFS support and 10,000 from investment support combined with FFS, including 1,000 from small scale irrigation. The targeted households account for 21% of all households in the project area.

3. In addition, the project will also improve availability of public and private agricultural services. As such, traders, agro-industries, wholesalers, input suppliers, financial institutions (commercial banks, microfinance institutions) as well as public and private technical and business service providers will benefit. Traders and agri-businesses might benefit from an increased and stable supply of raw material, an organised marketing by producers' organisations and therefore reduced bulking costs and an improved traceability of supply.

4. **Project benefits.** The Project will improve the livelihoods of the direct beneficiaries. The main economic benefits generated by the project would be as follows:

- (i) increased agricultural production from higher yields due to the adoption of improved technologies crops, enhanced access to and efficiency of water use through irrigation development;
- (ii) increased sales and cash income for participating smallholders;
- (iii) improved food security and nutrition status at household level and reduction in vulnerability to external shocks, notably climate change;
- (iv) reduced transaction costs (bulking, transport, marketing and financial costs) and post-harvest losses thanks to the higher surpluses, bulking and marketing by producers' organisations (POs) and other value chain actors; enhanced access of POs' members to financial services - including matching grants and enhanced creditworthiness and linkages with financial institutions;
- (v) increased value added by smallholders and POs within targeted value chains;
- (vi) enhanced market/business opportunities and economies of scale benefiting actors of the supply chains (smallholders and their POs, transporters, traders, agro-industries) following the enhancement of market linkages between smallholders and buyers/processors;
- (vii) enhanced bargaining power, understanding of markets and management capacity of smallholders and their POs;
- (viii) enhanced technical and managerial capacities of POs and value chains actors combined with matching grants and market linkage activities will increase their creditworthiness and likeliness to receive adequate finance from buyers/financial institutions and in the long run to secure bulking of production from smallholders and sales to agribusinesses;
- (ix) incremental on and off-farm employment;
- (x) foreign exchange savings through reduced importation of food and possibly enhanced exportation of coffee;
- (xi) improved natural resources conservation and resilience to climate change; and
- (xii) improved social stability, overall wellbeing and livelihoods in targeted areas.
- (xiii) The project will also improve the institutional capacity of MINAGRI, IDA at central, provincial and municipality levels. The Government's implementation of smallholder farmer development policies and strategies will be progressively developed during the life of the project.

B. Economic justification of the project

Rationale for public sector financing

5. In Angola, most of the critical public investments and institutions were destroyed or de-capitalised during the civil war. The project will support the rebuilding, rehabilitation and development of public goods, including agricultural value chain infrastructure, institutions and production capacity. The benefits generated by this support will be reinvested in part in the creation of new infrastructure and production capacity, thus serving as a catalyst for the development of additional private assets even after the project will have ended.

6. The rationale for public sector financing in the proposed project lies in the following: (i) most of the rural population in Angola relies on agriculture as the main source of livelihood (food, income and employment); (ii) the Poverty Reduction Strategy (ECP) clearly highlights agriculture and rural development as a priority to fight poverty and sustain economic growth; (iii) public sector support is needed to improve the technical and managerial capacity of smallholders and their producer organisations (POs), better integrate them into markets and correct market failures; (iv) the SADCP will build on the work initiated and results achieved under the IFAD and World Bank-funded MOSAP.

7. The SADCP will address a number of market failures: (a) the difficulties of smallholders and their organisations to access improved agricultural inputs, technologies and best practices, and to investment and value chain financing; (b) deficient or insufficient links between smallholders and formal agribusinesses/wholesalers in the targeted value chains; (c) the deficiencies in the crop seed market, etc.

8. Therefore, public intervention is fully justified to: (i) strengthen direct partnerships between smallholders/POs, traders and agro-industries to overcome market barriers; (ii) promote value chain development; (iii) support the modernisation of cropping patterns and input supply lines, including facilitated access to improved technologies (technical knowledge, seeds, mechanisation services, organised bulking and marketing, product quality enhancement, etc.); (iv) kick start and co-finance youth/women groups and POs' sub-projects through matching grants combined with capacity building of these groups/POs, facilitation of smallholders' access to short and medium term credit and value chain finance products; and (v) support reforms and modernisation of the seed sector as well as key investment and adaptive research in the targeted value chains.

Value added of IFAD's support

9. The Project is well aligned with the priority themes of the Angolan 2013-2017 National Development Plan (PND) and the overall IFAD goals and regional strategies. This notably covers: enhance access to markets for smallholders linking them to large food buyers/processors and to financial institutions; technical and managerial capacity building of smallholders and their organisations; access to improved technologies and technology transfer; promotion of climate-smart agriculture; and due consideration of gender, nutrition-sensitive agriculture and resilience issues.

10. The Project has significant added value from the Government and development community stand point. Beyond financing, the added value arises mainly from the World Bank's, IFAD's and FAO's technical input based on international experience for similar smallholder and value chain development projects, introduction of innovative financing mechanisms for smallholders, capacity development of POs and other value chain actors through participatory extensions (FFS) and training-of-trainers methodologies (notably for the ex-ante preparation and financial analysis of POs' sub-projects/ business plans), knowledge sharing and communication. By providing this support, IFAD will complement -and aim at correcting deficiencies of- national sources of expertise and business advisory support services to farmers/POs, resulting in enhancing the project's development impact in ways that go beyond what could be realised by exclusive reliance on the Government's own institutions or existing national consulting firms.

11. In addition, as an important development partner promoting economic and agricultural development in Angola, IFAD's involvement in supporting the SADCP-C&H, through parallel financing, together with the World Bank, will help implement a harmonised framework and policy dialogue for supporting smallholder agriculture in Angola. This is likely to have a broader long term impact than a stand-alone IFAD-funded operation.

C. Financial analysis

12. The financial analysis of SADCP is based on 5 farm models, derived from 7 crop models. The purpose of these financial models is to assess whether the proposed improved technology packages are commercially viable and enable the targeted smallholders to generate sufficient additional income, to increase their food security and resilience to shocks and to raise their asset base and creditworthiness.

Crop models

13. Seven (7) crop models have been developed for the main crops cultivated by the targeted smallholders. These crops are maize, beans, vegetables (onion, tomato and cabbage), Irish potato and cassava. These crop models enable us to compare the “without project” and the “with project” with respect to (i) yields, input requirements, unit costs and prices; (ii) labour requirements, which can be a bottleneck in some operations/farming systems; (iii) sales, production costs, gross margins, cash flows, self-consumption, potential savings. These crop models have been developed on the basis of discussions with smallholders during the design of SADCP-C&H in the provinces of Cuanza Sul and Huila, with technicians of the provincial offices of the Institute of Agricultural Development (IDA), with FAO staff in charge of FFS and on the basis of secondary data.

14. **The “without project” situation** represents the current situation of smallholders. Typically, smallholders follow a traditional cropping pattern and practices that are characterised by the following: (i) the use of locally or own produced seeds, seedlings and planting material; (ii) no or limited use of fertiliser and pesticide, (iii) some use of manure, however at inappropriate rates to maintain soil fertility as these smallholders generally have insufficient livestock. In the without project situation, the unit area cropped by smallholder household ranges from 0.5 to 2.0 ha, with an average of 1.37 ha. The yield information was derived from the MOSAP baseline study (December 2012), IDA statistics for the 2014/2015 crop year and discussions with technicians.

15. **“With project” situation:** The smallholder will increase his production by improving yields, cultivated area or both. A distinction has been made between the impact of FFS support and the investment support. The FFS support will reach all targeted smallholders (60,000) but will have less impact on yield as the improved cropping techniques would not often be accompanied by an optimal use of inputs. The expected yield increases and post-harvest losses are presented in the table below.

16. The investment support is expected to reach fewer smallholders (10,000) but would have a more significant impact on yields, thanks to rehabilitation and development of small irrigation schemes, access to finance (matching grants mainly, possibly combined with loans from participating financial institutions) to acquire equipment and use higher doses of inputs, in addition to FFS training. Forecasted yields however still remain relatively low compared to potential maximum yields and but largely consistent with assumptions made for higher and quality input use and are in fact already achieved by some farmers supported under MOSAP.

17. Higher yields would lead to higher surpluses. Self-consumption is particularly important for SADCP beneficiaries as the project targets smallholders, who typically cultivate small areas, are often food-insecure. For a typical household of 5 members (preliminary results of the 2014 population census), yearly consumption of maize and cassava were estimated respectively at 455 kg and 730 kg. For the typical household cropping, this corresponds to an estimated self-consumption of 511 kg per ha of cropped maize and to 5,150 kg per ha of cropped cassava. A smallholder household that does not reach such production levels from their farm are net buyers of food. They need to sell their workforce to others, use incomes derived from livestock, coffee (particular the case of three targeted municipalities in Cuanza Sul) and off-farm activities to meet their household food needs.

18. Progressive yields build up, over two to three years before reaching the target yields, have been considered to take into account into account the progressive mastering of the improved technology packages by adopting smallholders, the difficulty to access inputs due to the remoteness of some areas, etc.: (i) FFS: as the yield increase is limited and mostly due to the application of improved agricultural practices with limited input use, it was considered that 90 % of the target yield would be achieved in the year of adoption, 95% in the second year, and 100% as from year 3 onwards after adoption; (ii) investment support: the yield increase would be less rapid, namely 80% of target yield in the year of adoption, 90% in the second year, before reaching the full target yield as

from year 3 onwards; (iii) irrigation: with secured access to water, it was assumed that the yield increase would be faster, namely 90% of target yield in the adoption year and 95% in year 2. In all situations the full use of input and associated costs were considered, from the first year of adoption.

Table 1: Assumptions for crop yields (kg/ha)

Crop	Without project	With project, FFS only	With project, FFS and investment support	Post-harvest losses
Maize	500	1,000	2,100	5%
Cassava	7,000	9,000	13,000	10%
Irish Potato	9,000	10,000	12,000	15%
Bean	300	550	900	15%
Onion	8,000	10,000	14,000	20%
Tomato	12,000	15,000	20,000	25%
Cabbage	10,000	12,000	17,000	15%

19. Output prices considered in the financial analysis take into account inter-annual and intra-annual variation between harvest period and the lean season. In both the “without project” and “with project” situations it is relevant to assume that surpluses are sold at different times and prices after harvest, as smallholders will receive support to link with buyers, enhance their marketing skills and also receive funding to increase their bulking and storage capacity; in both the with and without project situations, a varying share of the production surplus (over self-consumption) would be marketed: a) the largest share of surplus would be sold at harvest (at the lowest price as per available market data); b) a lower share after short storage of 1 to 2 months (at medium price); and c) a limited share after 2 to 5 months storage -depending on crop type- at a peak price during the lean season.

20. Prices of agro-chemicals, improved seeds, animal traction services (oxen-plough), hired labour and transport costs are based on farm gate prices, which can vary quite considerably between Provinces and according to the remoteness of the municipality considered.

21. In the “without project” and “with project” situations for rain-fed crops, it can be assumed that, in most SADCP households, the available family labour is enough to carry out most of the farming operations due to the limited size of land holdings. Both family and paid labour have been valued at a price of 400 AOA per day.

Description of farm models

22. On the basis of the crop models described above, five farm models have been developed.

- The rain-fed crop models 1 and 2 assume a cropped area of 1 ha in an improved way with project support³⁰;
- The household horticulture models 3 and 4 aims at capturing the vegetable production on small individual plots, on lowland or close to a river, using basic technologies, such as small diversion canals or hand-dug wells. The area per smallholder (0.12 ha) is within the capacity of a typical household to manage. Although a large variety of vegetables could be cropped, the model only considers the three main crops grown in the area: (i) onions which are in high and growing demand, relatively perishable but that can be stored during a certain period; (ii) tomatoes, also in high demand but sensitive to pest attacks, very perishable and quite risky; and (iii) cabbage; and
- The irrigation model 5 is based on 0.5 ha of irrigated area per household. A cropping intensity of 180 % has been considered in the “with project” situation, compared to 100% in the without project situation.

23. Distribution of the cropped area between crops is based on crop statistics (2015 season) provided by IDA for the ten targeted municipalities where the project will operate. More than half of the total area (60%) is cropped with cereals, essentially maize, followed by pulses (23%), mainly beans; then roots and tubers (13%) for self-consumption and sale, including cassava, sweet potato and Irish potato (the later essentially for commercial purposes); and horticultural crops (4%), mainly vegetables.

³⁰ The average area cropped by smallholder farmers was estimated at 1.37 ha in the 3 provinces covered by MOSAP/SADCP-WB.

Coffee is cropped in three municipalities, not by all smallholders and cannot be considered as representative.

Table 2: Summary of farm models

Farm model	Area cultivated	Support provided by the project	Crops and acreage
Model 1: rain-fed, FFS	1 ha	FFS	Maize (0.7 ha), cassava (0.10 ha), Irish potato (0.05 ha), beans (0.15 ha)
Model 2: rain-fed, FFS and investment support	1 ha	Investment support & FFS	Maize (0.7 ha), cassava (0.10 ha), Irish potato (0.05 ha), beans (0.15 ha)
Model 3: horticulture, FFS	0.12 ha	FFS	Onion (0.05 ha), tomato (0.06 ha), cabbage (0.01 ha)
Model 4: horticulture, FFS and investment support	0.12 ha	Investment support & FFS	Onion (0.05 ha), tomato (0.06 ha), cabbage (0.01 ha)
Model 5: irrigation, FFS	0.9 ha (2 seasons)	Investment support & FFS	Maize (0.17 ha), cassava (0.02 ha), Irish potato (0.11 ha), beans (0.05 ha), onion (0.21 ha), tomato (0.29 ha), cabbage (0.06 ha)

24. The total area cropped by the household as well as the distribution between crops have been kept constant in the “with project” situation, although land doesn’t appear to be a constraint in most targeted areas; however labour availability seem to be a major one, notably for some critical cropping operations; the main impact of the project being the yield increase. This assumption seems realistic as most of the project beneficiaries would benefit from FFS training, with improved cropping practices, weed control, and a minimal use of inputs; while improved technologies considered in the “investment support” mainly consider use of improved seeds, higher dose of fertilisers, some use of pesticides and improved bulking/marketing without investment in mechanisation and animal traction. Since some cropped area increase may well occur, this assumption likely underestimates the impact of the project on overall production, making the results of the financial and economic analysis even more robust.

Financial analysis of the farm models

25. The tables below summarise financial performance of the five farm models. All farm models are financially viable with: (i) significantly higher cash flows in the “with project” situation, (ii) benefit/costs (B/C) ratio’s between 1.2 and 2.1, (iii) return to family labour between 712 AOA and 1,338 AOA per day; and (iv) Financial Net Present Values (FNPV) at 20 percent discount rate (the average lending rate) varying from AOA 36,164 for 1 ha of rain-fed crops with FFS support (model 1) to AOA 0.7 million for 0.5 ha of irrigated crops (model 5).

26. Both rain-fed models 1 and 2 shows substantial increases in net income (at full production as from year 3 after adoption of the technology package) with project support: the net income before financing would be doubled, from AOA 33,560 per year in the “without project” situation to AOA 55,835 per year in the “with project” situation, in the case of FFS support only (model 1); and it would be almost threefold combining FFS and investment support under model 2 (from AOA 33,560 to AOA 90,010 per year).

27. The horticulture (HH) models 3 and 4 also shows significant increment in net cash flow from about AOA 42,265 per year in the “without project” situation to AOA 57,046 and AOA 68,868 per year “with project” for respectively model 3 (FFS support only) and model 4 (combining FFS and investment support). These financial results highlight the potential attractiveness and profitability of horticulture compared to rain-fed farming, provided that markets are secured, and confirm the soundness of supporting household horticulture in addition to food crops under the SADCP-C&H.

28. The small-scale irrigation (SSI) model displays a significant increment in net income (before investment) from about AOA 81,515 per year in the “without project” situation to AOA 356,745 per year in the “with project” situation.

Table 3: Cash flow and operating costs in with and without project situation (in AOA)

	Revenue		Production costs		Net income a/	
	WoP	WP	WOP	WP	WoP	WP
Model 1: rain-fed, FFS	80,582	122,919	47,022	67,084	33,560	55,835
Model 2: rain-fed, FFS and investment support	80,582	211,225	47,022	121,215	33,560	90,010
Model 3: horticulture, FFS	54,550	78,582	11,285	12,005	42,265	57,046
Model 4: horticulture, FFS and investment support	54,550	98,188	11,285	28,320	42,265	68,868
Model 5: irrigation, FFS	126,154	600,894	44,639	244,148	81,515	356,745

a/ before family labour costs and before financing. NB: WoP: current “without project” situation; WP: “with project” situation.

Table 4: Financial performance of the farm models

F I N A N C I A L A N A L Y S I S		Farm models' net incremental benefits -NIB (in AOA)				
		Model 1: rain-fed, FFS	Model 2: rain-fed, FFS and investment support	Model 3: horticulture, FFS	Model 4: horticulture, FFS and investment support	Model 5: irrigation, FFS
	PY1	698	585	(381)	4,861	25,353
	PY2	7,844	22,707	7,624	15,580	180,147
	PY3	10,854	42,830	13,629	24,299	209,192
	PY4	11,854	43,830	14,629	25,299	209,683
	PY5	10,854	42,830	13,629	24,299	209,192
	PY6	11,854	37,571	14,629	25,299	210,192
	PY7	10,854	39,700	13,629	25,299	209,192
	PY8	11,854	43,830	14,629	25,299	210,192
	PY9	10,854	42,830	13,629	24,299	209,192
	PY10	11,854	43,830	14,629	25,299	210,192
	B/C	1.22	1.28	2.05	1.88	1.54
	NPV (AOA)	36,164	128,627	42,507	80,831	704,628
	IRR	NA	NA	NA	NA	NA
	Return to family labour	712	978	1,177	1,338	1,301

D. Project costs and indicators of the logical framework

29. The table below summarises the project costs and indicators of the logical framework that were derived from the logical framework. The average cost per beneficiary of SADCP, just taking into account the IFAD contribution (US\$28.8 million) is approximately US\$ 481 per household.

Table 5: Project costs and number of benefitting households

Component	Cost IFAD (US\$ million)	Number of households	Cost (US\$/household)
A. Capacity building and institutional development	7.7	60,000	153
B. Support for increased production and commercialisation	13.6	10,000	1,361
C. Project management	7.6	60,000	126
Total	28.8	60,000	481

E. Economic analysis

30. The economic cost-benefit analysis aims to assess the economic viability of the proposed project from the overall national economic standpoint.

Methodology and assumptions

31. The analysis was conducted over a 20-year period in constant 2016 prices, aggregating additional net profits derived from the various models developed in the financial analysis. The assumptions are the following: (i) financial prices and costs and benefit streams were transformed into economic values through calculating economic import/export parity prices at farm gate, applying

conversion factors for each category of costs, eliminating taxes and transfers; (ii) economic costs were generated by COSTAB; (iii) incremental costs after the Project implementation period, in particular for maintenance of irrigation schemes and other infrastructure, as well as costs to follow up farmers were taken into account; (iii) an economic exchange rate is AOA 190/US\$; (iv) a social discount rate of five percent; (v) an economic cost of labour of 340 AOA per day, compared to a financial cost of 400 AOA per day; (vi) an adoption rate of improved technologies of 50%, given the difficult circumstances.

32. Import parity prices were calculated for maize, pulses (soybean) and fertilisers (urea) on the basis of the World Bank projections for the year 2025 – considered as the middle year for the period of the analysis – expressed in 2010 constant prices and adjusted to 2016 current process using the weighted index for each category of commodity index as published on the World Bank web site (commodity price forecasts) as of 26 July, 2016. The table below shows the conversion factor used to generate shadow prices.

Table 6: Conversion factors

Item	Conversion factor
Fertilisers & chemicals	0.5
Seeds	1
Maize (improved seeds)	0.9
Bean and soybean seeds	0.8
Packaging	0.9
Labour	0.85
Animal Power	1

33. **Economic benefits considered in the analysis.** Quantified economic benefits are mainly those deriving from increased cash flows of main rain-fed and irrigated crops (maize, cassava, Irish potato, bean, onion, tomato, cabbage) at smallholder level resulting from increases in productivity (yield increases and increase in cropping intensity on SSI). After transforming financial crop, farm and irrigation models into economic values, the economic benefits of each model type have been aggregated to calculate the net incremental economic benefit stream (difference between the “with project” and “without project” economic benefit streams) derived from improved technologies adoption. The phasing of implementation, in terms of number of hectares and beneficiaries is presented in the table below.

Aggregation and phasing of implementation

34. The following table presents the phasing of implementation with the number of hectares and number of beneficiaries to be reached per annum during the project life.

Table 7: Phasing of implementation

		PY1	PY2	PY3	PY4	PY5	PY6	TOTAL
Number of beneficiaries								
Rainfed FFS	Number	-	9,000	9,000	9,000	9,000	9,000	45,000
Rainfed Investment	Number	-	-	500	2,500	3,000	3,000	9,000
Horticulture investment	Number	-	-	100	300	300	300	1,000
Horticulture FFS	Number	-	1,000	1,000	1,000	1,000	1,000	5,000
Irrigation	Number	-	200	200	200	200	200	1,000
Total	Number	-	10,200	10,800	13,000	13,500	13,500	61,000
Number of hectares								
Rainfed FFS	Ha	-	9,000	9,000	9,000	9,000	9,000	45,000
Rainfed Investment	Ha	-	-	500	2,500	3,000	3,000	9,000
Horticulture investment	Ha	-	-	10	30	30	30	100
Horticulture FFS	Ha	-	100	100	100	100	100	500
Irrigation	Ha	-	100	100	100	100	100	500
Total	Ha	-	9,200	9,710	11,730	12,230	12,230	55,100

Remark: beneficiaries of small scale irrigation are already accounted for as beneficiaries of FFS, thus total number of beneficiaries is 60,000.

Results of the economic analysis

35. The Project would yield an Economic Internal Rate of Return (EIRR) of 18% and an Economic Net Present Value (ENPV) of US\$28.3 million (at 6% social discount rate)³¹. The Project is therefore highly profitable from an economic standpoint.

36. The following table shows the incremental economic cash flow for the five farm models, the total economic benefits and economic costs over a period of 20 years. From year 8 onwards, the incremental annual cash flow would be approximately US\$ 6.7 million per annum.

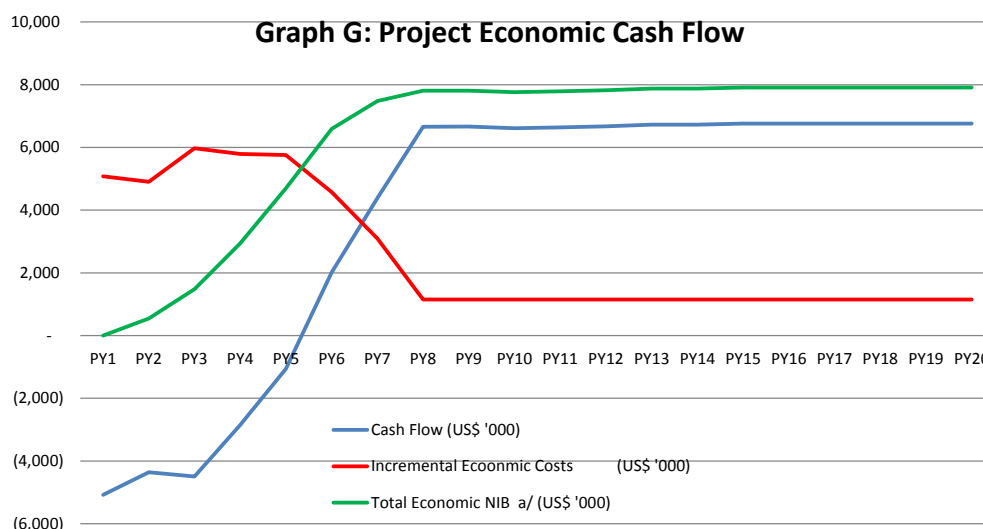
Table 8: Project economic cash flow, benefits and costs

		Net Aggregated Incremental Benefits (NIB) (US\$ '000)						Incremental Economic Costs (US\$ '000)	Cash Flow (US\$ '000)
		Model 1: rain-fed, FFS	Model 2: rain-fed, FFS and investment support	Model 3: horticulture, FFS	Model 4: horticulture, FFS and investment support	Model 5: irrigation, FFS	Total Economic NIB a/ (US\$ '000)		
E C O N O M I C A N A L Y S I S	PY1	-	-	-	-	-	-	5,080	(5,080)
	PY2	993	-	(3)	-	95	542	4,904	(4,361)
	PY3	2,367	177	36	5	374	1,480	5,975	(4,495)
	PY4	3,929	1,135	106	26	684	2,940	5,789	(2,850)
	PY5	5,537	2,619	182	62	995	4,697	5,756	(1,059)
	PY6	7,098	4,437	252	108	1,305	6,600	4,575	2,025
	PY7	7,714	5,265	331	140	1,520	7,485	3,094	4,392
	PY8	7,901	5,650	363	154	1,551	7,809	1,147	6,662
	PY9	7,948	5,603	368	155	1,553	7,813	1,147	6,666
	PY10	7,901	5,555	363	154	1,552	7,762	1,147	6,614
	PY11	7,948	5,559	368	155	1,553	7,791	1,147	6,644
	PY12	7,948	5,625	368	154	1,553	7,824	1,147	6,676
	PY13	7,995	5,676	373	155	1,554	7,877	1,147	6,730
	PY14	7,995	5,676	373	155	1,554	7,877	1,147	6,730
	PY15	8,043	5,692	378	157	1,555	7,913	1,147	6,765
	PY16	8,043	5,692	378	157	1,555	7,913	1,147	6,765
	PY17	8,043	5,692	378	157	1,555	7,913	1,147	6,765
	PY18	8,043	5,692	378	157	1,555	7,913	1,147	6,765
	PY19	8,043	5,692	378	157	1,555	7,913	1,147	6,765
	PY20	8,043	5,692	378	157	1,555	7,913	1,147	6,765
ENPV (US\$ '000)		28,335						a/ with an adoption rate of: 50%	
EIRR		18.4%							

³¹ As recommended by the World Bank for project economic analysis. Source: Discounting Costs and Benefits in Economic Analysis of World Bank Projects, January 2016 - email from World bank Chief Economist, Sustainable Development Department (Ms. Marianne Fay), 13 January 2016.

37. The graphs below depicts and compares over time Project's net benefits and incremental costs alongside Project cash flow

Graph 1: Economic cash flow of the project



38. A sensitivity analysis was carried out to assess the likely impact of a variation of some key factors on the economic return of the project. It indicates a strong resilience to increases of costs and reductions of benefits. The project would still yield an EIRR of respectively 16% and 13% if benefits were reduced by 10% and 20%. In the extreme case of benefits being reduced by 30%, the EIRR would establish at 11%, a value above the social discount rate. If benefits would lag by two years the EIRR would still establish at 12%. A summary of the sensitivity analysis is presented in Table 9 below.

Table 9. Sensitivity analysis summary

Δ%		Link with the risk matrix		IRR (%)	NPV (US\$ '000)
		Base case			
Decrease in benefits	-10%	Combination of risks affecting output prices, yields and adoption rates		15.9%	21,992
	-20%			13.3%	15,648
Increase in project costs	10%	Increase of input prices or construction material		16.1%	24,825
	20%			14.2%	21,315
Delay of benefits	1 year	Risks affecting adoption rates and low implementation capacity		14.8%	22,417
	2 years			12.2%	16,834

39. **Fiscal Impact.** In the short-term, the impact of the project on the Government budget will be neutral or slightly negative, given that the Government's contribution to project costs essentially covers taxes and duties on items which wouldn't have been purchased without the project, salaries of existing staff, and additional operational costs for extension services and agricultural research (IDA and ICA offices in targeted municipalities). In the medium to long-term, the potential fiscal impact shall be positive, mainly due to: (i) increased output, income and employment, resulting in increased tax revenues; and (ii) multiplier effects due to increased economic activities in targeted production areas, resulting in sustained demand for goods and services, which is expected to generate additional income and employment effects.

Appendix 11: Draft Project implementation manual

1. The Project Implementation Manual (PIM) describes the modalities and procedures to be used for implementation of the Smallholder Agriculture Development and Commercialisation Project (SADCP). The Manual provides a checklist of procedures and tasks to be executed during routine loan administration and project implementation activities. In particular, the PIM clarifies procedures and requirements regarding, project implementation, loan administration and flow of funds, reporting, accounting and participatory implementation procedures. The PIM aims to provide the project management and implementing partners with procedural guidance to implement the Project. The PIM is intended to be a functional document to be adapted and amended as necessary to incorporate the lessons learned from implementation experience.
2. The PIM presents a general description of the project planning design, project costs, benefits and sustainability, its implementing partners, organisational arrangement, staffing, and their responsibilities. The PIM will cover the implementation guidelines and procedures for implementation of each project component and preparation of annual work plan & budget and procurement planning, reporting, monitoring and evaluation and supervision.
3. Preparation and submittal of the draft Project Implementation Manual (PIM) for IFAD review and “No Objection” is a key condition for the project to enter-into-force. While the Project Coordination Committee (PCC) will adopt the PIM substantially in the form approved by IFAD, it does not replace the definitive Project Documents. Where there are inconsistencies with any provision of the Financing Agreement, the provision of the Agreement shall govern.

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(PLANNING, MONITORING & EVALUATION AND KNOWLEDGE MANAGEMENT)

- A. Background
- B. Planning, Monitoring and Evaluation
- C. Annual Work Planning and Budgeting
- D. Knowledge Management
- E. Supervision
- F. Risk identification and mitigation

³²Draft PIM will be prepared and included as a separate document.

V. FINANCIAL MANAGEMENT AND ACCOUNTING MODULE

- A. Purpose of Financial Management Manual
- B. Roles and responsibilities of key actors in financial management of SADCP-C&H
- C. General Institutional Set-Up and Governing Regulations
- D. Types of Accounts, Special Account and Project Accounts
- E. IFAD Disbursement Procedures
- F. Check List for Withdrawal Applications
- G. Annual Financial Statements
- H. Special Account Reconciliation Statement
- I. Project Completion
- J. Financial management team responsibilities in procurement
- K. Treasury management
- L. Accounting software and chart of accounts
- M. Financial reporting and management accounting
- N. Audit arrangements (Internal and External)
- O. Funds flow – including management of withdrawal applications
- P. Other internal controls

VI. PROCUREMENT MANAGEMENT

- A. Purpose of Procurement Management Manual
- B. General Conditions of Procurement
- C. Procurement Procedures
- D. Procurement Committees
- E. Procurement Methods
- F. Review of Procurement Decisions
- G. Guidelines for Evaluation of Bids
- H. Bid Evaluation Summary Checklist
- I. Procurement Method: Goods and Work
- J. Procurement Method: Services
- K. Procurement through community
- L. Review of Procurement Decisions
- M. Grievance/complaint redressal system

VII. MANAGEMENT INFORMATION SYSTEMS...

- A. Introduction
- B. Approach
- C. Measuring results
- D. SADCP-C&H Monitoring Indicators
- E. Learning
- F. Impact Measurement
- G. Assessing RIMS Indicators
- H. SADCP-C&H Management Information System
- I. Logical Framework Planning
- J. Establishing Participatory MIS
- K. Indicative List of Baseline Data for Scheme
- L. SADCP-C&H H Logical Framework

VIII. RESULT-ORIENTED ANNUAL WORK PLAN & BUDGET

- A. Introduction
- B. Model Format for AWP&B
- C. Pointers for Preparation of AWP&B
- D. AWP&B
- E. Result-oriented AWP&B
- F. Procurement Plan
- G. Training Schedule
- H. Staff Deployment

Appendix 12: Social, Environmental and Climate Assessment Procedures (SECAP) Review Note

1. Major landscape characteristics and Issues

1. The Smallholder Agricultural Development and Commercialisation Project (SADCP) interventions will be focused in five provinces of Bie, Malanje, Huambo, Cuanza Sul and Huila. The IFAD financing will focus on the two provinces of Cuanza Sul and Huila. This SECAP review note will mainly address the interventions in these two provinces. The wider geographic region will be covered as a result of the synergies and opportunities from the co-financing with the World Bank. World Bank financing will cover the three provinces of Bie, Malanje and Huambo, which is where MOSAP I that was also co-financed with IFAD was implemented. The main intervention areas of the SADCP will be in the central highlands and transition zones (most of Huambo, the south eastern part of Cuanza Sul, northern part of Huila, southern part of Malanje and western part of Bie). The vegetation in this region is mainly miombo woodlands, montane forest and grassland mosaic (Figure1).

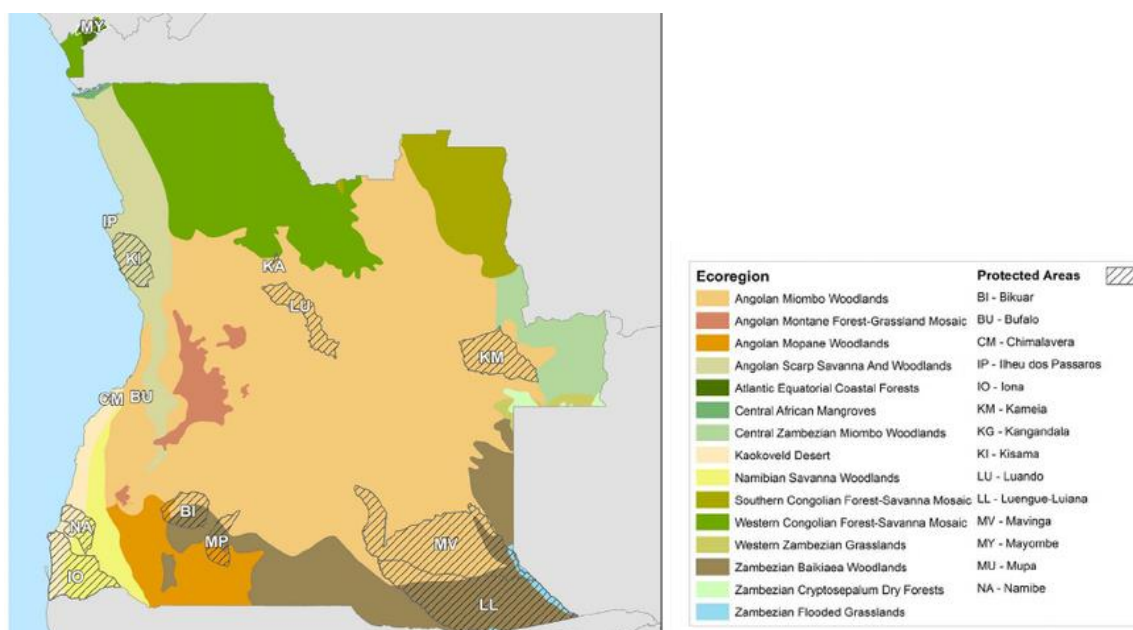


Figure 1. Vegetative cover of Angola Source: WWF

2. Angola has rich biodiversity and ecosystems ranging from the Namibe desert in the southwest, the Okavango and Zambezi basins in the southeast and the tropical forest within the Congo basin in northeast. The main biomes are: Guinea-congolese in the north, Zambezi (which entails more than 80% of the country's territory), Afromontano and Karro-Namib in the south. The dominant soils are ferralitic and psamítico. In some areas the ferralitic soils have a sandy to argilo-arenosa texture, are deep and well drained with low organic matter and mineral nutrients. According to IUCN, about 75% of animals and plants occurring in Angola are listed in red list as being vulnerable, endangered, critically endangered or of which there are no available data³³.

3. Angola's climate is tropical, hot and humid, with a longer hot and wet season (September to April) and a shorter cool and dry season (May to August). Short dry spells, usually lasting about two weeks, are common during the hot and wet season. The mean temperature in Angola is between 25°C and 33°C in the rainy season and between 18°C and 22°C during the dry season. The project target zone is located between the higher rainfall region of the north and the lower rainfall southern region. Annual rainfall in the central plateau region is around 900 mm to 1,500 mm.

³³ The list includes three species of insects, 37 bird species, 90 mammals, seven species of reptiles, 10 species of gastropods and 29 magnoliopsidics. The 2002 assessment appears to be the most holistic though it may now be outdated.

4. The preliminary findings of the last population census (2014), estimate a total population of 24.3 million resident inhabitants, of which 48% are males and 52% are females. The population density is relatively low at around 20 inhabitants/km². Approximately 38% of the population live in the rural areas where poverty levels are estimated at 58%, almost twice the level in urban areas, which is 30%. FAO statistics show that almost 68% of the economically active adult population work in the agricultural sector. In the central highlands, where SADCP will intervene, the main livelihoods are centred on agricultural systems including bananas, pineapples, maize, beans, potatoes and vegetables as the main crops, Figure 2. Sorghum, millet and cassava are also cultivated in neighbouring areas.

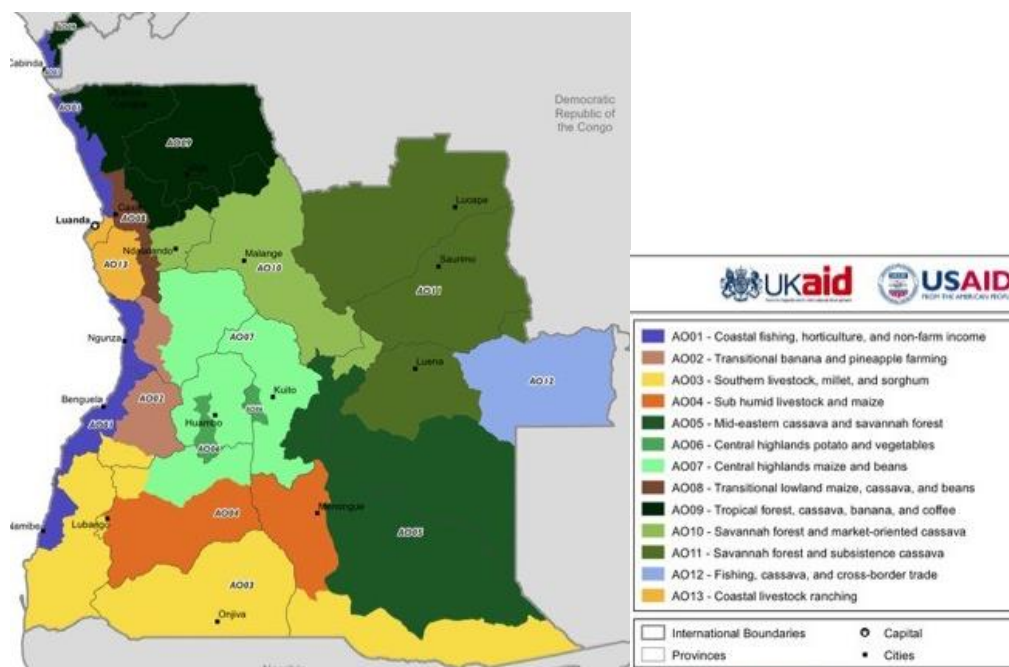


Figure 2. Livelihood zones of Angola Source: FEWSNET

2. Potential project's social, environmental and climate change impacts and risks

5. SADCP aims to support poor rural households that are involved in agriculture and interested in developing their production skills and commercialising part or all of their production. This will be achieved through two main components, one focusing on capacity building and another on investments in agricultural productivity and market access.

6. Under component 1, the capacity building activities will be through Farmer Field and Business Schools (FFS and FBS, Section II C of the PDR). The knowledge and skills developed by farmers will result in an increase in production due to the adoption of good agricultural practices that will be promoted by the project. The curriculum will also include climate change adaptation options for the farmers to select from based on their asset base. Another key aspect to be included in the curriculum is environmental management standards to improve the natural resource use, waste management, food safety and the hygiene of the target beneficiaries.

7. Under Component 2 with the investments in agricultural productivity, it is estimated that farmers will also be able to expand the cultivated area from the average area 1.5 ha to about two to three ha. The expansion will be on previously cultivated land that smallholders already have access to. This expansion if not well managed may have adverse impacts such as increasing soil erosion and health risks. Increased use of agro-chemicals may also result in pollution. Poor handling and application of agrochemicals will increase health risks to those exposed to the chemicals and the consumers of the products. The use of agrochemicals may contribute to soil and water (surface and groundwater) eutrophication and contamination with hazardous pollutants. The curriculum of the Farmer Field Schools will include best practice on the safe use, storage and disposal of agrochemicals.

8. Acidic soils are a rather common localised occurrence in the central plateau region. In order to take corrective measures, IDA carries out soil assessments every three years. Several provinces are sampled annually and the dolomite lime procured for correction is also sampled before smallholders

are advised on the quantities to apply. Capacity building of the smallholders is an integral part of the assessments as in some cases they are not able to explain why their yields are decreasing when soils are acidic. Recent soil assessments were done in Huila and others are planned in Kwanza Sul during 2016/2017. Given the occurrence of the acidic soils, SADCP will need to make use of and support these assessments where feasible and ensure the corrective measures can be undertaken by the smallholders once the capacity building is provided. The corrective measures for acidic soils will be included in the FFS curriculum.

9. The post-harvest sub-projects covering storage, processing and packaging facilities may have adverse impacts that are site specific particularly during construction phases. Damages to the vegetation cover will occur due to the installation of new structures, localised land clearing, disposing of excavated materials and land levelling. Losses of soil and landscape degradation are also potential impacts associated with these activities. Wildlife disturbance and habitat fragmentation may also occur in some locations. Social impacts could include changes in informal access and resource use such as water and land. The concentration of labour may also contribute to an increase of waste at the sites. The potential risk of encountering archeological sites including graveyards should also be considered. However, the details of these sub-projects and exact location of these activities will not be known until project implementation. Therefore, Environmental and Social Management Plans will have to be developed in a participatory manner at each site.

10. Impacts on informal land and water use may be caused in the course of infrastructure development and expansion of cultivation areas. The infrastructure development will include the rehabilitation of rural roads and small-scale irrigation schemes of approximately 20-35ha (potentially 500 ha in total). The access rights will have to be ensured for different users in line with local customs and culture. Provisions for managing chance finds have been articulated in the ESMF. The infrastructure installation will result in some localised adverse environmental effects such as land cover and water course disturbances. On the positive side, the construction and in-field land preparation will create opportunities for employment at the local level. Though HIV/AIDS and other STDs may increase due to the inflows of people to these locations in search of employment opportunities.

11. The anticipated positive impacts of the SADCP include: improved incomes, food security and nutrition at household level as a result of increased production and productivity; adoption of improved agronomic practices and technologies that will enhance climate resilience and; improved environmental standards and conditions including food safety as a result of the field schools and the investment opportunities being provided by the project. The environmental conditions are expected to improve as a result of better land use and availability of infrastructures. In addition to the improved environmental conditions and hygiene, the diversification of crops and diet of the communities will contribute to improved nutrition.

12. The impact of climate change effects including prolonged drought, damaging flash floods and forest fires, has been reduced crop production and water resources. Economic sectors such as agriculture, coastal zones, forests, water resources, ecosystems and biodiversity are extremely vulnerable to impacts resulting from the extreme events, which will pose not only serious livelihood and direct health risks but can also affect national food security (INDC, 2015). Mean annual temperature is projected to increase in the region by 1.2 to 3.2°C by the 2060s. Climate models predict Angola will experience more extreme weather events, an expansion of arid and semi-arid regions, seasonal shifts in rainfall, localised floods, increased wildfires, sea level rise, increased rainfall in the northern parts of the country, changes in river flows and changes in sea and lake temperatures (NAPA, 2011). The temperature increases and shifts in rainfall patterns are expected to adversely affect the agricultural productivity in the targeted regions of the SADCP as most of the agricultural production is rain fed.

3. Environmental and social category

13. The environmental and social category for the SADCP is B as most of the identified potential negative impacts, in the section above, for the sub-projects under Component 2 are site-specific and mostly reversible or mitigation measures can be articulated as part of the ESMPs. All the irrigation schemes to be rehabilitated are small scale. As mentioned in the introductory section, the SADCP will be co-financed with the World Bank. An Environmental and Social Management Framework (ESMF) has been developed for the three provinces to be covered by the World Bank funds, which will be

extended to the two provinces for IFAD financing. Following IFAD review, the ESMF will be strengthened in areas such as biodiversity, domestic energy sources, water management, labour and community health and safety, as necessary. Based on the World Bank policies the ESMF was disclosed in December 2015. A Resettlement Action Framework has also been elaborated to respond to the acknowledged potential resettlement as a result of the irrigation scheme development. The RAF can also be extended to the IFAD financed regions. Most of the activities in and the two components identified for financing by IFAD and the World Bank are the same, though a key difference is the higher level of small scale irrigation rehabilitation activities (1,000 ha) and additional infrastructure activities such as roads rehabilitation and housing for extension officers that have been included in the latter.

14. The ESMF identifies and establishes the procedures and methodologies for the environmental and social assessment, review, approval and implementation of investments to be financed. It specifies roles and responsibilities as well as outlines the necessary reporting procedures, for managing and monitoring environmental and social concerns related to project investments. It identifies the training, capacity building and technical assistance to ensure the implementation of the provisions. The estimated budget for its implementation is \$650,000 USD, of which approximately half is for undertaking Environmental Impact Assessments and developing, implementing and monitoring ESMPs. The IFAD investments will involve less infrastructure development and therefore resources for developing and monitoring ESMPs should be manageable and can be included in the SADCP budget under IFAD financing.

4. Climate risk category

15. The climate risk classification for SADCP is moderate. This classification is further explained in Annex 1, which provides responses to the guiding questions for climate risk screening. The main climate related risks for the target beneficiaries is the rainfall variability. The central plateau region receives sufficient annual rainfall but dry spells sometimes occur. The northern regions are also expected to have increased rainfall, which may result in excess water flows. However, some studies predict improved productivity in terms of crop yields for cereals as a result of the shifts in rainfall patterns. The specific impact on crops that will be targeted under the SADCP have been investigated through a climate vulnerability analysis undertaken during the design phase. This analysis recommended appropriate adaptation measures to be considered during the implementation of the SADCP.

16. However, even in the absence of the climate risk analysis, the SADCP should be aligned to the priorities for adaptation in the agriculture sector in a no-regrets approach. The priorities under agriculture and food security as well as terrestrial ecosystems include promoting sustainable land and water management for increased agricultural yields, soil erosion control through organic methods, diversifying crops to less climate sensitive cultures and implementing water-harvesting system in drought-prone areas (NAPA 2011). The SADCP will include sustainable land management practices that will be promoted through the Farmer Field Schools and capacity building on climate risk analysis through the Farmer Business Schools. The capacity building will be targeted at both the farmers and technicians at the field level particularly for climate change adaptation.

17. The Ministry of Environment has the mandate for ensuring environmental protection and climate change adaptation. As part of the strategy to mainstream environmental and climate risk management and demonstrate activities in specific sectors, ecological centers have been constructed in Namibe, Cabinda, Cuando Cubango and Huambo Provinces. The center in Huambo can be used by the SADCP as a training base for the small holders and technicians in environmental management and climate change adaptation options as well as renewable energy technologies for post-harvest facilities where feasible.

5. Recommended features of project design and implementation

18. The SADCP provides several opportunities for enhancing the climate resilience of the target population and incorporating environmental and social risk management. This has been informed by the climate risk analysis on selected crops and implemented within the context of the ESMF already undertaken for Huambo, Bie and Malanje that will be expanded to include Kwanza-Sul and Huila provinces. Successful implementation of the ESMF will largely depend on the involvement and

participation of local communities and the local institutions. Therefore as stakeholders they should be actively engaged in the implementation of the project and the ESMF.

19. In terms of specific activities, the FFS and FBS that FAO will conduct jointly with local IDA/EDA extension services will include environmental management and climate-smart agriculture practices related to soil conservation, rational use of water, fertilisers, pesticides and improving soil fertility and integrated nutrient management, nutrition and hygiene. HIV/AIDS and gender awareness will also be systematically integrated in field schools as cross-cutting issues. FAO will coordinate the FFS and FBS and source resource persons for some of the specialised topics.

20. Training on environmental topics such as management, impact assessment and monitoring will also be undertaken to build the capacity of agricultural officers. This is a lesson learnt from MOSAP I's environmental performance, which showed that although the legislation and understanding of the importance of environmental management exists among technicians, there is a lack of cooperation between the agriculture and environmental departments. This sentiment was also echoed during the discussions with the Environment Ministry as part of the SADCP design consultations. Capacity will also be built in environmental and social systems for financial intermediaries that will participate in the SADCP. This will enhance the investment risk screening capacity of the institutions.

21. The infrastructure installation for storage and processing facilities and rehabilitation of irrigation schemes implies risks for landscape conservation and may induce soil erosion and habitat disturbance. Measures to minimise the negative impacts can include: striping and storing topsoil separately; piling up excavated earth separately from topsoil; backfilling excavated material; reinstating the work site by spreading topsoil and stimulating re-vegetation as appropriate; applying slope stabilisation techniques – terracing, drainage, gabions, greening, etc.- as appropriate on the steep slopes prone to erosion; and not extracting gravel from watercourses. Waste should be temporarily stored in designated locations at the work sites before final disposal at appropriate sites agreed with local authorities.

22. Expansion of cultivated land can have two approaches; either the existing plots are expanded or farmers acquire additional land in another nearby location. Prior to the land acquisition extension officers (IDA personnel) conduct an assessment of the soils and also advise farmers on conflict avoidance and resolution mechanisms when it occurs. The officers also advise farmers on soil fertility and suitable crops for specific areas. These systems will need to be supported through the SADCP.

23. The promotion of improved post-harvest and value addition technologies (including storage, processing and packaging) is an adaptation measure under Component 2 particularly for cassava and sweet potatoes. The promotion of pathogen-resistant and water-tolerant cultivars for cassava and bananas will also help smallholders adapt to climate change. The smallholders engaged in coffee production can adapt through the use of multiple varieties of robusta and arabica in the same production areas, shade trees and other forms of intercropping and agro-forestry in new coffee plantations. The staple maize crop can have improved drought-tolerant varieties to increase the resilience of smallholders. Sorghum and millet can also be promoted as climate-resilient alternatives to maize. In addition the smallholders will need increased access to weather forecasts and early warnings to enhance their resilience. Annex 2 provides further details on adaptation options.

24. A grievance mechanism will also be set up under the SADCP, as articulated in the ESM, that can be replicated in the two provinces to be covered by IFAD financing. A Provincial committee comprising local authorities and traditional leaders is envisaged with the aim of receiving all grievances. The committees will keep records of grievances and complaints with minutes of discussions, recommendations and decisions achieved. The ESMPs will establish detailed mechanisms for the grievance and complaint process, describing format, language, time for reply and alternative resources including access to Courts of Law as a last resort after exhausting all the viable peaceful local alternatives/options. Permanent and open dialogue will also be promoted as this is the most suitable way of peacefully addressing any grievance expressed.

25. An Environmental and Social Safeguard Focal Point will be appointed for the SADCP provinces to ensure compliance of the proposed project activities with relevant Angola environmental laws and regulations and the SECAP. Under the World Bank financing, a specialist has been proposed for each province. However, for the IFAD financing given the lesser volume of infrastructure development, one specialist would be able to cover the two provinces with additional support as required from other team members. In addition, regional training workshops to be organised for all actors involved, such

as project coordination team at all levels, beneficiary groups, contractors and other relevant project partners in the implementation of the SECAP upon project effectiveness.

6. Analysis of alternatives

26. Various approaches were considered during the design of the SADCP including the provision of inputs by the project. This option was deemed unsustainable and would have required more descriptive environmental and social management plans based on the inputs to be provided. Another option considered was the rehabilitation of small scale irrigation schemes, which have been identified through a scoping study financed by the World Bank. The SADCP will rehabilitate approximately 20% of the identified schemes in the three provinces of Huambo, Bie and Malanje. Based on the identified need for small-scale irrigation to reduce the dependency on rain-fed agriculture, IFAD resources will finance a study to identify small-scale irrigation schemes that can be rehabilitated at modest cost in Huila and Cuanza Sul. The development of these schemes can be taken up by the SADCP or by small holders willing to invest in the infrastructure in groups. ESMPs will have to be developed for the irrigation sites and specifications adhered to in terms of scale. This would ensure only small scale schemes are rehabilitated and the B categorisation adhered to for environmental and social risks.

7. Institutional analysis

27. The Ministry for the Environment is responsible for the development and coordination of the country's environmental policy and for implementing the National Environmental Management Programme. It is also mandated to implement the Environmental Framework Law, No. 5/98 (EFL), the Environmental Licensing Law No. 59/07 and all related regulations. It also reviews and regulates the environmental impact assessments through the National Directorate for Protection and Environmental Impact Assessment.

28. A functional multi-sectoral Commission dealing with environmental matters, which has representation from over 12 different ministries and three environmental NGOs, as well as a number of environmental experts also exists. However, issues such as bureaucracy, lack of skills, and lack of continuity in some key programs pose challenges in meeting all the objectives of the Commission and ensuring a coordinated approach to environmental management issues. The Ministry is making strides in capacity development for staff and would like to reach out to other line Ministries.

29. As part of the institutional strengthening, a 5-days training/awareness program will be organised under SADCP for Project Implementation Units, Project Staff and other relevant stakeholders at national and Province level. The training program aims to provide attendees with the basic approach to implementing the guidelines provided in the ESMF combined with the use of the appropriate tools, such as the screening form, ESMP, EIA and related relevant subjects. Two-day refresher courses should also be held as needed during the course of the programme lifecycle. The full SADCP team will benefit from the training during the start-up phases if recruitment of personnel can be synchronised. The training will be extended to include stakeholders from Kwanza-Sul and Huila.

30. Discussions were held with the Ministry of Environment regarding the available GEF resources, for which SADCP can be used as the baseline. The funds targeted would be from the Climate Change and Land Degradation focal areas. The commitments under GEF 6 are yet to be finalised and implementing agencies have not been selected. However, the Ministry indicated some projects and programmes will be continued from GEF 5 and thus available resources may be very limited. The Ministry expressed interest in operationalising the ecological centres (Cabinda, Huambo, Namibe and Cuando Cubango) and GEF resources could potentially contribute to this effort if made available. The operationalisation of the ecological centre in Huambo would be prioritised as it is located within the SADCP geographic target area. SADCP will provide support for equipping the centre and also sourcing the technical expertise through technical assistance on selected thematic areas to staff at the center. The equipment will include locally suitable technologies for improved environmental management and climate change adaptation that will be demonstrated to the farmers. The ecological centre will be used as a learning and training center both for technicians and the smallholders.

8. Monitoring and Evaluation

31. Under the SADCP, quarterly monitoring of the mitigation measures will be undertaken by the relevant authorities (environment officers, agriculture extension officers and water officers) working closely with the Project Coordination team. This monitoring arrangement will be extended to all SADCP areas of intervention. In addition, as part of the Project's overall monitoring program, the Environmental Authorities and PCO will provide annual reports on the performance of the investment sub-projects with regards to environment and natural resource management. This will include the monitoring of implementation of the ESMPs.

32. Under the SADCP an independently commissioned environmental and social audit will be carried out on an annual basis. The audit will ensure that any required corrective measures are taken and that the ESMF process and mitigation measures are being implemented effectively.

9. Further information required to complete screening, if any

33. Additional information will be required in the form of climate risk analysis to inform the selection of the value chains and also recommend specific adaptation measures for the smallholders. The risk analyses will be done during the design phase. In addition, the ESMF developed for the World Bank financing will be extended to the IFAD funded geographic target area during the initial phases of project implementation.

10. Budgetary resources and schedule

34. The resources required for the climate risk analysis is approximately US\$45,000 and a service provider to undertake the assignment would be identified as the expertise is available either national or within the region. The resources for the analysis have been set aside as part of the design budget. The revision of the SADCP ESMF to include the IFAD funded target area will require approximately US\$50,000. These resources will be included in the SADCP budget as well as additional resources for the implementation and monitoring of the ESMF estimated at US\$200,000.

11. Record of consultations with beneficiaries, civil society, general public etc.

35. Consultations with potential beneficiaries were held during the field visits as part of the design mission in June 2016. Smallholders are aware of climate variability and often request support from Government in terms of improved inputs such as seeds to cope with the variability. Government also provides tools and fertiliser subsidy and dolomite lime for soil amendments.

36. The consultations also provided scope to build on already cultivated commodities in the target provinces (i.e. maize, cassava, beans, potatoes, and vegetables), which will make use of local knowledge in rolling out the project activities. Conservation agriculture was being practiced by some smallholders in the drier regions in southern Huila. This can be further promoted for improved soil and water conservation particularly in the water stressed and drought prone regions. Crop rotation, usage of organic fertilisers as well as vegetated contours to reduce erosion can also be encouraged as farmers also showed basic knowledge of these measures.

37. Further consultations are anticipated as the design progresses. Stakeholder consultation and participation is an iterative process, which will be maintained throughout the lifespan of this project. The RAF also entails continued consultation that will enable free prior and informed consent to be secured where required based on the SECAP.

Table 1: Guiding Questions for Climate Risk Screening

Question	Yes	No	Additional Explanation of 'Yes' response
Is the target group of the project dependent on climate-sensitive natural resources (such as drought-prone crops, rainwater-fed agricultural plots, migratory fish stocks)?	√		Most of the small holders are dependent on rain-fed agriculture
Has the project area been subject to extreme weather events in the past, such as flooding, drought, tropical storms, or heat waves?		√	Climatic extremes are not expected to have significant impact in the project area though droughts have negatively impacted the southern parts of Huila province. Floods are also anticipated in the northern regions of the project provinces.
Could changes in temperature, rainfall, or extreme weather affect the project impact, sustainability or cost over its lifetime?	√		Changes in rainfall patterns and potential shifts in agro-ecological zones may have an impact
Will climate variability likely affect agricultural productivity within the project (crops/ livestock/fisheries) or incidence of pests and diseases?	√		Crop productivity is likely to be affected though an increase in rainfall predicted
Would weather-related risks or climatic extremes adversely impact upon key stages of identified value chains in the project (from production to markets)?		√	Climatic extremes are not expected to have significant impact in the project area though production of some crops are expected to be adversely impacted particularly in the coastal zones and southern parts of Huila (e.g. outside project area).
Does the project have potential to integrate climate resilience measures without extensive additional costs (such as applying improved building codes; expanding capacity building programmes; or including climate risk issues in policy processes)	√		The capacity building through farmer business school and field schools can incorporate these measures at affordable additional cost
Would the project benefit from a more detailed climate risk and vulnerability analysis to identify the most vulnerable rural population, improve targeting and identify additional complementary investment actions to manage climate risks?	√		The more in-depth climate risk analysis is already planned as part of the design as information is relatively scarce

Table 2: Summary of climate risk analyses on main crops in Cuanza Sul and Huila

Cuanza Sul

Crop	Suitability	Climate risks	Opportunities	Adaptation options
Cassava	Extensive areas of moderate suitability.	Moderate Increased temperature may reduce productivity due to plant stress. Inundation after heavy rainfall, increase temperature, may increase susceptibility to soil pathogens. Increased temperature may increase spoilage of tubers and flour.	Widespread staple crop, generally considered to be climate-resilient relative to other rainfed staples. Comparatively less vulnerable to unpredictable rainfall. Can be harvested at any time to meet short-term food security needs.	Promotion of pathogen-resistant and water-tolerant cultivars. Promotion of improved post-harvest storage and processing.
Coffee <i>robusta and arabica</i>	Extensive areas of marginal to moderate suitability in the interior highlands.	Moderate Vulnerable to increased heat stress and drought. Suitable area may be reduced due to increased temperature at low altitudes.	Already widely grown, considerable potential for expansion.	Prioritise engagement with private sector to support research & development, strengthening of value chain. Promotion of multiple varieties of robusta and arabica in the same production areas to reduce exposure to unknown climate risks. Promotion of shade trees and other forms of intercropping and agro-forestry in new coffee plantations.
Sugar cane	Some areas of marginal to moderate suitability.	Low	Prioritise engagement with private sector to support research & development, strengthening of value chain.	
Sweet potato	High to excellent in the interior, unsuitable in the arid lowlands and coastal region.	Low to moderate Considered to be climate-resilient, however suitable range may be reduced by temperature increases and drought in the south.	Promote as a climate-resilient, easily grown perennial crop (particularly as an alternative or complement to cassava). Promotion of improved post-harvest storage and processing.	
Banana	Extensive areas of marginal to moderate suitability for Cavendish table banana,	Low to moderate Considered to be climate-resilient, however suitable range may be	Considerable area with suitable potential which is currently underexploited.	Promotion of pathogen-resistant and water-tolerant cultivars. Promotion of irrigation for

	marginal suitability for cooking plantain, marginal suitability for hybrid cooking plantain.	reduced by temperature increases and drought in low-lying areas. Inundation after heavy rainfall, increase temperature, may increase susceptibility to soil pathogens.		plantation-scale producers. Prioritise engagement with private sector to support research & development, strengthening of value chain.
Maize	Extensive areas of high to excellent suitability for all varieties of maize in interior midlands and uplands. Unsuitable in the arid lowlands and coastal region. Planting season is limited to October – November.	Moderate to high Vulnerable to variability in onset and duration of rainy season, drought in low-lying areas.	N/A	Promotion of improved drought-tolerant varieties. Increase access to weather forecasts and early warnings. Promotion of sorghum, millet as climate-resilient alternatives to maize.
Millet and Sorghum	Extensive areas of good to high suitability in interior midlands and uplands. Marginally suitable in the arid lowlands and coastal region during the late rainy season (December – January).	Low to moderate Considered to be climate-resilient, however suitable range may be reduced by temperature increases and drought in the south.	Large potential area of high suitability, noted as climate-resilient alternative to maize.	

Huila

Crop	Suitability	Climate risks	Opportunities	Adaptation options
Cassava	Mostly poor, except for some marginal areas in the north-west.	N/A Not recommended for this province	Promotion of sweet potato as a perennial starch-rich alternative.	
Coffee <i>robusta</i>	Mostly or totally unsuitable.	N/A Not recommended for this province	Promotion of <i>arabica</i> coffee or other subtropical crops e.g. banana	
Coffee <i>arabica</i>	Extensive areas of marginal to moderate suitability in the interior highlands.	Moderate to high Vulnerable to increased heat stress and drought. Suitable area may be reduced due to increased temperature,	Already widely grown, considerable potential for expansion	Prioritise engagement with private sector to support research & development, strengthening of value chain. Promotion of multiple varieties to reduce exposure to unknown climate risks.

		drought in southern regions.		Promotion of shade trees and other forms of intercropping and agro-forestry in new coffee plantations.
Sugar cane	Mostly or totally unsuitable.	N/A	Promotion of subtropical crops e.g. coffee, banana	
Sweet potato	High to excellent in the northern and western uplands, unsuitable in the arid lowlands and south.	Low to moderate Considered to be climate-resilient, however suitable range may be reduced by temperature increases and drought in the south.	Promote as a climate-resilient, easily grown perennial crop (particularly as an alternative or complement to cassava). Promotion of improved post-harvest storage and processing.	
Banana	Totally unsuitable for production of plantain varieties, marginal suitability for Cavendish table banana in the centre and north of province.	Moderate Suitable range may be reduced by temperature increases and drought in the south. Inundation after heavy rainfall, increase temperature, may increase susceptibility to soil pathogens.	Considerable area with suitable potential which is currently underexploited.	Promotion of pathogen-resistant and water-tolerant cultivars. Promotion of irrigation for plantation-scale producers. Prioritise engagement with private sector to support research & development, strengthening of value chain.
Maize	Isolated areas of high to excellent suitability for all varieties of maize in the northern and western uplands, moderate to marginal	Moderate to high Vulnerable to variability in onset and duration of rainy season, drought,	N/A	Promotion of improved drought-tolerant varieties. Increase access to weather forecasts and early warnings. Promotion of sorghum, millet as climate-resilient alternatives to maize.
Millet and Sorghum	Good to high suitability throughout the province.	Low	Large potential area of good suitability, noted as a climate-resilient alternative to maize.	

Appendix 13: Contents of the Project Life File

1. To be completed for final PDR

Project Development Timeline

- Aide memoire, Concept Mission (April 2016)
- Project Concept Note (April 2016)
- Aide memoire, First Design Mission (June 2016)
- Aide memoire, Second Design Mission (June 2016)
- Aide memoire, Final Design Mission (November 2016)
- SADCP Draft First Design Mission Report (July 2016)
- SADCP Second Mission Report (September 2016)
- SADCP Final Design Mission Report (1st December 2016)
- World Bank SADCP Financing Agreement
- World Bank SADCP Design Report

Review

- Minutes of CPMT review of concept note (April 2016)
- Minutes of CPMT review of first design report (July 2016)
- Minutes of CPMT review of second design report (September 2016)
- Minutes of Pre-QE CPMT (30 November 2016)

CPMT members (in-house)

- Sana F.K. Jatta, Regional Director
- Ms. Abba Benhammouche, Country Director, Angola
- Michael Hamp, Lead Technical Specialist - Inclusive Rural Financial Services, PTA (Lead Advisor for SADCP)
- Mr. Henrik Franklin, Lead Portfolio Advisor, ESA
- Ms. Shirley Chinien, Regional Economist (ESA)
- Mr. Custodio Mucavel Country Programme Officer, IFAD
- Mr. Stephen Twomlow, ESA Regional Climate and Environment Specialist, ECD
- Ms. Paxina Chileshe, Environmental and Climate Change Specialist, ECD
- Mr. Waseem Khan, Procurement Management Specialist, Zambia/Angola, ESA-IFAD
- Mr. Oscar Atiim Anaadumba, Consultant, Zambia/Angola, ESA-IFAD
- Ms. Clare Bishop Sambrook, Lead Technical Specialist – Gender, PTA
- Mr. Marco Camagni, Senior Technical Specialist - Rural Markets and Enterprise Dev, PTA
- Ms. Wafaa El Khoury, Lead Technical Specialist – Agronomy, PTA
- Ms. Lauren Philipps, Senior Technical Specialist – Policy, PTA
- Ms. Marian Odenigbo, Special Adviser on Nutrition, ESA
- Mr Jonathan Agwe, Senior Technical Specialist – Inclusive Rural Financial Services, PTA
- Mr Robert Delve, Senior Technical Specialist – Agronomy, PTA
- Ms. MariaElena Mangiafico, Knowledge Management and Grants Officer, PTA
- Ms. Miriam Okong'o, Portfolio Advisory Team, ESA
- Ms. Carla Dellanave, Consultant, CFS
- Mr. Simon Rietbergen, Senior Forestry Officer, FAO Investment Centre Division - Africa Service
- Ms. Hélène Ní Choncheanainn, Programme Assistant, ESA
- Mr. Enrico Bologni, Intern, CFS
- Mr. Miguel Rodrigues Nogueira, Value Chain Consultant (IFAD)
- Ms. Bernadette Mukonyora, Programme Analyst, ESA
- Mr. Joseph Nganga, Programme Officer, ESA
- Ms. Eloisa de Villalobos, Results Specialist, PMD/OPE
- Ms. Helene Ni Ni Choncheanainn, Programme Assistant, ESA-IFAD

Appendix 14: Mainstreaming nutrition in the SADCP-C&H

I. Investing in nutrition-sensitive agriculture in Angola

1. **Any project promoting food supply, through small-scale agriculture and value chains, can consider one or some of food security pillars and the nutrition status of the population.** IFAD SADCP focuses on food crops, high value crops, as horticultures and pulses, and animal-based foods; each of which can contribute to the food and nutrition security of households through various 'impact pathways' either by increasing purchasing power and the average propensity to consume (APC) for food items, increasing local production of nutrient-rich foods, improving conservation of foods for household consumption and ensuring off-season supply towards diverse food choices. Increases in income alone do not automatically render a better diet as diets depend on types of foods available in market, affordable, convenient, and desirable as well as lacks of knowledge on nutrition and traditional food habits based on staple security, also on who controls the income, is in charge of feeding household members, how food is prepared, and how food is distributed among family members. A nutrition 'lens' has been adopted in order to maximise the positive impacts of SAMP on household food security and nutrition. By aiming to (i) increase the availability of nutrient-rich foods given local micronutrient deficiencies (particularly vegetables, fruits, pulses and animal-based foods), (ii) complementing this with nutrition awareness and behavior change communication in FFS to diversify dietary patterns, (iii) enhancing accessibility of food products in markets, and (iv) improving nutrient content, seasonality and yearlong availability of selected food items; for improved diets throughout the year by developing capacities and providing assets to smallholders to produce, markets and consume more diverse foods, IFAD SADCP aims to enhance its contribution to food security and nutrition.

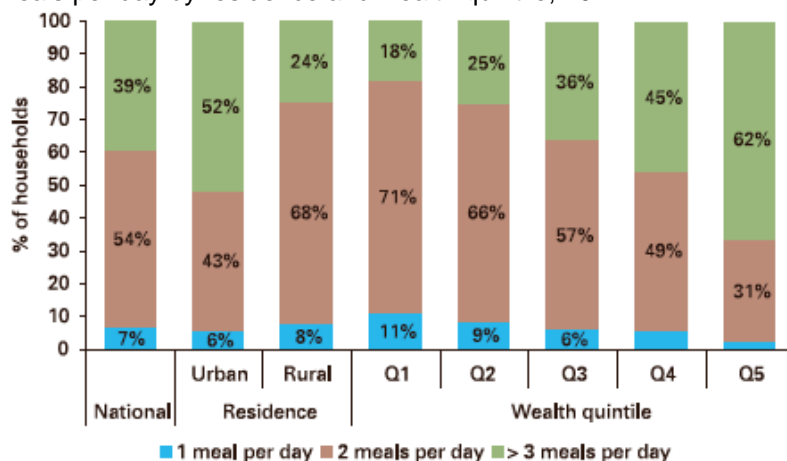
2. **This approach is in line with and pilots Government strategies.** The 'National Strategy for Food Security and Nutrition of Angola', developed by the Government of Angola with the support of FAO in 2009, has been updated by FAO Angola in 2016-2017, and is aligned with the Millennium Development Goals and Regional Initiative 1 to Eradicate Hunger in Angola by 2025. The Ministry of Agriculture (MINAGRI) made a request to FAO to support the integration of nutrition in the Food Security Cabinet strategies, and has now the mandate to develop nutrition-sensitive actions, as the Ministry of Health is focused on nutrition-specific actions. MINAGRI recognises the importance and contribution of nutrition in socio-economic and physical development of people in the country. New axis of work suggested by FAO in support of the new National Strategy include i) trainings of agricultural extension workers on nutrition curriculums, ii) elaboration of nutrition strategies and policies on bio-fortification, nutrition in commercialisation and women breastfeeding, iii) Infant and young child feeding and complementary feeding, and iv) trainings of community health workers on infant and young child feeding. Other strategic areas include advocacy, integration of nutrition indicators in agriculture, strengthening of institutional capacities, supervision, and multi-sectorial enhancement. Although objectives are clear, well formulated and combining nutrition-sensitive and nutrition-specific approaches, there is a need in testing and piloting various interventions for scaling-up best practices and developing lessons learnt, and considering prevention of malnutrition through supply of foods. IFAD SADCP will, by piloting some of the activities mentioned in the Strategy as per production diversification, transformation and commercialisation of foods, BCC (Behavior Change Communication) and WASH (Water, Sanitation and Hygiene), bring lessons learnt and recommendations for further scaling-up.

Overview of the Nutrition situation in Angola

3. **Typical diet/meals in country.** Malnutrition is not only a direct result of food insecurity, but also often find its roots in dietary habits and food choices themselves influenced by agro-ecological conditions, lack of transmission of food-based knowledge here engendered by the post-war context, illiteracy, gender issues, cultural and traditional consumption patterns, low price of imported high fats and sugar foods, and private sector marketing campaigns. In Angola in 2011, 9% of households were having only one meal a day, and in the poorest wealth quintile, only 18% of households were having three meals a day. It was also estimated that in the poorest quintile, 25% of households consumed meat at least once a week and 31% consumed fish at least once a week (Figure 1). The 2007

National Nutrition Survey also highlighted the fact that 51.8% of households were consuming less than three meals on the day prior to the survey, and more than 70% in rural areas.

Figure 1. Household food intake: Proportion of households consuming one, two or three or more meals per day by residence and wealth quintile, 2011



Source: UNICEF, 2011

4. Meals are generally kept simple and every meal is typically composed of *funge* or *pirão*, prepared with *fubá*, a maize, cassava or rice flour, which can be accompanied with a small portion of *feijão* (palm oil black beans), *lombi* (a mixture of local leaves and herbs cooked in palm oil), a spicy condiment and can also be eaten with fish or meat (pig, goat or chicken). Meals are often accompanied by beverages such as a corn flour drink, imported soft drinks and spirits made out of maize, cassava skin, corn, palm tree juice, sugarcane, *mongozo* (homemade beer with palm nuts), homemade vodka and whisky. Meals do not vary throughout the day or season, but dishes vary across regions, especially between rural and urban areas. However, dietary habits in rural areas are more rudimentary, and meals are often composed, three times a day, of *funge*, rarely accompanied with foods from any other food groups

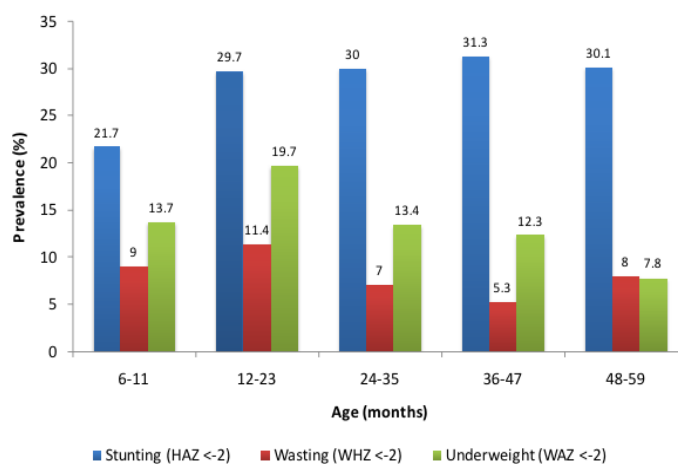
5. **Poor dietary diversity in household.** Angola is home of 30% of stunting, 15.6% underweight and 8% wasting among children under 5 (2007 National Nutrition Survey (NNS)), and a higher prevalence of chronic malnutrition in rural and Southern areas of Angola, also with an extremely poor dietary diversity in households as shown by 2006 alarming rates of severe anemia among pregnant (57.1%) and non-pregnant (52.3%) women (WHO's Worldwide Prevalence of Anemia: 1993-2005, the WHO's Global Prevalence of Vitamin A Deficiency in Populations at Risk: 1995-2005), and for 29.7% of 6-59 months children. Vitamin-C and Vitamin-A deficiencies among others (also zinc and iodine deficiencies) are also critically common and prevalence of scurvy among children in Southern regions of Angola was surprisingly high.

6. **Chronic and acute malnutrition and undernutrition:** According to the latest estimates from the 2007 National Nutrition Survey (NNS), nearly 30% of children under 5 are stunted, 15.6% are underweight and more than 8% are wasted. Micronutrient deficiencies are also high with 30% of preschool children and more than half of pregnant women anemic, almost two-thirds of preschool-aged children are Vitamin A deficient, 20% of young children are at risk of developing iodine deficiency disorders, and almost half of the population is at risk of inadequate zinc consumption. Additionally, infant and found child feeding practices are poor with less than one-third of infants being exclusively breastfed for 6 months of age. Although the prevalence of undernourishment among the population has been decreasing in the past decade, the nutritional situation is still acute as child stunting remains high and more than 50% of people consume less than three meals a day. When examining anthropometric indicators disaggregated by region, sex, age and area of residence, disparities become apparent. The 2007 NNS also revealed that stunting rates were higher among boys (32.4%) than girls (26.1%), which could suggest a greater biological resiliency to chronic undernutrition among girls. The survey also revealed that even among the 6 - 11 month age group, more than one-fifth of children were stunted (Box 1.1), which calls for the need to put the accent on infant and child feeding practices among women. Also, if prevalence of stunting was similar in rural

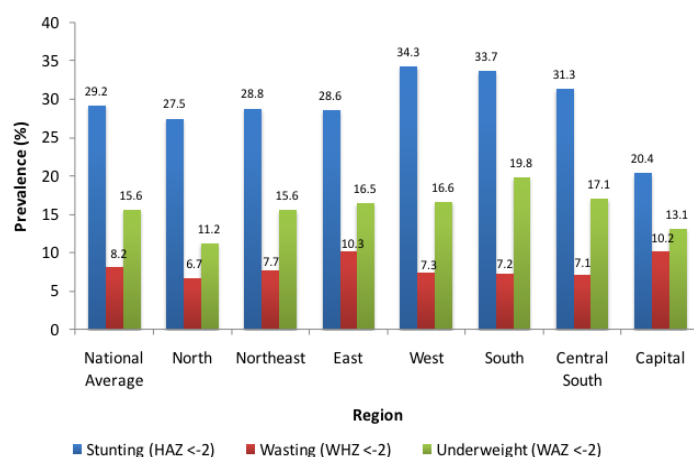
areas (33.0%) and major cities outside Luanda (30.1%), rates were considerably lower in Luanda (19.6%), which suggests that access to diverse food products in markets and off-season supply could be one of the major drivers of malnutrition. In the West, South and Central South regions, stunting and underweight are also above the National average, with respectively 34.3%, 33.7%, and 31.3% of stunting (Box 1.2). This suggests higher rates of stunting and underweight in geographical areas of IFAD SADCP.

Box 1. Prevalence of:

1.1 Child Stunting (HAZ<-2) by Age Group Region

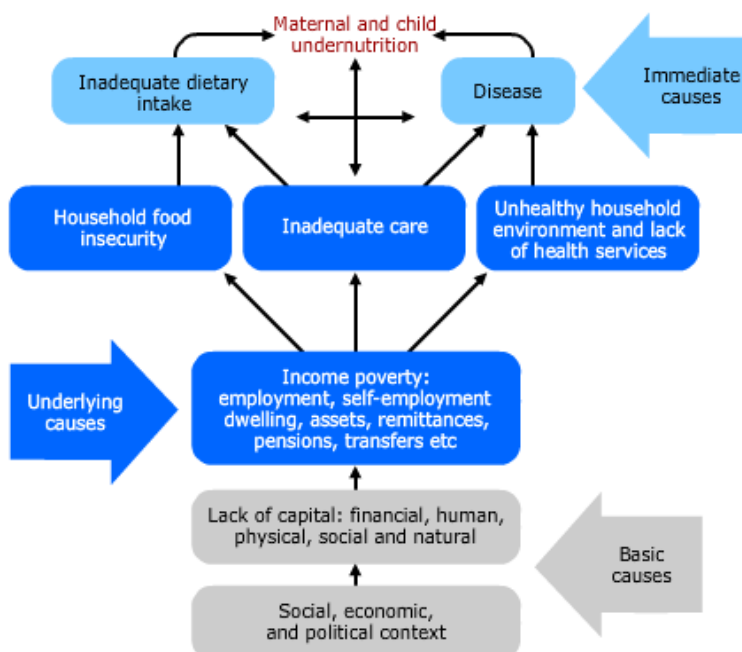


1.2 Child Stunting, Wasting and underweight by Region



Source: National Nutrition Survey 2007, Ministry of Health Angola

5. **Basic, immediate and underlying causes of malnutrition.** The UNICEF Framework, developed in 1990, is widely acknowledged as the guiding structure for understanding the multi sectoral drivers of malnutrition, determined by basic, underlying and three broad immediate causes as further illustrated below.

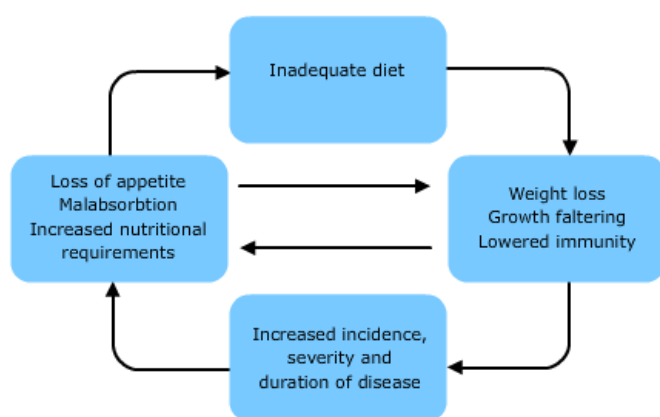


modified by Black et al, Lancet 2008

6. While the availability of social sector data in Angola continues to be limited, findings from the design mission, 2015 small-scale surveys on FSN by MINAGRI and reports from the Ministry of Health, recognised the following three immediate causes of malnutrition:

- a. **Poor dietary diversity:** extremely low intake of iron-rich foods, all types of vitamins (especially vitamin A and vitamin C), proteins, zinc and iodine, due to food inflated prices, availability and consumption of vegetables, fruits, pulses and animal based foods, and lack of knowledge in conservation techniques.
- b. **Diseases** impacting on the nutritional status: such as diarrheal diseases, malaria, yellow fever, typhoid, water-borne diseases and acute respiratory infection as pneumonia; all generating inadequate absorption of nutrients, loss of nutrients and appetite, anaemia, and in certain cases impaired foetal development, low birth weight and growth faltering (Figure 2). In Angola, diarrhoea is a leading cause of child mortality, and can engender terrible damages for the nutritional status and lead to the vicious cycle of malnutrition. Among children aged 1-59months, 20.6% of deaths are due to pneumonia, 20.0% to diarrhoea, and 17.5% to malaria (Source: WHO, 2013).

Figure 2. The Infection-Malnutrition Cycle



Source: UNICEF

- c. **Inadequate infant feeding and caring and hygiene practices:** in 2015, the coverage of exclusive breastfeeding remains low as less than one third of infants are exclusively breastfed, and children under 5 are usually observing same feeding practices than adults. In addition, sanitation is very poor; rural households tend to practice open defecation, as in 2015, 54% of inhabitants from rural areas were practicing it for 1% in urban areas (Figure 3)

Figure 3. Estimated trends of sanitation coverage

Angola	Sanitation coverage estimates					
	Urban (%)		Rural (%)		Total (%)	
	1990	2015	1990	2015	1990	2015
Improved+ Shared facilities	65	89	8	22	22	52
Shared facilities						
Other unimproved	1	10	18	24	14	18
Open defecation	34	1	74	54	64	30

Source: WHO/UNICEF JMP, 2015

7. In addition, there are several underlying and basic causes of malnutrition in Angola, including:
 - a. **Poverty:** wealth inequalities shed light on the importance of poverty for reducing stunting. In 2015, Angola was ranked as 149th country in the Human Development Index, and 42.7% of income distribution inequality as per the Gini coefficient. Also, among the lowest quintiles, people are 46.2% more likely to have a lower life expectancy (Source: UNDP, 2015) and 43.6% of people are living below income poverty line;

- b. **Education:** average expected years of schooling in the country is about 11.4 years, and there is an existing 68.1% rate of primary school dropout. Expected years of schooling among women is about 8.7 years for 14 years among men. Stunting among children with mothers with secondary and higher education have seen two times as fast as compared with those with mothers who have no formal education;
 - c. **Urban / rural areas:** children living in rural areas are 1.65 times more likely to be stunted than in urban areas.
 - d. **Health systems** in Angola are well organised in decentralised areas, and often present in rural areas and *aldeias*. However, health services are often unaffordable for rural communities, and capacities for nutrition services and nutrition prevention need to be enhanced;
 - e. **Affordability of food basket:** due to a general inflation of prices, the domestic food price level index³⁴ of 7.2% in 2015 was in the highest category and reflected a high price of food relatively to the price of the generic consumption basket in the country. Also, the domestic food price level volatility index³⁵ of 13.7% was, in 2015, among the highest in the world, reflecting instability of food prices and potentially leading to insecurity for both consumers in consumption of food items and smallholder farmers in accessing fair market prices;
 - f. **Food market environment generating post-harvest losses (PHLs) and waste:** since 2010 Angola's livestock, horticulture and cereal losses have been increasing, especially due to continuous droughts and general variable rainfall seasons. In areas with poor rainfall distribution, harvest losses can reach between 40 and 90% for maize, beans, sweet potatoes and millets (Source: FAO/WFP, 2006), and from 10 to 30% on a national scale. In the districts most affected by the variable rainfall patterns, an overall loss of 65% is expected for the first season of maize, beans and vegetables. In 2009, 15 percent of cassava, 10 percent of the sweet potatoes and maize were lost. Post-harvest losses directly lead to the fears of smallholder households to lose and waste the food production kept for self-consumption, who will then tend to sell to intermediaries the whole production.
8. Immediate and underlying causes of malnutrition are compounded by market price fluctuations, agro-ecological contexts, social taboos and beliefs related to child feeding practices, and consumer knowledge, tradition, ethnic, cultural and social trends.

Objectives and Outcomes through IFAD SADCP

9. **Following a thorough situation analysis, the project aims to work through several key impact pathways.** Key nutrition-related challenges were highlighted as linked with the project's overall objectives and components: lack of i) nutrition-related knowledge, ii) dietary diversity at household level, iii) hygiene and sanitation conditions, and iv) infrastructures of ways for conservation of food crops for household consumption and to tackling PHLs. These issues have multiple underlying causes as described above. As such, in line with the project's objective, income, production and value addition of food crops have been identified as the key impact pathways through which the project will work. In order for these pathways to positively impact nutrition, dietary behaviors, shaped in part by the 'enabling environment' were considered of greatest importance. Activities have been identified to improve the effectiveness of the project on nutrition by working through Farmer Field Schools (FFS), associations and cooperatives, and micro-units of processing.
10. **IFAD SADCP with nutrition-sensitive interventions** aims to generate positive impacts on four different pathways:
- (i) **Consumption Pathway:** Increased safe and affordable availability of 5 food groups (cereals and grains, pulses, vegetables, fruits, and poultry from in-land production) and improved conservation of foods through storage and processing techniques promoting nutrient-dense products;
 - (ii) **Income Pathway:** Improved access to diversified food as a result of increased income;

³⁴ Food purchasing power parity rate divided by the general PPP rate. FAOSTAT 2015

³⁵ A measure of variation of the domestic food price level index, computed as the standard deviation of the deviations from the trend over the previous five years. FAOSTAT 2015

- (iii) **Empowerment Pathway:** increased awareness on shared-income, appropriate infant caring capacity and practices through women's empowerment;
- (iv) **Healthcare pathway:** dietary and nutrient requirements for better food choices and diverse diets; and improved water, sanitation, hygiene (WASH) and health practices.

(i) **Consumption pathway:** Ensured by the increase of safe and affordable cereals, horticultures, pulses and poultry at household. Behavioral change communication in the form of nutrition education in the FFS through community-based discussions, which will be complemented by cooking demonstration sessions and processing techniques demonstrations in trainings for home gardening, which will contribute to the demand and increase of diverse food items. While most families in Angola claim to be food secure, often ensured by both on-farm production and purchases, they do not have regular access to a balanced food basket throughout the year, due to physical access, lack of market information and infrastructure, and insufficient disposable income, among other drivers. Additionally, even when such products are available, they could be utilised in a manner to better make use of their nutrient value. The project will seek to improve not only the production / availability of diverse nutrient-dense foods, but also processing, storage and preservation of these crops, and expanding market opportunities for these products. ;

(ii) **Income pathway:** Promotes food safety and hygienic condition of crops and animal keeping, proper storage of food crops and animal feedings to retain nutrition value to attain better quality and higher market value of production by capacity building, knowledge generation of small famers and reduction of losses and waste. The proposed Farmers' Field Schools approach will include a module on promotion of more diverse consumption habits with nutrient value of horticultures, pulses and animal-based foods as well as utilisation. Also, as described above, inequalities in income and depth of poverty have a significant differentiating impact on nutrition as the cost of a balanced food basket is most likely higher. With increased in income, households are more likely to afford a more balanced food basket. However, in order to install healthy dietary choices and values for a diverse diet, behavior change communication activities are imperative;

(iii) **Women's empowerment pathway:** Facilitates women's participation in associations, cooperatives or small business related to several value chains, especially on processing, distribution and utilisation of these food items as well as building capacity to manage in-land and home garden production and contribution to family welfare.

(iv) **Healthcare pathway:** Nutritional status is strongly influenced by the health, water and sanitation environment, including water sources and toilets, preventive care, and other basic necessities, which are crucial to supporting good nutrition, especially for women and young children. All rural farm households must balance their spending decisions between farm production and marketing investments and the immediate purchases of food, health, and care necessities.

Nutrition-sensitive activities in IFAD SADCP

11. Causes of malnutrition in Angola do not only phase immediate causes as mainly poor infant feeding and caring practices, and low dietary diversity; but also underlying causes of malnutrition, predominantly education / literacy, poor in-land biodiversity, affordability of food basket linked to inflated food prices, enormous post-harvest losses (PHLs) and waste generated by lacks in structures of conservation and processing, inadequate and varied agro-ecological contexts, and consumer knowledge, tradition, ethnic, cultural and social trends.

12. IFAD SADCP's theory of change in regards to nutrition is anchored in the four above mentioned key impact pathways, aiming to address several underlying causes of malnutrition in the rural Angola for improved dietary diversity and food choices, and care practices of women to address malnutrition in 1,000 day window of opportunity.

I. Nutrition education and awareness in FFS:

13. Nutrition education and awareness will be enhanced in the FFS curriculum, in a view to link food diversification in kitchen gardens to more diverse diets, also linking processing and conservation techniques trainings to perishable items (mainly vegetables, fruits and animal-based foods, cruelly lacking in diets) utilisation and consumption.

14. A clear thread has also been woven through the project to enhance the production of, accessibility to, conservation and consumption of diverse foods. An integrated approach has been adopted to enhance the confluence of demand and supply from a nutrition perspective. In an effort to ensure that the agricultural production and household income increases, encouraged through the project, also contribute to improved nutrition - activities will focus on raising awareness for dietary diversity and nutrition among FFS, especially through women of reproductive age and youth. The FFS Curriculum for nutrition started being developed with MOSAP through external nutrition specialists. With IFAD SADCP, nutrition experts will revise the manual and work with and train FFS facilitators, to ensure an integrated methodology anchored in the core of the FFS curriculum.

II. Improved availability, accessibility and seasonality of diverse foods for healthier and more diverse diets in households

15. This aims to, through above mentioned pathways, tackle some of the basic and underlying causes of malnutrition, through (i) higher availability of diverse-foods in households, (ii) increased knowledge and support on preservation and processing techniques of foods for yearlong availability of nutrient-dense foods, and (iii) improved infant feeding and caring practices.

Promoting and supporting diversified diets through food production in home gardens.

16. A well-developed home garden has the potential to supply most of the non-staple foods needed by a household every day of the year, especially for smallholder households producing only staples or animals. Rural households in the project area have limited access to vegetables and fruits. In fact, during the design field visit a group of women in Huila province mentioned that many children in the community suffered from scurvy (due to a critical lack of Vitamin C). Training rural women in home gardening and nutrition will improve the household food security and nutrition and will also enhance women's empowerment.

17. Home gardens produce a wide variety of food crops supplying households with vegetables and fruits, legumes as well as poultry. The home garden is usually a small area of flat land around the house, around 10% of the total area, with a majority of sloping land and wetland. It is a major supplier of daily food, and combined with consumption of staple foods, it can contribute to providing energy and dietary requirements to households. It has been successfully piloted at small scale by a number of small-scale agricultural development projects in Angola. IFAD projects in dry areas of Brazil have developed a model of economic water-saving home garden with excellent results, which could be replicated.

18. The establishment of home gardens will be promoted as follows: (1) All communities benefiting from Farmer Field School will be introduced to the nutrition and health benefits of home gardens and will be explained how to establish these, as well as some basic preservation techniques (including hygiene) to increase availability of diverse foods during the year; (2) In communities where FFS trainers or facilitators notice a particular interest in home gardens, they will further emphasis the growing and processing of home garden produce, and establish a home garden learning plot with interested women farmers; (3) inputs (seeds, fruit trees and bio-fertilisers as well as the necessary materials and tools) and technical assistance will then be provided to interested women farmers to establish their own home gardens, (4) In communities where a number of households have established home gardens and where there is an interest in small-scale commercial processing of home garden produce, the FFS trainers and facilitators will call in the help of a service provider to help the women's groups involved develop a micro-project proposal – see output 3.2 below.

19. Activities necessary to achieve this output are partly included under output 2.2, by the implementation of Farmer Field School training, as well as through a service provider, who will take

care of (1) support to women's group to implement home gardens, and (2) support for making vermi-compost for fertilising and generating homemade products for pest-management.

20. Accent will be put on food crops potentially contributing to preventing major micronutrient deficiencies, following the thorough nutritional diagnosis:

- Vitamin A rich crops: orange sweet potatoes, pumpkins, mangoes, papaya, etc.
- Vitamin C rich crops: papaya, guava, kiwis, broccolis, leafy greens, tomatoes, etc.
- Iron-rich crops: dark green leafy vegetables, lentils, beans, poultry
- Protein-rich foods: soya, poultry, eggs, etc.
- Zinc-rich foods: green leafy vegetables, poultry, pumpkin, beans, etc.

Support to women's groups for processing and developing nutrient-dense products

21. In rural areas, lack of electricity and cold storage oblige households to sell the totality of horticulture and other production in market, to avoid food rotting in household. Perishable items are often ones sacrificed and gaps in food preservation lead to the non-consumption of perishable and fresh foods, resulting in critical micronutrient, including Vitamins, deficiencies. Agro-processing can be defined as post-harvest activities used to transform, preserve and prepare agricultural production for intermediary or final consumption, ensuring yearlong supply and market sale.

22. While the logic would tend to think that smallholder farming families should have home gardens independently of any commercial activity – especially for improving household nutrition and well-being – evidence has shown that promoting small-scale commercial processing of home garden and in-land produce among women's groups tends to result in wider adoption of home gardens and associated food processing techniques, as well as improved sustainability beyond the end of the project. Such small-scale processing ventures can generate nutritional and economic value out of food items such as pulses and perishable items (vegetables, fruits, soya, eggs), thus reducing food waste and improving food security in qualitative and quantitative terms.

23. Food processing techniques to be promoted may include: (i) cooking to maximise nutrient content (e.g. iron-rich snacks bars or soya steaks), (ii) dehydration (e.g. mango, tomato), (iii) preserves / bottling (e.g. sweet potato and mango juices); and (iv) pickling (e.g. gherkins) and germination (e.g. pulses). Promotion of food safety standards and use of safe water, sanitation and hygiene will be integrated in all food processing training, first initiated through the FFS trainings.

24. To this end, a competitively recruited service provider will help women's groups identified through FFS and under output 3.1 to develop small-scale commercial food processing ventures, including a marketing strategy and a detailed request for micro-project support, according to a pre-established format. Women's groups that successfully implement a micro-project could subsequently « graduate » to apply for investment support under outcome 4. This will empower women to participate more actively in decision-making on agricultural investments – and in so doing, remedy one of the shortcomings of MOSAP (see also lessons learnt section).

25. A service provider will implement the following activities to achieve this output:

- ❖ Following the establishment of the first contact by the FFS trainer or facilitator, a first meeting will be held to explain the support the project can provide (e.g. technical, commercial, financial and organisational capacity building; micro-project investment in seeds, fruit tree seedlings, tools and machinery) to women's groups, and the responsibilities the group and its members would need to take on. This meeting could also start discussing the commercial processing plans the women might have already and their feasibility, as well as possible alternatives;
- ❖ A subsequent meeting would be called to confirm the women's groups interest to participate and, if confirmed, agree on next steps;
- ❖ Practical technical including WASH, Food Safety as well as basic business and marketing training would then be organised (with active participation of the trainees, along the lines of output 2.4) and the tasks needed to complete the chosen micro-project would be distributed among the group members, with support from the service provider as needed;
- ❖ Regular technical assistance to women's groups during implementation of the micro-project, including help with trouble shooting when necessary.

III. Communicating for improved nutrition in the 1,000 day window of opportunity in rural Angola

26. 1,000 day window of opportunity. The 1,000 days between pregnancy and a child's 2nd birthday are the most crucial time to optimise a child's cognitive, immune system and physical development. Poor nutrition during pregnancy (diet, wellbeing, and health) can have harmful long-term effects for the child in leading to stunting and consequentially also predisposing the child to metabolic diseases later in life. Furthermore, exclusive breastfeeding during the first 6 months of a child's life and complementary feeding from 6 to 18-24 months of age is essential to optimise health and development. Each of these represents an important pillar for improving nutrition rates in Angola.

27. Nutrition is contingent on people's practices and preferences. Dietary, care and health habits are partly driven by knowledge but also by preferences rooted in cultural norms and values as well as broader food, social and health systems, making certain goods or services more or less accessible and acceptable. Beyond imparting messages however, it is important to understand the drivers of habits in order to understand and improve people's attitudes towards healthy eating or child care practices, skills in selection of healthier and local foods, adoption of healthy and safe food practices, and application of skills to prepare culturally acceptable balanced meals, exclusively breastfeed, and prepare complementary foods.

28. IFAD SADCP's BCC campaign for nutrition will add to the project by (i) identifying effective behavior change strategies through in-depth social diagnostic; and (ii) developing of trial materials such as "community memory for nutrition" through pictures, audio messages, or videos, which allow access to a wider audience, particularly among illiterate population groups.

PROPOSED INDICATORS

- Reduction in 2.5% to 5% in stunting rates among children under 5
- Reduction of 60% in scurvy prevalence
- Kitchen garden production from at least 3 food groups
- Increased consumption from at least 2 food groups, excluding i) cereals and ii) starchy: evaluated through the Minimum Dietary Diversity Score for Women, MDD-W
- At least one conservation technique adopted by women from FFS
- Improved behaviors, attitudes and practices towards food, assessed with KAP survey
- Presence during nutrition trainings in FFS: target of 60%

Appendix 15: Agriculture & Rural Finance in Angola – A Sector Analysis

1. Economic outlook

1. Angola has been one of the world's fastest-growing economies over the past decade. GDP Growth Rate in Angola averaged 9.93% from 2000 until 2015. This trend has reversed and Angola's economy grew by 3.8% during 2015. Its GDP growth is likely to be subdued due to lower oil prices. Economic diversification never has been as much at the top of the political agenda in Angola. Agriculture is forecast to expand by 4.6%. However, rapid agricultural expansion is unlikely given weak infrastructure and poor supply-chain management. Notwithstanding official efforts to diversify the economy, real GDP growth will continue to be driven by trends in the hydrocarbons sector. The Economist Intelligence Unit (EIU) expects growth to average just 2.7% in 2016-2020. Significant private and public investments in the non-oil sector including water, energy, food production and agribusiness are underway and government-led initiatives to improve the business environment and fiscal effectiveness are expected to promote diversification and job creation. The diversification of the Angolan economy will also pose a significant challenge to the banking system, which has a key role to play in this process as well as the responsibility to adapt itself to meet the evolving demands of the economy. Strengthening human development, enhancing production and productivity and ensuring equitable and inclusive growth are needed to reduce vulnerability to external shocks. The reduction of fuel price subsidies and currency devaluation will fuel inflationary pressures; despite the imposition of some price controls, inflation will increase to 25.5% in 2016, before moderating gradually to 7.3% in 2020 (EIU).

1.1 Agriculture - national strategies and priorities

2. The Republic of Angola is the third largest country in sub-Saharan Africa, with an area of 1,246,700 km. It has about 57 million hectares of arable land, of which less than 4 million hectares are currently under cultivation. The agricultural sector contributes to about 12% of GDP and 42% of total employment, with women estimated to provide 70% of agricultural labour. Almost two-thirds of the population depends directly or indirectly on agriculture for their income, employment and livelihood. In Angola, national and household food security continues to depend partially on imports of various food commodities. Actually with the oil prices going down, national food security, thus, remains a major development issue.

3. **The Medium Term Plan for the Agriculture Sector Development PDMPSA (2013-2017)** *proposes a sustainable transformation of subsistence agriculture to a market-oriented commercial agriculture, to promote food security and fostering the national agro-industry, to combat hunger and poverty. This embraces public sector reform and good governance, improving investment, operating and regulatory environment for the private sector, and providing the necessary infrastructure and support services, particularly in rural areas, for the primary sectors and tourism as well as in the urban centers.* It is also worth mentioning that about 37% of the population is below the poverty line and about 85% of the poor are in the rural areas and depend on agriculture.

4. Relatively fertile soil, immense biodiversity, abundance of water resources in some parts of the country, adequate biological and natural resources and favourable semi-tropical climate can be cited as positives of Angolan agriculture. The challenges are many, which include natural resources management, tenure security and land rights, drought-related effects due to climate change and investment in agriculture. MINAGRI is in charge of formulating/implementing agricultural and rural development policies and addressing related issues, particularly for family farming. The national financial system has a key responsibility in addressing the related issues, primarily relating to finance in tune with the national priorities as outlined above.

2. The national financial system –Legal and regulatory framework

5. The Banco Nacional de Angola (National Bank of Angola - BNA), the Central Bank operates the monetary market, implements monetary and foreign exchange policies, and regulates & supervises financial institutions in the credit market. The Comissão de Mercado de Capitais (Capital Market Commission - CMC) is responsible for the control, supervision and monitoring of the capital market.

The capital market was launched in December 2014. Public debt transactions were launched in 2015. The Agência Angolana de Regulação e Supervisão de Seguros (Angolan Agency of Insurance Regulation and Supervision - ARSEG) is the authority responsible for the regulation, supervision and monitoring of the insurance market.

2.1 Issue of regulations

6. The Government of Angola has enacted Financial Institutions Law in 2015, which is very comprehensive and covers all sets of banks and non-banking financial institutions. It encompasses microfinance institutions (MFIs), Credit Cooperatives, Financial Leasing, Micro Credit companies, Credit Guarantee companies, Payment service providers, etc. The Financial Institution Law provides a framework for Deposit Guarantee, Bank Resolution Fund and an inter-institutional National Council of Financial Stability. Angola's non-bank financial sector is small but they are likely to grow with the implementation of the Financial Institutions Law which defines a host of non-bank institutions. However, to facilitate the smooth functioning of these agencies, there is a need for separate and specific legislation/ regulations for each category of institutions. The Central bank has commenced reform of the banking sector, in tune with the changes made in the financial systems internationally, particularly in the area of regulatory and prudential framework. It has issued a series of regulations since 2014, covering a wide range of issues, with a view to strengthening the regulatory and supervisory framework. Recent regulations for banks covered, inter alia, prudential standards, corporate governance, internal control and risk management system, prevention of money laundering, fight against terrorism, harmonisation of accounting rules with International Accounting Standards / International Financial Reporting Standards, external audit and customer protection. However, there is an emerging need to have a relook at all regulations in the light of the Financial Institutions Law with a view to harmonising the laws and regulations.

2.2 Bank expansion

7. The financial sector, primarily comprising commercial banks and non-banking financing companies, has been meeting the evolving demands of the economy and contributing significantly to economic diversification of the country with a view to reducing dependency on the oil sector. Currently there are 27 financial institutions operating in the banking sector (in 2005 there were only 10 registered). Though competitive, the Angolan banking sector is also highly concentrated, with 5 banks alone having over 75% of combined market share. The banking sector's liquidity remains high, about 0.75% of GDP. Angola's financial system is dominated by banks which are well capitalised. The banking sector has been expanding in terms of number of branches and ATMs throughout the country. The average population per branch stands at around 13,388. However, the expansion has been skewed - in December 2015 as much as 981 branches (nearly 52%) out of the 1865 branches in the country were based in Luanda; (in the SADCP region are 71 branches of commercial banks in Kwanza Sul province and 108 branches in Huila province.) There were 2686 ATMs and 20,313 employees in the banking industry. The banking outlets were concentrated in Luanda and urban areas and thus, the rural areas needed greater attention by way of differential branch licensing policy for ensuring access to financial services. There is also need for alternative modes of financial services delivery.

2.3 Emerging concerns

8. Notwithstanding the expansion, the scope of products and services offered are mostly focused on traditional mass-market banking products. The banking system is still not accessible to a majority of the population with 47% only having bank accounts. The lending to deposit rate spread increased from 6 % in 2008 to 13% in 2013 led to high borrowing costs. Loans are concentrated in a few sectors, like wholesale and retail commerce, personal services/consumer finance and real estate. Geographically too, credit is highly concentrated in the Luanda province (approximately 87%). The banks are vulnerable to oil price shocks and foreign exchange rate fluctuations/depreciations (about 30% of total loans to private sector are dollar-denominated). Even though the banks have a small direct exposure to the oil sector (2% in 2015), their indirect exposure is high due to various trickle-down effects. The quality of credit remains one of the main challenges of the banking sector. Non-Performing loan (NPL) ratio continued to grow substantially, reaching 16.9% in March 2015 (8.59% in March 2014). A substantial cut in Government expenditure in 2015 is said to have hit the construction and commercial sectors, leading to an increase in non-performing loans. The banks focus on payment

and transfer, deposits, foreign exchange, investments, securities and other services as compared to credit. Credit is also concentrated in urban areas. The larger, older and urban-based firms have greater access to credit. High collateral is required for every loan. The share of agriculture in the loan portfolio of the banking sector is minimal, much less than the share of agriculture in GDP. Short-term finance is preferred over long-term finance for agriculture investment. The banks have limited capacity for financing long-term development projects, as 80% of their funding is from short-term deposits. This deters capital formation in agriculture. The development of new products and services for low-income people has been little. Risk perception of bankers for agriculture has been very high. Generally, banks in Angola display high net non-interest income and have low loan-deposit ratio of 58.7%. With regard to liabilities, deposits represent approximately 74.7% of the total value of liabilities.

2.4 Overall stability

9. Despite this, the banking system has displayed sound performance. The banks have sound and highly liquid balance sheets, with a large proportion of the assets being held in cash (19%) and investment securities (24%). Due to the large volume of loan-loss provisions, net profits of all operating banks in Angola rose by 39% in 2015. Their solvency rate (CRAR) was 21.1% in 2015 (well above regulatory minimum 10%). Altogether, the Return-on-Equity (ROE) of the banking institutions increased slightly from 3.37% in March 2014 up to 5.28% in March 2015, whilst the Return-on-Assets (ROA) rose from 0.37% up to 0.57% in the same period. The fact that funding is based on domestic deposits rather than capital means that the banking sector has adequate financial resources to support and fuel economic diversification, employment generation and sustainable poverty reduction in Angola. On aggregate while Angolan banks have relatively sound underlying fundamentals (despite their balance sheets deteriorating in the recent years), at an individual bank level some banks exhibit more vulnerability to shocks due to narrow capital and liquidity buffers.

3. Agricultural finance products

10. Financial product diversity was not noticed in the banking sector, as the bankers are hardly financing independently any small farmers under value chain/agri-business. The banks have experience of financing government-sponsored/guaranteed schemes. *Banco de Desenvolvimento de Angola* (BDA), established in 2006 as a state-owned bank has been a very important instrument in recent years, acting as a facilitating agency that drives Government of Angola's economic diversification policies. It grants short-term, medium-term and long-term credit for business development. *Angola Investe* programme was launched to support MSMEs /single member enterprises, with provision of investment and working capital finance with two basic incentive mechanisms of interest subsidies and government guarantee. Same kind of incentive mechanism was built in the seasonal loan for agriculture (*Credito Angola Campanha*). These had adverse bearing on competitive lending for agri-business. In this context, there is emerging need to have a business orientation of banks and farmers for commercialisation of agriculture, with demand-based support services, ensuring access to financial literacy, financial services, matching grants (grant-loan-equity), savings products, insurance schemes, technology, inputs and markets. The overall policy and current approach to the matching grant instrument need to be changed, to encourage private investments. Products and services offered by banks should be tailored to client and sector specific needs, with maturities, grace periods and reimbursement calendars aligned with the cash flows generated.

4. Rural /micro finance sector

11. In the absence of required policy focus, rural finance and microfinance as distinct sectors have not been adequately developed nor have there been separate definitions, data-base and sectoral review reports in the country. Rural finance as a distinct developmental concept/approach has not been recognised in Angola. In Angola, 62% of the population live in urban areas and 38% live in rural areas. There is constant migration from rural to urban areas, which can be reversed by refocusing on rural finance and development. A few banks have a microfinance portfolio, but the loans to individuals or groups thereunder are mostly extended under government-sponsored or donor-supported programmes or under back-up of external agencies and not really micro in terms of loan size. Appropriate regulations for the segment are being awaited. Out of 25 microfinance institutions, only 5 are operating. However, only one MFI (*KixiCredito*) is delivering microcredit. There is a wide scope for expanding the players in this sector and widening their outreach. The sector is expected to transform

and graduate to the next level, i.e., the formation of microfinance banks that provide a wider range of financial services within a conducive regulatory framework. The financial services by banks and MFIs should encompass, at least, deposits, credit, insurance, and pension and remittance services. The Financial Institutions Law, *ibid.*, includes a host of financial services including leasing, factoring, payments, derivatives and guarantees services. The microfinance sector at this juncture, requires a comprehensive policy, regulations, developmental strategy, risk management architecture, robust MIS and supervisory framework. MFIs might need support for capacity building and transfer of best institutional practices, technical support for market studies, product development, MIS, integrating technology in business and operations, human resource management in the initial years in rural development should be given sharper focus in the developmental strategy to reverse urban migration. An exclusive institutional outfit for rural finance in the Ministry of Finance and or the central bank would be a step in the right direction. Setting up of microfinance association could pave the way forward in this direction.

5. Cooperative banking

12. It is reported that around 20,000 agriculture and livestock cooperatives are registered in Angola by the Ministry of Justice. In addition to these there are credit, fisheries, housing, civil servants and transport, but these are in insignificant numbers.

13. In the list of non-banking institutions, figured in the Financial Institutions Law, a separate regulatory and supervisory framework for cooperative banking institutions was missing. Although cooperative societies at grassroots level are given a registration certificate by the Ministry of Justice, there is no supervisory intervention to obtain/ensure compliance. The Confederation of Farmers Associations and Agricultural Cooperatives of Angola (UNACA), CAPCOB is functional. The Federation of Cooperatives does not play the expected role of providing operational and promotional guidance to the grassroots organisations. Thus, weaknesses in governance, supervision, sustainability, internal control, organisational development, etc., are very evident. The concept of cooperatives is not well entrenched in the country. Some of the factors inhibiting the growth of the cooperative sector include credit, training, education and markets, cooperative management failure, and time consuming and expensive set up costs.

14. A Cooperative Law was legislated in August 2015 (Law No. 23/15 of Cooperatives). This Cooperatives Law, consisting of 13 chapters, establishes the general principles applicable to the cooperative sector and regulates the activity of all cooperatives, based on national territory, regardless of their socio-economic status, including autonomous legal persons. The cooperative sector, notwithstanding their potential for decentralised lending in rural areas, is still very weak and the impact of the new law is yet to be felt. Credit cooperative societies / producer cooperatives need a major overhaul through appropriate developmental interventions and good regulatory oversight.

6. NGOs

15. Some of the international NGOs (e.g., World Vision, Care, Development Workshop) and domestic NGOs (e.g., ADRA, ADESPOVE, GMG) are associated in various financial sector-related programmes, particularly in agricultural value chain and livelihood finance. Given the opportunity, they could play a supportive role in the financial sector. They could intensify mobilisation of producers associations, farmer groups and self-help groups, with thrust on savings and bring about linkage with banks, service- providers and the market. The private sector, technology providers and NGOs could play a significant role in the financial inclusion space. The government is in the process of bringing out a new regulation on NGOs

7. Developing insurance

16. The insurance market overall is weak and credit/deposit insurance is not in vogue. Agriculture is highly susceptible to macro-economic disturbances, disease outbreaks and adverse weather events such as floods and droughts, and therefore poses high credit risk to lenders and borrowers. In order to mitigate these risks, entrepreneurs, banking institutions, insurers, regulator, reinsurers and the GOA have to work together to develop insurance schemes (for production, prices and weather) and other risk management instruments to create an environment that supports and promotes investments in agriculture. They must also work towards making the insurance products affordable to farmers and tying the insurance product with agriculture credit. [It is understood that agriculture insurance is being

worked on by ARSEG, Ministry of Economy and Agriculture and reinsurers and that it is expected to be introduced.]

8. Financial inclusion initiatives

17. The *Banco Nacional de Angola* (BNA) is in the process of implementing the national financial inclusion strategy since 2013. It has become a principal member of Alliance for Financial Inclusion (AFI) as one of more than 100 central banks and regulators and is committed to bringing about financial inclusion, in tune with the international declarations. BNA has introduced SB accounts for low-income people with AOA100 minimum balance in the financial sector to encourage financial inclusion in 2013. The *Bankita* products include *Conta Depósito Bankita* (deposit account) and *Conta Poupança Bankita a Crescer* (savings account), ensuring the ownership of a deposit account, the access to a *Multicaixa* debit card without bank fees and expenses, or payment of charges within the *Multicaixa* network. It started a financial education programme, which aims to allow the access of the low-income population to banking services through products and services designed to meet the needs of this segment. With lower access conditions, users can open accounts with identification documents other than the identity card, provided that it is validated by the adherent bank. BNA signed an adherence agreement to this financial education programme with banks BPA, BCGTA, BMA, BANC, BPC, BCI, BCA, BFA, BIC, BRK, BNI, SOL and BMF, in an effort to increase the informed access of banking services.

18. Developing the new regulation for mobile banking is in process; cabinet approval is awaited for the new directive. The provisions of mobile-based banking solutions and agency banking are in their infancy in Angola, notwithstanding considerable expansion of mobile phone use, including in rural areas.

19. BNA is negotiating with the World Bank for implementing the National Financial Strategy for building on reforms in the areas of regulation, protection and education. However, field level and institutional level (banking sector) impact of such financial inclusion initiatives, its rural/agricultural finance focus or commitment is not yet visible. BNA's policy and developmental interventions are yet to gather required momentum. A clear road map and implementation strategies are deemed necessary.

9. BNA's Financial Education Department

The BNA has set up Financial Education Department for spearheading its financial inclusion campaign. It includes financial literacy to enhance the demand system of financial services. Some of the ministries including Ministry of Family, and banks are expected to undertake workshops/seminars for greater awareness-building. Promotion of mass electronic payments with payment cards is being pursued as a means of increasing access to financial services and "*bancarization*" and reduce the weight of the informal market in the Angolan economy. Other methodologies for financial literacy, which could be tried could include lectures, pedagogic tools, print media, TV/radio, Films, and SMS, help lines, mobile van, folk theater, songs, jingles, road shows, posters, banners, literacy camps, ICT tools, etc. The interventions could be mandatory for banks, government agencies and educational institutions (including course curriculum). Different instruments and channels should be used for spreading financial literacy, depending on the target group. People should make an informed choice for financial services. With a larger financial inclusion mandate on both demand and supply front, naming it as Financial Education Department, connotes a restricted perspective. The central bank, commercial banks and relevant ministries could consider organising exposure visit to other countries to better understand the meaning and scope of financial literacy pursuits. Banks in India have set up Financial Literacy Centres in rural areas for dissemination of relevant inputs for farmers and rural entrepreneurs. The Indonesian Authority for Financial Services (supervisory authority) has started its documentation, training and visitors exposure programme more recently.

10. Training and capacity-building

20. It was observed that the banks in Angola had not developed any exclusive training module on financing of agriculture, value chain, commercialisation of agriculture and agro-processing etc. for developing the competence of their officers in appraisal, sanction and monitoring of financial services for this sector. Nor was there any systematic and structured provision for training and exposure for banks' staff, for group formation and linkage as they are currently not engaged in such activities.

There is no specialised training institution for knowledge management, sensitisation of concerned officials and service providers in agriculture/rural finance. There has not been any training need assessment (TNA) at banks' level for agricultural finance. The *Instituto de Formação Bancária de Angola* (IFBA) is the main body responsible for the training of personnel in the banking sector. They along with ABNC (Bankers Association) need to take initiative for professional enrichment through professional courses and training programmes and sensitisation of staff in rural/agricultural finance.

11. Grievance redressing

21. BNA had issued the regulation in 2011 widening the protection of consumers of financial services. The National Institute of Consumer Protection has been established and plays an important role in guaranteeing the best conditions for consumers. The financial institutions need to ensure compliance with laws and regulations in this regard. They should put in place a consumer protection framework that covers both prevention (interventions that ensure fair play by banks) and cure (addresses customer grievances). The existing CIRC system with BNA may be broad-based to capture information (good and negative aspects) on all borrowers of financial institutions; the information available now is only on defaulters. To facilitate the act of complaint, the banking institution has a complaints book in its facilities and a specialised area for customer service, in accordance with Notice No. 05/2012, which can be contacted via electronic mail, telephone, letter, form to fill in your agency or through the institution website. These introduced instruments allow leveling of information asymmetries, easing the process for identification of occasion where intervention is needed, and rapid and appropriate resolution of conflicts between the institution and its customers. The banks should evolve and implement whistle blower policy /vigil mechanism.

12 Process re-engineering

22. It was observed that door-step banking had not been popularised in Angola. The farmers have to cover considerable distance (beyond 10km) to transact their financial business with branches. None of the banks visited had delegated powers to branches to sanction loans at branch level and all sanctioning powers are centralised at the corporate office level in Luanda. The borrowers have to wait beyond 3 weeks to get financial assistance. In the context of financial inclusion drive, particularly in remote rural areas, branchless banking, and agency banking models are required to be widely introduced. It requires constant innovations in business processes and systems. None of the banks had project profiles of the agri-business/potential activities, technical and appraisal manual for guidance of banks' staff and perspective borrowers.

13 KYC compliance

23. The banks have prescribed a few documents, including National Identity Cards for opening bank accounts. Rural people find it difficult to procure identity cards. Government has set up 243 regional and mobile data capture centers and Card Personalisation Units. The challenges encountered are dispersed population with limited citizen information records, counterfeit documents, ID theft cases and absence of country-wide IT and communication infrastructure. There is a need to enhance ID card technology and issuance process and overall efficiency. Liberal approach to KYC norms (Know Your Customer) is essential for low-income clients and removing bottlenecks to financial inclusion

14. Group lending and savings

24. The group lending approach has not reached the scale and quality levels as observed during field visits and interaction with banks. Linkage banking focusing on group solidarity, saving thrust and continued linkage with banks for financial services is not in place. The farmer associations, which are mixed self-help groups (male and female) were loosely linked and lacked proper mobilisation process to attain sustainability. EDA's support mechanism lacked continuity and intensity. Self-regulation system, record-keeping, financial literacy and access to finance are very irregular and inadequate. Apart from taking corrective measures, it would be necessary to focus on saving culture among group members. Linkage banking model may be experimented with the intervention of selected NGOs to explore replication possibility in future.

25. Group financing for farmers to take up activities in the agriculture value chain will enhance agriculture production and income generation in the farmer community. Specialised farmer groups

who have come together as producer groups or joint liability groups or farmers who have been trained and collectivised in FFS may be financed for taking up activities in the agriculture value chain.

15. Assistance to women and youth

26. Farmer associations comprise of both men and women members. However, participation of youth appeared low in the associations, reportedly due to migration of youth to urban areas in search of jobs/employment. Banks do not extend any concessions in financial services for women clients. The supportive, promotional and advocacy role of organisations like the Angolan Federation of Women entrepreneurs (FMEA) assumes significance. FMEA is expected to intervene at local, regional and national levels in all initiatives that promote sustainable economic development of women. However, their membership is only 3,000, which need to be augmented.

27. Angola has made considerable achievement in promoting gender equality. However, inequality persists in female –male participation in labor force, per capita income, etc. The 2015 Angola Gender Diagnostic carried out with support from the European Union notes that agreements and conventions adopted by Angola allow growing parity, in legal terms between men and women. Customary law is however, discriminatory to the detriment of the women. It highlights women’s participation in production sectors. In Angola, Gender Neutral Trans Human law has been passed. Banks should evolve special schemes and approaches for financing women and youth.

16. Role of the Ministry of Agriculture, (MINAGRI), Government of Angola

28. MINAGRI is entrusted with formulating agricultural and rural development policies. It thus plays a very significant role with respect to family farmers and coordinates with other institutions connected with development of agriculture. To better direct its responsibilities, MINAGRI is organised in National Directorates and works in coordination with R&D institutes and specialised services. The main services of MINAGRI are decentralised at provincial and municipal levels. The provincial directorates are executives of the provincial administrations and work primarily in partnership with the central organs of the ministry for all matters related to technical or political issues. IIA (Institute for Agricultural Research) in Huambo is playing a nodal role in the research of various crops. The perspective crops in Angola are peanuts, beans, sweet potato, cassava, coffee, fruit tree, etc.

17. The Agriculture Development Institute (IDA):

29. IDA is implementing policies and services that focus on family farmers; the institute is headed by a general director at national level and by provincial directors appointed by the provincial governor in consultation with the central level. At municipal level, there are Agriculture Development Stations (EDAs). The major functions of IDA (provincial), EDA (Municipal) and CDA (community level) are as under:

- To motivate and support family farming and encourage/facilitate them to form groups and associations;
- To facilitate introduction of new technology in farm fields;
- To provide guidance, training, extension and transfer technical knowledge, crop management practices and relevant information on government schemes among the target groups;
- To provide various inputs like supply and distribution of quality seeds, fertiliser, etc. for farm families at concessional rates; and
- To transmit data and information on the progress made in various activities from field level through proper channel to the National directorate for Development of MINAGRI.

30. The EDAs are equipped with technicians and extension persons to undertake the above functions at field level. At the national level, IDA coordinates various donor supported (World Bank, FAO, IFAD) / government-sponsored programmes as nodal agency and extends strategic and operational guidance. With respect to *Credit Angola de Camparh* of BDA, they were associated with the financing banks as a certifying authority for farmers so as to enable banks to release credit funds. Thus, the financial capability of IDA is unproved, notwithstanding their participation in various agricultural schemes.

31. IDA has been involved in the conduct of various studies. Currently, they are coordinating value chain studies in four different regions, which may bring forth critical information on the prospect of

family farmers in undertaking value chain activities. The discussion with IDA at the national and provincial levels brought to light the lack of adequate technical personnel at EDA levels and inadequacy in institutional training for the existing staff. There has not been any manpower assessment exercise and TNA of staff to address the above gaps. Further, there is absence of participatory budget exercise at the government level. The Ministry of Finance allots certain budget annually to each of the ministries / directorates, based on the resources available and the concerned ministry / department / directorate has to manage its activities within given allocations. A system of participatory budgeting exercise needs to be introduced to make the activities more planned and systematic.

32. Overall, the IDA set up is unique organisationally and it can be a useful partner in agricultural financing and development projects, including SADCP as nodal agency, in view of its past experience, strategic role and extensive network.

18. Technology, infrastructure and innovations

33. GOA and the central bank are driving initiatives to promote a diversified economic base and reforming the financial system to be aligned with generally accepted international best practices. The banks need to play their role and to adapt and implement changes that encourage funding of business opportunities in economic sectors such as agriculture, agro-business, agro-processing and value chain. However, productivity of farm land and income of farmers cannot be increased by only financing. Comprehensive and innovative measures need to be taken at various levels to accomplish the same. Agriculture is more integrated with the macro and global economy. It is no longer confined to the rural economy only. Measures like efficient land system, water use efficiency, product diversification, pricing system, procurement arrangements, storage, transport, distribution, marketing, risk mitigation, improved technology, soft and hard infrastructure, regulatory framework, agriculture research and international trade agreements - all have bearing on productivity. There has been good progress in ICT and digital financial services in the banking industry. Technology would play the key role in bringing about innovations in agriculture and agriculture financing.

34. Donor agencies like World Bank, IFAD, UNDP, FAO, etc., have been instrumental in bringing about developmental and policy orientation in agricultural finance with programmes like SADCP, MOSAP, Entrepreneurship Development; etc.

19. Planning for value chain financing

35. Planning for value chain financing, starts with a needs assessment of agricultural entrepreneurs, which includes to:

- assess the potential (crops / produce, market) of the project areas;
- assess / map field level needs including funding needs, to identify constraints / risks; and to strengthen necessary infrastructure and support mechanism along the value chain to optimise productivity;
- map with respect to the above might encompass irrigation, input supply, support facilities, (seed production / processing, nurseries, soil testing, facility, ware housing, pack houses, logistics, etc.), service providers, technical support providers (farm management services, extension support, etc.), processing and marketing and their funding needs;
- assess the status of various related organisations, including financial institutions to address the above needs;
- assess the possible role of coalition of the key stake holders with shared contributions and commitments;
- assess the nature and structure of financial package that could be delivered to the farmer, with a focus on financial inclusion and graduation of small farmers;
- assess the appropriate financial instruments that can be developed for different actors in the value chain;
- chalk out possible project implementation strategies with participation of all stakeholders; and
- design incentive and motivation for a committed and successful farmer or farmers' collectives.

36. Planned and systematic approach at the levels of farmers, service providers and bankers is essential for successful value chain financing. While value chain financing is invaluable, it may not

encompass subsistence farmers who do not engage or are not ready for commercial agriculture. Separate financial products that ensure capacity building and use of better technology and inputs of such farmers will have to be included in the financial offerings of PFIs. In addition, value chain financing only focuses on credit, while complementary products that cover other financial needs such as savings, remittances and payments, personal loans and insurance have to be developed along with value chain financing

20. Conclusion

37. The GOA and the central bank have given focus in recent years to economic diversification, deepening of financial inclusion, developing rural financial system, microfinance and financing agriculture and agri-business with focus on family farming. The country's financial sector is yet to give due attention to these emerging areas, but there is still a long way to go in order to achieve a truly diversified economy and a more inclusive, sustainable and robust growth. The current economic environment has provided a unique opportunity to refocus policies, re-engineer systems and processes foster structural transformation, bring about institutional development and upscale innovations in the financial sector for agriculture and rural development. Both public and private institutions, including the banking sector, have to work closely to increase production and productivity of smallholder farmers by facilitating access to finance, technology and market. A more conducive policy and enabling environment for smallholder agriculture and rural finance is deemed necessary.

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Annex I to Appendix 15

Terms of Reference Angola Rural Financial Services Feasibility Study as part of SADCP-C&H

Experts hired by IFAD under a non-staff contract

Consultant Intern Fellow Conference Service

Full Name(s):	N.N.
Specialization:	Agricultural Finance and Policies; Rural Finance & Institutions
Expected Start Date of	00/00/2017
Expected End Date of	00/00/2018
Total number of working days (max. 240 in a 12-month)	45 working days (two months)
Division/Department:	ESA
Location:	Luanda, Republic of Angola
Reports to (name and title):	N.N., Project Coordinator

GENERAL DESCRIPTION OF TASK(S) AND OBJECTIVES TO BE ACHIEVED

Expected Activities:

The Context

1. The World Bank and IFAD were asked by the Government of Angola (GOA) to support the Smallholder Agriculture Development and Commercialization Project (SADCP). The SADCP is designed to address two critical constraints to agricultural development in Angola - to increase institutional capacity through capacity building, both nationally and in the project areas, and to upgrade smallholder agriculture and improve market linkages. SADCP builds on a previous World Bank and IFAD-supported project - the Market Oriented Smallholder Agriculture Project (MOSAP) - approved in July 2008 and implemented over seven years. MOSAP was designed to increase agricultural production through the provision of improved agricultural services and investment support to smallholder farmers. SADCP scales up support to a greater number of small farmers from 50,000 farm families under MOSAP to at least 235,000 farmers envisaged under the SADCP and covers five provinces of Angola as compared to three under MOSAP. The GOA has sought the implementation of SADCP in two separate regions clearly identified for each development partner. The SADCP WB funded (SADCP-WB) will be implemented in Bie, Huambo, and Malanje Provinces. The SADCP IFAD funded (SADCP-C&H) will be implemented in 5 Municipalities of Cuanza Sul, viz., Conda, Amboim (Gabela), Cassongue, Wacu Congo Cela) and Kibala and in 5 Municipalities of Huila Provinces viz.; Caconda, Caluquemba, Chicomba, Chipindo and Cacula.
2. Project overall goal: SADCP aims at diversifying the economy, generating revenue and improving the livelihoods and food security of poorer households.
3. The objective of the project is to increase smallholder agriculture productivity, production and marketing for selected crops.
4. Components of SADCP-C&H:
 Component 1: Capacity Building and Institutional Development (US\$15.5 million). This component will strengthen smallholder farmers' technical, organisational and managerial competencies and support a more conducive policy and enabling environment for smallholder agriculture.
 Component 2: Smallholder Agriculture and Market Access Investments (US\$14.7 million). This

component aims to improve agriculture productivity, production, market access and value addition by supporting demand driven, investment sub-projects through a combination of promoter's own resources, matching grant and short and medium-term credit extended by partner financial institutions (PFIs, i.e. banks and micro finance institutions); and sustainably link smallholders and their FOs to buyers, input suppliers and PFIs.

Component 3: Programme Management (US\$8 million). This component will ensure timely and efficient project coordination; management; monitoring and evaluation; and learning and knowledge management.

5. Project implementation status: The study will be conducted once the project is at the initial stages of implementation, with the Project Implementation Manual having been finalised.

The Objective

6. Overall, the objective of the feasibility study is to provide decision making support for the SADCP-C&H project coordination team who are responsible to develop and implement the proposed agricultural and rural finance activities of project component 2. Built on the project design documentation, particularly the agricultural and rural finance sector analysis (appendix 15), the feasibility study is to establish the project financial sector landscape (policy and key actors) and has the following specific objectives:

- To assess the potential of the agricultural and rural finance market (demand and supply of financial services) in the project Municipalities;
- To map financial services providers, their legal form, level of outreach and performance and products and services and other supportive institutional infrastructure in the project areas;
- To study preparedness / capacity of these institutions to play the envisaged role in implementation of the project;
- To identify willing and suitable financial institutions as partner financial institutions (PFIs) to actively participate in the project, rendering tailored financial services to the target group;
- To bring out critical information about the existing policies, government programmes products, processes, practices and resources, including human resources in financing agriculture and rural micro and small enterprises as also the potential of the identified PFIs and their commitments and expectations from the project;
- To identify gaps in the policy environment for PFIs and other support organizations; and
- To prepare the ground for dialogue, possible nature of the partnership and project incentives for collaboration with PFIs, facilitating smooth implementation as envisaged in component 2.

Details of Tasks / Assignment

7. The consultant(s) will be expected to work with the SADCP-C&H Coordination Unit, MINAGRI both at national and municipal/district level, potential PFIs and other relevant stakeholders in undertaking the assignment. The overall duties and responsibilities during the assignment with IFAD will include the following specific tasks:

Rural Finance Landscape- Partner Financial Institutions (PFIs):

Commercial Banks

8. Compile the network of financial service providers and their outreach in the Municipalities identified for implementation of the project in Cuanza Sula and Huila Provinces through branch and other alternative channels, if any. (status of agency banking, mobile banking and digital services, POS, etc.) - assessing adequacy of the delivery channels with specific reference to target project participants-(marginal,

- smallholder and women farmers, rural youth, FOs, NGOs, service and extension providers and agriculture value chain players);
9. Make general assessment of farmers' demand for financial services for agricultural rural business activities in the project areas;
 10. Describe the extent of financial inclusion in the project areas, availability and accessibility of financial services (savings, credit, insurance, pension, remittances, leasing);
 11. Determine implementation of any government-sponsored programme/guarantee scheme/donor supported/innovative scheme for agriculture in the project areas;
 12. Assess the core competencies of potential PFIs and their staff in agricultural and rural finance, and availability of training infrastructure for training, sensitization and knowledge management in core areas (e.g. agriculture/value chain credit and services, risk analysis, product development and project formulation, delivery innovations and adopting best practices, conducting market assessment for agriculture and value chain projects and services, identifying and engaging with rural clientele including proposed project participants; marketing of rural services, credit monitoring and evaluation, MIS, and running financial literacy programmes);
 13. Assess potential PFIs' willingness to participate in the project and the support required by them for meaningful participation, including capacity building, technical support, incentive mechanism such as medium to long-term credit lines. Identify specific gaps in capacities with relation to project participation;
 14. Study the factors hindering their role as financial service providers to the project target group and
 15. Study present arrangements for collecting borrowers' credit history and perspectives of making credit information more broad-based.

Microfinance Institutions (MFIs)

16. Assess potential of KixiCredito to participate in SADCP-C&H;
17. Identify specific support required by them to offer agriculture credit and other micro finance services to targeted population in project areas and
18. Study the potential of other MFIs/credit institutions to participate in the project after passage of the relevant regulations.

PFIs and Grassroots Delivery/Support Institutions:

19. Identify the registered operational cooperative societies functioning in the project areas: credit cooperatives and producer cooperatives and their feasibility of participating in the project;
20. Ascertain the role played/potential role that can be played by these cooperatives in the agriculture value chain and extension/input services and also their linkage to credit from the PFIs, in the target provinces;
21. Study the status of cooperative credit societies in the project areas and explore possible support from PFIs;
22. Assess the health of such institutions and identify steps needed for improving their capacity, particularly with respect to governance, supervision, audit, books and accounts, MIS and disclosures;
23. Suggest potential for and ways of including producer cooperative societies in value chain financing; state the support required to be given to be in production practices, preparation of business plan and sub-projects, credit linkage and market access to participating producer cooperatives;
24. Study participation of women in credit and producer cooperative and suggesting ways of enhancing it within the scope of the project;
25. Assess FOs trained in FFS in the project areas, mapping their technical, organisational and managerial competencies and status of present linkage with PFIs;
26. Draw road map for strengthening FOs' accessibility to PFIs' financial and support services
27. Describe status of informal groups engaged in financial services in the project areas and possibility of their linkage with PFIs through group lending mechanism/linkage banking;
28. Find out the presence of potential NGOs, civil service organizations, financial agents and technology providers in the project areas and identify their possible role in supplementing PFIs to make financial services more effective in project areas and

29. Assess status of Financial literacy campaign including the module developed and agencies involved in the areas, and possibility of its up scaling for PFIs' clientele.

Policy-Making Bodies:

30. Identify status and possible role of MINAGRI and its provincial authorities, including IDA, for forging better coordination and linkage with PFIs;
31. Ascertain the institutional capacity of both national and provincial units of MINAGRI for agricultural extension, capacity building, statistics, market information and irrigation development to improve provision of services to smallholder farmers and FOs;
32. Study status of existing laws and regulations pertaining to rural finance and identify gaps, which need to be addressed by the central bank/GOA;
33. Identify role expectations from the corporate offices of PFIs to ensure effective participation in the project.

Process and Requirements for Undertaking the Study

34. The consultant(s) will undertake careful reviews of relevant documents (including documents of PFIs, laws and regulations, etc.), comprehensive field visits to sample institutions to discuss with and collect information that may be needed. Besides national and provincial units of MINAGRI and other key ministries participating in the project, technical institutions, financial service providers/potential rural financial institutions and MFIs, cooperatives, local community organisations, NGOs, input service providers and major agriculture extension organisations, etc. should be visited.
35. The consultant(s) will produce and submit an inception report to SADCP-C&H not later than 7 days after the start of the assignment. The inception report will provide the preliminary findings, issues emanating on which the consultant(s) will need further guidance, and the table of contents for the study, including annotations. The consultant(s) also propose changes in the schedule for preparing the report if envisaged.
36. The assignment will be under the supervision of SADCP-C&H. The project will provide logistics support, including office accommodation, and office supplies necessary for the study/report preparation. The contacts and visits to the field, and meetings with ministries/agencies will also be arranged by SADCP-C&H. Facilitating meetings for briefing, debriefing and review of inception report, and draft reports will be arranged by SADCP-C&H. The consultant(s) will be responsible for the preparation and presentation of both the inception and the final report to designate persons/technical committee.
37. The consultant(s) may collaborate with a local development/consultant agency with experience in conducting feasibility studies/market analyses; the consultant(s) would be responsible for backstopping of and guidance to the agency.
38. The consultant(s) will be reporting to the XXX. XXX will also supervise the work of the consultant(s).

Qualifications and Experience of the Consultant(s)

39. The consultant(s) should have the following attributes and qualifications:
 - at least 10 years of professional experience within the financial sector; experience in microfinance and agricultural/rural finance will be a competitive advantage;
 - a relevant post-graduate qualification from a recognized University (MSc/MA degree in economics, business administration, finance);
 - proven track records on similar assignments in Africa;
 - computer literacy;
 - excellent written English and spoken proficiency in Portuguese;
 - competency in report writing;
 - good understanding of agriculture, value chain development value chain finance, and rural development issues.

KEY PERFORMANCE INDICATORS	
Expected Outputs (please include any travel if applicable):	Required Completion Date:
1. Inception report of the feasibility study, which will be presented to the technical committee for endorsement before actual consultancy work	Tbc
2. Draft feasibility study report	Tbc
3. Final draft feasibility study report	Tbc
4. Final feasibility study report	Tbc

Name:

Signature.....

Date:.....