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Investing in rural people

Republic of Angola

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

Negotiated financing agreement

Executive Board — 120th Session
Rome, 10-11 April 2017

For: Information

Negotiated financing agreement: "Smallholder Agriculture Development and Commercialization Project in Cuanza Sul and Huila Provinces (SADCP-C&H-SAMAP)"

(Negotiations concluded on 6 April 2017)

Loan Number: _____

Project Title: Smallholder Agriculture Development and Commercialization Project in Cuanza Sul and Huila Provinces (SADCP-C&H-SAMAP) ("the Project")

The Republic of Angola (the "Borrower")

and

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

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

WHEREAS, the Borrower has requested financing from the Fund and the International Bank for Reconstruction and Development (IBRD) for the Project; and

WHEREAS, the Borrower has entered into a Loan Agreement with IBRD (the "IBRD Agreement") for this purpose.

NOW, THEREFORE, the Parties hereby agree as follows:

Section A

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

Section B

1. The amount of the Loan is twenty-eight million eight hundred thousand United States Dollars (USD 28 800 000).

2. The Loan is granted on ordinary terms, and shall be subject to interest on the principal amount of the Loan outstanding at a rate equal to the IFAD Reference Interest Rate, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of eighteen (18) years, including a grace period of five (5) years starting from the date that the Fund has determined that all general conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b) of the General Conditions.
3. The Loan Service Payment Currency shall be the US Dollar.
4. The first day of the applicable Fiscal Year shall be 1st January.
5. Payments of principal and interest shall be payable on each 15 May and 15 November.
6. There shall be one Designated Account denominated in USD and two Operational Accounts, one denominated in USD and the other in AOA, for the benefit of the Lead Agency.
7. The Borrower shall provide counterpart financing for the Project in an amount equivalent to eight million two hundred thousand United States Dollars (USD 8 200 000).

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture (MINAGRI).
2. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

Section D

The Financing will be administered and the Project supervised by the Fund.

Section E

1. The following are designated as additional specific conditions precedent to withdrawal:
 - (i) The Designated Account shall have been duly opened;
 - (ii) The Project Coordination Committee (PCC) headed by the Minister of Agriculture or his representative shall have been duly established;
 - (iii) The Project Implementation Unit (PIU), headed by the Project Coordinator shall have been established;
 - (iv) An off-the-shelf accounting software able to provide financial reports as per IFAD standards shall have been duly procured, installed and implemented;

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Minister of Finance
Ministry of Finance
Largo da Mutamba
Caixa Postal 1235
Luanda
Angola

For the Fund:

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

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

REPUBLIC OF ANGOLA

(Authorized Representative
Name and title)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. Target Group. The Project shall be implemented in Cuanza Sul and Huila Provinces. The Project shall benefit up to 60,000 rural households, representing about 300,000 people. The target group is the small farmers, rural women and youth.
2. Goal. The Project development goal is to diversify the economy, generate revenue and improve livelihoods and food security of poorer households.
3. Objective. The Project objective is to increase smallholder agriculture productivity, production and marketing for selected crops.
4. Components. The Project shall consist of the following components:
 - 4.1 Component 1: Capacity Building and Institutional Development. The 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.
 - 4.2 Component 2: Support for Increased Production and Commercialisation. The 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).
 - 4.3 Component 3: Project Management, Monitoring and Evaluation. The component is comprised of two subcomponents: (i) Project management; and (ii) Monitoring & Evaluation (M&E). 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 World Bank funded Sister Project (SADCP-WB), both at the national and the provincial levels. This will strengthen the complementarities and synergies between the two parallel-funded projects.

I. Implementation Arrangements

5. Lead Project Agency. In its capacity as the Lead Project Agency, the MINAGRI shall have overall responsibility for Project implementation.
6. Project Coordination Committee (PCC). A PCC with relevant representation at national level shall provide oversight, policy direction and coordination between key government institutions. The PCC shall be headed by the Minister of MINAGRI. At provincial level, there will be a Provincial Project Coordinating Committee (PPCC) which will be chaired by the Provincial Vice Governor for Economic Affairs, and composed of the

Provincial Agriculture Director, the IDA Provincial Chief, 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.

7. PIU. The 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 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.

8. Planning. The Logical Framework will be used as a tool for planning and M&E, to ensure that necessary information is available for management decision-making, and to facilitate reporting to the Government, IFAD and stakeholders. To ensure a smooth transition of implementation from year to year, the final AWPB draft will be distributed to all SADC implementing agencies by 31st December of every year. The timeframe and process of AWPB preparation, review and approval will follow the same as that of the SADC-WB in order to ensure harmonisation of national-level activities under components 1 and 2.

9. Monitoring and evaluation. The M&E system will build on the experience of Market-oriented Smallholder Agriculture Project (MOSAP) and provide information that informs management decision-making and reporting, including data for IFAD's Results and Impact Management Systems (RIMS). Monitoring will focus on the activities defined on creating a cumulative overview of results/outputs. The M&E system will be decentralized under the oversight of a planning/M&E officer and a knowledge management officer. Knowledge management will ensure a continuous learning process in which data are compiled, analysed and disseminated as lessons learned, along with thematic studies and stories from the field. Information-sharing within the aligned portfolio will receive particular attention.

10. Financial Management (FM). The Project will employ similar financial management systems to those used under MOSAP and SADC-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 (PIM).

11. 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 arrangements for the appointment of the external auditors of the Project financial statements shall be in accordance with the IFAD Project Audit Guidelines. Supervision missions will review internal and external audit reports and assess the implementation status of recommendations.

12. Supervision. IFAD and the Government will conduct supervision missions annually. Supervision and implementation support missions by the World Bank and IFAD will be as much as possible synchronised. 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.

13. Project Implementation Manual (PIM). The Project shall be implemented in accordance with the approved AWPB and the PIM, the terms of which shall be adopted by the Lead Project Agency subject to the Fund's prior approval. The PIM shall include, among other things; (i) terms of reference, implementation responsibilities and appointment modalities of all Project staff and consultants; (ii) Project operating

manuals and procedures; (iii) monitoring and evaluation systems and procedures; (iv) a detailed description of implementation arrangements for each Project component; (v) Terms of references (TORs) and modalities for the selection of the service providers, to be based on transparent and competitive processes; (vi) detailed modalities of the sub-projects; (vii) financial management and reporting arrangements including accounting, approval of payments, financial reporting, internal controls, fixed asset management, as well as internal and external audit; and (viii) the good governance and anti-corruption framework.

Schedule 2

Allocation Table

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

Category	Loan Amount Allocated (expressed in USD)	Percentage
I. Goods, Services and Inputs	17 400 000	100% net of taxes
II. Grants and Subsidies	3 900 000	100% net of taxes
III. Credit, Guarantee Funds	1 200 000	100% net of taxes
IV. Operating Costs	1 100 000	100% net of taxes
V. Salaries and Allowances	5 200 000	100% net of taxes
TOTAL	28 800 000	

(b) The terms used in the Table above are defined as follows:

- (i) "Goods, Services and Inputs" includes: Works; Goods and Equipment; Consulting Services; and Training and Workshops.
- (ii) "Grants and Subsidies" consist of matching grants under Component 2.
- (iii) "Credit, Guarantee Funds" consists of short and medium term credit to be extended by PFIs (banks and non-bank microcredit institutions) under Component 2.

2. Start-up Costs. Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal but after the date of entry into force shall not exceed an aggregate amount of USD 300 000 and shall be incurred only for expenses related to pre-implementation start-up activities under Categories I, IV and V above.

Schedule 3

Special Covenants

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

1. Gender. The Borrower shall ensure that gender concerns shall be mainstreamed in all Project activities throughout the Project Implementation Period. The Borrower shall also ensure that women beneficiaries shall be represented in all Project activities and that they receive benefits from the Project outputs.
2. Tax Exemption. The Borrower shall, to the fullest extent possible, exempt the proceeds of the Financing from all taxes. Any taxes which the Project is nonetheless obliged to pay shall be promptly reimbursed by the Borrower.
3. Internal Audit. The National Inspectorate of Finance or an independent and qualified internal audit firm acceptable to IFAD will perform Project internal audits in accordance with an annual risk-based work-plan.
4. Key Project Staff. The Borrower shall ensure that key staff are recruited and in the event of turnover they are replaced on a timely basis. Should the recruitment process be prolonged, where appropriate the Borrower shall make recourse to a suitably qualified external service provider acceptable to IFAD.