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Investing in rural people

President's report

Proposed loan to the Republic of Angola for the Smallholder Resilience Enhancement Project (SREP)

Project ID: 2000002071

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Project delivery team

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Abbreviations and acronyms

AFD	Agence française de développement
ARP	Agricultural Recovery Project
AWP/B	Annual workplan and budget
BADEA	Arab Bank for Economic Development in Africa
EIRR	economic internal rate of return
FFS	farmer field school
GDP	gross domestic product
IDA	Agricultural Development Institute
IFAD	International Fund for Agricultural Development
MOSAP	Market-oriented Smallholder Agriculture Project
PIF	portfolio implementation facility
PIU	project implementation unit
SREP	Smallholder Resilience Enhancement Project
UCU	unified coordination unit

Map of the project area



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 | 03-07-2019

Republic of Angola
 Smallholder Resilience Enhancement Project (SREP)
 Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Angola
Recipient	Republic of Angola
Executing agency:	Ministry of Agriculture and Forestry
Total project cost:	US\$150.0 million
Amount of IFAD loan:	EUR 26.2 million
Amount of IFAD climate finance:*	US\$14.8 million
Terms of IFAD loan:	Ordinary loan in euros, maturity period: 23 years; grace period: 7 years; fixed spread
Cofinanciers:	Arab Bank for Economic Development in Africa (BADEA) and Agence française de développement (Afd)
Amount of cofinancing:	BADEA: US\$40.0 million Afd: US\$42.0 million
Terms of cofinancing:	BADEA: ordinary Afd: ordinary
Contribution of borrower:	US\$10.0 million
Contribution of beneficiaries:	US\$6.5 million
Financing gap	US\$21.7 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

* As per the Multilateral Development Bank Methodologies for Tracking Climate Adaptation and Mitigation Finance.

Recommendation for approval

The Executive Board is invited to approve the recommendation made in paragraph 57 for the proposed financing to the Republic of Angola for the Smallholder Resilience Enhancement Project (SREP).

I. Context

A. National context and rationale for IFAD involvement

National context

1. The Republic of Angola covers an area of 1,247,000 km² and is the third-largest country in sub-Saharan Africa, with an estimated population of 24.3 million people,¹ about 38 per cent of whom live in rural areas.² Since the return of peace 16 years ago, Angola has made significant progress in developing and implementing programmes aimed at revitalizing the economy, restoring basic social services and rehabilitating infrastructure. These programmes have, however, fallen short of their objectives of providing sustainable livelihoods to poor people in rural areas and of reducing the country's huge food import bill.
2. The decline in oil revenues in 2015-2016 prompted the Government of Angola to step up its efforts to promote economic diversification. Currently, the agriculture sector contributes 5.5 per cent of the country's GDP and employs about 44 per cent of the population. Angola is at a unique stage in its development as it transitions from an oil-based economy towards a more diversified economy in which both agriculture and private sector development will play an important role.
3. More than half of Angola's poor are located in rural areas and depend almost exclusively on subsistence agriculture. Improving smallholder agricultural production, productivity and commercialization, as viewed through a climate resilience lens, is critical for rural poverty reduction.
4. Rural development interventions in Angola need to address constraints at the individual, community and institutional levels while also factoring in the differing agroecosystems and farming economies existing in the northern and southern parts of the country.

Special aspects relating to IFAD's corporate mainstreaming priorities

5. Gender. In all, 23 per cent of agricultural households are headed by women, who account for 70 per cent of the country's traditional subsistence agriculture and 24 per cent of its commercial agriculture. In general, women are not entitled to own property on equal terms with men; their right to own land often depends on their marital status.
6. Youth. Youth unemployment stands at 46 per cent, compared to a total unemployment rate of 24 per cent. Rural youth face a major challenge in seeking profitable livelihood options and employment opportunities. A significant number of households are headed by young people.
7. Nutrition. Despite some progress,³ malnutrition remains a public health concern, as the stunting rate is 38 per cent and the anaemia prevalence rate among children aged 6–59 months is 65 per cent. The prevalence of stunting is greater among rural populations (46 per cent) than in urban areas (32 per cent).
8. Climate change. Agriculture, particularly in the south, has become increasingly vulnerable to climate change and extreme weather events, including droughts (e.g. 2012–2016) and floods (e.g. 2017) over the last decade. In the northern

¹ Source: 2014 census.

² Government of Angola (2016), "Censo 2014. Resultados definitivos do recenseamento geral da população e de habitação de Angola 2014", National Institute of Statistics.

³ The prevalence of undernourishment dropped from 32.1 per cent in 2004–2006 to 14 per cent in 2014–2016.

provinces, extremely heavy rainfall damages crops and has an adverse effect on living conditions. A noticeable consequence⁴ is the reduced length of growing seasons due to droughts (south) and the late onset of rains (north), which have had a negative impact on food and nutrition security.

Rationale for IFAD involvement

9. The Government of Angola and IFAD are transitioning towards a programmatic approach that is informed by a long-term vision in support of the economic diversification agenda. This approach will entail locally adapted interventions to strengthen the transformation of rural agriculture. The rationale for the Smallholder Resilience Enhancement Project (SREP) stems from the need to address the shortfall in agricultural investment in the north, where the potential for agriculture production is strong, and to enhance livelihood resilience in the south, given the likelihood of the recurrence of extreme weather events.
10. The design of SREP also factors in the recommendation made in the 2018 country strategy and programme evaluation (CSPE) regarding the need to make capacity-building a key pillar of IFAD's work in Angola. The SREP design is harmonized with the approaches taken by the Family Agriculture Development Project (SAMAP) and the Agricultural Recovery Project (ARP) in order to streamline implementation. SREP is closely aligned with national priorities and will contribute directly to the achievement of the objective of developing the family farming sector by working with farmers' organizations and cooperatives to that end.

B. Lessons learned

11. Lessons learned from IFAD's experience in project implementation (the Market-oriented Smallholder Agriculture Project (MOSAP) - Phases I and II, and, more recently, SAMAP) have guided the SREP design.
12. Working with farmers on the basis of small, demand-driven investment proposals (subprojects) promotes sustainability. Under MOSAP, the key to success was community ownership at all stages of implementation, including operations and infrastructure maintenance.
13. The design of microprojects requires flexibility and the establishment of clear eligibility criteria for the different categories of beneficiary groups. Flexibility is also needed to ensure inclusiveness and to reach the more vulnerable households.
14. A concerted effort is required to build the capacities of government staff and service providers to effectively support rural agricultural development initiatives.

II. Project description

A. Project objectives, geographic area of intervention and target groups

15. SREP's goal will be to help to improve the food and nutrition security of targeted households. The development objective will be to boost agricultural productivity and the resilience of targeted households.
16. The SREP project area encompasses arid, semi-arid and subhumid agroecological zones and will cover 35 municipalities in seven provinces: Bengo, Zaire, Uíge and Cuanza Norte in the north, and Benguela, Cunene and Namibe in the south.
17. The project will target a total of 218,000 households (just over 1 million people) – 65,400 households in the south and 152,000 households in the north. The core SREP target group will comprise low-income smallholder households that are members of cooperatives or associations; in the south, the programme will target households

⁴ A climate risk analysis undertaken by the Africa Climate and Development Initiative illustrated the effects of climate change and its particular impact on cereal crops.

vulnerable to climate shocks which can be helped to transition from recovery to resilience.

B. Components/outcomes and activities

18. SREP will have two technical components and one cross-cutting component:
19. Component 1 (Institutional capacity-building and rural infrastructure). This component will focus on strengthening capacities and supporting investments in rural infrastructure, market access and forms of land management designed to enhance climate resilience. Its implementation will be divided into two subcomponents. The first will be devoted to strengthening capacity for the provision of improved services to family farmers. This objective will be pursued by building the capacity and skills of government agricultural extension specialists at the provincial and municipal levels and national NGOs that are working to support the development of family farming and their producer groups in order to ensure effective implementation capacity. The second subcomponent will focus on investing in climate-resilient public rural infrastructure as a means of enhancing overall resilience and market access. The objective of this subcomponent is to invest in the construction of rural infrastructure and land development in order to enhance climate resilience and promote better production and marketing conditions.
20. Component 2 (Family farming strengthening and investment). This component will focus on strengthening the capacities of family farmers, mainly via farmer field schools (FFS), and providing investments to support agricultural productivity, value addition and improved livelihood opportunities for the rural poor. It will be implemented on the basis of the following subcomponents: (i) Strengthening capacity for family farming. The objective of this subcomponent will be to build the capacity and skills of family farmers through the provision of support by government agricultural extension workers and national NGOs for the development of family farming; and (ii) Investing in family farming. The objective of this subcomponent will be to improve agricultural productivity, increase value addition, link farmers to markets and boost the incomes of family farmers and enhance their livelihood opportunities.
21. Component 3 (Project coordination and management). This component will address the institutional capacity gaps in project management, finance and procurement. It will be divided into two subcomponents: (i) the SREP project implementation unit (PIU); and (ii) the unified coordination unit (UCU) and portfolio implementation facility (PIF).
22. SREP's main expected outcomes will be: (i) strengthened institutional capacity for the delivery of services to enhance food security, productivity and resilience, with 125,000 farmers reporting regular use of advisory and support services; (ii) rural infrastructure to build resilience and enhance productivity and market access, with 40,000 households reporting improved access to water, land and road infrastructure; (iii) acquisition by farming families of skills and technologies for supporting food and nutrition security, enhanced resilience/productivity and market access, with 80,000 households, disaggregated by gender, applying climate-resilient technologies and practices; and (iv) improved profitability of farm and non-farm income-generating activities as a means of improving access to food, with 80,000 households reporting at least a 30 per cent increase in the proportion of agricultural output sold on the market.

C. Theory of change

23. SREP will support small family farmers in the north and south of the country in making a transition from subsistence farming to diversified livelihoods and stable production outputs for own-consumption and the marketing of surpluses. SREP will factor in differences in agroecology and farming systems. In the north, where the agroecological potential and socioeconomic conditions for market-oriented approaches to farming are present, SREP will focus on these approaches. In the south, the objective will be to build resilience in drought-affected provinces.

24. This transformation will be achieved by: (i) strengthening institutional and private sector capacities for improved delivery of advisory and climate information services tailored to small family farmers' needs; (ii) strengthening farmer field schools and other extension approaches to support farmers in sustainable land management (SLM), introduction of drought-tolerant crops and varieties, adaptation of cropping calendars, and rainwater harvesting and small-scale irrigation management; (iii) providing training that focuses on nutrition and healthful family diets; and (iv) providing matching grant funding, which may be cofinanced out of a revolving fund for increased access to water, adoption of climate-resilient farming practices and the establishment of alternative livelihoods.
25. In both the north and south, special attention will be devoted to the inclusion and targeting of women, youth and vulnerable groups, which will be accomplished by tailoring project activities to their needs. The theory of change for good nutrition outcomes is anchored in support for the increased availability and consumption of a diverse range of nutritious foods.

D. Alignment, ownership and partnerships

26. SREP is aligned with national priorities, including those set out in the Medium-Term Development Plan for the Agricultural Sector (PMDSA) and the Long-Term National Plan (PNLP), where agriculture and rural development are highlighted as priority areas. SREP will contribute to the achievement of four Sustainable Development Goals (SDGs): ending poverty (SDG 1), zero hunger (SDG 2), climate action (SDG 13) and life on land (SDG 15).
27. The project is aligned with IFAD's Strategic Framework 2016–2025 and will contribute directly to the achievement of strategic objective 1 (SO1) – increase poor rural people's productive capacities; SO2 – increase poor rural people's benefits from market participation; and SO3 – strengthen the environmental sustainability and climate resilience of poor rural people's economic activities. SREP is also aligned with the 2019–2024 country strategic opportunities programme for Angola, which supports the sustainable and inclusive transformation of family farming with a view to increasing incomes, food security and diversified livelihoods for the rural poor. SREP has also been informed by the findings of the recent country strategy and programme evaluation for the period 2005–2017.
28. An innovative element of this project is the establishment of a unified coordination unit to coordinate and oversee the IFAD investment portfolio being executed by the Ministry of Agriculture and Forestry.

E. Costs, benefits and financing

29. The IFAD financing will comprise a loan of US\$29.8 million from the current IFAD11 PBAS allocation (IFAD11). The financing gap of US\$21.7 million (14.5 per cent of project costs) may be sourced through subsequent PBAS cycles (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or by cofinancing identified during implementation.
30. Subcomponents 1.1., 1.2, 2.1 and 2.2 will each contribute, in whole or in part, to IFAD climate change adaptation finance. The total amount of IFAD climate finance for the first IFAD investment has been set at US\$14.8 million, which represents 49.8 per cent of the first IFAD project amount. If approved, the second IFAD loan would include US\$10.7 million in IFAD climate finance, which represents 49.2 per cent of the second IFAD investment.

Project costs

31. The total SREP investment and incremental recurrent costs, including physical and price contingencies, are estimated at US\$150.0 million (Kz 34.5 billion). Table 1 below presents a breakdown of the costs by component. The investment in component 1 (institutional capacity-building and rural infrastructure) will total US\$89.4 million (59 per cent of total costs). The investment in component 2 (family farmer strengthening and investment) will total US\$38.3 million (26 per cent of total costs). The investment in component 3 (project coordination and management) will total US\$22.3 million (15 per cent of total costs), of which the SREP project implementation unit (PIU) will account for US\$16 million (11 per cent of total costs) and the unified coordination unit (UCU), in which the PIU will be embedded, will account for US\$6.3 million (4 per cent of total costs).

Table 1
Project costs, by component and financier
 (Thousands of United States dollars)

Component/subcomponent	IFAD loan		BADEA		AfD		Government		Beneficiaries		Financing gap		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Institutional capacity-building														
1. Strengthening capacity for the provision of improved services to family farmers	7,664	33.0	-	-	8,394	36.1	1,130	4.9	-	-	6,063	26.1	23,251	15.5
2. Investing in public rural infrastructure	6,859	10.4	36,603	55.3	10,434	15.8	6,794	10.3	617	0.9	4,869	7.4	66,176	44.1
Subtotal: Institutional capacity-building	14,522	16.2	36,603	40.9	18,828	21.1	7,925	8.9	617	0.7	10,932	12.2	89,427	59.6
B. Family farmer strengthening and investment														
1. Strengthening capacity for family farming	6,350	29.3	-	-	9,659	44.5	1,068	4.9	112	0.5	4,508	20.8	21,697	14.5
2. Investing in family farming	3,296	19.9	-	-	5,013	30.3	147	0.9	5,771	34.8	2,340	14.1	16,566	11.0
Subtotal: Family farmer strengthening and investment	9,646	25.2	-	-	14,673	38.3	1,215	3.2	5,883	15.4	6,847	17.9	38,263	25.5
C. Programme coordination and management														
1. SREP project implementation unit	3,674	23.0	3,397	21.2	5,589	34.9	733	4.6	-	-	2,608	16.3	16,001	10.7
2. Unified coordination unit (UCU) - portfolio implementation facility (PIF)	1,913	30.3	-	-	2,911	46.1	127	2.0	-	-	1,358	21.5	6,310	4.2
Subtotal: Programme coordination	5,587	25.0	3,397	15.2	8,499	38.1	860	3.9	-	-	3,966	17.8	22,311	14.9
Total	29,755	19.8	40,000	26.7	42,000	28.0	10,000	6.7	6,500	4.3	21,745	14.2	150,000	100

Table 2
Project costs, by expenditure category and financier
 (Thousands of United States dollars)

Expenditure Categories	IFAD loan		BADEA		AfD		Government		Beneficiaries		Financing gap		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Works	6,938	10.7	35,543	54.7	10,555	16.2	7,072	10.9	-	-	4,925	7.6	65,033	43.4
2. Matching grant	4,869	22.5	-	-	7,407	34.2	464	2.1	5,436	25.1	3,457	16.0	21,634	14.4
3. Vehicles	699	27.7	56	2.2	1,064	42.1	212	8.4	-	-	496	19.6	2,528	1.7
4. Goods, services and inputs	4,327	26.0	636	3.8	6,583	39.6	938	5.6	1,064	6.4	3,072	18.5	16,621	11.1
5. Consultancies	2,763	27.7	459	4.6	4,204	42.2	578	5.8	-	-	1,962	19.7	9,965	6.6
6. Training	4,095	30.0	403	3.0	6,229	45.7	9	0.1	-	-	2,907	21.3	13,643	9.1
7. Operating costs	1,097	22.9	1,015	21.1	1,669	34.8	240	5.0	-	-	779	16.2	4,800	3.2
8. Salaries and allowances	4,965	31.5	1,886	12.0	4,290	27.2	487	3.1	-	-	4,147	26.3	15,775	10.5
Total	29,755	19.8	40,000	26.7	42,000	28.0	10,000	6.7	6,500	4.3	21,745	14.5	150,000	100.0

Table 3
Project costs, by component and project year (PY)
 (Thousands of United States dollars)

Components/subcomponents	PY1		PY2		PY3		PY4		PY5		PY6		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Institutional capacity-building														
1. Strengthening capacity for the provision of improved services to family farmers	6 251	30.7	6 723	21.0	6 451	19.7	2 189	7.8	805	3.6	832	5.6	23 251	15.5
2. Investing in public rural infrastructure	5 168	25.4	15 356	48.0	14 749	45.1	14 298	51.0	10 398	47.1	6 207	41.8	66 176	44.1
Subtotal	11 419	56.2	22 079	69.0	21 200	64.8	16 486	58.8	11 203	50.8	7 039	47.4	89 427	59.6
B. Family farmer strengthening and investment														
1. Strengthening capacity for family farming	2 836	20.0	4 098	12.8	4 413	13.5	4 548	16.2	3 918	17.8	1 885	21.7	21 697	14.5
2. Investing in family farming	1 268	6.2	2 156	6.7	3 449	10.5	3 486	12.4	3 489	15.8	2 718	18.3	16 566	11.0
Subtotal	4 105	20.2	6 253	19.5	7 862	24.0	8 034	28.6	7 407	33.8	4 602	31.0	38 263	25.5
C. Programme coordination and management														
1. SREP project implementation unit	3 354	16.5	2 424	7.6	2 555	7.8	2 512	9.0	2 456	11.1	2 699	18.2	16 001	10.7
2. Unified coordination unit (UCU) – portfolio implementation facility (PIF)	1 437	7.1	1 235	3.9	1 121	3.4	1 022	3.6	996	4.5	498	3.4	6 310	4.2
Subtotal	4 792	23.6	3 660	11.4	3 676	11.2	3 534	12.6	3 452	15.6	3 197	21.5	22 311	14.9
Total	20 316	13.5	31 992	21.3	32 738	21.8	28 054	18.7	22 062	14.7	14 839	9.9	150 000	100.0

Project financing/cofinancing strategy and plan

32. The Government of Angola will finance taxes, duties and contributions to extension infrastructure in the amount of US\$10 million (about 6.7 per cent of total costs). The estimate of taxes and duties is based on prevailing rates at the time of design. In conformity with the principle that no taxes or duties shall be financed out of the proceeds of an IFAD loan, any changes in the rates of taxes and duties will have to be met by the Government. Beneficiaries will contribute US\$6.5 million (about 4.3 per cent of project costs), mainly in the form of in-kind contributions. The Arab Bank for Economic Development in Africa (BADEA) will contribute about US\$40.0 million (26.7 per cent) and the Agence française de développement (Afd) a further US\$42.0 million (28.0 per cent).

Disbursement

33. The Agricultural Development Institute (IDA) of the Government of Angola is to open a designated bank account in United States dollars in Luanda to receive the loan proceeds. Two operational accounts, one in kwanza (Kz) and one in United States dollars, will be opened in a commercial bank in Luanda. Another bank account in kwanza will be opened to receive government counterpart funds. Four bank accounts in kwanza (one per province) will be opened to manage expenditures at the local level. Because it is extremely difficult to process foreign currency payments to bank accounts abroad and because there is a shortage of United States dollars for bank-to-bank transfers within Angola, SREP will need to make more frequent use of the direct payment method for contractors and suppliers. Alternatives for handling foreign currency payments are being explored. Detailed procedures for operating the bank accounts will be outlined in the Financial Management Procedures Manual (FMPM).

Summary of benefits and economic analysis

34. Economic and financial analysis. SREP will improve the livelihoods and nutrition status of 218,000 beneficiary households, create employment at the farm and farmer organization levels and boost crop/livestock production and market linkages. It is estimated that SREP will yield an economic internal rate of return (EIRR) of 26 per cent and have an economic net present value of US\$91.6 million (at a 9.35 per cent discount rate). The programme will be highly profitable from an economic standpoint. A sensitivity analysis indicates the presence of a high degree of resilience to increases in costs and reductions in benefits, as the project would still yield an EIRR of 22.4 per cent and 21.6 per cent if benefits were reduced by 10 per cent or 20 per cent, respectively.

Exit strategy and sustainability

35. Sustainability is built into SREP by the following: (i) the use of farmer field schools and other extension approaches which will train large numbers of farmer facilitators who will continue to provide technical assistance long after the project has ended; (ii) its focus on developing the competencies and skills of potential extension workers and service providers; (iii) the investment support to be provided to smallholder farmers and their organizations in order to enhance productivity, increase income and develop better linkages with traders, input suppliers and agroprocessors; and (iv) the enhanced capacity of IDA staff and technical support services.
36. SREP interventions will contribute to environmental sustainability by enhancing resilience and improving community-based natural resource management.

III. Risks

A. Project risks and mitigation measures

37. SREP's overall risk is assessed as significant due to weak implementation and fiduciary capacity, limited technical capacities, and potential environmental and climate change impacts. Table 4 below identifies the main risks and proposed mitigation measures.

Table 4

Main risks and mitigation measures

<i>Risks</i>	<i>Mitigation measures</i>
Limited public sector capacity: municipalities, and communes have limited capacity in terms of staff numbers, skills, experience and facilities.	Capacity-building and technical assistance/training will be provided to IDA and other government staff at the provincial and municipal levels.
Limited availability of qualified financial management and procurement staff.	SREP will receive fiduciary support from the UCU for all IFAD projects. IFAD will also provide training and regular support in the area of financial management during the first three years.
Limited availability of foreign currency in Angola (especially United States dollars), which has given rise to: (i) a parallel exchange market on which rates are higher than the official exchange rate; and (ii) the possibility that the project will find it necessary to execute payments directly in United States dollars, which has an effect in terms of the possibility of contracting non-Angolan service providers/partners.	SREP will explore: (i) the possibility of opening offshore bank accounts to manage United States dollar-related transactions; and (ii) appropriate methods of planning/executing flows of funds from the designated account in United States dollars to the operational account in kwanza in order to mitigate the risk of eroding purchasing power.
Limited capacity at the community level: there is a shortage of service providers with the necessary knowledge and skills for social mobilization, community development and income generation.	Technical assistance will be provided to support field-level extension staff and service providers.
Negative impacts on the environment and natural resource management: the implementation of some activities may lead to undesirable environmental impacts.	Negative impacts will be minimized under the Environmental and Social Management Plan. Training will be provided on environmental assessment, planning, management and monitoring.
Climate-related extreme events.	Diversification of livelihoods will enhance social and economic resilience. This effort will be complemented by capacity-building for smallholders in climate change adaptation.
Elite capture of resources, particularly investments, intended for smallholders.	Provincial governance committees will be established. The members of these committees will include representatives of traditional and community leaders and civil society. Criteria will be developed to ensure the inclusion of the ultra-poor and other beneficiary groups.
A mindset that entails the expectation of the receipt of free inputs from the Government.	Community-managed revolving funds will be set up. Community groups and the FFS approach will also maximize social cohesion among the smallholders.

B. Environment and social category

38. SREP has been classified in environment and social category B. Details on minimizing the potential negative environmental and social impacts, as well as climate risk, are included in the **Social, Environmental and Climate Assessment Procedures** review note (see the project design report). SREP will make use of IFAD's complaints procedure to resolve any concerns or complaints with respect to possible non-compliance with its

environmental and social policies or mandatory aspects of its Social, Environmental and Climate Assessment Procedures.

C. Climate risk classification

39. SREP's climate risk classification is high. Rain-fed cropping in the northern provinces is subject to significant annual variations in rainfall, while the southern provinces have been severely affected by droughts and floods. In both areas, farmers use traditional cropping methods and have no more than a limited awareness of methods of soil or water conservation, the need to replace soil nutrients, the implications of their choice of plant varieties, irrigation systems or other climate-adaptive technologies. A detailed climate vulnerability analysis will be conducted under the initial tranche of project financing to further inform project adaptation measures.

D. Debt sustainability

40. Angola's external debt remains vulnerable to shocks, especially to unfavourable current account developments (e.g. unforeseen export losses or spikes in imports) and large exchange rate depreciations. Under the baseline scenario, the external debt is expected to remain at around 40 per cent of GDP over the projection years. The share of total debt is likely to remain high over the medium term, as the Government continues to finance the bulk of public investments with external credit lines. This strategy could reduce domestic debt rollover risks. External financing requirements are projected to remain manageable at about 6–7 per cent of GDP over the medium term. These risks could be mitigated by government efforts to implement structural reforms to diversify the economy and strengthen external buffers.⁵

IV. Implementation

A. Organizational framework

Project management and coordination

41. The Ministry of Agriculture and Forestry will be the lead project agency and will work closely with the other line ministries and partners whose mandates have a direct bearing on the achievement of project objectives. IDA will be responsible for the overall administration and coordination of SREP. The Ministry of Agriculture and Forestry will be supported by a project coordination committee that will act as an oversight body and will be chaired by the Minister of Agriculture (or nominee). The members of the committee will be representatives of institutions with direct relevance to the achievement of SREP's objectives. At the provincial level, there will be provincial project coordination committees whose composition and functions will mirror those of the project coordination committee.

Governance, financial management and procurement

42. Overall implementation arrangements. IDA will be SREP's implementation agency. The SREP management unit will be embedded in the UCU, which will be established by IDA in Luanda to coordinate the implementation of all IFAD projects executed by the Ministry of Agriculture and Forestry. The UCU will also be responsible for the overall fiduciary management of the IFAD-financed projects for which the Ministry of Agriculture and Forestry will serve as the executing agency.
43. Financial management. SREP will set up a dedicated financial management team, to be embedded in the UCU. The team will be composed of a financial management officer (FMO), a finance specialist (FS) and an accountant, who will be responsible for the day-to-day accounting and SREP's financial management arrangements. Four additional accountants will be hired for the four provincial project implementation units. The sub-offices that are to be established by IDA at the provincial level will only handle small transactions, which will be managed by the sub-office administrative assistant.

⁵ IMF Country Report No. 18/156.

The selection of the FMO and the FS will be carried out by IDA in accordance with government practices for the appointment of staff and subject to IFAD's no objection. As part of the overall UCU set up, IDA will hire an internationally reputable accounting and/or auditing firm to provide on-the-job training to project financial management staff. It is envisioned that this type of support will be furnished over the first two years of the project. The procedures for preparing the annual budget and determining project financing requirements will be documented in the FMPM. The budget proposal will be endorsed by IDA, approved by the project coordination committee and submitted to IFAD prior to implementation.

44. The annual workplan and budget (AWP/B) will describe all the activities to be implemented and the corresponding expenditures, which are to be listed by component, category, funding source and implementation timeline. It will also contain a procurement plan for the relevant implementation period. The budget information will be entered in the accounting system and will be accessible from that system in order to allow for the timely recording of commitments and payments. SREP's accounting policies will comply with International Public Sector Accounting Standards (IPSAS). The project's chart of accounts will be developed in such a way as to properly capture the appropriate information on financiers, components, subcomponents, categories, activities and expenditures.
45. The FMPM will be adopted by the UCU, applied to SREP and incorporated as an annex to the project implementation manual. SREP will employ regular government internal control systems and procedures, including those relating to authorization, recording and custody controls. The project-specific control requirements will be stipulated in the FMPM. The UCU will procure and install accounting software, which will include a budget module; software customization will ensure the presence of a direct connection between workstations at UCU and at the provincial level. Annual financial statements will be prepared in accordance with the IPSAS cash basis method of accounting. The UCU will engage the services of an internal auditing company by means of a competitive bidding process. This internal auditing company will then provide its services to all ongoing IFAD projects implemented by IDA. As the level of perceived risk is high, the project should be internally audited at least twice each project year. The internal auditor will report to the Project Steering Committee, and contract administration will be facilitated by the Project Coordinator.
46. External audit. Project financial statements will be audited by independent private auditing firms that are satisfactory to IFAD, in accordance with International Standards of Auditing (ISA). The selection of the auditor will be conducted by means of an open competitive bidding process. The auditor's report will be submitted to IFAD no later than six months after the close of the borrower's fiscal year.
47. Procurement. The procurement of goods, works and services will be undertaken in accordance with national procedures to the extent that they are consistent with IFAD's Project Procurement Guidelines. All procurement operations financed by IFAD will be exempt from duties and taxes.

B. Planning, monitoring and evaluation, learning, knowledge management and communication

48. The planning of project activities will be an ongoing, participatory process coordinated by the PIU with support from the provincial and municipal offices in the southern and northern provinces. Consolidated AWP/Bs for the two subregional offices will serve as the basis for planning and implementation.
49. The M&E system will be established to provide information on progress and performance that can be used to monitor the development process and contribute to effective decision-making and reporting to the Government and IFAD.
50. In line with the project implementation approach, the M&E system will be decentralized. A baseline study will be carried out within the first year of project implementation.

Another survey will be carried out at the midway point in order to capture the progress made, as measured against the relevant outcome indicators, including the IFAD mandatory/core indicators under the new IFAD Operational Results Management System (ORMS).

Innovation and scaling up

51. Attention will be given to scaling up activities that have already been successfully tried out under SAMAP and ARP. These activities include, in particular, the FFS approach to extension work and the animal health worker concept as applied to the improvement of access to veterinary services for herders in the southern provinces.

C. Implementation plans

Implementation readiness and start-up plans

52. SREP will benefit from the experience of the ongoing programme to ensure quick and effective start-up of project activities. The use of a unified coordination unit will ensure that synergies and lessons learned are shared with the SREP team in order to avoid delays in activity start-up.

Supervision, midterm review and completion plans

53. Supervision and implementation support will be jointly undertaken by IFAD and the Government of Angola.

V. Legal instruments and authority

54. A project financing agreement between the Republic of Angola and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement will be delivered to Executive Board representatives at least five business days prior to the lapse of the 30-day period following delivery to these representatives of the President's report and the project design document.
55. The Republic of Angola is empowered under its laws to receive financing from IFAD.
56. The proposed financing will comply with the Agreement Establishing the International Fund for Agricultural Development and the Policies and Criteria for IFAD Financing.

VI. Recommendation

57. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan in euros on ordinary terms with a maturity of 23 years and a grace period of 7 years at a fixed spread to the Republic of Angola in the amount of twenty-six million two hundred thousand euros (EUR 26,200,000) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Negotiated financing agreement

To be delivered to Executive Board representatives.

Smallholder Resilience Enhancement Project: Logical framework

Results hierarchy	Indicators				Means of verification			Assumptions (A)/ Risks (R)
	Name	Baseline	Mid-term	End target	Source	Frequency	Responsibility	
Outreach	Number of beneficiaries reached (hh) (with women comprising at least 40% and youth 25%)	0	100,000	218,000	<ul style="list-style-type: none"> Reference studies and hh surveys. 	<ul style="list-style-type: none"> Baseline MTR End-line 	<ul style="list-style-type: none"> PIU/ SCU 	(A) Extreme climate change shocks do not occur
Goal: Contribute to improved household food and nutrition security of targeted communities	No. of HH reporting improved food security as measured by Food Insecurity Experience Scale (FIES) ⁶ , (data disaggregated by gender of household heads) and	0	42,000	152,600	<ul style="list-style-type: none"> Reference studies and hh surveys 	<ul style="list-style-type: none"> Baseline MTR End-line 	<ul style="list-style-type: none"> PIU/ SCU 	(A).Extreme climate change shocks do not occur
	No. of women of reproductive age reporting good dietary diversity (MDD-W) ⁷	TBD	25,000	61,000	Household surveys	<ul style="list-style-type: none"> Baseline MTR End-line 	<ul style="list-style-type: none"> PIU/ SCU 	A).Extreme climate change shocks do not occur
Development objective: Increased productivity and resilience of targeted households	HH report a 30% increase in agriculture productivity for selected food crops	TBD	40,000	112,000	<ul style="list-style-type: none"> Project M&E system Production and yields survey Specific technical and activity report. 	<ul style="list-style-type: none"> Annual 	<ul style="list-style-type: none"> PIU/ SCU 	A).Extreme climate change shocks do not occur
	No. of HH report a > 50% increase in resilience score ⁸ (data disaggregated by gender of household heads)	TBD	30,000	104,600	<ul style="list-style-type: none"> Specific technical and project activity reports 	<ul style="list-style-type: none"> Annual 	<ul style="list-style-type: none"> PIU/ SCU 	(R).population increases may jeopardize sustainability of management systems.

⁶FIES consists of eight questions regarding people's access to adequate food: 1) You were worried you would not have enough food to eat?; 2) You were unable to eat healthy and nutritious food?; 3) You ate only a few kinds of foods?; 4) You had to skip a meal?; 5) You ate less than you thought you should?; 6) Your household ran out of food?; 7) You were hungry but did not eat?; 8) You went without eating for a whole day?

⁷ MDD-W: Minimum dietary diversity indicator for women of reproductive age (15-49 years) is a diet quality indicator associated with micronutrient adequacy of diets

⁸Resilience of beneficiary household will be monitored using a resilience scorecard presented in annex 4 to appendix 6.

Outcome 1: : Strengthened institutional capacity to deliver services to enhance food security, productivity and resilience	No. of family farmers reporting regular use of advisory and support services (disaggregated by gender and age)	0	40,000	125,000	▪ Specific technical and project activity report	Annual	▪ PIU/ SCU	(R).GoA was unable to recruit the additional extension staff needed to ensure effective project delivery. .
	No. of family farmers reporting use of climate information services (disaggregated by gender and age)	0	20,000	49,000	Specific technical and project activity reports	Annual	▪ PIU/ SCU	
Outputs: 1.1 Technical, organizational and managerial competencies of advisory and support service staff improved	No. of government-employed staff participating in training programmes run by the project during the period under review. (disaggregated by gender)	TBD	1,500	3,0000	Project M&E system	Annual	▪ PIU/ SCU	
Outcome 2: Rural infrastructure to build resilience and enhance productivity and market access	No. of households with improved access to water, land and road infrastructure	TBD	15,000	40,000	Project M&E system	Annual	▪ PIU/ SCU	A).Extreme climate change shocks do not occur
Outputs 2.1 Identification, prioritization construction/ rehabilitation of feeder roads	No. of kilometer of rural roads constructed and/ or rehabilitated	0	200	510	Contractor reports	Bi-annual	▪ PIU/ SCU	
2.2 Land sustainably managed under climate resilient practices	No. of hectares under SLM (including rangelands)	TBD	10,000	21,000	Specific technical and project activity reports	▪ Annual	▪ PIU/ SCU	(A)Project resources are mobilised accordingly
2.3 Water infrastructure managed under climate resilient practices	No. of households reporting improved access to water resources for productive and domestic use (data disaggregated by gender of household heads)	TBD	10,000	30,000	Specific technical and project activity reports	Bi-annual	▪ PIU/ SCU	A).Extreme climate change shocks do not occur
Outcome 3: Farming families acquire skills and technologies for food and nutrition security, enhanced resilience/ productivity and market access	No. of HH applying climate resilient technologies and practices. (data disaggregated by gender)	TBD	30,000	80,000	Specific technical and project activity reports	Bi-annual	▪ PIU/ SCU	
Outputs: 3.1 Family farmers, technical, organizational and managerial competencies Improved	No. of farmers reporting the use of knowledge acquired through FFS training (disaggregated by gender and age)	0	40,000	95,000	▪ Specific technical and project activity reports	Bi annual	▪ PIU/ SCU	
Outcome 4 Improved profitability of farm and non-farm income generating activities to improve access to food.	No. of HH reporting 30% increase in percentage of agriculture output sold in market	TBD	30000	80,000	▪ Specific technical and project activity reports	▪ Annual	▪ PIU/ SCU	(R)Cultural factors could hinder the long-term uptake of GAP technologies
Outputs: 4.1 Family farmers are investing in improved production and marketing	No of households reporting use of production inputs and or technological practices	TBD	45,000	120,000	Specific technical and project activity reports	Bi- annual	▪ PIU/ SCU	

(1.2.2 etc) refers to IFAD's core indicators matrix. EB 2017/120/R.7/Rev.1

*Up to 15 indicators including a few optional RIMS indicators. In addition to these, RIMS mandatory indicators must be added. **The distribution of indicators is illustrative ***Intermediate targets for the Goal and Outputs are optional.