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Investing in rural people

Republic of Angola
Smallholder Resilience Enhancement Project
Information note

Note to Executive Board representatives

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Executive Board — 128th Session
Rome, 10-12 December 2019

For: Information

Smallholder Resilience Enhancement Project – Information note

1. In September 2019, the Executive Board considered the proposal contained in document EB 2019/127/R.27 and adopted 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."
2. The Executive Board approved the Smallholder Resilience Enhancement Project in Angola, subject to the completion of negotiations of the financing agreement before the 128th Executive Board session. A copy of the negotiated financing agreement would be tabled at the 128th Board session along with any substantive changes to the terms presented to the Board at its 127th session.
3. In accordance with the conditions of the Executive Board's approval, negotiations were concluded on 28 October 2019. In this context, modifications to the President's report, resulting from the negotiations, are presented in the annex.
4. Furthermore, a copy of the negotiated financing agreement is provided in appendix I.

Modifications to the President's report on the Smallholder Resilience Enhancement Project (SREP)

The attention of the Executive Board is drawn to the following modifications to the President's report on the Smallholder Resilience Enhancement Project (EB 2019/127/R.27), submitted to the Executive Board in September 2019. For ease of reference, the changes to the text of the report are shown in boldface, while strikethrough indicates deleted text.

Page 6, paragraph 33, the first four sentences should read:

The Agricultural Development Institute (IDA) of the Government of Angola is to open a designated bank account in ~~United States dollars~~ euro in Luanda to receive the loan proceeds. Two operational accounts, one in kwanza (Kz) and one in ~~United States dollars~~ euro, will be opened in a commercial bank in Luanda. Another bank account in kwanza will be opened to receive government counterpart funds. Other ~~Four bank~~ accounts in kwanza (one per province) will be opened to manage expenditures at the local level.

Negotiated financing agreement: "Smallholder Resilience Enhancement Programme (SREP)"

(Negotiations concluded on 28 October 2019)

FINANCING AGREEMENT

Loan No:

Project name: Smallholder Resilience Enhancement Project (SREP or 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 for the purpose of partially financing the Project;

WHEREAS, the Fund has agreed to provide a loan for the Project to finance the activities described in Schedule 1 to this Agreement;

WHEREAS, the Project will be co-financed by the Agence Française de Développement (AFD) in the amount of USD 42.0 million, and by the Arab Bank for Economic Development in Africa (BADEA) in the amount of USD 40.0 million (each a Co-financer, and together the Co-financers);

WHEREAS, the Borrower and the Co-financers will enter each into a Financing Agreement (the "AFD Agreement" and "BADEA Agreement") to provide financing for the Project;

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), the Special Covenants (Schedule 3) and the General Conditions. In the event of a conflict between this document and any of the Schedules, the provisions of this document shall take precedence.

2. All provisions of the Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") 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, unless the Parties otherwise agree in this Agreement.

3. The Fund shall provide a Loan (the "Financing") to the Borrower 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 Euro twenty six million two hundred thousand (EUR 26.2 Million)

2. The Loan is granted on ordinary terms and shall be subject to interest on the principal amount outstanding of the Loan equal to the IFAD Reference Interest Rate composed of a market based variable reference rate and a fixed spread. The principal and the interest will be payable semi-annually in the Loan Service Payment Currency, and have a maturity period of twenty three (23) years, including a grace period of seven (7) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.

3. The Loan Service Payment Currency shall be the Euro.

4. The first day of the applicable Fiscal Year shall be 1st January.

5. Payments of principal and interest shall be payable on each 15th March and 15th September.

6. There shall be one Designated Account in EUR for the exclusive use of the Project opened in a bank acceptable to the Fund. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.

7. There shall be two Project Accounts, one in AOA (Angolan Kwanza) and one in EUR opened by the Lead Project Agency in a bank acceptable to the Fund to manage IFAD proceeds. Another bank account in AOA shall be opened to receive Government counterpart funds. Additional bank accounts in AOA will be opened in the provinces to manage expenditures at local level.

8. The Borrower shall provide counterpart funds for the Project in an amount equivalent to approximately ten million United State Dollars (USD 10 000 000).

9. The Financing cannot be used to pay taxes.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Forestry (MINAGRIF) of the Borrower.

2. Additional Project Parties include those parties responsible for the implementation of any part of the Project and any other parties deemed necessary by the Lead Project Agency.

3. The Project Completion Date shall be six (6) years after the date of entry into force of this Agreement or such other date as the Fund may designate by notice to the Borrower, and the Financing Closing Date will be established as specified in the General Conditions. The Agreement shall enter into force on the date it is signed by both parties.

Section D

The Loan will be administered and the Project supervised by IFAD.

Section E

1. The following are designated as additional grounds for suspension of the right of the Borrower to request disbursements:

- a) The Project Manager or other key Project staff have been removed from the Project without the prior consultation with the Fund;

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

- a) The IFAD no objection to the final version of the Project implementation Manual (PIM) shall have been obtained;
- b) Establishment of the Single Coordination Unit (SCU);
- c) The Project Manager and the Finance Officer have been appointed as per Schedule 1 of the Agreement.

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

For the Borrower:

Minister of Finance
Largo Da Mutamba
Luanda-Angola
C.P. 1235
Tel+244 222 396 843
Fax +244 222 338 548

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 and shall enter into force as provided for in Section 13.01 of the General Conditions.

REPUBLIC OF ANGOLA

(Authorized Representative)

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. Target population. The Project will target a total of 218,000 households (just over 1 million people), of which 65,400 households in the south and 152,000 households in the north. The core SREP target group in the North will comprise of low-income smallholder households that are members of Cooperatives and Associations, while in the south the programme will target households vulnerable to climate shocks to transition from recovery to resilience.

2. Project area. The Project area encompasses arid, semi-arid and sub-humid agro ecological zones and will cover 35 municipalities in 7 provinces: Bengo, Zaire, Uíge and Cuanza Norte in the north, and Benguela, Cunene and Namibe in the south.

3. Goal. SREP's goal will be to improve the food and nutrition security of targeted households.

4. Objectives. The development objective will be to boost agricultural productivity and the resilience of targeted households.

5. Components. SREP will have two technical components and one cross-cutting component:

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. It will be divided into two subcomponents:

Subcomponent 1.1. Strengthening capacity for improved services to family farmers.

The objective of this subcomponent is to strengthen the capacity and skills of government agricultural extension specialists at provincial and municipal level, and national NGOs supporting the development of family farming and their producer groups. This subcomponent will concentrate on building capacities at the provincial and local level, focusing on extension and service provider staff. It will provide the essential capacity building to ensure effective implementation of subcomponents 1.2 and 2.2.

Subcomponent 1.2. Investing in public rural infrastructure for resilience and market access.

The objective of this subcomponent is to invest in construction of rural infrastructure and land development to enhance climate resilience and promote better production and marketing conditions. Different types of investments will be supported including: a) the construction and rehabilitation of feeder roads, b) construction of market facilities, c) water resources development including smallscale irrigation, and d) sustainable land management. The focus will be on investing in climate-resilient public rural infrastructure as a means of enhancing overall resilience and market access.

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:

Subcomponent 2.1. Strengthening capacity for family farming. The objective is 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;

Subcomponent 2.2. Investing in family farming. The objective is to improve agricultural productivity, increase value addition, link farmers to markets and boost the incomes of family farmers and enhance their livelihood opportunities.

Component 3 (Project coordination and management). This component will address the institutional capacity gaps in project management, finance and procurement. It will be divided in two subcomponents: i) the SREP Project Implementation Unit (PIU); and ii) the Single Coordination Unit and Portfolio Implementation Facility (PIF).

Sub-component 3.1: SREP Project Implementation Unit (PIU): MINAGRI will establish a Project Implementation Unit (PIU) at national level, led by a National Project Manager. MINAGRI-IDA (Instituto de Desenvolvimento Agrário (Agricultural Development Institute) will work very closely with the PIU to oversee the implementation. The unit will be responsible for project coordination. Implementation will be led by two Team Leaders – one to be stationed in one of the northern provinces and the other in the south – responsible for day to day implementation.

Sub-component 3.2: Single Coordination Unit/ Portfolio Implementation Facility: The Single Coordination Unit (SCU) will be set up to strengthen the capacity of the management staff of the IFAD-financed programme in management, M&E and fiduciary issues. The SCU will be led by the current SAMAP and ARP Coordinator who will oversee SREP implementation and will be responsible for strategic management of the IFAD programme.

A Portfolio Implementation Facility (PIF) will be set up to support the SCU with the timely sourcing of national personnel to fill key management and fiduciary positions in the IFAD programme and provide technical assistance in training and mentoring of national counterparts and the set-up of management, procurement and financial systems.

II. Implementation Arrangements

6. Lead Programme Agency. 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.

7. Project Implementation Unit (PIU). SREP will be coordinated through the establishment of a PIU staffed by a Project Manager, a Finance Officer, a Procurement Officer, and an M&E officer (key Project staff). The Project Manager will be supported by two Team Leaders, one for the north and another for the south, deployed in provincial offices. The Teams will be responsible for the day-to-day management of SREP in the north and south. The PIU will be embedded in the Single Coordination Unit (SCU), which will be established by IDA in Luanda to coordinate the implementation of all IFAD projects executed by the Ministry of Agriculture and Forestry.

8. Provincial Project Implementation Units (PPIUs). Four Provincial Project Implementation Units (PPIUs) will be established. In the four northern provinces, two Provincial Units will be set up; one in the town of Mbanza Congo covering Bengo and Zaire region; and another in the town of Uige covering the Uige and Cuanza Norte region.

For the south, two more Provincial Units will be set up in Benguela and Namibe. The units will be located in EDA offices (Estações de Desenvolvimento Agrário (IDA office at municipal level). Given the distances involved, three sub-unit offices will similarly need to be set up in the provinces where there is no project representation. Tentative locations include sub-offices in Bengo province (the town of Caxite), Cuanza Norte, (Mdalatondo), and in Cunene (the town of Ondjiva). Selection of locations were made considering criteria such as easy access to other target municipalities, presence of IDA/EDA staff and current office conditions. These locations, however, should be regarded as tentative with a final decision to be made by IDA in collaboration with the Provincial Governments.

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. The four main PPIUs will include an Area Manager, an Assistant Finance Officer, an Assistant Procurement Officer; an Administrative Assistant, a Secretary and a Driver. For the Sub-offices the personnel will include an Area Manager, an Administrative Assistant and driver. The Area Managers will work in close collaboration with the Provincial Directors of IDA and the Heads of EDA Offices in the target municipalities and will be expected to assist in strengthening local capacities. There will be two M&E officers, one for each of the areas – north and south – and three M&E Assistants (one in the south and two in the north).

9. Single coordination Unit (SCU). The SCU will be established to ensure ease of coordination and oversight, cost efficiencies through shared functions, and developing capacity of IFAD project management staff in fiduciary issues for more effective implementation. The SCU will be responsible for the overall coordination of the IFAD programme portfolio implemented through MINAGRI, including SAMAP (Smallholder Agriculture and Market Access Project), ARP (Agricultural Recovery Project) and SREP. The SCU will be led by the current SAMAP-and ARP Coordinator who will oversee SREP implementation and will be responsible for effective coordination of day-to-day operations.

The SCU will be responsible for fiduciary management, planning, monitoring and evaluation. The Unit will be staffed by a team comprising, the SCU National Coordinator, a Senior Financial Controller, a Senior Procurement Officer and a Senior M&E Officer. Technical assistance in key subject areas will also be available within the SCU to support the technical capacity of project staff, service providers and beneficiaries. These will include, amongst others, experts in Civil Engineering, Environmental Management, FFS (agronomy), Social Development, Agribusiness and Marketing and Water Resources Development. The SCU will host the SREP Manager, two M&E Officers (for the two subprojects), a Procurement Officer and a Finance Management Officer.

10. Project Coordination Committee and related bodies. 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 oversight bodies will be established at two different levels, national and provincial. The members of the committee will be representatives of institutions with direct relevance to the achievement of SREP's objectives.

The Project Coordination Committee (PCC) at the national level will support. The PCC will be chaired by the Minister of Agriculture or his nominee, and composed of membership from institutions with direct relevance to the achievement of SREP's goal and development objective. The PCC will be responsible for the strategic direction, operational oversight of project activities and implementation progress, communication, and overall good governance of the Project. It will: a) provide political and strategic guidance and facilitate inter-sectoral coordination for activities not directly under MINAGRI; b) review and approve the Annual Work Plans and Budget for the Project Implementation Teams; and, c) review annual project reports and support problem

resolution. The Director General of IDA will be the Secretary of the PCC, which will meet at least twice a year or more frequently, as and when need arises.

11. Implementation Sub-Committees will be set up for each of the project areas – north and south. The sub-committees will have executive and technical responsibilities. The implementation sub-committees will consist of (at least) the IDA Director General, the Project Manager, the respective Team Leader and the Financial Management Officer. Its task will be to: (i) speed-up decisions and procedures; (ii) approve micro-projects under Sub-components 1.2 and 2.2 that may require central level decision making (based on the feasibility studies prepared by the PIT); (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 Annual Report of micro projects. The implementation sub-committees will in addition, include representatives of NGO or civil society and a representative of the private sector, when deciding on the approval of micro-projects.

12. Provincial Project Coordinating Committee (PPCC). In each participating province, there will be a PPCC, the composition and tasks of which will reflect those of the PCC. The PPCC will include the Provincial Director of Agriculture, the Provincial Director of IDA and the Area Project Manager, 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 biannually, or more frequently if required. The responsibilities of the PPCC will include: a) speeding up decisions and procedures; b) review and approval of the beneficiary and micro-project selection processes; c) review the provincial level AWPB prepared by the Provincial Directorates of Agriculture and the main area service providers; and d) review the provincial level annual Project implementation progress reports.

13. Provincial Governance Committees (PGC). In addition to the PPCCs, PGCs will be established in each of the participating provinces to ensure good governance and accountability during micro-project implementation. They will be composed of local authorities and traditional leaders who will be supported, as and when the need arises, by a representative of the oversight agents. The role and functions of the PGCs will be to oversee implementation from a good governance and accountability perspective. The PGCs will establish a grievance mechanism which will be used to address any complaints that could arise during the course of SREP implementation. The PGCs will keep records of evidences and complaints with minutes of the discussions, recommendations and decisions taken. The PGCs will establish detailed mechanisms for the grievance and complaint process. A team of oversight agents will be designated and entitled to spot-check the approval process at the PGC level to ensure fairness and transparency and will report to the PCC. The PGC for Uige and Cuanza Norte will include as a PGC member a representative of the wildlife authority

14. Project Implementation Manual (PIM). The Project shall be implemented in accordance with this Agreement, the approved AWPB and the PIM. The Borrower will finalize the PIM for the Fund's consideration and approval. The PIM will include, inter alia, a comprehensive financial management section, will provide more details on roles and responsibilities of Project and implementing parties, the establishment of a grievance redress mechanism and include internal audit requirements. The PIM will reflect IFAD's no tolerance for Sexual Harassment (SH) / Sexual Exploitation and Abuse (SEA) in the project. Any revisions to the PIM shall have to be previously approved by the Fund.

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 to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in EUR)	Allocation net of tax and other financiers' contribution, including Government
I. Works	5 500 000	100%
II. Grants and subsidies	3 900 000	100%
III. Goods, Services & Inputs	6 200 000	100%
IV. Training	3 300 000	100%
V. Salaries and allowances	4 200 000	100%
Unallocated	3 100 000	
TOTAL	26 200 000	

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

"Works". Includes construction of rural infrastructure and comprises: the construction and rehabilitation of feeder roads, construction of market facilities, water resources development including small scale irrigation.

"Grants and Subsidies". Includes the provision of matching-grants for increased access to water, adoption of climate resilient farming practices and establishment of alternative livelihoods.

"Goods, Services and Input". Includes expenditures for vehicles and consultancies.

"Training". Includes specific activities to strengthen the capacity and skills of government agricultural extension specialists at provincial and municipal level, national NGOs and the capacities of family farmers, mainly via farmer field schools.

"Salaries and Allowances". Includes expenditures for operating costs.

2. Disbursement arrangements.

(a) Start-up Costs. Withdrawals in respect of expenditures for start-up costs in all cost Categories incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of EUR 500 000. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

3. Procurement arrangements. The procurement of goods, works and services under the Programme shall be conducted in accordance with the provisions of IFAD's Project Procurement Guidelines and Procurement Handbook as well as with the operational procedures and any other measures identified by IFAD.

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. Within six (6) months of entry into force of the Financing Agreement, the Project will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Planning, Monitoring and Evaluation. The Borrower/Recipient shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
3. Gender. The Project will design and implement gender strategy as well as apply a quota system to ensure than women and youth have equal participation and access to the economic opportunities and benefits generated by the Project. A gender action learning system (GALS) will be implemented for women and men to address gender issues important for the effectiveness of development in agricultural sector.
4. Compliance with the Social Environmental and Climate Assessment Procedures (SECAP). The Borrower shall ensure that the Project will be implemented in compliance with IFAD's SECAP and more specifically that the following measures shall be taken: (a) all Project activities are implemented in strict conformity with the Borrower relevant laws/regulations; (b) proposals for civil works, if any, include confirmation that no involuntary land acquisition or resettlement is required under the Project. In the event of unforeseen land acquisition or involuntary resettlement under the Project, the Borrower shall immediately inform the Fund and prepare the necessary planning documents; (c) women and men shall be paid equal remuneration for work of equal value under the Project; (d) recourse to child labour is not made under the Project; (e) the measures included in the Gender Action Plan prepared for the Project are undertaken, and the resources needed for their implementation are made available, in a timely manner; and (f) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Project are duly taken.

The whole project will be coordinated through an Environmental and Social Management Framework (ESMF) to examine the risks and impacts of the proposed activities including potential environmental and social vulnerabilities. The ESMF will include that a grievance redress mechanism to receive and facilitate resolutions of complaints from project affected parties be established. The ESMF will specify the environmental and social management requirements (including labour and working conditions, grievance redress system, health and safety).

5. Anticorruption Measures. The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, taking appropriate action to prevent, mitigate and combat Prohibited Practices.