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**President's report**  
**Proposed loan**  
**Republic of Zimbabwe**  
**Horticulture Enterprise Enhancement Project**

Project ID:2000003944

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**Action:** The Executive Board is invited to approve the recommendation contained in paragraph 61.

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**Technical questions:**

**Sara Mbago-Bhunu**  
Regional Director  
East and Southern Africa Division  
e-mail: s.mbago-bhunu@ifad.org

**Jaana Keitaanranta**  
Country Director  
East and Southern Africa Division  
e-mail: j.keitaanranta@ifad.org

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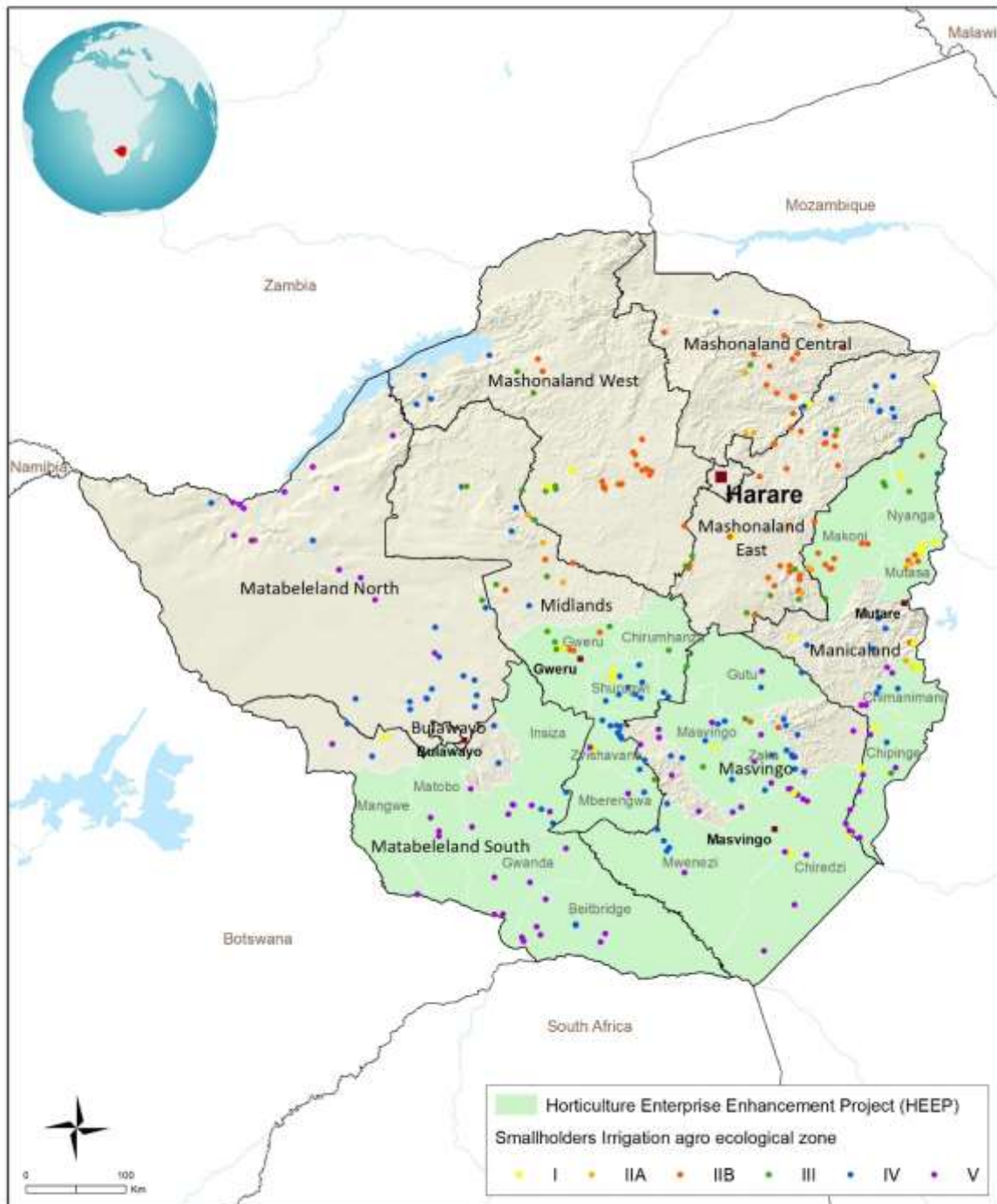
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<b>Project delivery team</b>	
Regional Director:	Sara Mbago-Bhunu
Country Director:	Jaana Keitaanranta
Technical Lead:	Robert Delve
Finance Officer:	Marie-Laure Giquel
Climate and Environment Specialist:	Zira Mavunganidze
Legal Officer:	Ebrima Ceesay

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## 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.  
 IFAD Map compiled by IFAD | 22-08-2022

## Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower/recipient:</b>	Republic of Zimbabwe
<b>Executing agency:</b>	Ministry of Lands, Agriculture, Fisheries, Water and Rural Development
<b>Total project cost:</b>	US\$66.545 million
<b>Amount of IFAD loan:</b>	US\$37.14 million
<b>Terms of IFAD loan:</b>	Highly concessional terms
<b>Cofinanciers:</b>	Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development Horticultural Development Council
<b>Amount of cofinancing:</b>	OPEC Fund: US\$15 million Partner financial institutions – US\$5.0 million Horticultural Development Council – US\$0.06 million
<b>Terms of cofinancing:</b>	Loan from OPEC Fund Grant from Horticultural Development Council
<b>Contribution of borrower:</b>	US\$5.24 million
<b>Contribution of beneficiaries:</b>	US\$1 million
<b>Contribution of anchor firms</b>	US\$3.1 million
<b>Amount of IFAD climate finance:</b>	US\$9.233 million
<b>Cooperating institution:</b>	Directly supervised by IFAD

## I. Context

### A. National context and rationale for IFAD involvement

#### National context

1. The Republic of Zimbabwe, a lower-middle-income country, is classified as fragile, notably in terms of institutional and social fragility. Agriculture underpins its economic growth, food and nutrition security and poverty reduction efforts. Approximately 70 per cent of the population depends on agriculture as a livelihood. Zimbabwe has 1.3 million smallholder farmers and about 18,000 medium- to large-scale farmers. Horticulture export revenues amounted to US\$100 million in the 2000s, with smallholder farmers with irrigation schemes supplying 10 per cent of the products exported. Following land redistribution, horticulture exports are averaging 10 per cent of total exports.
2. Zimbabwe's 2021 Human Development Index was 0.593, placing the country 146<sup>th</sup> out of 191 countries. About 76 per cent of rural households and 38.2 per cent of urban households are poor. The country is among the 15 most fragile countries in the world.<sup>1</sup> This situation is the result of policy volatility, corruption, a low capacity to deliver basic services, climate shocks and the ongoing impact of the COVID-19 pandemic and the crisis in Ukraine.

#### Special aspects relating to IFAD's corporate mainstreaming priorities

3. In line with IFAD's mainstreaming commitments, the Horticulture Enterprise Enhancement Project (HEEP) has been validated as:
  - Including climate finance;
  - Gender transformational;
  - Nutrition-sensitive;
  - Prioritizing persons with disabilities.
4. **Gender.** Zimbabwe's 2022 Global Gender Gap Index ranking is 0.734, positioning it in 50<sup>th</sup> place out of 156 countries worldwide. Approximately 80 per cent of women in Zimbabwe live in communal areas where they constitute 61 per cent of the subsistence farmers and provide 70 per cent of the labour. Women are also the most vulnerable to nutrition and climate change impacts.
5. **Climate change.** Zimbabwe is among the most vulnerable and least adapted countries to climate change, ranking 143 out of 182 countries on the Notre Dame Global Adaptation Initiative Country Index.<sup>2</sup> Droughts are expected to increase in frequency and intensity. The projected increase in the frequency of natural disasters will potentially hit the most vulnerable segments of the population, including the smallholder sector, pushing smallholder farmers further into poverty.<sup>3</sup>
6. **Nutrition.** Zimbabwe's Vulnerability Assessment Committee found that 56 per cent of rural households are food-insecure, with a drop in the proportion of women of reproductive age consuming a diet that meets the requirements for minimum dietary diversity and only 10 per cent of children aged 6–23 months receiving a minimum acceptable diet
7. **Persons with disabilities.** There are an estimated 914,000 persons with disabilities in Zimbabwe (7 per cent of the population).<sup>4</sup> Persons with disabilities are vulnerable to food insecurity and gaps in access to water and sanitation facilities. The

<sup>1</sup> 2022 data from [fragilestatesindex.org](https://fragilestatesindex.org).

<sup>2</sup> [Country Index, Notre Dame Global Adaptation Initiative, University of Notre Dame](https://www.ndgi.org/country-index).

<sup>3</sup> Hallegatte et al. 2017. Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters. Washington, D.C.: World Bank. <https://openknowledge.worldbank.org/handle/10986/25335>.

<sup>4</sup> Zimbabwe National Statistics Agency, 2019.

prevalence of poverty among persons with disabilities is 74.1 per cent, compared with 69.5 per cent for persons without disabilities.

8. **Youth.** Zimbabwe is a youthful country, with approximately 68 per cent of the population below the age of 35 years.<sup>5</sup> Youth unemployment is estimated at 84 per cent of total unemployment.<sup>6</sup> Youth often do not have access to land, assets, finance or business skills. They tend to prefer non-agricultural jobs that offer quicker returns.

#### **Rationale for IFAD involvement**

9. IFAD's experience and expertise place it in a strong position to support the Government of Zimbabwe in organizing smallholders into cohesive, well-governed and well-functioning groups, connecting them to profitable value chains and markets, developing smallholder farmers' capacity for climate-resilient production and improving their marketing and business skills, increasing rural access to finance and revitalizing market infrastructure. HEEP is fully in line with the transformation target of the country strategic opportunities programme (COSOP) 2020–2025 for Zimbabwe<sup>7</sup> and its objectives of reducing poverty and improving incomes through better market access and climate-resilient and more effective production systems. The capacity-building focus, coupled with effective targeting, will ensure that IFAD's corporate priorities with regard to climate change, gender and nutrition are mainstreamed.

## **B. Lessons learned**

10. Key lessons learned from past and ongoing development operations include:
- Matching grants can be challenging to manage in terms of ensuring impact on target beneficiaries and avoiding crowding out commercial sources of finance. Lessons from Cambodia, Ghana, Rwanda, Sri Lanka and Viet Nam have informed the HEEP design. Matching grant programmes for poor farmers need to be targeted and structured to reflect their more limited ability to invest in high-value crops. A public-private-producer partnership approach, which incorporates both anchor firms and public and private service providers, can lead to more targeted and effective impact and more rapid disbursement of project funds.
  - Empirical evidence from the ongoing IFAD-financed Smallholder Irrigation Revitalization Programme (SIRP) shows that most youth do not wish to work in agriculture.<sup>8</sup> Horticulture, supported by HEEP, will be an exception because it requires less land and offers higher and quicker returns than annual crops.
  - SIRP has also demonstrated that IFAD technical assistance, provided both remotely and in country, considerably improves the speed of procurement processes and the quality of procurement documents prepared by the project coordination unit. A correlated benefit of this is an increased disbursement rate.

## **II. Project description**

### **A. Objectives, geographical area of intervention and target groups**

11. **Goal and objectives.** HEEP's goal is to increase incomes, food security and empowerment for smallholder farmers engaged in profitable and sustainable

<sup>5</sup> Zimbabwe Human Development Report. 2015, Zimbabwe Dimensions of Poverty.

<sup>6</sup> S. Bakker, I. Hennemann, J. Nyamangara, L. Macheke. 2021. Climate adaptation and mitigation measures for nutrition co-benefits in IFAD investments in Zimbabwe; Pre-Design Mission Report. Wageningen Centre for Development Innovation, Wageningen University & Research. Report WCDI-21-162. Wageningen.

<sup>7</sup> While at the time of formulation of the 2022–2027 COSOP a livestock pipeline project was identified, the Government of Zimbabwe specifically requested IFAD to support a horticultural project instead because of its potential for rapid rural transformation and contribution to the national economy. This commitment to horticulture is reflected in the Zimbabwe Horticulture Recovery and Growth Plan and confirmed in the National Development Strategy 1.

<sup>8</sup> Ministry of Youth, Indigenisation and Economic Empowerment/United Nations Children's Fund. 2016. Zimbabwe Youth Investment Business Case Report. <https://www.unicef.org/esa/sites/unicef.org/esa/files/2019-04/Investment-Case-for-Youth-in-Zimbabwe-per-cent282016per-cent29.pdf>.

horticulture value chains. The project development objective is to support and increase sustainable horticultural production and sales by smallholder farmers and micro-, small and medium-sized enterprises (MSMEs) engaged in horticulture value chains.

12. **Geographical area of intervention.** HEEP interventions using the public-private-producer partnership (4P) approach will be implemented in Zimbabwe's 10 provinces, based on the potential for commercial horticulture production among smallholder horticulture schemes. Village horticulture gardens (VHG) will be implemented in the four SIRP provinces of Manicaland, Masvingo, Matabeleland South, and Midlands. The focus will be mainly on the poor segment of the society in order to meet nutrition and income needs.
13. The criteria for district selection of VHG will include: (i) poverty prevalence; (ii) proximity of functional smallholder irrigation schemes; and (iii) the ability of the Agricultural and Rural Development Authority (ARDA) to support aggregation.<sup>9</sup> The selection criteria for the VHG in the targeted wards will include: (i) potential for eventual inclusion in commercially viable horticulture; (ii) vulnerability to climate change; (iii) availability of arable land and water, and geophysical potential; (iv) poverty levels of surrounding area; (v) commitment of local farmers to joining agricultural producer groups (APGs); and (vi) commitment of local farmers to participating fully in nutrition and commercial interventions.
14. **Geographical targeting of 4P and access to finance interventions.** Selection will be made through a competitive process and based on market conditions and agroclimatic potential. Therefore, the location of the 4P smallholder farmers will depend on both the demand from anchor firms and the interest and potential of smallholder farmers. The 4P households will be located in: (i) well-functioning irrigation schemes throughout the country; and (ii) high-potential regions in the Mashonaland (Central, East and West) and Manicaland provinces – that is, those that fall into natural regions I and IIA. Farmers selected will meet targeting criteria.
15. **Target groups.** HEEP's direct beneficiaries will be poor smallholder farmers, who will be organized either as APGs operating VHG or as APGs in 4Ps linked to anchor firms. HEEP will also promote youth- and women-led MSMEs that are linked to anchor firms or APGs as service providers, and these enterprises will help provide employment to young people and women. The total direct target group will be 71,000 smallholder farmer households, who will benefit from improved production, post-harvest handling, local market access and capacity-building and from seasonal and part-time employment with anchor firms, service providers or smallholder farmers.
16. Beneficiaries will include at least 50 per cent women and 30 per cent youth. The project will target 2,000 persons with disabilities, identified through local community organizations working with such persons. The total indirect target group is estimated to be 50,000 households that live in the direct vicinity of HEEP activities but are not members of VHG or 4Ps. They will benefit from improved road access to district centres, marketplaces and health and education services. There will also be long-term indirect economic development benefits as a result of HEEP activities.
17. In line with IFAD's targeting policy, HEEP will focus on the rural poor, who have the potential to take advantage of improved access to assets and opportunities for agricultural production and income-generating projects. In Zimbabwe, rural households are categorized in four poverty groups (A, B1, B2 and C), according to their access to land, other productive assets and labour. HEEP's specific target group focus will be on category B1 and category B2 farmers, who constitute almost 80 per cent of supported households. Category A farmers, who represent the poorest households, including households with persons with disabilities and/or headed by women, children or older persons, will receive support to enable them to join APGs

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<sup>9</sup> In wards with ARDA irrigation schemes, three VHG will be clustered around each scheme.

operating VHGs and will have the opportunity to access employment through APG and rural enterprises.

18. **Targeting strategy.** The geographical targeting strategy outlined above will ensure a minimum poverty prevalence of 75 per cent among target groups. Within the targeted geographical areas, social targeting mechanisms will ensure the adoption of mainstreaming strategies and effective smallholder development. Self-targeting measures will ensure that project interventions respond to the priorities of the APGs, smallholder farmers and anchor firms. Community targeting will be applied for public infrastructure development. The risk of elite capture will be mitigated through triangulation of the beneficiary targeting, identification and selection process. The Government's beneficiary classification system will be used, and beneficiaries will be identified by short-term independent local technical service providers, in consultation with local communities, organized farmer groups and local authorities, which will help rebuild confidence in state systems. Other measures to avoid elite capture include enhancing beneficiary access to project information, adopting an anticorruption plan and implementing a functional grievance redress mechanism.

## **B. Components, outcomes and activities**

19. **Component 1: Village horticulture garden and 4P mobilization and development** will build the capacity of smallholder farmers to produce horticultural crops and high-value products for commercial sale, while also supporting all value chain actors in improving the competitiveness of the horticultural value chain, with a focus on inclusive participation by smallholder farmers. This will be accomplished through a combination of capacity-building, matching grants and provision of public infrastructure to leverage the impact of value chain actors' investments. The component has three subcomponents: (1.1) VHG mobilization and development; (1.2) 4P identification, mobilization and capacity-building; and (1.3) 4P matching grants and public infrastructure.
20. **Component 2: Access to finance** will improve access to finance by horticultural value chain actors through provision of an export line of credit, to be made available through partner financial institutions to finance inclusive hub-and-spoke 4Ps. This will be complemented by capacity-building in the financial sector to improve the development and delivery of appropriate financial products for smallholder farmers in the horticultural sector. The component has two subcomponents: (2.1) an export horticultural revolving fund, which will provide short- and medium-term finance to anchor firms and other partners of 4Ps; and (2.2) capacity-building for enhanced agricultural lending.
21. **Component 3: Institutional support and project coordination.** Institutional support will involve strengthening the capacity of the agricultural information management system of the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development to collect value chain data for policy-relevant knowledge products, as well as hiring a market linkage adviser for the Horticultural Development Council.

## **C. Theory of change**

22. HEEP aims to develop horticulture value chains to address barriers to agricultural productivity and investment, weak market linkages, limited access to rural finance, high climate vulnerability and the availability of few opportunities for women to engage in productive and remunerative agriculture. Through component 1, the project will increase investment in climate-resilient smallholder horticultural production in new and existing irrigated production areas by connecting smallholder farmers with APGs and other private and public sector players and by providing matching grants to anchor firms, MSMEs and producer groups through 4P arrangements.
23. Components 1 and 2 further aim to stimulate 4P clusters and enhance the productive participation of smallholders and MSMEs in these 4P arrangements through



capacity-building for production and marketing. A key approach to driving the growth of the 4Ps will be to provide different financing options to anchor firms.

24. To complement these efforts and to increase food security and income, the project will also provide dedicated support to improve nutrition.
25. Key mechanisms for increasing the inclusion of women and youth include the promotion of horticultural crops that are more accessible and/or often cultivated by women and prioritizing young people's skills development and access to the financing instruments, as well using the Gender Action Learning System (GALS) methodology.

#### **D. Alignment, ownership and partnerships**

26. **Alignment with Sustainable Development Goals (SDGs).** HEEP will contribute to the achievement of the following SDGs: SDG 1 (no poverty), SDG 2 (zero hunger), SDG 5 (gender equality), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation and infrastructure), SDG 13 (climate action) and SDG 15 (life on land). This will be achieved through market-oriented crop choices, greater productivity and linking of beneficiaries to markets. HEEP's targeting approach will rely on quality participation of women and girls in all activities, including co-investments in the HEEP APGs and clusters, which will further progress towards SDG 5. The project will also promote inclusive economic growth and employment in the leading marketed crop sectors throughout the implementation area, thus contributing to SDG 8, and it will promote sustainable agro-industrialization in the targeted regions, in line with SDG 9. Finally, in relation to SDG 13, HEEP will increase the adaptive capacity of smallholder farmers through new climate-smart farming methods, at the same time improving the resilience of households through improved household incomes and asset ownership.
27. HEEP will be fully aligned with the core priorities of the Government in agricultural and horticultural development. HEEP will provide an opportunity to strengthen IFAD's programmatic approach by harmonizing approaches in matching grant management and market and value chain development, mainstreaming topics such as climate, gender, and nutrition and food security. HEEP will collaborate with development partners in the area of food and nutrition security.

#### **E. Costs, benefits and financing**

28. Project components 1 and 2 are partially counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is preliminarily calculated as US\$9,233,000.

##### **Project costs**

29. The total investment and recurrent costs during the eight-year implementation period, including price and physical contingencies, duties and taxes, are estimated at US\$66.5 million. This includes base costs amounting to US\$64.7 million and estimated physical and price contingencies in the amount of US\$1.7 million (3 per cent of the total project costs). Estimated foreign exchange expenditure is about US\$4.6 million (7 per cent of total project costs). Investment costs represent 84 per cent of the total project costs (US\$55.7 million), with recurrent costs accounting for the remaining 16 per cent (US\$10.7 million). Component 1 accounts for 55 per cent (US\$36.6m) of the total project costs, component 2 for 26 per cent (US\$17.2 million) and component 3 for 19 per cent (US\$12.6 million).
30. Tables 1 and 2 show total project costs by component and expenditure accounts by financier. Table 3 shows the breakdown by component and subcomponent and project year.

Table 1

**Project costs by component and subcomponent and financier**

(Thousands of United States dollars)

Component/subcomponent	IFAD loan		OPEC Fund		Smallholder farmers		Anchor firms		Partner financial institutions		Horticultural Development Council		Government of Zimbabwe		Total	
	Amount	%	Amount	%	Amount	%	Cash	%	Cash	%	Amount	%	Amount	%	Amount	%
<b>1. Village horticultural garden and 4P mobilization and development</b>																
1.1 VHG mobilization and development	6 384	35	7 660	42	191	1	-	-	-	-	-	-	3 913	22	18 149	27
1.2 4P identification, mobilization and capacity-building	971	41	729	31	-	-	501	21	-	-	-	-	183	8	2 384	4
1.3 4P matching grants and public infrastructure	9 917	61	4 259	26	809	5	910	6	-	-	-	-	254	2	16 148	24
<b>2. Access to finance</b>																
2.2 Export horticultural revolving fund	9 856	59	-	-	-	-	1 690	10	4 993	30	-	-	164	1	16 703	21
2.3 Capacity-building for enhanced agricultural lending	499	90	-	-	-	-	-	-	8	1	-	-	1.8	9	557	5
<b>3. Institutional support and project coordination</b>																
3.1 Institutional support	830	83	-	-	-	-	-	-	-	-	59	6	82	11	998	2
3.2 Project coordination	8 688	75	2 352	20	-	-	-	-	-	-	-	-	644	5	11 606	17
<b>Total</b>	<b>37 145</b>	<b>56</b>	<b>15 000</b>	<b>23</b>	<b>1 000</b>	<b>2</b>	<b>3 100</b>	<b>5</b>	<b>5 000</b>	<b>8</b>	<b>59</b>	<b>0.1</b>	<b>5 240</b>	<b>8</b>	<b>66 545</b>	<b>100</b>

Table 2

**Project costs by expenditure category and financier**

(Thousands of United States dollars)

Component/subcomponent	IFAD loan		OPEC Fund		Smallholder farmers		Anchor firms		Partner financial institutions		Horticultural Development Council		Government of Zimbabwe		Total	
	Amount	%	Amount	%	Amount	%	Cash	%	Cash	%	Amount	%	Amount	%	Amount	%
<b>Investment costs</b>																
Civil works	7 403	36	11 735	57	191	1	-	-	-	-	-	-	1 423	7	20 752	31
Goods, services and inputs	139	90	14	8	-	-	-	-	-	-	-	-	3	2	156	0.2
Equipment, materials and vehicles	2 338	89	185	7	-	-	-	-	-	-	-	-	112	4	2 634	4
Grants and subsidies	16 923	66	-	-	809	3	2 600	10	4 993	19	-	-	349	1	25 673	39
Training and workshops	2 304	61	899	24	-	-	351	9	8	0.2	-	-	227	6	3 789	6
Technical assistance and consultancies	2 584	93	-	-	-	-	150	6	-	-	-	-	29	1	2 764	4
<b>Recurrent costs</b>																
Salaries and allowances	4 024	60	2 167	32	-	-	-	-	-	-	42	1	447	7	6 692	10
Operation and maintenance	1 430	35	-	-	-	-	-	-	-	-	17	0.4	2 650	65	4 085	6
<b>Total</b>	<b>37 145</b>	<b>56</b>	<b>15 000</b>	<b>23</b>	<b>1 000</b>	<b>2</b>	<b>3 100</b>	<b>5</b>	<b>5 000</b>	<b>8</b>	<b>59</b>	<b>0.1</b>	<b>5 240</b>	<b>8</b>	<b>66 545</b>	<b>100</b>

Table 3

**Project costs by component and subcomponent and project year (PY)**

(Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>PY1</i>	<i>PY2</i>	<i>PY3</i>	<i>PY4</i>	<i>PY5</i>	<i>PY6</i>	<i>PY7</i>	<i>PY8</i>	<i>Total</i>
<b>1. Village horticultural garden and 4P mobilization and development</b>									
1.1 VHG mobilization and development	-	1 077	2 781	3 458	3 512	3 522	3 533	266	18 149
1.2 4P identification, mobilization and capacity-building	25	283	440	675	524	235	103	98	2 384
1.3 4P matching grants and public infrastructure	-	1 131	2 983	4 465	4 888	2 269	206	207	16 148
<b>2. Access to finance</b>									
2.2 Export horticultural revolving fund	64	1 678	3 311	4 954	4 954	1 683	40	19	16 703
2.3 Capacity-building for enhanced agricultural lending	35	74	206	74	48	48	48	25	557
<b>3. Institutional support and project coordination</b>									
3.1 Institutional support	144	373	95	52	158	52	9	116	998
3.2 Project coordination	1 970	1 522	1 537	1 714	1 510	1 502	1 035	816	11 606
<b>Total</b>	<b>2 238</b>	<b>6 137</b>	<b>11 354</b>	<b>15 392</b>	<b>15 593</b>	<b>9 311</b>	<b>4 973</b>	<b>1 546</b>	<b>66 545</b>

**Disbursement**

31. HEEP project duration will be 8 years, with 16 per cent recurrent costs. The main categories of expenditure will be civil works, grants and subsidies. Disbursement will be report-based, following a revolving fund modality.
32. **Summary of benefits and economic analysis.** Nine crop models were developed to be representative of typical farm models employed by VHGs in the project area. The base case economic internal rate of return for HEEP is estimated at 37 per cent, with a positive net present value of US\$56.9 million, which justifies the project investment. The benefit-cost ratio is estimated at 2.9.
33. **Exit strategy and sustainability.** The HEEP focus on building profitable and sustainable business relationships between smallholder farmers, particularly women and youth, and private sector companies supporting horticulture value chains is at the heart of the exit strategy. These business relationships will be supported and developed from the second year of the eight-year project period, so that by the end of the project they will be able to continue without project support through private sector financing and 4P arrangements put in place before the end of the project. Project support will end after project year 4.

**III. Risks****A. Risks and mitigation measures**

34. The overall inherent risk rating is substantial. The areas rated at highest risk are: (i) country context; (ii) environment and climate context; (iii) institutional capacity for implementation and sustainability; (iv) financial management; and (v) project procurement. The residual risk, after accounting for mitigation measures for the selected risk areas, is broadly moderate.

Table 4

**Overall risk summary**

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	High	High
Sector strategies and policies	Moderate	Low
Environment and climate context	Substantial	Moderate
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Substantial	Moderate
Financial management	Substantial	Moderate
Project procurement	Substantial	Moderate
Environment, social and climate impact	Moderate	Low
Stakeholders	Moderate	Low
<b>Overall</b>	<b>Substantial</b>	<b>Moderate</b>

## B. Environment and social category

35. The environmental and social risk categorization is substantial.<sup>10</sup>The potential negative impacts will likely be due to vegetation loss as a result of land clearing, pollution linked to the use of pesticides and fertilizers, changes in water flows and soil loss. The negative impacts will be minimized through screening and implementation of site-specific environmental, social and climate management plans (ESCMPs). The project has developed an environmental, social and climate management framework (ESCMF) and a generic ESCMP. The ESCMF was used to assess the environmental, social and climate contexts and identify opportunities to enhance positive impacts and mitigate adverse risks. The ECSMP will be used as a monitoring plan that will include monitoring parameters, frequency of monitoring, and responsibility for monitoring timelines and implementation costs. Implementation will also be guided by a pesticide management plan, a stakeholder management plan and a grievance redress mechanism. The social risks will be minimized and managed through GALS, capacity-building and the promotion of nutrition-sensitive value chains. The project will include environmental sustainability and sustainable natural resource management activities, which will enhance its global environmental benefits.

- C. Climate risk classification**The climate risk classification for HEEP is substantial. The main climate risks include increased temperatures, droughts and intermittent floods. A targeted adaptation assessment of sector and subsector impacts and vulnerabilities, climate stressors and risks was done to guide the project design. It provides an evaluation of adaptation options, related costs and identified options most suitable for HEEP. To address the impact of climate change, the project will support increased access to water, drought-tolerant seed varieties, climate-resilient infrastructure and equipment to reduce vulnerability to natural hazards, food and nutrition insecurity and exposure to climate change. Promotion of sustainable land use, including the use of renewable energy, will contribute to reducing greenhouse gas emissions.

## D. Debt sustainability

37. According to the April 2022 International Monetary Fund/World Bank debt sustainability assessment, Zimbabwe is classified as being in debt distress, with unsustainable public and publicly guaranteed external and total debt and large external arrears. It currently has no pending arrears with IFAD.

## IV. Implementation

### A. Organizational framework

#### Project management and coordination

38. The Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD) will be the lead agency for HEEP. MLAFWRD will establish a joint management unit that will perform the functions of the national project management unit (NPMU) of HEEP, the project coordination unit of SIRP and the NPMU of the Smallholder Agriculture Cluster Project (SACP). A joint project steering committee will be established for SIRP, SACP and HEEP to provide project oversight and strategic guidance.
39. The NPMU of HEEP will be based in Harare. HEEP will establish three regional project management units. At district level, HEEP will be carried out by the agricultural technical extension services and ARDA, with support from HEEP-resourced staff, other staff from public institutions and private sector service providers.

#### Financial management, procurement and governance

<sup>10</sup> This rating is derived from averaging the ratings for two risks: Environment and climate context, and Environment, social and climate impact.

40. Details on staffing arrangements for the finance team are provided in the project implementation manual (PIM) and terms of reference. Annual budgeting will be done in line with the Government of Zimbabwe's existing budget framework and timetable as part of MLAFWRD's regular budget submission.
41. Two designated accounts will be opened at the Reserve Bank of Zimbabwe to receive funds from IFAD and the Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development. No transfers of funds to the provinces are anticipated; all transactions will be centralized. Funds needed at the provincial level (both by project staff and by implementing entities) will be advanced as imprest.
42. The project will use the same accounting software currently being used by SIRP to take advantage of existing customization and expertise. The NPMU will be required to prepare and submit quarterly interim financial reports. Annual project financial statements will be prepared on an accrual basis in compliance with the International Public Sector Accounting Standards.
43. MLAFWRD's internal audit unit will include HEEP in its annual programme of work. Internal audit staff assigned to the project will be trained in IFAD procedures.
44. The Office of the Auditor General may have limited capacities to audit the project in the initial years, in which case private audit firms will be contracted.

#### **Procurement implementation arrangements**

45. In its design phase, the project scores an inherent procurement risk of 2.22, which is considered moderate risk. The weaknesses of the Zimbabwe procurement system lie mainly in the accountability and transparency, and contract administration and management. Specific and targeted corrective measures stipulated in the project risk matrix and PIM should be followed to improve performance and lower risk. These will likely reduce the risk level from the higher end of medium risk to the lower end of medium risk.
46. HEEP procurement activities for goods, works and services will be carried out in accordance with the country's procurement regulations to the extent that such provisions are consistent with IFAD's procurement guidelines and other provisions stipulated in the financing agreement. For all types of procurement contracts, IFAD's standard bidding documents will be used in lieu of national standard bidding documents. The execution of the first procurement plan activities will start only after the general procurement notice has been published.
47. Thresholds for the selection of the procurement methods for each commodity will be those set out in the procurement arrangement letter and the PIM. The thresholds contained in the Zimbabwe Procurement Act and regulations will not apply. Procurement oversight review will be established in accordance with the score obtained in the project risk matrix. Revisions related to the procurement plan, including any new procurement arrangements, will be subject to prior approval by IFAD.
48. In 2021, Zimbabwe scored 23 on Transparency International's Corruption Perception Index (157<sup>th</sup> out of 180 countries). Its score has remained relatively stable since 2019. Strengthened efforts by the Government will be required to ensure that IFAD's procurement principles are observed throughout the project lifetime, in strict compliance with IFAD's policy on preventing fraud and corruption and IFAD's policy related to the prevention of harassment, sexual harassment and discrimination.

#### **Project target group engagement and feedback and grievance redress**

49. The main modalities for target group engagement and feedback will be the community interface consultations as part of APG and microenterprise mobilization under subcomponents 1.1 and 1.2. Project services delivery will be monitored

through quarterly reports from the APGs and VHGs in each cluster that will be formed.

50. The feedback and reports from VHGs, APGs, microenterprises and infrastructure oversight committees will be utilized by the regional project management units to review performance and progress. The screened and selected investments will be publicly disclosed, and the originators of unsuccessful proposals will be informed of the reasons provided by the technical assessment and investment committees.
51. HEEP's grievance redress mechanism will be in line with norms of the communities and the laws of the country and will build on existing government structures, from village to national levels. The mechanism will consist of three parallel systems: (i) a community-based system; (ii) a formal system; and (iii) the IFAD redress system.

## **B. Planning, monitoring and evaluation, learning, knowledge management and communications**

52. The HEEP logical framework will guide the annual workplan and budget and monitoring systems. The monitoring and evaluation system will be integrated with government systems. The use of a management information system and a focus on quality of data will enable effective progress monitoring and sharing. The HEEP knowledge management strategy aims at ensuring effective learning and tailor-made communication.

### **Innovation and scaling up**

53. The introduction of the 4P methodology for inclusive agricultural growth is a significant innovation in Zimbabwe, which will advance contract farming to include the public sector for catalytic financing and improvements in the enabling environment. In addition, HEEP will directly support innovation through the dedicated window of the 4P matching grants. If successful, the 4Ps developed under HEEP will naturally scale up, as this would be in the economic interest of 4P partners, anchor firms and smallholder farmers alike. This would provide a model for further private and public sector investment in the 4P and related models.

## **C. Implementation plans**

### **Implementation readiness and start-up plans**

54. A draft implementation manual has been prepared, together with an annual workplan and budget and a procurement plan for the first 18 months of project implementation. The joint management unit is expected to speed up project start-up.

### **Supervision, midterm review and completion plans**

55. **Supervision.** HEEP will be directly supervised by IFAD and the Government through annual supervision and implementation support missions. Follow-up missions will be conducted as required.
56. **Midterm review.** HEEP is an eight-year project. The midterm review will be undertaken towards the end of year 4. This review will be jointly organized by the Government and IFAD in close collaboration with the other stakeholders.
57. **Completion plans.** At the end of the project implementation period, the Government, in collaboration with IFAD, will undertake a project completion review in order to report on the results and the impact achieved.

## **V. Legal instruments and authority**

58. A project financing agreement between the Republic of Zimbabwe and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.

59. The Republic of Zimbabwe is empowered under its laws to receive financing from IFAD.
60. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## **VI. Recommendation**

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

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Zimbabwe in an amount of thirty-seven million one hundred and forty thousand United States dollars (US\$37,140,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario  
President

## **Negotiated financing agreement**

### **Horticulture Enterprise Enhancement Project (HEEP)**

(Negotiations concluded on 21 November 2022)

Loan No:

Project name: Horticulture Enterprise Enhancement Project ("HEEP"/ "the Project")

The Republic of Zimbabwe (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 a loan from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

**WHEREAS**, the Project shall be co-financed by the OPEC Fund for International Development (OPEC) through a loan amounting to Fifteen Million United States Dollars (USD 15 000 000) ("OPEC Loan").

**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 December 2020, 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, unless the Parties shall 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 IFAD loan is Thirty Seven Million, One Hundred and Forty Thousand United States Dollars (USD 37 140 000).
2. The Loan is granted on highly concessional terms, and shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace



period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.

3. The principal of the Loan will be repaid at four and half per cent (4.5%) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1%) of the total principal per annum for years thirty-first (31) to forty (40).
4. The Loan Service Payment Currency shall be in United States Dollars.
5. The first day of the applicable Fiscal Year shall be 1 January.
6. Payments of principal and service charge shall be payable on each 15 June and 15 December.
7. The Borrower shall open one segregated Designated Account, denominated in USD at the Reserve Bank of Zimbabwe (RBZ), to receive the proceeds of the IFAD financing. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
8. The Lead Project Agency shall open one segregated Project Operations Account, denominated in USD, which will thereafter be maintained under the Project Management Unit to receive the financing from the Designated Account.
9. The Borrower shall provide counterpart financing for the Project, in-kind and/or in-cash, in the amount of five million two hundred and forty thousand United States Dollars (USD 5 240 000) in the form of contributions to civil works and matching grants under Component 1, to operating costs, salaries and allowances under Component 3, as well as for taxes and duties, provided through tax waiver to the Project.
10. The Borrower shall open a segregated project bank account to receive the counterpart financing from the Government of Zimbabwe.

### **Section C**

1. The Lead Project Agency shall be the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development ("MLAFWRD").
2. Additional Project Parties are as described in Schedule 1 Part II.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
4. The Project Completion Date shall be the eight anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower. The Financing Closing Date will be established as specified in the General Conditions.
5. Procurement of goods, works and services financed by the Financing shall be carried out:
  - (a) in accordance with the provisions of the Borrower procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines

**Section D**

1. The Fund will administer the Loan and supervise the Project.

**Section E**

1. The following are designated as additional grounds for suspension of this Agreement:
  - (a) the Project Implementation Manual ("PIM") and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project;
  - (b) when the OPEC Loan agreement with the Borrower has failed to enter into force and effect within nine hundred and twelve (912) days from the date of this Agreement, and substitute funds are not available to the Borrower; and
  - (c) the right of the Borrower to withdraw the proceeds of the OPEC Loan has been suspended, cancelled or terminated, in whole or in part, or the OPEC Loan has become due and payable prior to the agreed maturity thereof; or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
2. The following are designated as additional grounds for cancellation of this Agreement:
  - (a) In the event that the Borrower did not request a disbursement of the Financing for a period of at least 12 months without justification.
3. The following are designated as additional (general/specific) conditions precedent to withdrawal:
  - (a) The PIM shall have been prepared by the Borrower and obtained no objection from IFAD. The PIM shall include operational arrangements for the Matching Grant (MG) scheme under Component 1, the Export Horticultural Revolving Fund (EHRF) under Component 2, project financial management and procurement;
  - (b) The establishment of the Project Steering Committee, the Project Technical Committee, as provided for in schedule 1 section 7 shall be finalised;
  - (c) Key Project Management Unit staff, namely the National Project Coordinator, Chief Accountant and Senior Procurement Officer as well as one of the recruited technical advisors or specialists, shall have been appointed following receipt of no-objection from the Fund;
  - (d) A suitable off-the shelf accounting software shall have been purchased, installed and implemented at PMU and staff duly trained in the use of it;
  - (e) An operational circular to the RBZ shall have been prepared by the Borrower and obtained no objection from IFAD as additional condition to disbursement of the Financing for the activities pertaining to the EHRF under Component 2;
  - (f) The EHRF Finance/Insurance Portfolio Administrator shall have been appointed by the PMU as additional condition to disbursement of the Financing for the activities pertaining to the EHRF under Component 2.
4. This Agreement is subject to ratification by the Borrower.
5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

The Permanent Secretary  
Ministry of Finance and Economic Development  
4<sup>th</sup> Floor, New Government Complex  
Corner Samora Machel and Fourth Street  
Harare, Zimbabwe

For the Fund:

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

Copy to: IFAD Country Director, Zimbabwe

If applicable, the Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

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 ZIMBABWE

\_\_\_\_\_  
Prof. Mthuli Ncube  
Minister of Finance and  
Economic Development

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Alvario Lario Hervas  
President

Date: \_\_\_\_\_

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The Project shall benefit poor smallholder farmers, who will be organised in Agricultural Producer Groups (APGs) in Village Horticulture Gardens (VHG) and Agriculture Producer Groups in 4Ps linked to anchor firms.

2. *Project area.* The Project will be located in four (4) provinces: Matebeleland South, Masvingo, Midlands and Manicaland for the Village Horticulture Gardens (VHG) and for the 4Ps, the project will be located in well-functioning irrigation schemes throughout the ten provinces of the country in particular in the high potential regions of Mashonaland provinces and Manicaland province (*the "Project Area"*).

3. *Goal.* The goal of the Project is to "increase incomes, food security and empowerment for smallholder farmers (SHFs) engaged in profitable and sustainable horticulture value chains".

4. *Objectives.* The objective of the Project is to "support increased and sustainable *horticultural* production and sales by smallholder farmers and micro, small and medium enterprises (MSMEs) engaged in horticulture value chains".

5. *Components.* The Project shall consist of the following Components:

##### 5.1 Component 1: **Village Horticultural Garden and 4P Mobilization and Development**

5.1.1 *Sub-Component 1.1: Village Horticulture Garden Mobilization and Development.* The expected results are 620 VHG providing increased income and nutritional outcomes to 31,000 poorer rural households.

5.1.2 *Sub-Component 1.2: 4P Identification, Mobilization, and Capacity Building.* The expected result is to link 20,000 SHF to 20 4Ps, and build their capacity through technical assistance and training.

5.1.3 *Sub-Component 1.3: 4P Matching Grants (MGs) and Public Infrastructure.* The expected results is: (i) 20 4Ps serving 20,000 SHF households with an increased ability to produce and market high value horticultural products using climate-resilient and innovative technologies and (ii) public sector infrastructure that will enhance economic returns for 4P partners, leveraging the private investments made by 4P members and providing economic and social benefits for non-4P SHFs, MSMEs, and rural residents in the 4P areas.

##### 5.2 Component 2: **Access to Finance**

5.2.1 *Sub-Component 2.1: Export Horticultural Revolving Fund (EHRF).* The expected result is to provide short-and long-term finance to anchor firms and other partners of 20 4Ps that will enable them to improve and expand the production and marketing of high-value horticultural produce.

5.2.2 *Sub-Component 2.2: **Capacity Building for Enhanced Agricultural Lending.** The expected result is to increase the range and coverage of appropriate financial services and products available to SHFs provided by at least four commercial banks or MFIs.*

##### 5.3 Component 3: **Institutional Support and Project Coordination.**

5.3.1 *Sub-Component 3.1: Institutional Support.* The expected result is to improve the production and marketing information for the benefit of public sector policy makers and private sector investors, and to improve the governance of contract farming/hub and spoke arrangements to ensure a fair distribution of risks and benefits to all parties.

5.3.2 *Sub-Component 3.2: Project Coordination.* HEEP will be managed by a Project Management Unit (PMU), with some functions supported by or subsumed under the Joint Management Unit (JMU) of Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD) is creating for Smallholder Irrigation Revitalisation Programme, Smallholder Agriculture Cluster Project, and HEEP. The HEEP PMU will be headed by a project Coordinator who report to the Permanent Secretary of MLAFWRD, with MLAFWRD Permanent Secretary the chair of the Project Steering Committee. The national PMU will be headquartered in Harare, and regional PMUs will be established in Mutare, Masvingo and Bulawayo.

## **II. Implementation Arrangements**

6. *Lead Project Agency.* The Lead Agency will be the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD). The Joint Management Unit (JMU) of Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD) is established for Smallholder Irrigation Revitalisation Programme (SIRP), Smallholder Agriculture Cluster Project (SACP), and HEEP for supported functions shared across the programmes.

7. *Project Oversight Committee.* A joint Project Steering Committee (PSC) will be constituted for SIRP, SACP and HEEP. The PSC will be responsible for programme oversight and strategic guidance. The PSC is chaired by the Permanent Secretary of the MLAFWRD. The composition of the PSC and the roles and responsibilities are presented in the PIM. A Project Technical Committee (PTC) will be responsible for reviewing 4P proposals as well as other key technical proposals, and will make recommendations for PSC action. The PTC will meet bi-monthly or as required and will be composed of members from the Horticulture Development Council, and representatives from business organizations such as the Confederation of Zimbabwe Industries or Zimbabwe National Chamber of Commerce, MOFED, Agritex horticulture branch, and MLAFWRD.

8. *Project Management Unit.* HEEP will be managed by a Project Management Unit (PMU), with some functions supported by or subsumed under the Joint Management Unit (JMU) of Ministry of Lands, Agriculture, Fisheries, Water and Rural Development (MLAFWRD) is creating for Smallholder Irrigation Revitalisation Programme, Smallholder Agriculture Cluster Project, and HEEP. The HEEP PMU will be headed by a Project Coordinator who report to the Permanent Secretary of MLAFWRD, with MLAFWRD Permanent Secretary the chair of the Project Steering Committee. The national PMU will be headquartered in Harare, and regional PMUs will be established in Mutare, Masvingo and Bulawayo.

The JMU staff will consist of a mix of dedicated staff for each project and shared officers working for SIRP, SACP and HEEP. The staff is either competitively hired or seconded/attached. The JMU and the PMU of HEEP will be based in Harare. The HEEP National Project Coordinator, Chief Accountant, Senior Procurement Officer, Senior Horticulture and Agribusiness Advisor, Climate Smart Agriculture Advisor, Horticulture and Agribusiness Specialist, Senior 4P/Partnership Specialist, Farming as Business Advisor Senior Export Finance Advisor and Access to Finance Advisor. The recruited staff is referred to as Key staff.

All the recruited staff will be recruited from the market. The recruitment process will be as broad as possible trying to reach out a wide range of interested professionals, including diaspora. While several specialists, particularly the key ones, are dedicated to only one project, HEEP shares an Office Secretary, Senior Social Inclusion Specialist and KM/Communication Specialist with SIRP and SACP.

10. *Implementing partners.* To manage the field operations, HEEP will establish three Regional Project Management Units (RPMU), in Bulawayo, Mutare and Masvingo. The

VHGs will be implemented by ARDA in collaboration with other institutions such as AGROITEX, ARDA and ZINWA. At the district level, the implementation will be carried out through AGRITEX extension network, which forms implementation teams in 20 HEEP districts covered by the project. The extension will also work with ARDA. The districts level field operations will be supported by HEEP-resourced staff from other public institutions and private sector service providers. The HEEP budget includes adequate resources for field staff mobility and good telephone and internet connectivity to facilitate easy outreach to the HEEP-supported communities and to improve the chances of reaching the HEEP implementation targets in an effective manner.

11. *Monitoring and Evaluation.* HEEP will develop a robust M&E system in compliance with IFAD and the GoZ requirements. The HEEP M&E system will generate timely and accurate information to support decision-making and adaptive management. In particular, it will: (i) collect, analyse and update information on project outputs, outcomes and impact; (ii) support NPMU and the Steering Committee in planning and making informed decisions on HEEP strategies and actions; (iii) maintain and strengthen strategic partnerships with stakeholders; and (iv) create opportunities for learning and sharing results.

12. *Knowledge Management* will capture and document lessons and innovations through field data collection, reports and thematic studies will be an integral part of the learning and knowledge management function of HEEP. KM activities will have two main focuses: supporting policy engagement, and supporting the project's mainstreaming themes.

13. *Project Implementation Manual.* A draft implementation manual has been prepared a well as annual work plan and budget, and procurement plan for the first eighteen (18) months of project implementation. The JMU with SIRP and SACP is expected to speed up project start up.

## Schedule 2

### Allocation Table

1. *Allocation of IFAD Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the IFAD 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	IFAD Loan Amount Allocated (expressed in USD)	Percentage of Expenditure (net of Taxes, Government and Beneficiaries' contributions)
I - Works	6 660 000	100%
II - Equipment & Materials	2 240 000	100%
III - Grant & Subsidies	15 230 000	100%
VI - Consultancies	4 390 000	100%
V - Recurrent costs	4 910 000	100%
Unallocated	3 710 000	100%
<b>TOTAL</b>	<b>37 140 000</b>	100%

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

- (i) Equipment & Materials: also including expenditures incurred for *Vehicles* and for *Goods, Services and Inputs*;
- (ii) Grant & Subsidies: including *Matching Grants* under Component 1 and the *EHRF Credit Line* under Component 2;
- (iii) Consultancies: also including expenditure incurred for *Technical Assistance, Trainings and Workshops*
- (iv) Recurrent costs: including expenditure incurred for *Operating Costs, Salaries and Allowances*.

2. *Disbursement arrangements*

- (a) *Start-up Advance.* Withdrawals in respect of expenditures for start-up cost incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 400 000. Activities to be financed by Start-up advances will require the no objection from IFAD to be considered eligible.

### Schedule 3

#### *Special Covenants*

#### **I. General Provisions**

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. *Planning, Monitoring and Evaluation.* The Borrower 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.
2. *Gender.* The Borrower shall ensure that the project is gender transformative by addressing gender inequality challenges in horticulture.
  - (a) *Inclusivity:* The Borrower shall ensure that: Project activities reach all different groups in the Project Area, through the provision of opportunities to access and participate in project services;
  - (b) All groups located in Project Area are adequately represented in local planning for Project activities;
  - (c) The terms Declarations, Covenants and/or conventions ratified by the Borrower on the subject are respected.
3. *Land Access.* The Borrower shall ensure that smallholder farmers have full access to land along applicable country's customary and legal regulations.
4. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower confirms that the Project will be implemented in compliance with policies and strategies, including, inter alia: IFAD's Environment and Climate Change Strategy; (ii) IFAD's Natural Resources Management Policy; (iii) IFAD's Policy on Improving Access to Land and Tenure Security. Before supporting any intervention that might affect the land access and use rights communities, the Project will ensure that their free prior, and informed consent has been solicited through inclusive consultations based on full disclosure of the intent on the scope of activities planned and their implications. Prior to carrying out any construction of infrastructure and related items, the Borrower shall prepare and adopt Environmental and Social Impact Analysis and Environmental Social Management Plans (ESMPs), where they are required, with adequate budget for their implementation, so that the full social and environmental sustainability of infrastructure development is foreseen.
5. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
6. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.
7. *Use of Project Vehicles and Other Equipment.* The Borrower shall ensure that:



- (a) all vehicles and other equipment procured under the Project are allocated for Project implementation;
- (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and
- (c) All vehicles and other equipment procured under the Project are dedicated solely to Project use.

8. *External Audit.* Annual external audits shall be conducted and to include a performance audit on the disbursed Matching Grants and EHRF credit lines.

9. IFAD Client Portal (ICP) Contract Monitoring Tool. The Borrower shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the ICP. The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the ICP in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

10. The Key Project Personnel are: Project Coordinator, Chief Accountant, Chief Accountant, Senior Procurement Officer, Senior Horticulture and Agribusiness Advisor, Climate Smart Agriculture Advisor, Horticulture and Agribusiness Specialist, Senior 4P/Partnership Specialist, Farming as Business Advisor, Senior Export Finance Advisor, Access to Finance Advisor. In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded to the PMU in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review [as is the dismissal of Key Project Personnel]. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

## **II. SECAP Provisions**

1. The Borrower shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Borrower and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

2. For projects presenting high or substantial social, environmental and climate risks, the Borrower shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the [Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or

Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and Abbreviated ESIA and/or Abbreviated RAP/F and ESCMPs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans] (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower shall not amend, vary or waive any provision of the ESCMPs and Management Plan(s), unless agreed in writing by the Fund and if the Borrower has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Borrower shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

4. The Borrower shall cause the Lead Project Agency to comply at all times while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. The Borrower shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

6. The Borrower shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plan(s), if any.

7. The Borrower will ensure that a Project-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP standards and related policies. The Project -level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

8. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Borrower shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project-affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project -level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

**Serious ESHS incident** means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the Borrower's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and - violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

9. The Borrower shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.

10. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower will disclose relevant information from such reports to affected persons promptly upon submission of the said reports ; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

11. The Borrower shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance

with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Project.

12. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

## Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions	
	Indicator Name	Baseline	Mid-term	End target	Source	Freq.	Resp.		
<b>Outreach</b>	<b>CI 1 Persons receiving services or supported by the project</b>								
	# total people	0	35,500	71,000	MIS	Monthly	PMU	Project is able to implement annual work plans without political interference	
	# female	0	17,750	35,500					
	# male	0	17,750	35,500					
	# young	0	10,500	21,300					
	# disabled	0	1000	2.000					
	<b>CI 1.a Corresponding number of households reached</b>								
	# households	0	35,500	71,000	MIS	Monthly	PMU		
<b>CI 1.b Estimated corresponding total number of household members</b>									
# people	0	177,500	355,000	MIS	Monthly	PMU			
<b>Goal</b> <i>Increase incomes, food security and empowerment for SHFs engaged in profitable and sustainable horticulture value chains</i>	<b>Targeted households reporting an increase in incomes</b>								
	# households	0	20,000	40,000	Survey	Baseline, midline, completion	PMU/outsourced	Improved macro-economic conditions, no external shocks, stable prices	
	<b>CI 1.2.8 Women Reporting Minimum Dietary Diversity (MDDW)</b>								
	# of women	N/A	10,650	21,300	COI survey	Baseline, midline, completion	PMU/outsourced	Increased incomes are partly used to diversify household diet	
	per cent of women	N/A	25%	30%					
	# of households	N/A	10,650	21,300					
	per cent of households	N/A	25%	30%					
	# of household members	N/A	53,250	106,500					
	<b>I.E 2.1 Individuals demonstrating an improvement in empowerment</b>								
	# of total persons	0	8,875	17,750	COI survey		PMU/outsourced	Project services adequately address the	

	per cent of total persons	0	15%*	25%		Baseline, midline, completion		barriers to empowerment. Targeting strategy is correct and operationalised	
	# of women	0	4,473	8,875					
	per cent of women	0	12,5%	25%					
	# of males	0	4,473	8,875					
	per cent of males	0	12,5%	25%					
<b>Development Objective</b> <i>Support increased and sustainable horticultural production and sales by SHFs and MSMEs engaged in horticulture value chains</i>	<b>Volume of horticultural exports</b>								
	USD million	64.6	80	200	Zimtrade	Annual	External data	International demand for horticultural products from Zimbabwe remains high; Exporters able to meet market conditions	
	<b>CI 1.2.4: Households reporting an increase in production</b>								
	# of households	0	30.000	51.000	COI survey	Baseline, midline, completion	PMU/outsourced	Households adopt the promoted technologies and take up loans for productive investments	
	% households	0	42%	72%					
	Total number of household members	0	150.000	255.000					
	<b>SF 2.1 Households satisfied with project-supported services</b>								
	# of households	0	28,400	56,800	COI survey	Baseline, midline, completion	PMU/outsourced	Project services are in line with target group needs	
	per cent of households	0	40%	80%					
	# of household members	0	142,000	284,000					
	<b>SF 2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers</b>								
	% of households	0	40%	80%	COI survey	Baseline, midline, completion	PMU/outsourced	Local authorities and project-supported service providers are willing to act upon feedback from target group	
	# of households	0	28,400	56,800					
	# of household members	0	142,000	284,000					
<b>Outcome 1.1</b> Sustainable Partnerships established in horticultural value chain 4P	<b>C.I 2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities</b>								
	# PO	0	60	80	MIS	Monthly	PMU	Export market for horticultural value chain remains attractive	
	# of PO members	0	18,000	24,000					
	# of female members	0	5,000	10,000					

	# of male members	0	5,000	10,000				
	# of youth members	0	2,500	5,000				
	<b>CI 2.2.1 Beneficiaries with new jobs/employment opportunities</b>							
	# total persons with new jobs	0	10,000	20,000	Specific survey applied to a sample of supported rural enterprises or rural producers' organizations	Midline, completion	PMU	Export market for horticultural value chain remains attractive; anchor firms expand their activities and do not invest large sums in mechanisation
	# of job owners-females	0	5,000	10,000				
	# of job owners-Male	0	5,000	10,000				
	# of job owners- youth	0	7,500	15,000				
	<b>CI 2.2.5 Rural producers' organizations reporting an increase in sales</b>							
	# Pos	0	30	60	MIS	Monthly	PMU	GoZ engages external BDS service providers
	Total members	0	9,000	18,000				
	# women members	0	4,500	9,000				
	# men members	0	4,500	9,000				
	# youth members	0	2,700	5,400				
	<b>CI 3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>							
	# Households	0	14,200	28,400	COI survey	Baseline, midline, completion	PMU/outsourced	Target groups is open to adoption of new technologies and practices
	% Households	0	20%	40%				
	# Household members	0	50,000	100,000				
<b>Output 1.1</b> Capacity of rural producers organisations to participate in 4P partnership has been built	<b>CI 2.1.3 Rural producers' organizations supported</b>							
	# PO	0	40	80	MIS	Monthly	PMU	Rural producers organisations show continued interested in project activities
	# total members	0	10,000	20,000				
	# female members	0	5,000	10,000				

	# male members	0	5,000	10,000				
	# of young members	0	2,500	5,000				
<b>Output 1.2</b> Smallholder farmers have been trained in good agricultural production practices and in income generating activities	<b>CI 1.1.4 Persons trained in production practices and/or technologies</b>							
	# people	0	25,500	51,000	MIS	Monthly	PMU	SHF have not already been trained autonomously by anchor firms
	# women	0	12,500	25,500				
	# men	0	12,500	25,500				
	# young	0	6,000	12,750				
	<b>CI 2.1.2 Persons trained in income-generating activities or business management</b>							
	# people	0	25,500	51,000	MIS	Monthly	PMU	Participating framers show continued interest in commercial production
	# women	0	12,500	25,500				
	# male	0	12,500	25,500				
	# young	0	6,000	12,750				
<b>Output 1.3</b> Climate resilient practices have been incorporated in each 4P inclusive business plans	<b>CI 3.1.4 Land brought under climate-resilient practices</b>							
	# hectares	0	10,000	21,000	MIS	Monthly	PMU	4Ps business plans include investments in climate-smart infrastructure; VHGs include solar-powered pumps and water-efficient drop irrigation systems
<b>Output 1.4</b> Nutrition training has been provided to smallholder farmers	<b>CI 1.1.8 Households provided with targeted support to improve their nutrition</b>							
	# people	0	15,500	31,000	MIS	Annual	PMU	The need for nutrition training is confirmed by the baseline survey.
	# women	0	7,750	15,500				
	# young	0	3,875	7,750				
	% households	0	22%	44%				
	# households	0	15,500	31,000				
Household members benefitted	0	77,500	155,000					
<b>Output 1.5</b> Village Horticultural Gardens (VHG) have been	<b>Village Horticultural Gardens established</b>							
	# of VHG	1	400	620	MIS	Annual	ARDA	Local communities continue showing interest for VHGs
	<b>1.1.2 Farmland under water-related infrastructure constructed/rehabilitated</b>							



established and capacitated	Ha of land	0	500	775	MIS	Annual	ARDA	Infrastructure works proceed according to plan
<b>Output 1.6</b> 4P investments have been supported through matching grants	<b>APG matching grants disbursed</b>							
	# recipient PO groups	0	50	80	MIS	Monthly	PMU	APGs completed business plans
	# recipient PO group members	0	10,000	20,000				
	# of climate-smart grants	0	10	20				
	# of innovation grants	0	10	20				
<b>Output 1.7</b> 4p-relevant public infrastructure built or rehabilitated	<b>CI 2.1.5: Roads constructed, rehabilitated or upgraded</b>							
	Km of roads	0	50	710	MIS	Monthly	PMU	Suitable public good investments identified
	<b>CI 2.1.6: Market, processing or storage facilities constructed or rehabilitated</b>							
	# of total facilities	0	10	20	MIS	Monthly	PMU	Suitable public good investments identified
	# of market facilities	0	Tbd based on needs assessment	Tbd based on needs assessment				
	# of storage facilities	0	Tbd based on needs assessment	Tbd based on needs assessment				
# of processing facilities	0	Tbd based on needs assessment	Tbd based on needs assessment					
<b>Outcome 2.1</b>	<b>CI 1.2.5 Households reporting us ingrural financial services</b>							
Increased access to finance smallholder farmers and SMEs in horticulture	# households	0	10,000	20,000	COI survey	Baseline, midline, completion	PMU	No contextual macroeconomic shocks that cause a sharp increase in interest rates
	% households	0	14%	28%				
	# of household members	0	50,000	100,000				

<b>Output 2.1</b> In-kind loans provided to smallholders for key production inputs	<b>CI 1.1.3 Rural producers accessing production inputs and/or technological packages</b>							
	# people	0	25,500	51,000	MIS	Monthly	PMU	ARDA is effective in providing inputs to VHGs and anchor firms are interested in accessing finance from the EHRF to provide in-kind loans to 4Ps.
	# of females	0	12,750	25,500				
	# of males	0	12,750	25,500				
	# of youth	0	6,375	12,750				
<b>Number of POs accessing in-kind loans from anchor firms</b>								
# of POs	0	50	80	MIS	Monthly	PMU	Export horticulture revolving fund (EHRF), established and operational.	
# of total PO members	0	15,000	24,000					
<b>Output 2.2</b> Capacity of financial institutions to develop and deliver financial services to SHFs and MSMEs strengthened	<b>CI 1.1.6 Financial service providers supported in delivering outreach strategies, financial products and services to rural areas</b>							
	# financial service providers	0	4	4	MIS	Monthly	PMU	Financial service providers interested in developing products for SHF
	<b>CI 1.1.5: Persons in rural areas accessing financial services</b>							
	Total persons accessing loans	0	10,000	20,000	MIS	Annual	Financial service providers	The outreach strategies supported by HEEP are effective
	# of men	0	5.000	10.000				
# of women	0	5.000	10.000					
# of youth	0	3.000	6.000					
<b>Output 3.1</b> Policy-relevant knowledge products developed based on trials of innovative products and processes.	<b>Policy 1 Policy-relevant knowledge products completed</b>							
	# of knowledge and/or policy documents/products	0	2	4	MIS	Monthly	PMU	

- Calculation of the % disaggregation on mid-term targets is based on the total (end) outreach targets, not on the mid-line outreach targets.

## Integrated Project Risk Matrix

Risk Categories and Subcategories	Inherent	Residual
<b>Country Context</b>	High	High
Political Commitment	High	Substantial
<b>Risk:</b> The deepening economic crisis exacerbated by COVID-19, shortages of goods in particular food, the declining purchasing power due to high inflation has led to considerable public discontent in the context of preparation for 2023 elections. This could lead to instability which may affect commitment.		
<b>Mitigations:</b> HEEP will encourage dialogue and stakeholder involvement to help build confidence on market- based solutions that were proposed by the GOZ in the Ministry's Horticultural Framework. HEEP is based on the GOZ initiative and counts on full ownership and commitment for smooth implementation of the project. IFAD is an important partner for Zimbabwe, even more so now that debt arrears hinder GOZ from accessing several other sources of external funding. Strong KM and sharing of results and good practices throughout the implementation period will be an additional element to create ownership.		
Governance	High	Substantial
<b>Risk:</b> Zimbabwe ranks poorly in governance indicators, as evidenced by a declining freedom of press, government effectiveness, rampant corruption and low prosecution of cases, lack of investment in infrastructure, declining public service system, and declining health system. The poor economic and financial governance spans for decades, which increases risk for investments in agriculture.		
<b>Mitigations:</b> HEEP safeguard mechanisms will mitigate risks and perceptions of risk with project associated investments. These include ensuring adherence to IFAD procurement and anti-corruption rules, and competitive recruitment of a HEEP procurement officer, National Project Coordinator and Chief Accountant, is mandatory to ensure good project governance.		
Macroeconomic	High	Substantial
<b>Risk:</b> Macroeconomic instability, including risks related to high international and domestic debt overhang, hyperinflation, unstable currency and currency convertibility, negative trade balance, limited access to credit, declining GDP and inconsistent economic policies have contributed to contraction of the economy, which affects efforts to commercialise smallholder agriculture. Investment inflows remain weak and due to debt arrears, several sources of external credit are not accessible yet. Additional economic stress is caused by the effects of the COVID-19 outbreak and related lockdown and in 2022 by the Ukraine crisis with substantive increases in fuel, fertilizer and commodity prices. Severe drought in 2022 is also affecting the economic situation, particularly that of the poorest.		
<b>Mitigations:</b> As has been demonstrated in the cases of Vietnam and Bangladesh, for example, global value chains (GVC) trade is more influential than traditional trade in supporting growth and poverty reduction. HEEP's focus on horticulture for export – combined with support to nutrition and home consumption – aims at reducing the vulnerability of the poor to macroeconomic shocks. In its policies, GOZ promises to undertake economic reforms, restoration of fiscal balance, stimulation of production and exports, tackle external debt, attract foreign direct investment among others. The diaspora remittances have increased. HEEP will contribute to increased production and foreign currency earning through exports. The project will also promote access to productive finance for 4Ps through the Export Horticulture Revolving Fund in Component 2. HEEP disbursements will be made in the currency of the contract which is USD.		
Fragility and security	High	High
<b>Risk:</b> Zimbabwe continues to rank amongst the top 10 most fragile countries in the world in 2021. This in line with indicators on governance, political situation, economy, security, human development and environment. Fragility in Zimbabwe is driven by policy volatility, corruption, and a low institutional capacity to deliver basic services. Zimbabwe is included in the 2022 list of fragile countries by the World Bank.		
<b>Mitigations:</b> Fragility is a crosscutting issue in IFAD's country programme and in the HEEP design. HEEP will help address fragility by assigning the private sector a greater role in promoting inclusive agricultural development. CLPE and Government engagement are promoted. IFAD's participation in UN coordination offers a platform for dialogue in priority topics.		

Sector Strategies and Policies	Moderate	Low
Policy alignment	Low	Low
<b>Risk:</b> HEEP is in line with the Strategic Objectives of COSOP and it directly supports key GoZ agricultural policies and in particular the Horticultural Recovery Growth Plan		
<b>Mitigations:</b> Regular country-level policy engagement (CLPE) and support, notably through HEEP but also ongoing projects (SIRP and SACP)		
Policy development & implementation	Moderate	Low
<b>Risk:</b> GoZ policy development capabilities are weak and the implementation of well thought and relevant policies can be lacking behind.		
<b>Mitigations:</b> HEEP through its work with horticultural value chain actors will provide high quality and timely input into the policy development process. The GoZ is keeping involved in the HEEP implementation and best practices and implementation challenges are discussed frequently. Policy-oriented KM products will be developed by the project.		
Environment and Climate Context	Substantial	Moderate
Project vulnerability to environmental conditions	Substantial	Moderate
<b>Risk:</b> River pollution, excessive water abstraction, soil erosion, and land degradation may have significant adverse impacts on food and nutrition security, agricultural productivity, access to markets, value chains, infrastructure, and the incidence of pests and diseases, resulting in increased vulnerability or deterioration of target populations' livelihoods and ecosystems.		
<b>Mitigations:</b> Climate-resilient agriculture techniques will ensure environmental sustainability, such as integrated soil fertility management and diversified cropping systems. In addition, water use efficiency will be promoted in the irrigation schemes. No infrastructure investments will be made before the local authorities confirm the beneficiaries' land and water user rights for investments in small-scale irrigation. The site-specific ESMPs will include mitigation measures, including the ability of downstream users to use water and any environmental flows required to maintain the integrity of the freshwater ecosystem.		
Project vulnerability to climate change impacts	Substantial	Moderate
<b>Risk:</b> The country is highly vulnerable to climate change (droughts, intermittent floods, prolonged dry spells). Projections estimate an increase between 1 to 1.5 degrees by 2040. This will have negative consequences on yield, food security, and nutrition—incidences will increase due to climate change.		
<b>Mitigations:</b> HEEP will support climate-resilient agronomic methods, equipment, and infrastructure in the targeted areas to reduce climate vulnerability to natural hazards, food insecurity and nutrition, and exposure to climate change. Sustainable land use, including the use of renewable energy, will contribute to reducing GHG emissions. Climate-resilient infrastructure (small-scale irrigation, protected agriculture etc.) will secure production and reduce the risk of low yields. The promotion of good climate-resilient agricultural practices will address drought, flooding, pests, diseases incidences, and land degradation		
Project Scope	Moderate	Moderate
Project relevance	Low	Low
<b>Risk:</b> HEEP is fully aligned with Government's key development policies and strategic priorities related to poverty reduction, food security and nutrition, it is also in line with IFAD's 2020-2025 COSOP for Zimbabwe and IFAD's core corporate priorities. The design mission met prospective smallholder beneficiaries and confirmed the relevance of the proposed interventions.		
<b>Mitigations:</b> Through close and active engagement with relevant government authorities, different stakeholders and partners, IFAD will assure that new ideas and priorities are streamlined to HEEP approaches and implementation arrangements. The project's M&E system will ensure that regular beneficiary feedback will be collected to ensure the continued relevance of HEEP interventions.		
Technical soundness	Substantial	Moderate
<b>Risk 1:</b> The village horticultural gardens (VHG) that HEEP will support under Component 1 may involve too many beneficiaries for having an impact on their livelihoods and/or food security. This was the case in a VHG visited by the design team during its field visits.		
<b>Risk 2:</b> The establishment of 4P requires a substantive amount of trust between farmers and anchor firms. Building this trust for new partnerships may be difficult		

<p>and lengthy, which may lead to side-selling by smallholders and reluctance by anchor firms to engage with newly established Agricultural Producer Groups (APGs).</p> <p><b>Risk 3:</b> Under subcomponent 1.4, the project will involve a rural infrastructure element, including construction of farm and feeder roads, local storage, power and water provision, renewable energy etc. The need for these public infrastructure investments will be identified by 4P partners in consultation with the appropriate local/district officials, who will be responsible for operation and maintenance. There are often delays in the implementation of infrastructure interventions, carrying the risk that the 4P business plan will not take off while the infrastructure is delayed.</p>		
<p><b>Mitigation 1:</b> HEEP will limit the number of farmers involved in one VHGs to a maximum of 50. It will also ensure a minimum of 200 square meters of commercial plot per beneficiary household.</p> <p><b>Mitigation 2:</b> subcomponent 1.2 will be fully dedicated to the identification and the capacity building of 4Ps. 4Ps following the anchor firm hub and spoke model will be selected based on competitive calls for Expressions of Interest (EOI)s issued by the PMU. If the 4P EOI shows promise, the PMU will work with the 4P partners to strengthen the partnership by jointly developing a full 4P business plan. Technical assistance and training will be provided and will include farming as a business, group organization and dynamics.</p> <p><b>Mitigation 3:</b> Close monitoring of the project's activities will ensure smooth delivery of the complex activities involving infrastructure. Continuous evaluation of expenditure, and careful economic analysis of the benefits at project mid-term and closure will adequately evaluate the project's viability.</p>		
<b>Institutional Capacity for Implementation &amp; Sustainability</b>	<b>Substantial</b>	<b>Moderate</b>
Implementation arrangements	Substantial	Moderate
<p><b>Risk:</b> There is limited experience and technical capacity in the Ministry to implement large scale export oriented commercial horticultural programmes. Low implementation capacity in some government structures has in various cases led to low disbursements and weak implementation performance in development projects in Zimbabwe. The 4P approach of HEEP is new to Zimbabwe. On the other hand, the RBZ has experience managing foreign currency funds such as the proposed Horticultural Export Revolving Fund.</p>		
<p><b>Mitigations:</b> HEEP will provide capacity building to PMU and relevant institutions engaged in the implementation of HEEP. On the job training, hands on experience, and learning by doing are part of the programme execution. Once approved and operational, the 4Ps will be implemented largely through 4P partners, as well as private service providers and PFIs. Constant identification of lessons learned and analysis of bottlenecks and best practices, will enhance the implementation capacities.</p>		
M&E arrangements	Moderate	Low
<p><b>Risk:</b> In SIRP, insufficient human and financial M&amp;E resources in the PMU make it difficult to set up a solid results-management system.</p> <p>The flow of data from the field to the project Management Information System (MIS) has been patchy and untimely.</p> <p>In HEEP, anchor firms may fail to provide data to the project without clear structures and incentives to do so.</p>		
<p><b>Mitigations:</b> The PMU will include HEEP-dedicated senior M&amp;E officer, assistant, and KM officer. The budget for M&amp;E (excluding KM) will be at least 2% of total cost.</p> <p>HEEP will provide agricultural extension officers with data bundles to enable digital data collection in the field and reduce labour intensive manual data input by PMU staff.</p> <p>Through the innovation grants, HEEP will promote the adoption by anchor firms of software solutions which make it easier to run contract farming with smallholders, and provide the full traceability demanded by export markets and supermarket chains. The data collected through these platforms will be made available to HEEP's M&amp;E system.</p>		

<b>Procurement</b>	Substantial	Moderate
<b>Legal and regulatory framework</b>	Substantial	Moderate
<b>Risk:</b> Lack of national standard bidding documents for shopping; insufficient procurement monitoring at national level and low public access to procurement information.		
<b>Mitigations:</b> The Project will develop its own templates for shopping and will submit them to IFAD for review & approval. The Procurement Regulatory Authority of Zimbabwe (PRAZ) should be encouraged to fast-track the creation of databases on procurement, so as to increase procurement monitoring and increase public access to public information. To that end, PRAZ's website is already structured to accommodate said databases. The project will achieve its procurement monitoring obligations through the use of IFAD's Contract Monitoring Tool (CMT) and the project team will be training on the use of the CMT since the start-up phase. Additionally, the quality of data inserted on the CMT will be assessed at each IFAD supervision mission. Finally, the project will enhance public access to its procurement information by widely advertising bidding opportunities and contract awards (also by publishing ICB opportunities on UNDB online).		
<b>Accountability and transparency</b>	Moderate	Moderate
<b>Risk:</b> Transparency International scored Zimbabwe 23/100 on the Corruption Perception Index for calendar year 2021. The Zimbabwe Anti-Corruption Commission (ZACC) has the constitutional mandate to investigate corruption. However, the ZACC is not independent, being administered under the Office of the President and Cabinet.		
<b>Mitigations:</b> All procurement entities, as well as bidders, suppliers, contractors, consultants and service providers, shall observe the highest standard of ethics during the procurement and execution of contracts financed under IFAD funded projects, in accordance with paragraph 69 of the IFAD Project Procurement Guidelines. The Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations shall apply to all projects, vendors and third parties, in addition to the relevant national anticorruption and fraud laws. Recommend that IFAD strongly encourage government through policy dialogue to make the ZACC an independent Anti-Corruption agency, through the COSOP consultations with the government.		
<b>Capability in public procurement</b>	Moderate	Low
<b>Risk:</b> a) The Procurement Officer at SIRP is suspended in March 2021. Despite the upcoming departure of the Procurement Officer a.i., SIRP and the Ministry of Lands, Agriculture, Fisheries, Water and Rural Resettlement (the "Ministry") lack a clear way forward on the recruitment of a Procurement Officer to take over the work; b) The level of Procurement document produced by the procurement is considered Mediocre and need more elaboration and enhancement to answer the International Best Practices in different procurement aspects.		
<b>Mitigations:</b> a)HEEP to recruit competitively Procurement Specialist, and Procurement assistant with adequate experience in donor-funded public procurement without delays and to provide them with the adequate training; b) HEEP to use IFAD SBD.		
<b>Public procurement processes</b>	Moderate	Low
<b>Risk:</b> a) Procurement staff do not participate in the preparation of the annual work plan process. They are involved downstream after the finalisation of the AWPB; b) Minimum number of days for advertised procurement under competitive bidding processes (40 dys ICB and 20 dys NCB) are less than the IFAD recommendation; c) Minutes of bid openings taken sent only to bidders who requested them; d) The evaluation committees are not appointed ad hoc, rather a fixed list of officers participating to evaluations is approved directly by the Permanent Secretary of the Ministry who are chosen based on their experience; e) Weak contract administration and management at different level.		
<b>Mitigations:</b> a) To ensure participation of procurement in the preparation of the AWPB, as it has implication on the Procurement Plan, and to ensure the use the IFAD PP Template; b) To include in the PIM at least 45 days for ICB and no less than 30 days for NCB (included in the PIM); c) Minutes of the bid opening to be dispatched to all bidders, even those who do not request them; d) To ensure with the PMU that Evaluation committee are composed on ad-hoc basis for every single bid process under HEEP project; e) To ensure that HEEP will: follow IFAD process and procedures for contract management, use the IFAD contract template, the Procurement Officer is involved in the follow up with suppliers/contractors/consultants to monitor contract implementation and delays, actively use the CMT to follow up on the contract progress.		

Financial Management	Substantial	Moderate
Organization and Staffing	Moderate	Low
<p><b>Risk:</b> There are no proposed accounting staff at the design stage of the project. Once the project is approved, recruitment will be conducted for the program accountant and an assistant accountant.</p> <p>There are no anticipated challenges with regard to recruitment of finance staff. However, there will be need to orient the finance team to be recruited on IFAD financial management procedures.</p> <p>Given the economic instability in the country, there is potential risk of high staff turnover affecting continuity and creating a lengthy learning curve/slowing down implementation of the project</p>		
<p><b>Mitigations:</b> Ensure recruited FM staff are trained in IFAD procedures. FM staff in existing projects can support the onboarding process of the new staff.</p> <p>Provide continuous capacity building, covering among others, IFAD financial management procedures/requirements.</p>		
Budgeting	Substantial	Moderate
<p><b>Risk:</b> There has been consistently low budget execution in the past years (30-40% annual average absorption) mainly due to (i) unrealistic budget preparation, (ii) delays in budget approval, and (iii) delays in no-objection due to budget revisions. HEEP will be implemented by the same Lead Implementing Agency. Based on experience with SIRP, there is a risk of budgets not being executed in an orderly and predictable manner resulting in funds not being available when needed.</p>		
<p><b>Mitigations:</b> The project should prepare timely and realistic annual work plans and budgets (AWPB) in order to minimise delays in implementation of project activities.</p>		
Funds flow/disbursement arrangements	Substantial	Moderate
<p><b>Risk:</b> Due to the historical problems with the Zimbabwe dollar, most of the payments are done in USD. Use of the local currency is limited to few transactions and therefore exposure to foreign exchange risk is minimal.</p> <p>Even though exposure to foreign exchange risk is minimal, shortage of USD could lead to project funds held in the DA being inaccessible which could impact implementation of project activities</p>		
<p><b>Mitigations:</b> Quarterly cash flow forecasts should be done to ensure sufficient liquidity for the project.</p> <p>Provide training for interim financial reporting to the accounting staff who will be recruited for the project.</p>		
Internal controls	Substantial	Moderate
<p><b>Risks:</b> The risk that internal audit arrangements are insufficient to provide assurance on the effectiveness of internal control systems and processes leading to unreliable internal control systems and non-compliance with the financing agreement, LfR, PIM and GoZ requirements.</p>		
<p><b>Mitigations:</b> As part of start-up, internal audit staff assigned to the programme will be trained in IFAD procedures.</p> <p>Supervision missions will report on the activity of the internal audit with respect to HEEP by reviewing their reports and assessing management's responsiveness to any recommendations formulated as a complementary measure.</p>		
Accounting and financial reporting	Substantial	Moderate
<p><b>Risk:</b> The software has been customised to produce IFAD-specific financial reports that include reports by categories, components and sub-components, and by</p>		

financiers. The software is not web-based but there may not be need for such functionality since processing of all accounting transactions is centralised at the PMU. However, there are no back-ups for the accounting software.		
<b>Mitigations:</b> The software service provider should be engaged to propose a technical solution to mitigate this risk		
External audit	Substantial	Moderate
<b>Risk:</b> Office of the Auditor General does not have sufficient capacity. For SIRP, the audit is conducted by a private sector auditor, and the same is expected for the HEEP project. However, this does not strengthen the country systems.		
<b>Mitigations:</b> The potential of the Comptroller and Auditor General office is expected to be progressively achieved. This should be assessed during implementation to determine suitability to conduct project audits.		
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Low</b>
Biodiversity conservation	Moderate	Low
<b>Risk:</b> There is a risk that clearing land for agriculture, deforestation for household energy, setting up irrigation schemes will result in loss of biodiversity, ecosystems and ecosystem services, or the unsustainable use of living natural resources.		
<b>Mitigations:</b> HEEP infrastructure will be small-scale in non-sensitive locations. Agricultural intensification will be promoted as opposed to expansion. Capacity building will focus on the promotion of agro-ecological principles, enhancing ecosystem services, and sustainably using natural resources and soil conservation. HEEP will promote the planting of fruit trees which are instrumental in biodiversity conservation.		
Resource Efficiency and Pollution Prevention	Moderate	Low
<b>Risk:</b> Land and water resources may be polluted through increased use of agro-chemicals as smallholders invest in improved agricultural productivity and become integrated into value chains. Discharge from the drainage in the irrigation schemes may also result in pollution.		
<b>Mitigations:</b> Use of appropriate disposal facilities, use of appropriate drainage structures, use of organic soil fertility enhancement, proper storage of materials, capacity building in safe use and handling of agro-chemical. Farmers will be trained on water pollution management		
Cultural heritage	Low	Low
<b>Risk:</b> There is a very low risk that HEEP will be implemented in areas of cultural heritage sites where it could cause loss of resources of historical, religious or cultural significance. The risk that women may be prevented from participating due to patriarchal norms is also low, as shown by the experience of ongoing project in Zimbabwe (SIRP and SACP both successfully target women).		
<b>Mitigations:</b> The targeting strategy will ensure that HEEP will not target cultural heritage sites for its interventions. The strategy will also ensure that women are directly involved in project activities and reap the benefits from participation. The M&E system will collect gender and age disaggregated data to monitor the performance of the targeting strategy.		
Indigenous Peoples	Low	Low
<b>Risk:</b> The potential risk that HEEP may cause physical, social, or economic impacts on indigenous peoples, or in threats to or the loss of resources of historical or cultural significance to them.		
<b>Mitigations:</b> There is very low risk that HEEP will affect indigenous populations; self-identified indigenous peoples are 0.03% of total population.		
Community health and safety	Low	Low
<b>Risk:</b> Potential community health and safety risks could arise from exposure to agro-chemicals, zoonotic diseases, COVID-19, pollution from project interventions and from gender-based violence.		
<b>Mitigations:</b> The Environmental and Social management Plans for each site will include measures to minimise the risks. Capacity building for smallholders will also include safe use and handling of agro-chemicals. HEEP will develop road		



infrastructure to improve transport safety. Communities will access training on gender-based violence, reproductive health rights, child feeding and nutrition education. Labour saving technologies will improve the health and well-being of women. For COVID-19, HEEP's efforts will be towards increased awareness on social distancing, wearing masks, washing hands and increasing the use of digital platforms.		
Labour and working conditions	Low	Low
<b>Risk:</b> There is low risk that HEEPP may cause an increase in gender-based violence, discriminatory and unsafe/unhealthy working conditions for people employed to work specifically in relation to the project, including third parties and primary suppliers		
<b>Mitigations:</b> HEEP will promote viable enterprises that generate enough income for decent labour practices. The project will raise awareness against gender-based violence, and unsafe working conditions. Required clauses will be included in contracts with APGs, MSMEs, and anchor firms. HEEP will engage targeted households on the benefits of equitable sharing of labour through GALS. The contracts for infrastructure development will also include clauses to ensure decent working conditions. Labour saving technologies will be introduced. The PMU will carry out regular field visits to ensure that decent labour practices are adopted by all implementing partners and project stakeholders.		
Physical and economic resettlement	Low	Low
<b>Risk:</b> The potential risk is that the HEEP may cause physical, social, cultural or economic impacts, especially for marginalized groups, from involuntary loss of land, assets, access to assets, income sources, or means of livelihoods. Some of these risks may result from infrastructure development activities.		
<b>Mitigations:</b> Infrastructure development proposals will be screened to ensure no physical or economic resettlement will result from these activities.		
Greenhouse gas emissions	Moderate	Low
<b>Risk:</b> There is a moderate risk that HEEP may result in green-house gas emissions as a result of land clearing and a change in the land use and thereby contribute to anthropogenic climate change.		
<b>Mitigation:</b> Screening of investments will ensure no forests are cleared for agricultural production and intensification. The CSA activities such as integrated soil fertility management and agroforestry will increase carbon sequestration. The mitigation potential of the project will be calculated every year. GEF funding will help to better address climate change adaptation by facilitating climate-resilient technology such as the use of solar renewal energy from production to storage and processing, and the promotion of sustainable natural resource management techniques		
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Moderate
<b>Risk:</b> Most of the HEEP target beneficiaries depend on rain-fed agriculture for their livelihoods. This dependency increases their vulnerability to variable climate. Some of the HEEP locations are also water stressed, which increases the vulnerability of the ecosystems.		
<b>Mitigations:</b> Climate resilient investments will reduce the vulnerability to climate variability and change. The capacity building will also increase the knowledge base of the smallholders to manage the climate change related risks. Irrigation and water supply schemes will contribute to addressing water stress and incidents of drought and prolonged dry spells.		
<b>Stakeholders</b>	<b>Moderate</b>	<b>Low</b>
Stakeholder engagement/coordination	Low	Low
<b>Risk:</b> The likelihood of adverse reaction by stakeholders including smallholders, anchor firms, PFIs, and NGOs towards HEEP implementation is ranked low.		
<b>Mitigations:</b> Comprehensive consultation process with the stakeholders during the Concept Note mission, covering both the smallholder producers and agro-businesses, demonstrated great interest by all parties to develop the value chains to the mutual benefit of all stakeholder groups. The M&E/KM unit will ensure regular consultations with stakeholders, who will be involved in the development of AWPBs as well as in project evaluations.		
Stakeholder grievances	Moderate	Low
<b>Risk:</b> 4Ps involve SHFs and MSMEs with far less sophistication in articulating grievances with more sophisticated anchor firms. This could lead to unaddressed		

stakeholder complaints that may undermine project implementation and the achievement of project development objectives.		
<b>Mitigations:</b> HEEP will put in place a strong stakeholder grievance and a beneficiary feedback mechanism through which beneficiaries can lodge grievances first to the 4P anchor firms and NGOs, and then if not resolved to be taken by HEEP. This will be backed by community validation mechanisms at each stage in project implementation. HEEP will raise awareness on an anti-corruption policy and establish contact telephone numbers for grievances.		