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Investing in rural people

President's report

Proposed loan and grant to the Republic of Angola for the Agricultural Recovery Project

Note to Executive Board representatives

Focal points:

Technical questions:

Abla Benhammouche
Country Director
East and Southern Africa Division
Tel.: +39 06 5459 2226
e-mail: a.benhammouche@ifad.org

Dispatch of documentation:

William Skinner
Chief
Governing Bodies
Tel.: +39 06 5459 2974
e-mail: gb@ifad.org

For: Approval

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Abbreviations and acronyms

ARP	Agricultural Recovery Project
AWP/B	annual workplan and budget
FAO	Food and Agriculture Organization of the United Nations
FFS	farmer field school
IDA	Instituto de Desenvolvimento Agrário (Agricultural Development Institute)
M&E	monitoring and evaluation
MINAGRI	Ministry of Agriculture
PIU	project implementation unit
SADCP	Smallholder Agriculture Development and Commercialization Project
SADCP-C&H-SAMAP	Smallholder Agriculture Development and Commercialization Project in Cunene and Huila provinces

Map of the project area

Angola Agricultural Recovery Project



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
Map compiled by IFAD | 13-07-2017

Republic of Angola

Agricultural Recovery Project

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Angola
Executing agency:	Ministry of Agriculture
Total project cost:	US\$7.6 million
Amount of IFAD loan:	US\$5.0 million
Amount of IFAD grant:	US\$1.0 million
Terms of IFAD loan:	Ordinary terms: repayment over 18 years, including a five-year grace period, with an interest rate equal to the annual reference rate set semi-annually by IFAD
Cofinancier:	Food and Agriculture Organization of the United Nations
Amount of cofinancing:	US\$0.5 million
Terms of cofinancing:	Technical assistance, vehicle costs and office equipment
Contribution of borrower:	US\$0.7 million
Contribution of beneficiaries:	US\$0.4 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of Angola for the Agricultural Recovery Project, as contained in paragraph 52.

President's report on a proposed loan and grant to the Republic of Angola for the Agricultural Recovery Project

I. Strategic context and rationale

A. Country and rural development and poverty context

1. The Republic of Angola is the third largest country in sub-Saharan Africa and occupies an area of 1,247,000 km². The 2014 census estimated its population at 24.3 million people, of whom some 38 per cent are living in rural areas.¹ Four decades of civil war saw much of the country's economy collapse, infrastructure destroyed and institutions weakened. Since the return of peace about 14 years ago, the Government has made substantial progress in re-establishing the foundations needed to address these problems. This has resulted in the development and implementation of programmes aimed at restoring order and security, revitalizing the economy, restoring basic social services and rehabilitating infrastructure.
2. Although agriculture generates on average just 5.5 per cent of GDP, 44 per cent of the employed population work in that sector. More than half of Angola's poor live in rural areas and depend almost exclusively on subsistence farming for their livelihoods. Women are responsible for 70 per cent of traditional subsistence farming and 24 per cent of commercial agriculture.
3. Angola ranks low on indicators of both human development and the business environment. Moreover, its performance on social indicators is mixed: while good progress has been made since 2002 in terms of poverty reduction, primary education, and gender equality, other social indicators remain very worrying. For example, maternal mortality is 450 per 100,000 births, and malnutrition is acute with 30 per cent of children under five years of age suffering from stunting and 16 per cent underweight.

B. Rationale and alignment with government priorities and RB-COSOP

4. Most agriculture in Angola is rainfed and thus highly vulnerable to weather events. The effect of the prolonged droughts on food security was catastrophic for millions of the region's population; and water scarcity also accentuated wider humanitarian needs, impacting access to water resources, sanitation, education, health services and livelihood status. The drought conditions were more pronounced in the southern provinces and reduced the production of cereals, such as millet and sorghum, which are the predominant crops in the region. In the three provinces considered in the post-disaster needs assessment (PDNA) – Cunene, Huila and Namibe – precipitation was significantly below average between 2012 and 2015, although Cunene reported normal rainfall in 2012. Successive years of drought lasted until 2016 in most areas, with some measure of relief provided by occasional brief rainy interludes. The adverse impact accumulated over time, progressively eroding livelihoods and food security, and subverting environmental conditions.
5. The impact of drought has been compounded by the drastic fall in oil prices and the associated implications, such as smaller government revenues forcing drastic cuts in public spending. Access to food, basic goods and public services was constrained by

¹ Government of Angola (2016), *Censo 2014. Resultados definitivos do recenseamento geral da população e de habitação de Angola 2014* [2014 Census. Final results of the general population and housing census of Angola, 2014]. National Institute of Statistics.

high inflation and government expenditure cuts, which further aggravated the impact of the drought. High inflation, driven by cuts in fuel subsidies, reduced food supply in local markets, and triggered a devaluation of the currency (kwanza).

6. Local authorities lack the resources to fully implement the drought response. Water projects (repair and construction of boreholes) initiated by local governments have come to a standstill because they lack the funds needed to pay contractors and purchase equipment. Moreover, disruptions in the supply of nutritional supplements led to the closure of some inpatient and outpatient treatment centres in affected areas.
7. The Agricultural Recovery Project (ARP) will contribute to the Agriculture Sector Recovery Programme and the Angolan Government's priorities as defined in the PDNA. The priorities in each of the subsectors (crop and livestock) have been integrated into the activities to be implemented through the project.
8. Theory of change. The problem that the ARP seeks to address is food and nutrition insecurity exacerbated by recurring climatic events in the target areas. The problem tree and theory of change identify six major causal factors, including: (a) low agricultural productivity; (b) limited access to improved technologies; (c) rainfall that is variable in both distribution and intensity; (d) limited access to water for productive uses; (e) lack of early warning systems; and (f) poor coordination among the different disaster-response and development-planning policies and agencies. Each of these causal factors in turn has a number of contributory elements, some of which will be tackled by the project, in order to address the core problem of food and nutrition insecurity exacerbated by recurrent unfavourable weather conditions. The theory of change indicates how the project will pursue its objective of restoring both the productive assets and capacity of households affected by periodic droughts.

II. Project description

A. Project area and target group

9. The ARP will target eight municipalities from three provinces – Benguela, Cunene and Huila. These three provinces are situated in southwestern Angola and have suffered repeated El Niño droughts during 2011-2016. More recently, however, Cunene province in particular has experienced the opposite extreme condition, La Niña, characterized by localized flooding. This situation has heightened the fragility of the area's population which lives, primarily, from crop and livestock production.
10. The core ARP target group will consist of 8,000 households (representing 48,000 people); they will primarily be low-income households that work in farming or pastoralism and/or are members of the farmer field schools (FFSs) set up during the emergency programmes.² Many of the target households have benefited/are benefiting from emergency interventions by the Angolan Government and some of its development partners.

B. Project development objective

11. The project development goal is to contribute to improved food and nutrition security of targeted communities. The project development objective (PDO) is to restore the productive assets and capacity of households affected by recurrent droughts.

C. Components/outcomes

12. The PDO will be achieved by implementing one technical component (sustainable livelihood recovery), consisting of three complementary and mutually reinforcing subcomponents: 1.1 – recovery of household productive assets; 1.2 – recovery of community productive assets; and 1.3 – capacity-building for recovery. It should be noted that climatic conditions in the target area mean that droughts and floods are

² The farmer field schools established under emergency programmes differ from the conventional farmer field school model in terms of course duration and content. The ARP refers to these schools by the acronym e-FFS.

bound to reoccur. So, while subcomponent 1.1 will help restore production, subcomponents 1.2 and 1.3 will enable the target households and communities to make full recovery, while also enhancing their risk management capacity to make them less dependent on emergency interventions. The second component is Project Coordination and Management, a cross-cutting component that will provide effective overall coordination and management services to all three technical subcomponents.

13. Component 1: Sustainable Livelihood Recovery. The objective of this component is to restore the productive assets of the targeted communities and households in selected municipalities of the target provinces.
14. Subcomponent 1.1: recovery of household productive assets. This subcomponent aims to address the needs of members of farming households. Consistent with the preceding emergency interventions, e-FFSs (both existing and new) will be used as the main instruments for reaching the target households, although other vulnerable households that are not FFS members will also be reached. Agricultural productivity will be enhanced under (integrated) rainfed crop and livestock systems; and livelihoods will be developed and diversified, together with capacity-building for beneficiaries and institutional stakeholders to make the activities sustainable (subcomponent 1.3). Two generalized household packages are proposed: (a) a crop-based, food-security package for farming households; and (b) livestock-based packages consisting of poultry, goats, sheep and pigs, depending on the beneficiaries' asset base. The expected outcome is increased on-farm productivity and improved food security as a result of livelihood diversification.
15. Subcomponent 1.2: recovery of community productive assets. When households are recovering from a shock, they rely on networks in their community; so community assets serve as a risk management tool. Land management practices and the rehabilitation/development of water sources is a key factor for livelihood recovery in the project areas. Potential beneficiaries consider lack of water and grazing land as the main issues affecting their lives. The project will develop water infrastructure by rehabilitating and constructing multi-purpose water sources. The subcomponent will be implemented through the farmer and agropastoral field school extension modality, adapted to the varied agroecologies present in the project area. The expected outcome is stabilized/improved livelihoods through use of community productive infrastructure. This subcomponent focuses on two types of action: (a) water-resource development; and (b) natural-resource management.
16. Subcomponent 1.3: capacity-building for recovery. This subcomponent will provide capacity-building at the institutional, community and household levels, as needed to ensure effective implementation of subcomponents 1.1 and 1.2. The beneficiaries and their communities need help to become less vulnerable to climate-related shocks. The skills and capacities required at the different levels will be strengthened to ensure that communities are able to recover from climate-related shocks, and that the relevant institutions are able to provide the necessary support and services to the communities and households.
17. Component 2: Project Coordination and Management. The objective of this component is to strengthen the ARP's overall coordination, monitoring and evaluation through the project implementation unit (PIU) at the central level. The PIU will coordinate and monitor the implementation of project activities, including: (a) financial management and reporting; (b) coordination of goods and services procurement; (c) preparation and coordination of the ARP's annual workplan and budget (AWP/B); and (d) monitoring and evaluation and knowledge management. This component will ensure that the project is implemented correctly, on time, and in accordance with the project implementation manual and the financing agreement.

III. Project implementation

A. Approach

18. The ARP will build on work done in the project areas by the different emergency programmes funded by the Government and other development partners. Many of the emergency programmes are being implemented by the Food and Agriculture Organization of the United Nations (FAO) using the e-FFS approach. FFSs have proved an effective way to develop the skills farmers need to be able to make the best use of inputs in the emergency context prevailing in the country. The FFS methodology is well known in the ARP target area; and provincial technical officers and community members are familiar with the approach, which is also inclusive of vulnerable groups and women. Support will, therefore, be provided to strengthen the FFSs that have been set up by the emergency programmes, to complete their learning and adoption cycles. The ARP will strengthen the e-FFS investments made at community level while targeting individual households, FFS members and others in the vicinity. Consideration will be given to setting up a small number of new schools in areas not previously covered by the emergency programmes, so as to engage a larger number of target households. Priority will be given to upgrading target areas that are in the vicinity of those previously established, to form clusters that would provide management and supervision benefits.

B. Organizational framework

19. Project oversight and coordination. The Ministry of Agriculture and Rural Development (MINAGRI) will be the lead executing agency and will work closely with the other line ministries and partners whose mandates have a direct bearing on achievement of the project's objectives. The project's delivery systems will be integrated into the decentralized government organizational and operational structures that cascade from the national to the communal levels. The Agricultural Development Institute (Instituto de Desenvolvimento Agrário – F) will be responsible for administration and coordination of the project. MINAGRI will be supported by the project coordination committee (PCC) as an oversight body, chaired by the Minister of Agriculture or his/her nominee, and a membership composed of institutions with direct relevance to the achievement of the ARP's objectives.

C. Planning, monitoring and evaluation, and learning and knowledge management

20. Planning. Annual planning will be a decentralized process, starting at the municipality level where the IDA municipal offices will draw up municipality-specific plans. These will be consolidated at the provincial level by the Office of the Provincial Director of Agriculture and forwarded to the PIU for consolidation into a project-wide draft AWP/B. The consolidated AWP/B will be sent to the PCC for review and endorsement and subsequently to IFAD for review and no objection. The draft should be sent to IFAD 60 days before the start of the next project year. IFAD will have 30 days to review the project and give its no objection; and the PIU will have a full month to revise and finalize the AWP/B. This process is critical for timely submission of the draft to each approval level. The finalized AWP/B will be distributed to all ARP implementing agencies by 31 December each year to ensure a smooth transition from year to year.
21. Monitoring and evaluation. The monitoring and evaluation (M&E) system will be set up to provide information on progress and performance. It will monitor the recovery process and contribute to effective project management, decision-making and reporting, including to the Government and IFAD, pursuant to the IFAD Guidelines for Disaster Early Recovery. Monitoring will focus on collecting data on the status of activities planned in the AWP/B, and on creating a cumulative overview of the direct results (deliverables/outputs), from project start-up until completion. Since the ARP will be building on emergency programmes, it will consider strengthening any existing and relevant tools, as opposed to starting afresh.

22. Provision will be made for close monitoring and supervision of ARP activities, especially during the first two years, to ensure that the implementation of early recovery activities proceeds smoothly and that any problems are dealt with in a timely manner. The M&E system will also regularly monitor and assess early-recovery objectives and priorities. In addition to tracking progress, it will also help ensure that recovery activities adhere to the principles of "do no harm" and "build back better", as required by the IFAD Guidelines for Disaster Early Recovery. An M&E assistant, supervised by the project coordinator, will be responsible for M&E. The M&E and knowledge-sharing specialist of the Smallholder Agriculture Development and Commercialization Project in Cuanza Sul and Huila Provinces (SADCP-C&H-SAMAP) will oversee the M&E function.
23. A baseline survey will be conducted during the first year to benchmark the existing situation in the project area. A midterm review (MTR) will evaluate whether the project is on course to achieve its objectives. Before completion, an impact assessment will be undertaken to inform the project completion report, which will assess the accomplishments of the ARP and analyse its performance.
24. Learning and knowledge management. Knowledge management will ensure that project implementation is a continuous learning process in which quantitative and qualitative data will be compiled, analysed and disseminated as lessons learned, together with thematic studies and stories from the field that explain the challenges encountered and the results achieved. Information sharing with other recovery projects in Angola and elsewhere in the region will receive special attention; and knowledge gained in other countries of the region will be made available to the ARP. In turn, the ARP experience will inform regional learning on post-disaster recovery interventions.

D. Financial management, procurement and governance

25. Financial Management. As the 2016 Public Expenditure and Financial Accountability report has not yet been publicly released, the inherent fiduciary risk in Angola was assessed as "high", based on its low rating in Transparency International's Corruption Perceptions Index (in which it was ranked 164 out of 176 countries), the shortage of professional accountants and the depreciating currency, coupled with reported large differences with respect to the unofficial "parallel market" exchange rate. The World Bank assessed the financial management and procurement systems during the design of the Smallholder Agriculture Development and Commercialization Project (SADCP) and rated the project's inherent fiduciary risk as "substantial".
26. The IDA already has some experience of implementing donor-financed projects (one joint IFAD-WB project already closed, one ongoing World Bank project and the IFAD-financed SADCP-C&H-SAMAP, approved and scheduled to start by the end of the third quarter of 2017). Nonetheless, prior to this year it only managed its recurrent costs, having previously been wholly dependent on the Ministry for its operational budget. Furthermore, the location of the project in Lubango adds an additional risk, as the provincial IDA department in Lubango has very limited financial management oversight capability to support the ARP. The provincial department has a small finance unit, staffed only by an administrative and finance officer; it only processes small payments through its petty cash, and does not use any accounting software.
27. Given difficulties in attracting qualified staff and the relatively small size of the project, synergies will be obtained with the two other projects being implemented by the IDA, in order to achieve an adequate segregation of duties. This will also help contain the wage bill, which is already unusually large (28 per cent of project costs), driven by market conditions. The financial management procedures manual will be based on those of SADCP and the Market-oriented Smallholder Agriculture Project (MOSAP); and there is a very good opportunity for close collaboration between the projects that IDA will be implementing in the next few years. In recent years, FAO has implemented emergency programmes in Angola's southern provinces, funded by the United States Agency for International Development, the United Nations Office for the Coordination of Humanitarian Affairs and FAO. Consequently, their oversight also provides assurance.

28. Based on IFAD's single-currency lending framework, the loan will be denominated in United States dollars under ordinary lending terms. The grant will also be denominated in dollars. The details of the designated and operational bank accounts in Luanda and Lubango will be explained in the letter to the borrower/recipient.
29. The ARP will prepare its financial statements in accordance with International Public-Sector Accounting Standards (IPSAS) and use the PRIMAVERA accounting software (also used by the IFAD-financed MOSAP project and the Artisanal Fisheries and Aquaculture Project [AFAP] and SADCP-C&H-SAMAP). The relevant software will be procured prior to the first disbursement.
30. Audit. Internal control systems at the PIU level will be set up and detailed in the financial management procedures manual. The IDA will ensure regular internal audit activity, provided either by the MINAGRI internal audit unit or by an independent service provider to be procured within six months of entry into force.
31. Pursuant to IFAD's General Conditions for Agricultural Development Financing, ARP's financial statements will be audited annually in accordance with the IFAD Guidelines on Project Audits and the IFAD Guidelines for Disaster Early Recovery. The audit reports and related management letters must be submitted to IFAD no later than six months after the end of each fiscal year. IFAD will give its no objection to the appointment of the private-sector external audit firm.
32. Start-up financing will be encouraged for eligible activities associated with early project implementation readiness.
33. Retroactive financing. As an exception to the General Conditions, up to US\$500,000 can be financed from the loan for eligible expenditures incurred between the date of project approval by the Quality Assurance Secretariat (10 July 2017) and the entry into force of the financing agreement.
34. In terms of overall project risk control, IFAD has assessed the project's fiduciary risk at the design stage as "high".
35. Procurement. All procurement will be conducted in accordance with IFAD Project Procurement Guidelines and its "Policy on preventing fraud and corruption in activities and operations". Procurement responsibility will rest with MINAGRI/IDA. All procurements will be executed against approved AWP/Bs which align with the procurement plans. All procurements financed by IFAD will be exempt from duties and taxes.

E. Supervision

36. Supervision and implementation support will be provided jointly by IFAD and the Government of Angola. In year 1, supervision will be performed every three months. Depending on progress and the level of risk assessed, subsequent supervision missions will be fielded at least biannually, but preferably three times a year. In view of the perceived financial management risk, IFAD will undertake an additional financial management implementation support mission, in conjunction with the other IFAD-supported projects (AFAP and SADCP-C&H-SAMAP), in the first two years of implementation. This will support capacity-building among financial management staff, as well as an on-site review of statements of expenditure, supporting documentation and procurement arrangements. Supervision and implementation support will be based on IFAD's operational modalities and practices. IFAD will also provide implementation support, either during the supervision missions or as and when needed.

IV. Project costs, financing, and benefits

A. Project costs

37. Total ARP costs, including price contingencies, duties and taxes, are estimated at around US\$7.6 million over the four-year project implementation period. Of this

amount, about 26 per cent represents the foreign exchange content, and roughly 8.6 per cent are duties and taxes. Total base costs amount to some US\$7.3 million, while contingencies are estimated to add another US\$300,000 to this amount (of which US\$100,000 are physical contingencies and US\$200,000 are price contingencies), corresponding to 3.8 per cent of the base costs. Investment costs account for 69 per cent of the base costs (and recurrent costs the remaining 31 per cent). Funds allocated to project management and coordination amount to about US\$1.3 million or 17 per cent of total project costs. A summary breakdown of the project costs by component is shown in the table below:

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

<i>Component</i>	<i>IFAD loan</i>		<i>IFAD grant</i>		<i>FAO</i>		<i>Beneficiaries</i>		<i>Borrower/ counterpart</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
1. Sustainable livelihood recovery											
1.1 Recovery of household productive assets	1286	64.0	-	-	294	14.6	117	5.8	312	15.5	2008
1.2 Recovery of community productive assets	1606	79.3	-	-	-	-	273	13.5	146	7.2	2024
1.3 Capacity-building for recovery	954	42.8	1000	44.9	161	7.2	-	-	113	5.1	2227
Subtotal	3845	61.4	1000	16.0	454	7.3	390	6.2	571	9.1	6260
2. Project coordination and management	1154	85.8	-	-	36	2.7	-	-	155	11.5	1346
Total	5000	65.7	1000	13.1	491	6.5	390	5.1	726	9.5	7606

B. Project financing

38. The following financiers will be contributing to the Project: (a) IFAD (through a loan and a grant); (b) the Government of Angola; (c) FAO; and (d) the project beneficiaries. IFAD will fund the project through a grant of US\$1.0 million and a loan of US\$5.0 million. The Government of Angola will finance the taxes and duties, as well as general office expenses for the project coordination and management unit for a total of US\$700,000, representing about 10 per cent of total project costs. The beneficiaries' contribution will mainly be in-kind (unskilled labour), equivalent to about US\$400,000 or 5 per cent of project costs. FAO will contribute about US\$500,000 in the form of technical assistance, vehicles and related operations and maintenance, plus the salary of one driver and office equipment for the PIU. The financing plan for the ARP is summarized in the table below.

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

<i>Expenditure category</i>	<i>IFAD loan</i>		<i>IFAD grant</i>		<i>FAO</i>		<i>Beneficiaries</i>		<i>Borrower/ counterpart</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
1. Works	675	72.0	-	-	-	-	169	18.0	94	10.0	938
2. Goods, services and inputs	1 265	70.4	-	-	121	6.7	118	6.6	293	16.3	1 798
3. Training	744	42.8	962	55.3	-	-	-	-	34	2.0	1 740
4. Grants and subsidies	655	87.3	38	5.1	-	-	57	7.6	-	-	750
5. Salaries and allowances	1 661	69.7	-	-	370	15.5	46	1.9	305	12.8	2 381
Total	5 000	65.7	1 000	13.1	491	6.5	390	5.1	726	9.5	7606

C. Summary benefit and economic analysis

39. The project will help improve food and nutrition security by restoring the productive assets and capacity of households affected by recurrent droughts. The ARP will provide agricultural and livestock support packages that include inputs, services and technical capacity development; and it will build basic supporting infrastructure.
40. The ARP will foster the production of staple-food surpluses, while diversifying the rainfed system and household diets by including other crops (e.g. cassava and beans). It will therefore support diversification of the cropping system to mitigate the risk of crop failure. In addition, beneficiaries will be helped to diversify their livelihoods through a range of income-generating activities, such as small-livestock keeping. The ARP will also promote water-resource development and natural-resource management (through the rehabilitation of pastures, and soil and water conservation). The end result will be: (a) increased crop and livestock production; and (b) a larger land area under climate-resilient practices.
41. Economic analysis. The project's overall economic internal rate of return (EIRR) is estimated at 18.3 per cent (base case) which is above the estimated opportunity cost of capital in Angola (12 per cent), thus indicating the economic convenience of the project. The EIRR has been estimated conservatively. This is also a reasonable result given the recovery aspect of the project, logistic and climatic difficulties in rural areas, and the overall country macroeconomic scenario. It assumes that overall adoption is limited to 66 per cent of the target farmers.

D. Sustainability

42. As a recovery project, the emphasis will be on enabling the beneficiaries and their communities to transition from the emergency to the recovery phases and subsequently into the development phase. Efforts will therefore be made to ensure that, by the end of the project, beneficiaries and their communities have been helped to return to a situation that is at least as good as before the disaster, but preferably better; based on the principles of "do no harm" and "build back better".
43. In addition to building back better, stakeholders will be provided with the ability to continue with the ARP-initiated actions when the project ends. Capacity-building will be done at the institutional, community and household levels. The skills and capacities required at the different levels will be strengthened to ensure communities are able to recover from climate-related shocks and that the relevant institutions are able to provide the necessary support and services. The project will also lead to improved pasture availability and management, as well as increased and improved water sources. This is expected to help enhance the sustainability of the beneficiaries' livelihoods. From the environmental standpoint, the ARP's interventions will contribute to environmental sustainability through enhanced disaster risk management capacity and improved community-based natural-resource management; this will help strengthen social networks. Natural resource management institutions at the community level will be made sustainable through the capacity-building and benefits to be included in strengthening the local networks that communities usually depend on to recover from various shocks. In addition, the proposed linkages with municipal strategies, which are more established institutions provided with resources from budgeting processes, will ensure the sustainability of community-level structures.

E. Risk identification and mitigation

44. The main issues and risks are weak institutional capacity for implementation, especially in the areas of procurement, financial management, agricultural extension services, veterinary services, and social mobilization and community development; compounded by climate variability. The project will strengthen institutional capacity and skills through training, supported by NGOs and consultants (both national and international) who will work closely with the beneficiaries and government institutions. The critical

operational risks, their impact and probability, and the proposed mitigation measures are presented in the table below.

Risk	Impact and Probability	Mitigation Measures
Low public-sector capacity at local levels.	Less than effective project implementation, coordination and supervision. High probability of occurrence.	The project will provide capacity building for selected provincial and municipality staff.
Low capacity at community level.	Less than effective project implementation. High probability of occurrence.	Provision of technical assistance and local-level community support.
Limited availability of qualified financial management staff.	Financial management arrangements would likely suffer, with lower quality of internal control, resulting in ineligible expenditures. Medium probability of occurrence.	ARP will receive financial management support from the SADCP-C&H-SAMAP, which is also to be implemented by the IDA. In addition, IFAD will provide detailed financial management training and frequent financial management support during the first 12 months.
Protracted procurement process.	Late delivery of good quality agro-inputs causes the agricultural season to be missed. Medium probability of occurrence.	Procurement planning, including strict adherence to the timing of the processes as per the procurement plan.
Scarcity of foreign currency and emergence of a parallel exchange market.	The purchasing power of the project is reduced, since the cost tables reflect the official exchange rate. High probability.	Careful planning of funds flow from a designated account in US dollars to the operational account in kwanza to mitigate the risk of eroding purchasing power.

Risk	Impact and Probability	Mitigation Measures
Poor coordination with other projects.	Inadequate coordination may lead to duplication of efforts and inefficient use of scarce resources. Low probability of occurrence.	All interventions (emergency/post-emergency) will be through provincial and municipal governments.
Adverse environmental impact.	Some project activities alter the physicochemical structure of the area; this could destabilize the ecological balance. Low probability of occurrence.	The project will analyse and minimize negative impacts through an environmental management plan.
Failure to respect social framework.	Lack of acceptance of project interventions, project abandonment and/or boycott from different actors. Low probability of occurrence.	The project will take into consideration the ethnic and economic aspects of the population, especially during targeting of beneficiaries by setting very clear selection criteria, widely agreed upon.
Creation of dependency syndrome.	The dependency syndrome could make the target group less willing to participate in recovery activities, especially considering that emergency humanitarian assistance has been going on for some years. Low probability of occurrence.	A good M&E system will identify households struggling with the transition; these will be supported by the proven individual household mentoring approach to assist them in overcoming the dependency syndrome.
Climate-related shocks.	Agricultural productivity is adversely affected and efforts in livelihoods recovery continue to be undermined. Medium probability of occurrence.	The concept of “build back better” including diversification of livelihoods will stabilize or enhance productivity. Capacity-building of the smallholders in climate change adaptation through the FFSs will also reduce vulnerability to climate shocks.

V. Corporate considerations

A. Compliance with IFAD policies

45. The ARP will be implemented in accordance with the IFAD Strategic Framework 2016-2025, as well as IFAD’s policies on natural-resource management and climate change. The project recognizes the economic and social value of natural assets, in the form of capacity-building for farmers in environmental management and the criteria used to select partners. It will support climate-smart approaches and define minimum standards for beneficiaries in relation to climate resilience and capacity-building for environmental, social and climate risk management. It will also adhere to the principle of livelihood diversification to reduce vulnerability and build resilience. The ARP is also compliant with the IFAD targeting policy (2008) and its Gender Equality and Women’s Empowerment Policy (2012). Moreover, the project’s nutrition focus is aligned with IFAD’s commitment to nutrition-sensitive interventions and nutrition mainstreaming.

B. Alignment and harmonization

46. The programme supports the Government's policy on reducing poverty through agricultural recovery. Within this framework, MINAGRI is expected to focus on its core functions, which include policy formulation, legislation and regulation. The project has been developed in consultation with partners already engaged in emergency projects in Angola.

C. Innovations and scaling up

47. The ARP will scale up the provision of livestock mineral feed blocks (initiated under one of the emergency programmes), certify community animal health workers to improve herders' access to veterinary services, and create community awareness of the need for improved animal health care and inoculation. Consideration will be given to improving the effectiveness of the animal vaccination programme, by broadening the range of vaccines offered, to include small-scale livestock, and by developing the vaccination cold chain at the local level.

D. Policy engagement

48. Policy engagement is an integral part of the project, in recognition of the need for an inclusive institutional framework that is conducive to effective implementation of the recovery activities.

VI. Legal instruments and authority

49. A project financing agreement between the Republic of Angola and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as appendix I.
50. The Republic of Angola is empowered under its laws to receive financing from IFAD.
51. The proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

52. 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 ordinary terms to the Republic of Angola in an amount of five million United States Dollars (US\$5,000,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of Angola in an amount of one million United States dollars (US\$1,000,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Negotiated financing agreement

Agricultural Recovery Project (ARP)

(Negotiations concluded on 14 August 2017)

Loan Number: _____

Grant Number: _____

Project Title: Agricultural Recovery Project (ARP) ("the Project")

The Republic of Angola (the "the Borrower/Recipient")

and

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

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

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the Loan is five million United States dollars (USD 5 000 000).

B. The amount of the Grant is one million United States dollars (USD 1 000 000).

2. The Loan is granted on ordinary terms, and shall be subject to interest on the principal amount of the Loan outstanding at a rate equal to the IFAD Reference Interest Rate, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of eighteen (18) years, including a grace period of five (5) years starting from the date that the Fund has determined that all general conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b) of the General Conditions.

3. The Loan Service Payment Currency shall be United States Dollar (USD).

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

5. Payments of principal and interest shall be payable on each 15 May and 15 November.
6. The arrangements for the Designated and Project Bank Accounts will be defined in the Letter to the Borrower/Recipient.
7. The Borrower/Recipient shall provide counterpart financing for the Project in the amount equivalent to seven hundred and twenty-six thousand United States dollars (USD 726 000).

Section C

1. The Lead Project Agency shall be the Ministério da Agricultura e Desenvolvimento Rural (MINAGRI)-IDA.
2. The following are designated as additional Project Parties: EDA; Veterinary Service Institute; Partner & Service Provider such as FAO, Private Firms, NGOs.
3. The Project Completion Date shall be the fourth anniversary of the date of entry into force of this Agreement.

Section D

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

Section E

1. The following are designated as additional general conditions precedent to withdrawal:
 - (a) The Project Coordination Committee and the Provincial Governance Committees shall have been duly established; and
 - (b) Key Programme Management positions shall have been filled by personnel acceptable to IFAD.
2. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Minister of Agriculture
Ministério da Agricultura
Rua Comandante Gika, Largo António Jacinto (Largo dos Ministérios)
Edifício A, 2º andar
Luanda - Angola

Fax: +244 222 320553/222 323650

For the Fund:

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

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

THE REPUBLIC OF ANGOLA

(Authorized Representative)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Target Group.** The Project target group will comprise 8,000 households (representing 48,000 people); they will primarily be low-income households that work in farming or pastoralism and/or are members of Farmer Field Schools established during the emergency programmes. The target group is the small farmers, rural women and youth.
2. **Project Area.** The Project focus area will comprise eight municipalities from three provinces; Benguela, Cunene and Huila. The three provinces are situated in the southwestern Angola and have suffered repeated El Niño droughts during the period 2011-16.
3. **Goal.** The Project goal is to “contribute to improved food and nutrition security of targeted communities”. This underlines the central importance of ensuring food and nutrition security as a prerequisite to enable them to participate in development activities.
4. **Objective.** The Project’s Development Objective is the “restoration of productive assets and capacity of households affected by recurrent droughts”.
5. **Components.** The Project’s Development Objective will be achieved through the effective implementation of one technical component (Sustainable Livelihoods Recovery) with three complementary and mutually reinforcing subcomponents: 1.1) Recovery of Household Productive Assets; 1.2) Recovery of Community Productive Assets; and 1.3) Capacity Building. Therefore, while Subcomponent 1.1 will facilitate production restoration, Subcomponents 1.2 and 1.3 will enable the target households and communities to achieve full recovery and also enhance their risk management capacity to make them less dependent on emergency interventions. The second component is Project Coordination and Management, a cross-cutting component that will service all three technical subcomponents through effective overall coordination and management.

II. Implementation Arrangements

6. **Lead Project Agency.** In its capacity as the Lead Project Agency, the MINAGRI shall have overall responsibility for Project implementation.
7. **Project Coordination Committee (PCC).** A PCC with relevant representation at national level shall provide oversight, policy direction and coordination between key government institutions. The PCC shall be headed by the Minister of MINAGRI or his/her nominee and will be composed of membership from institutions with direct relevance to of ARP’s objectives. At provincial level, there will be a Provincial Project Steering Committee (PPSC) which will be chaired by the Provincial Director of Agriculture, and composed of the IDA provincial Director, NGOs, representatives of beneficiaries and of private sector operators.
8. **Provincial Governance Committee (PGC).** PGCs will be established in each participating province to ensure good governance and accountability. They will be composed of local authorities and traditional leaders who will be supported when the need arises by a representative/agent of the oversight committee. The PGCs will establish a grievance mechanism to address any grievances that could arise during implementation. The PGCs will keep records of evidences and complaints with minutes of the discussions, recommendations and decisions.

9. Project Implementation Unit (PIU). MINAGRI will establish a PIU at the national level, but will be located in Lubango, Huila Province. It will be staffed by a: (a) Project Coordinator; (b) Accountant; (c) Procurement Assistant; (d) Monitoring and Evaluation Assistant; (e) Project Assistant; and (f) Driver. However, the PIU of the SADCPC&H-SAMAP will provide an oversight role to the ARP PIU, especially in the areas of Financial Management, procurement and monitoring and evaluation. Appointment and removal of the Project Coordinator will be subject to IFAD's non-objection.

10. Planning. The Logical Framework will be used as a tool for planning and M&E, to ensure that necessary information is available for management decision-making, and to facilitate reporting to the Government, IFAD and stakeholders. To ensure a smooth transition of implementation from year to year, the final AWPB draft will be distributed to all ARP implementing agencies by 31st December of every year.

11. Monitoring and evaluation (M&E). The M&E system will build on the experience of completed and existing projects and as well as provide information that informs management decision-making and reporting consistent with the stipulations of the Guidelines for Disaster Early Recovery. Monitoring will focus on the activities defined on creating a cumulative overview of results/outputs. The M&E system will be decentralized under the oversight of a planning/M&E assistant to provide guidance, develop tools and follow-up; considering that ARP will be building on emergency programmes, it will consider strengthening any existent and relevant tools, as opposed to starting afresh. Knowledge management will ensure a continuous learning process in which data are compiled, analysed and disseminated as lessons learned, along with thematic studies and stories from the field. Information-sharing within the aligned portfolio will receive particular attention.

12. Financial Management. The Project will employ similar financial management systems to those used under Market Oriented Smallholder Agriculture Project (MOSAP) and SADCPC&H-SAMAP, including use of the PRIMAVERA accounting software. IFAD financial management procedures will be followed as articulated in the Project Implementation Manual (PIM).

13. Audit. The Project's financial statements will be audited by independent auditors in accordance with International Standards and the audit report will be submitted to IFAD within six months after the financial year-end. The arrangements for the appointment of the external auditors of the Project financial statements shall be in accordance with the IFAD audit guidelines. Supervision missions will review internal audit reports and assess management responses to recommendations.

14. Supervision. IFAD and the Government will conduct supervision missions every three months annually. Implementation support will focus on technical issues, planning, gender and targeting, procurement, financial management, M&E, partnerships, the integration of activities within the evolving governance framework; and monitoring of outputs and outcomes.

15. Project Implementation Manual (PIM). The Project shall be implemented in accordance with the approved AWPB and the PIM, the terms of which shall be adopted by the Lead Project Agency subject to the Fund's prior approval. The PIM shall include, among other things; (i) terms of reference, implementation responsibilities and appointment modalities of all Project staff and consultants; (ii) Project operating manuals and procedures; (iii) monitoring and evaluation systems and procedures; (iv) a detailed description of implementation arrangements for each project component; (v) Terms of references (TORs) and modalities for the selection of the service providers, to be based on transparent and competitive processes; (vi) detailed modalities of the sub-projects; (vii) financial management and reporting arrangements including accounting, approval of payments, financial reporting, internal controls, fixed asset management, as well as internal and external audit; and (viii) the good governance and anti-corruption framework.

Schedule 2

Allocation Table

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

Category	IFAD Loan Amount Allocated (expressed in USD)	IFAD Grant Amount Allocated (expressed in USD)	Percentage
I. Works	610 000	0	100% net of taxes, beneficiaries' and Government contributions
II. Goods, Services and Inputs	1 140 000	0	100% net of taxes, beneficiaries' and Government contributions
III. Training	670 000	870 000	100% net of taxes and Government contribution
IV. Grants and Subsidies	590 000	30 000	100% net of beneficiaries' contributions
V. Salaries and allowances	1 490 000	0	100% net of taxes, beneficiaries' and Government contributions
Unallocated	500 000	100 000	
TOTAL	5 000 000	1 000 000	

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

- (i) Category II – Goods, Services and Inputs includes costs associated with Equipment, Materials and Vehicles;
- (ii) Category III – Training includes costs associated with Consultancies, Technical Assistance and Workshops. Training funded by the IFAD loan principally relates to Disaster Risk Management, as well as studies and reports: the baseline and preparatory studies; mid-term review; project completion; and impact assessment/evaluation, whereas that funded by the IFAD Grant pertains exclusively to sub-component 1.3 Capacity-building for Recovery and mainly covers the Farmer Field School activities; and
- (iii) Category V – Salaries and Allowances includes Operating Costs.

2. Retroactive financing. As an exception to Section 4.08(a)(ii) of the General Conditions, specific eligible expenditures up to the equivalent of five hundred thousand United States Dollars (USD 500 000) incurred from 10 July 2017 to the date of entry into force of the financing agreement may be pre-financed by the Government and reimbursed from the Financing after the Financing Agreement has entered into force and the conditions precedent to withdrawal have been met. These specific eligible expenditures will help ensure a timely start of the agricultural campaigns in the target areas. They will be included in the first Annual Work-Plan and Budget, and any purchases of goods and services disclosed in the Procurement Plan.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Recipient to request withdrawals from the Grant Account if the Recipient 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 Programme.

1. Accounting Software. Within the first year of implementation, an accounting software acceptable to the Fund for managing the Programme's financial reporting shall have been installed and become operational. Whilst the Programme is in the process of procuring and installing the accounting software, appropriate manual double-entry accounting records will be maintained.

2. External Audit. The Terms of Reference of the external auditor shall include specific tasks to gain assurance over the effectiveness of the grants award process.

4. Internal audit. IDA will ensure regular internal audit activity provided either by the internal audit unit of MINAGRI or by an independent service provider to be procured within six months of entry into force.

5. Access to records. The Borrower/Recipient shall ensure that the Agreement with FAO establishes appropriate reporting obligations to ensure traceability of funds to the point of delivery.

Agricultural Recovery Project: Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline ₃	Mid-Term	End Target	Source	Frequency	Responsibility	
Goal: Contribute to improved food and nutrition security of targeted communities	<ul style="list-style-type: none"> Number of beneficiaries reached* Number of households reporting improved dietary diversity* 	0 250	6,000 5,000	8,000 7,000	Baseline study and Completion surveys	Baseline and completion	PIU, IDA	
Development Objective: Restoration of productive assets and capacity of households affected by recurrent droughts	Number of households with increased agricultural and livestock production*	500	3,000	7,000	ARP M&E System, Service Provider Reports, and FFSS records	Annual	PIU, IDA, Service Providers	
	Number of households reporting adoption of environmentally sustainable and climate resilient technologies and practices*	0	1,400	2,400		Annual		
						Annual		
Outcome 1: Enhanced recovery of the target households	Number of households producing a surplus for the market*	100	2,000	5,000	ARRP M&E System, Service Provider Reports, and FFSS records	Annual	PIU, IDA, Service Providers	
Outputs: 1.1. Livestock health and production improved	Number of households accessing livestock services*	250	1,000	1,500		Annual		
1.2. Agricultural inputs distributed to the target group	Number of households accessing production inputs/packages*	500	3,000	7,000		Annual		

Results Hierarchy	Indicators				Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline ₃	Mid-Term	End Target	Source	Frequency	Responsibility	
1.3. Nutrition sensitive actions integrated	▪ Number of households reached with nutrition enhancing interventions*	250	5,000	7,000				
Outcome 2: Improved livelihoods through use of community productive infrastructure	▪ Number of households practicing sustainable management of natural resources and climate-related risks*	100	1,000	3,000		Annual		
Outputs: 2.1. Water infrastructure developed	▪ Number of water-related infrastructure constructed or rehabilitated	300	1,500	4,000	ARRP M&E System, Service Provider Reports, and FFSS records	Annual	PIU, IDA, Service Providers	
2.3. Community-based natural resource management plans prepared	▪ Number of community-based natural resources management plans prepared and being implemented	3	10	20		Annual		
2.4. Provincial and Municipality officers trained in Disaster Risk Management (DRM)	▪ Number of Provincial and Municipality officers trained in DRM	0	200	600		Annual		
2.5. Farmer Field Schools (including those on agro-pastoralism) established and/or strengthened	▪ Number of Farmer Field Schools (including those on agro-pastoralism) established and/or strengthened	80	120	150		Annual		
2.6. Community members trained in DRM	▪ Number of community members trained in DRM*	0	1,500	4,000		Annual		
2.7. Improved agricultural practices promoted	▪ Number of households trained in improved agricultural practices*	400	2,000	5,000		Annual		

Results Hierarchy	Indicators				Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline ₃	Mid-Term	End Target	Source	Frequency	Responsibility	
2.8. Project is well coordinated and managed	<ul style="list-style-type: none"> ▪ Number of AWP/Bs produced by PIU and timely submitted for approval 	1	2	4		Annual		
	<ul style="list-style-type: none"> ▪ Number of statutory audits with 'unqualified' audit opinions. 	0	2	4				