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The Republic of Angola
Agricultural Recovery Project
Negotiated financing agreement

For: Information

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. Hougbo
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.