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## **President's report**

### **Proposed loan**

### **Republic of Zimbabwe**

### **Smallholder Agriculture Cluster Project**

Project ID: 2000002341

#### **Note to Executive Board representatives**

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**For: Approval**

## Contents

<b>Abbreviations and acronyms</b>	<b>ii</b>
<b>Map of the project area</b>	<b>iii</b>
<b>Financing summary</b>	<b>iv</b>
<b>I. Context</b>	<b>1</b>
A. National context and rationale for IFAD involvement	1
B. Lessons learned	2
<b>II. Project description</b>	<b>2</b>
A. Objectives, geographical area of intervention and target groups	2
B. Components, outcomes and activities	3
C. Theory of change	4
D. Alignment, ownership and partnerships	5
E. Costs, benefits and financing	5
<b>III. Risks</b>	<b>10</b>
A. Risks and mitigation measures	10
B. Environment and social category	11
C. Climate risk classification	11
D. Debt sustainability	11
<b>IV. Implementation</b>	<b>11</b>
A. Organizational framework	11
B. Planning, monitoring and evaluation, learning, knowledge management and communications	12
C. Implementation plans	13
<b>V. Legal instruments and authority</b>	<b>13</b>
<b>VI. Recommendation</b>	<b>13</b>

## Appendices

- I. Negotiated financing agreement
- II. Logical framework
- III. Integrated project risk matrix

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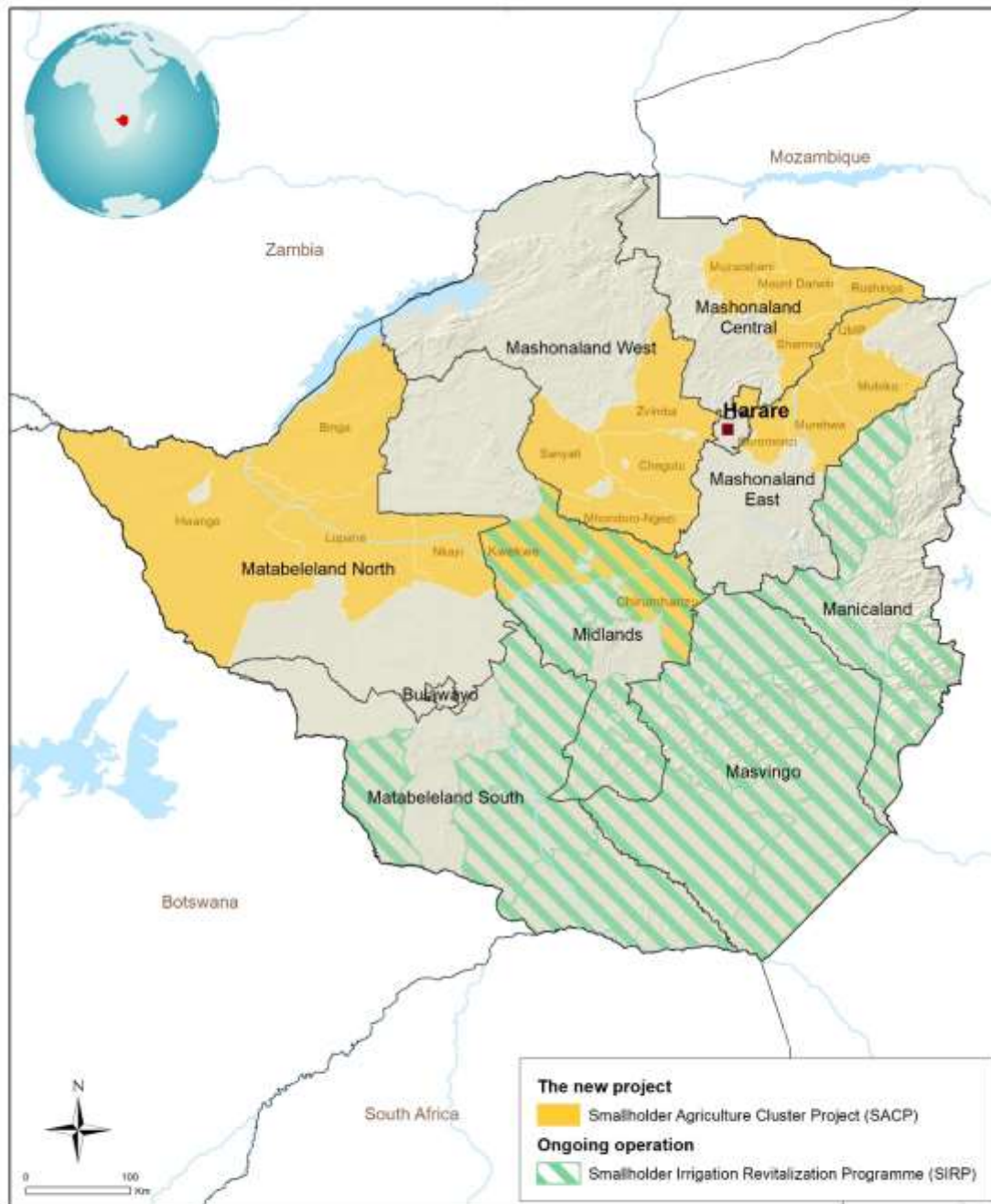
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## **Abbreviations and acronyms**

APG	agricultural production group
MLAFWRR	Ministry of Lands, Agriculture, Fisheries, Water and Rural Resettlement
SACP	Smallholder Agriculture Cluster Project
SIRP	Smallholder Irrigation Revitalization Programme

## Map of the project area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 02-09-2020

## 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 Resettlement
<b>Total project cost:</b>	US\$67.43 million
<b>Amount of IFAD loan:</b>	US\$35.70 million
<b>Terms of IFAD loan:</b>	Highly concessional
<b>Cofinanciers:</b>	OPEC Fund for International Development (OFID) Private sector
<b>Amount of cofinancing:</b>	OFID: US\$15.0 million Private sector: US\$7.22 million
<b>Terms of cofinancing:</b>	To be determined
<b>Contribution of borrower/recipient:</b>	US\$5.31 million
<b>Contribution of beneficiaries:</b>	US\$4.2 million
<b>Amount of IFAD climate finance:</b>	US\$14.06 million

## Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 62.

### I. Context

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

##### National context

1. The Republic of Zimbabwe is classified as a lower-middle-income country. It covers a land area of 390,757 square kilometres with a population of 14.64 million (2019) that is projected to grow to over 30 million by 2050. Before 2000, Zimbabwe was one of the strongest economies in sub-Saharan Africa, but a series of political and economic crises over the past 20 years have caused major economic setbacks. Zimbabwe's gross national income per capita declined from US\$2,693 (1990) to US\$1,698 (2010), before increasing to US\$2,661 (2018).
2. In 2018, Zimbabwe's Human Development Index was 0.563, ranking the country in 150<sup>th</sup> place of 189 countries.<sup>1</sup> About 76 per cent of rural households and 38.2 per cent of urban households are poor. Zimbabwe continues to be highly vulnerable to shocks, including droughts or fluctuations in the global economy as well as the impact of COVID-19, and ranks among the top 10 most fragile countries in the world.<sup>2</sup>
3. Agriculture underpins Zimbabwe's economic growth, food security and poverty reduction efforts, with approximately 70 per cent of the population dependent upon agriculture as a source of livelihood. Zimbabwe has 1.3 million smallholder farmers and about 18,000 medium- to large-scale farmers.<sup>3</sup> Agricultural productivity remains low, and since 2000 Zimbabwe has been mainly a net importer of food, which has substantially contributed to its annual trade deficits.

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

4. In line with Eleventh Replenishment of IFAD's Resources (IFAD11) mainstreaming commitments, the project has been validated as:
  - Including climate finance;
  - Gender transformational;
  - Nutrition-sensitive;
  - Youth-sensitive.
5. **Gender.** In 2018, Zimbabwe scored 0.525 on the Gender Inequality Index and ranked 126<sup>th</sup> of 162 countries.<sup>4</sup> Rural women, who are already in a disadvantaged position, also have a lower climate change adaptive capacity.
6. **Youth.** Young women and men aged 15 to 34 years constitute 35.7 per cent of the population. Over 80 per cent of economically active youth have not been able to access permanent paid work, and many young people migrate to South Africa and Botswana.

<sup>1</sup> [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/ZWE.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/ZWE.pdf).

<sup>2</sup> For further analysis, refer to: Government of Zimbabwe and the World Bank: "Zimbabwe Public Expenditure Review", 2019.

<sup>3</sup> Scoones, I., Mahenehene, J., Marongwe, N., Mavedzenge, B., Murimbarimba, F., & Sukume, C. (2010). Zimbabwe's land reform: Myths & realities.

<sup>4</sup> <http://hdr.undp.org/en/composite/GII>.

7. **Nutrition.** Zimbabwe ranks 109<sup>th</sup> of the 117 qualifying countries in the 2019 Global Hunger Index with a score of 34.4, which indicates that the country “suffers from a level of hunger that is serious”.<sup>5</sup>
8. **Environment.** Zimbabwe faces several environmental challenges, including biodiversity loss, pollution of land and water resources, land degradation, poor watershed management and wildfires, all of which adversely affect the natural resource base.<sup>6</sup>
9. **Climate change.** Rainfall variability is a key climate parameter in Zimbabwe with the associated risks of drought and intermittent flooding, negatively impacting livelihoods and economic development. The agricultural sector’s vulnerability is accentuated by the reliance of at least 80 per cent of the rural populations on rainfed farming.

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

10. In order to effectively transform smallholder agriculture and increase productivity and rural incomes, the Government of Zimbabwe is committed to transforming smallholder agriculture by using a private sector-led value chain approach. This approach is also at the core of the country strategic opportunities programme (COSOP) 2020-2025 and IFAD’s policies for smallholder agriculture transformation. Accordingly, the Smallholder Agriculture Cluster Project (SACP) will be based on this approach.
11. If the SACP implementation approaches prove successful, they will provide an appropriate programmatic framework for future IFAD-financed interventions in Zimbabwe.

#### **B. Lessons learned**

12. Key lessons learned from past and ongoing development operations include the following:
  - Well-managed private firm-led and smallholder production-based value chains, such as in smallholder tobacco over the past 10 years, have shown better results and impact;
  - The decapitalized and challenging status of the financial sector reduces the potential of using commercial debt instruments in value chain development. At the same time, success has been recorded in Zimbabwe on the use of competitive grants for companies and other value chain participants; and
  - Climate change and disaster risk management mechanisms need to be included in all value chain development strategies.

## **II. Project description**

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

13. **Goal and objective.** The project goal is to achieve increased household incomes and improved nutrition, through sustainable transformation of the smallholder farming sector. The development objective is to increase equitable smallholder participation in market-oriented and climate smart value chains.
14. **Geographic area of intervention.** SACP will be implemented in five of Zimbabwe’s 10 provinces: Mashonaland Central, Mashonaland East, Mashonaland West, Midlands and Matabeleland North. This selection is based on: (i) the highest incidence and prevalence of poverty and food and nutrition insecurity; (ii) accessibility to agricultural trading corridors; and (iii) existing production

<sup>5</sup> <https://www.globalhungerindex.org/pdf/en/2019/Zimbabwe.pdf>.

<sup>6</sup> Zimbabwe Environment Outlook Report 2: <https://www.ema.co.zw/agency/state-of-the-environment-report>.

clusters, with the highest potential for market potential for smallholder produce aggregation.

15. Within the five provinces, SACP will target key urban-rural agricultural production and food trading corridors, by further increasing the role of smallholder farmers and the private sector. In doing so, SACP's geographical coverage will be narrowed down to 18 out of the 60 rural districts, covering about 400 rural wards, which also meet the above-mentioned selection criteria. Targeted wards will be organized into production clusters to allow for effective aggregation and economies of scale in value chain development. All SACP activities will focus on the development of value chains in the target clusters.
16. **Target group and targeting strategy.** In accordance with IFAD's targeting policy, SACP will focus on rural poor people who, while being vulnerable, also have the potential to take advantage of improved access to assets and opportunities for agricultural production and income generating projects. The total direct target group for SACP consists of approximately 78,000 beneficiaries, of whom:
  - 24,000 low-income beneficiaries will be members of 800 agricultural production groups (APGs), who will benefit from intensive capacity-building and financial services;
  - 24,000 labourers will benefit from seasonal and full-time employment from APG operations;
  - 15,000 non-APG member beneficiaries, and 15,000 APG member beneficiaries, will have improved access to water and road networks in the target areas; and
  - 15,240 non-APG member beneficiaries, and 13,000 APG members, will benefit from the supply chain and employment opportunities generated through value chain development by micro, small and medium-sized enterprises.
17. Furthermore, the SACP indirect target group is estimated to be 45,000 households, including the villagers who live in the direct vicinity of the agribusinesses supported and rural road construction sites.
18. SACP will implement an inclusive targeting strategy to ensure that the project benefits a large number of poor smallholder farmers in value chains selected through stakeholder business planning and a competitive matching grant mechanism. Effective preventive measures will be taken against elite capture in all SACP activities, including the matching grant operations. At least 50 per cent of the SACP target group will be women, and at least 30 per cent youth.

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

19. SACP is organized around four mutually interdependent components, as outlined below.
20. **Component 1: Inclusive value chain development.** Although the skills level and agricultural sector potential in Zimbabwe are among the highest in Africa, the country's gaps in smallholder-based value chain organization result in low productivity. Component 1, which is the project's key investment component, is designed to address these challenges, as follows:
  21. Subcomponent 1.1: Cluster identification and value chain mobilization. This subcomponent's expected results are: (i) 8 smallholder production clusters identified; (ii) 800 farmer groups mobilized and organized; and (iii) 200 microenterprises and 40 value chain lead enterprises identified and mobilized for SACP support operations.
  22. Subcomponent 1.2: Technical services for APGs and microenterprises. The projected results are: (i) 800 APGs and 200 agribusinesses, identified through



- subcomponent 1.1, receive business development services and are able to complete bankable business plans that comply with agreed environmental, social and governance standards; and (ii) 800 APGs implement climate smart agriculture practices.
23. Subcomponent 1.3: Financing for inclusive value chain investments. The project will cofinance, through a competitive selection process, privately owned and managed investments by smallholders and agribusinesses for value chain upgrading. Matching grants will be made available in three categories, as follows: (i) US\$16 million in competitive co-investments carried out with 800 APGs; (ii) US\$4.4 million in competitive co-investments financed with 200 rural microenterprises; and (iii) US\$2.5 million in competitive co-investments financed with 40 value chain lead enterprises. In addition, a United States dollar-denominated line of credit worth US\$2.5 million will be established at a selected financial institution, to initiate access to commercial bank finance by those SACP partner value chain lead enterprises that operate in the export sector.
  24. **Component 2: Climate proofed value chain infrastructure.** This component will improve irrigation water supply and management, domestic water supply and local level feeder roads, to facilitate the commercialization of smallholder agriculture. The implementation of activities under this component will encourage private sector investments in SACP areas, promote the production and marketing of large quantities of quality produce, and reduce the time and cost of transport to markets. The expected results include: (i) prioritized ward level community infrastructure investments identified through participatory stakeholder consultations; (ii) approximately 1,780 ha equipped with improved, climate proofed irrigation systems; (iii) 150 km of roads rehabilitated and climate proofed; and (iv) 100 wards with improved water supply and sanitation facilities.
  25. **Component 3: Policy and institutional support and project coordination.** This component is divided into two subcomponents:
    - (a) Subcomponent 3.1: Policy and institutional support. This subcomponent's activities will support efforts to create a conducive policy and institutional environment for private sector-led smallholder agriculture transformation in Zimbabwe. Based on the accumulated knowledge and information products from SACP implementation, policy dialogue and other discussion forums and events will be organized, aiming particularly at the development of action-oriented plans to support the diversification and commercialization of smallholder agriculture.
    - (b) Subcomponent 3.2: Project coordination. This subcomponent will cover the project management and coordination activities of SACP.
  26. **Component 4: Contingency emergency response.** Given the recurrent weather extremes in Zimbabwe, in particular episodes of drought, this component, designed with a zero cost allocation, has been included to enable IFAD to respond urgently in support of smallholder farmers, who bear the heaviest impact of such events. Specifically, this component is expected to facilitate and expedite the implementation of level-2 project restructuring, in the event of an emergency or disaster.

## C. Theory of change

27. The key development problem that SACP aims to contribute to resolving is: high poverty, climate vulnerability and insufficient nutrition levels among rural households, due to the scattered and disorganized nature of the smallholder sector, structural gender inequality and weak institutional environment. SACP provides solutions to each of the underlying problems, including: (i) technical assistance and financial instruments to attract agribusinesses and farmer groups to invest in value chains; (ii) cluster infrastructure investments to enable climate

resilient and nutrition-sensitive value chain development; and (iii) institutional capacity-building to strengthen the operationalization of the national agriculture transformation strategy. The provision of an enabling environment and smart incentives is expected to encourage a critical mass of agribusiness firms to locate in the target areas.

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

28. SACP aims to contribute directly to the following Sustainable Development Goals: SDG1 (end poverty), SDG2 (end hunger) and SDG5 (gender and empowerment). The project also directly promotes inclusive economic growth and employment (SDG8) in the leading marketed crop sectors in the implementation area, promotes sustainable agro-industrialization in the targeted regions (SDG9) and increases the adaptive capacity of smallholders (SDG13).
29. SACP is fully in line with the core priorities of the Government in rural and agricultural development. SACP will provide an opportunity to strengthen the overall implementation of the IFAD-supported ongoing Smallholder Irrigation Revitalization Programme (SIRP) and to harmonize approaches, in particular in terms of market and value chain development and mainstreaming topics such as nutrition and food security. It is further expected that SACP will collaborate with the World Food Programme, the International Labour Organization and other key donors in several areas related to resilience, food security and nutrition.

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

##### **Project costs**

30. The total investment and recurrent cost for the project is estimated at US\$67.43 million including contingencies. The total base costs are US\$64.8 million. The amount of climate finance is estimated at US\$14.06 million (adaptation), corresponding to approximately 39 per cent of the IFAD loan. The breakdown of the costs in United States dollar by component and financier (table 1), cost category and financier (table 2) and component and year (table 3) are presented below.

Table 1

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

(Thousands of United States dollars)

Component/ subcomponent	IFAD loan		OFID		Private sector		Smallholders			Borrower/recipient		Total
	Amount	%	Amount	%	Amount	%	Cash	In kind	%	Amount	%	Amount
<b>A. Component 1: Inclusive value chain development</b>												
Subcomponent 1.1: Cluster identification and value chain mobilization	66	88.8	-	-	-	-	-	-	-	8	11.2	74
Subcomponent 1.2: Technical services for APGs and microenterprises	3 821	85.0	-	-	-	-	-	-	-	674	15.0	4 495
Subcomponent 1.3: Financing for inclusive value chain investments	26 759	70.0	-	-	7 227	18.9	2 102	2 102	11.0	17	-	38 208
Subtotal component 1	30 646	71.6	-	-	7 227	16.9	2 102	2 102	9.8	700	1.6	42 777
<b>B. Component 2: Climate proofed value chain infrastructure</b>												
	-	-	15 000	88.7	-	-	-	-	-	1 908	11.3	16 907
<b>C. Component 3: Policy and institutional support and project coordination</b>												
Subcomponent 3.1: Policy and institutional support	637	25.0	-	-	-	-	-	-	-	1 911	75.0	2 548
Subcomponent 3.2: Project coordination	4 404	84.8	-	-	-	-	-	-	-	792	15.2	5 196
Subtotal component 3	5 041	65.1	-	-	-	-	-	-	-	2 703	34.9	7 744
<b>D. Component 4: Contingency emergency response</b>												
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>35 687</b>	<b>52.9</b>	<b>15 000</b>	<b>22.2</b>	<b>7 227</b>	<b>10.7</b>	<b>2 102</b>	<b>2 102</b>	<b>6.2</b>	<b>5 311</b>	<b>7.9</b>	<b>67 428</b>

Table 2

**Project costs by expenditure category and financier**

(Thousands of United States dollars)

Expenditure category	IFAD loan		OFID		Private sector		Smallholders			Borrower/recipient		Total
	Amount	%	Amount	%	Amount	%	Cash	In kind	%	Amount	%	Amount
<b>I. Investment costs</b>												
A. Works	-	-	13 961	88.0	-	-	-	-	-	1 908	12.0	15 869
B. Goods, services and inputs	1 010	41.3	-	-	-	-	-	-	-	1 437	58.7	2 447
C. Equipment and materials	288	85.0	-	-	-	-	-	-	-	51	15.0	339
D. Vehicles	776	62.0	240	19.2	-	-	-	-	-	236	18.9	1 252
E. Consultancies												
1. Technical assistance												
National technical assistance	15	85.0	-	-	-	-	-	-	-	3	15.0	17
F. Training and workshops	4 234	68.3	676	10.9	-	-	-	-	-	1 287	20.8	6 198
G. Grants and subsidies	24 044	67.8	-	-	7 227	20.4	2 102	2 102	11.9	-	-	35 476
H. Credit	2 617	100.0	-	-	-	-	-	-	-	-	-	2 617
Total investment costs	32 984	51.4	14 877	23.2	7 227	11.3	2 102	2 102	6.5	4 922	7.7	64 214
<b>II. Recurrent costs</b>												
A. Salaries and allowances	1 976	86.5	-	-	-	-	-	-	-	308	13.5	2 285
B. Operating costs	726	78.2	122	13.2	-	-	-	-	-	81	8.7	930
Total recurrent costs	2 703	84.1	122	3.8	-	-	-	-	-	389	12.1	3 214
<b>Total</b>	<b>35 687</b>	<b>52.9</b>	<b>15 000</b>	<b>22.2</b>	<b>7 227</b>	<b>10.7</b>	<b>2 102</b>	<b>2 102</b>	<b>6.2</b>	<b>5 311</b>	<b>7.9</b>	<b>67 428</b>

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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>Total</i>
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>
<b>A. Component 1: Inclusive value chain development</b>							
Subcomponent 1.1: Cluster identification and value chain mobilization	36	-	38	-	-	-	74
Subcomponent 1.2: Technical services for APGs and microenterprises	596	1 078	1 144	1 114	563	-	4 495
Subcomponent 1.3: Financing for inclusive value chain investments	4 915	9 766	9 961	9 624	3 941	-	38 208
Subtotal component 1	5 548	10 844	11 142	10 738	4 504	-	42 777
<b>B. Component 2: Climate proofed value chain infrastructure</b>	466	1 080	7 226	6 879	1 235	21	16 907
<b>C. Component 3: Policy and institutional support and project coordination</b>							
Subcomponent 3.1: Policy and institutional support	404	412	420	429	437	446	2 548
Subcomponent 3.2: Project coordination	2 133	634	672	627	636	493	5 196
Subtotal component 3	2 537	1 046	1 093	1 056	1 073	939	7 744
<b>D. Component 4: Contingency emergency response</b>	-	-	-	-	-	-	-
<b>Total</b>	<b>8 551</b>	<b>12 970</b>	<b>19 461</b>	<b>18 673</b>	<b>6 812</b>	<b>960</b>	<b>67 428</b>

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### **Financing and cofinancing strategy and plan**

31. An IFAD loan will finance US\$35.70 million or 52.9 per cent of total project costs. The IFAD loan includes: US\$30.65 million or 71.6 per cent for component 1: inclusive value chain development, for which the total cost is US\$42.78 million; and US\$5.04 million or 65.1 per cent of component 3: institutional support and project coordination, for which the total cost is US\$7.74 million.
32. OFID will finance US\$15 million of component 2: climate proofed value chain infrastructure, or 89 per cent of this component. The Government has formally requested OFID cofinancing for this project and OFID has expressed interest. OFID will submit the financing proposal for the project to its board of directors during first half of 2021. In the event that this cofinancing fails to materialize, an alternative financier will be identified among bilateral partners (including Kuwait and/or Japan, with whom discussions have already been initiated).
33. The smallholders (APG members) will finance US\$4.2 million or 6 per cent of the total project costs. The agribusiness private sector will finance US\$7.22 million or 11 per cent of the total project costs. Cofinancing from the beneficiaries and the private sector will both take place under subcomponent 1.3: financing for inclusive value chain investment. The Government will finance US\$4.6 million, comprising 7 per cent of the total project costs. Component 4 is a placeholder for emergency funds for the project with zero allocation at design.
34. Given the targeted rural populations, their vulnerability to climate change risks and the public nature of the investments, discussions are currently ongoing with the national designated authority in the Ministry of Environment, Water and Climate to seek funds from the Green Climate Fund, which could imply additional grant resources of US\$35 million for SACP.

### **Disbursement**

35. The project disbursements will be made by way of an advance to the designated account in United States dollars to a bank acceptable to the Government and subsequent replenishments based on expenditure incurred and supported by statements of expenditure. The project will operate a centralized payment system at the national project management unit (NPMU). The day-to-day expenditures incurred by each of the project's implementing agencies at the national, provincial and district levels will be settled at the NPMU. The Ministry of Lands, Agriculture, Fisheries, Water and Rural Resettlement (MLAFWRR) will operate the project operating accounts. The accounts will be managed by the NPMU, which will be charged with the preparation of all disbursement requests and justifications. Project expenditures in foreign currency will be paid from the United States dollar-denominated special account to mitigate the risks of procurement delays from lack of foreign currency. MLAFWRR also will open two operating project bank accounts at a commercial bank for MLAFWRR to hold the financing transferred from the special accounts to cover project costs in local currency.
36. Project grantees under the inclusive value chains investments matching grant facility will be required to open specific bank accounts for receipt of grant funds and to bank their own matching contribution. Transfers of grants will be in tranches based on the achievement of certain milestones by the grantees as defined in the grant agreements. Matching grants will be expensed at the point of disbursements and will be included in the withdrawal application at that point. Use of grant proceeds will be monitored for consistency with the terms and conditions under which the grant was awarded. A matching grants review is included in the annual external audit of SACP, which triggers the second grant tranches and is a precondition for these disbursements.
37. The special account will be replenished in accordance with IFAD's disbursement rules and procedures. The project will make use of the standard disbursement methods, including: (i) direct payment method for payments over US\$100,000;

(ii) use of the designated account; and (iii) reimbursement if the Government has pre-financed any transactions. Detailed instructions for disbursements will be included in the letter to the borrower/recipient issued by IFAD, the content of which will be discussed and agreed with the Government.

#### **Summary of benefits and economic analysis**

38. Four illustrative APG farm models have been developed to examine the financial viability of the matching grants-financed investments by targeted farmers. All farm system types were found to be financially viable. Incremental returns to incremental labour provide both a sound incentive for household production and an argument against outmigration of labour.
39. The overall SACP project economic internal rate of return (EIRR) is 25 per cent. An examination of the response of the project to drought reveals that it remains viable in the face of multiple short and medium drought sequences (EIRRs of 16.9 and 12.0 per cent respectively). The estimated net present value, for a period of 20 years and with a 10 per cent discount rate, is US\$56.5 million.

#### **Exit strategy and sustainability**

40. The SACP exit strategy and its success is linked to results achieved at all value chain levels. The SACP focus on sustainable results and on independent, profitable institutions and private sector-based partnerships forms the core exit strategy for the project. At the farmers' group level, SACP will provide training in the professional conduct of business to enable the groups to become fully independent, financially robust and self-managing partners in value chain operations.

### **III. Risks**

#### **A. Risks and mitigation measures**

Table 4

**Risks and mitigation measures**

<i>Risks</i>	<i>Mitigation measures</i>
Country context Limited economic and financial governance	Competitive recruitment of key staff, strong contractual agreements, private sector orientation of key activities, and effective and systematic implementation systems
Environment and climate context Land degradation, increasing rainfall variability	Climate change adaptation measures, through climate smart agriculture investments and capacity-building of smallholders
Project financial management Inadequate capacities of staff and lead agency	Competitively selected persons to lead the SACP finance unit. Training on IFAD funding guidelines during start-up and as continuous process throughout the project lifecycle

Table 5  
Overall risk summary

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

## **B. Environment and social category**

41. The environmental and social classification of SACP is B. The project interventions will be in non-sensitive areas and mainly consist of small-scale farming and infrastructure related investments. The small-scale infrastructure under component 2 will result in localized and mostly reversible negative environmental and social impacts. Investments under the matching grants in component 1 will be screened for environment and social risks by the SACP team, with technical support from IFAD and other training as needed.

## **C. Climate risk classification**

42. The climate risk classification for SACP is high. The main climate risks are droughts, floods and increasing temperatures. The five targeted provinces are less vulnerable to droughts than those located in the southern and eastern part of the country. However, the provinces include agro-climatic zones where periodic crop failures occur due to mid-season dry spells and delayed commencement of rain.

## **D. Debt sustainability**

43. According to the 2020 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. External and total public debt breach the thresholds in both the baseline and shock scenarios. Moreover, Zimbabwe has large and longstanding external arrears to international financial institutions, and official and commercial creditors. Domestic debt has grown in recent years due to large fiscal deficits and negligible access to external finance, but the recent currency conversion and high inflation have significantly eroded its real value. Restoring debt sustainability requires the sustained implementation of a serious fiscal consolidation, cessation of quasi-fiscal activities that lead to debt increases and reaching agreements with creditors on a comprehensive treatment of the external debt and arrears.

# **IV. Implementation**

## **A. Organizational framework**

### **Project management and coordination**

44. MLAFWRR will be the lead project agency for SACP. MLAFWRR will establish a joint management unit that will include the functions of both the project coordination unit of the SIRP project and the NPMU of the new SACP. A joint project steering committee will be set up for SIRP and SACP.



45. In order to smoothly manage field operations, SACP will establish four provincial project implementation units. At district level, implementation will be carried out through the Department of Agriculture, Technical and Extension Services (Agritex) extension network, with implementation teams in the districts covered by SACP. The district-level field operations will be supported by SACP-resourced staff from other public institutions and private sector service providers.

#### **Financial management, procurement and governance**

46. The financial management assessment for SACP, at design, foresees a high inherent risk, mitigated with SACP actions to substantial. The Government will externally recruit a chief accountant and second a financial accountant to the NPMU, to focus solely on project-related financial management tasks.
47. The SACP NPMU will be the financial management and reporting hub, responsible for posting, reconciling, and reporting on project finances. The accounting of SACP will be done through an accounting software to be procured at the onset of the project. The project implementation manual includes a detailed draft financial management operations manual.
48. The Internal Audit Office of MLAFWRR will undertake SACP's internal audit at least once per year, as the NPMU will be a part of MLAFWRR. External audits for the project will be performed by independent private firms.
49. At its design phase, the project scores an inherent medium procurement risk. The weaknesses of the Zimbabwe procurement system lie mainly at the procurement planning and contract administration and management stages. They will be addressed through the specific and targeted corrective measures stipulated in the procurement risk matrix and the draft procurement manual in the project implementation manual.
50. Governance and institutional capacity inherent risks are substantial as reflected in Zimbabwe's ranking in the Corruption Perception Index. A comprehensive mitigation mechanism has been designed, including: (i) independent technical assistance for monitoring of all investments; (ii) auditable financial flows to beneficiaries; and (iii) transparent targeting mechanisms.

#### **Project target group engagement and feedback and grievance redress<sup>7</sup>**

51. Project teams, at national and provincial levels, will sensitize beneficiaries on SACP's grievance redress mechanism and messages on zero tolerance for sexual exploitation and abuse, as well as IFAD's policy on preventing fraud and corruption. This information will be made available through all SACP contracts and project documents, including matching grants proposal templates.

#### **Grievance redress**

52. SACP grievance redress processes will build on existing structures at ward, district and provincial levels. Any grievances will be registered and resolved through the APG committee (component 1), and those that cannot be addressed will be reported to the ward development committees. The latter committees will be the first instance for registering and resolving any grievances related to component 2 activities. Any grievances that cannot be resolved at this level will be reported to the rural district councils, which will have representation in project implementation.

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

53. SACP's logical framework will guide the annual workplans and budgets. Annual work planning and budgeting will be integrated with government processes. These, together with management information systems, will enable effective progress

<sup>7</sup> See Framework for Operational Feedback from Stakeholders <https://webapps.ifad.org/members/eb/128/docs/EB-2019-128-R-13.pdf?attach=1>.

monitoring. The SACP knowledge management strategy ensures effective learning and communication practices.

### **Innovation and scaling up**

54. SACP's core approach is to promote private company-led transformation of smallholder-inclusive agriculture value chains. In this context, the project introduces new, innovative and climate smart agricultural practices to supported value chain stakeholders, and generates lessons learned for scaling up effective public support mechanisms such as smallholder production clusters, matching grants for inclusive business development and credit lines through participating financial institutions.

## **C. Implementation plans**

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

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

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

56. **Supervision.** SACP will be directly supervised by IFAD and the Government, through annual supervision and implementation support missions, as well as follow-up missions as required.
57. **Midterm review.** As SACP is a six-year project, a midterm review will be undertaken towards the end of year three. This review will be jointly organized by the Government and IFAD in close collaboration with the other stakeholders.
58. **Project completion report.** 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 impact achieved.

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

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

## **VI. Recommendation**

62. 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-five million, seven hundred thousand United States dollars (US\$35,700,000) 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: "Smallholder Agriculture Cluster Project"

(Negotiations concluded on 5 March 2021)

Loan No: \_\_\_\_\_

Project name: Smallholder Agriculture Cluster Project ("the SACP"/ "the Project")

The Republic of Zimbabwe represented by the Minister of Finance and Economic Development (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 (OFID). The Borrower and OFID will conclude a Financing Agreement (the "OFID Co-financing Agreement") to provide financing for the Project;

**WHEREAS**, the Fund has agreed to provide financing for the Project;

**NOW THEREFORE**, the Parties hereby agree as follows:

## Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") 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 Loan is thirty five million and seven hundred thousand United States Dollars (US\$35 700 000).
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 a half per cent (4.5%) of the total principal per annum from the eleventh (11<sup>th</sup>) year through to the thirtieth (30<sup>th</sup>) year, and at one per cent (1%) of the total principal per annum from the thirty-first (31<sup>st</sup>) year to the fortieth (40<sup>th</sup>) year.
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 an account denominated in USD ("Designated Account") through which the proceeds of the Financing shall be channelled as well as the dedicated bank account for receipt of counterpart funding and the operational bank accounts shall be detailed in the Letter to the Borrower<sup>8</sup>. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
8. The Borrower shall provide counterpart financing for the Project in the amount of five million and thirty one thousand United States Dollars (US\$ 5 031 000) in the form of taxes and duties, provided through tax waiver to the Project.

### **Section C**

1. The Lead Project Agency shall be the Ministry of Lands, Agriculture, Fisheries, Water and Rural Resettlement.
2. The following are designated as additional Project Parties: the Ministry of Finance and Economic Development (MOFED); Ministry of Women Affairs, Community and Small and Medium Enterprise Development (MWACSMED); Ministry of Environment, Tourism and Hospitality (METH); Ministry of Youth, Sports and Recreation (MYSR).
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 6<sup>th</sup> 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.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the IFAD procurement guidelines.

### **Section D**

The Fund will administer the Loan and supervise the Project.

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<sup>8</sup> Letter to the Borrower is the finance letter which will be sent by IFAD to the Borrower, providing further details in respect of the financing such as withdrawal applications, procurement thresholds and such other information deemed necessary for purposes of the specific financing.

**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) the OFID Co-financing Agreement has failed to enter into full force and effect within 730 days of 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 OFID Co-financing Loan has been suspended, cancelled or terminated, in whole or in part, or the OFID Co-financing 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 is designated as an additional ground for cancellation of this Agreement:
  - (a) Any of the personnel appointed to the key Project roles are removed from the Project without the prior concurrence of the Fund.
3. The following are designated as additional general conditions precedent to withdrawal:
  - (a) The IFAD no objection to the PIM shall have been obtained;
  - (b) the following key Project roles have been appointed: National Project Coordinator, Chief Accountant, Procurement Officer, Monitoring & Evaluation and Planning Specialist and Senior Value Chain and Agribusiness Advisor; and
  - (c) evidence that the Borrower is operating a fully functional accounting software system, in form and substance satisfactory to IFAD.
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:

Head Zimbabwe Public Debt Management Office  
Ministry of Finance and Economic Development of Zimbabwe 4th Floor, New  
Government Complex  
Corner Samora Machel and Fourth Street,  
Harare

For the Fund:

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

Copy to: Country Director, Zimbabwe

This Agreement, 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

\_\_\_\_\_  
"[Authorised Representative Name]"  
"[Authorised Representative title]"

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

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Gilbert F. Hougbo  
President

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

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The Project shall benefit a large number of poor smallholder farmers in value chains selected through stakeholder business planning and competitive matching grant mechanism.
2. *Project area.* The Project will be implemented in the following five, out of Zimbabwe's ten provinces: Mashonaland Central, Mashonaland East, Mashonaland West, Midlands and Matabeleland North (the "Project Area").
3. *Goal.* The goal of the Project is to increase equitable smallholder participation in market-oriented and climate-smart value chains.
4. *Objectives.* The objective of the Project is the realisation of increased household incomes and improved nutrition, through sustainable transformation of the smallholder farming sector.
5. *Components.* The Project shall consist of the following Components:
  - 5.1. **Component 1: Inclusive Value Chain Development.** Although the skills level and agricultural sector potential in Zimbabwe are among the highest in Africa, the country's gaps in smallholder-based value chain ("VC") organization result in low productivity. SACP's Component 1, which is the Project's key investment component, is designed to address these challenges, as follows:
    - 5.1.1. Sub-component 1.1: Cluster Identification and VC Mobilization. This sub-component's expected results are: (i) 8 smallholder production clusters identified, (ii) 800 farmer groups mobilized and organized, and (iii) 200 microenterprises and 40 VC lead enterprises identified and mobilized for SACP support operations.
    - 5.1.2. Sub-component 1.2: Technical Services for APGs and Microenterprises. The projected results are: (i) 800 agricultural production groups ("APGs") and 200 agribusinesses, identified through Sub-component 1.1, receive business development services and are able to complete bankable business plans, which comply with agreed Environmental, Social and Governance standards; and (ii) 800 APGs implement climate smart agriculture practices.
    - 5.1.3. Sub-component 1.3: Financing for Inclusive VC Investments. The Project will co-finance, through a competitive selection process, privately owned and managed investments by smallholders and agribusinesses for VC upgrading. Matching grants will be made available in three categories, as follows: (i) US\$16 million of competitive co-investments carried out with 800 APGs; (ii) US\$4.4 million of competitive co-investments financed with 200 rural microenterprises; and (iii) US\$2.5 million of competitive co-investments financed with 40 VC Lead Enterprises ("VCLEs"). In addition, a US\$-denominated Line of Credit worth US\$2.5 million will be established at a selected financial institution, to initiate access to commercial bank finance by those SACP's partner VCLEs, which operate in the export sector.
  - 5.2. **Component 2: Climate Proofed Value Chain Infrastructure.** This component will improve irrigation water supply and management, domestic water supply, and local level feeder roads, to facilitate the commercialisation of smallholder agriculture. The implementation of activities under this component will encourage private sector investments in SACP areas, promote the production and marketing of large quantities of quality produce and reduce the time and cost of transport to the markets. The

expected results include: (i) prioritised ward level community infrastructure investments identified through participatory stakeholder consultations; (ii) approximately 1,780 ha equipped with improved, climate proofed irrigation systems; (iii) 150 km of roads rehabilitated and climate proofed; and (iv) 100 wards with improved water supply and sanitation facilities.

**5.3. Component 3: Policy and Institutional Support and Project Coordination.** This component is divided into two sub-components:

5.3.1. Sub-component 3.1: Policy and Institutional Support. This sub-component's activities will support efforts to create a conducive policy and institutional environment for private sector-led smallholder agriculture transformation in Zimbabwe. Based on the accumulated knowledge and information products from SACP implementation, policy dialogue and other discussion forums and events will be organised, aiming particularly at the development of action-oriented plans to support the diversification and commercialisation of smallholder agriculture.

5.3.2. Sub-component 3.2: Project Coordination. This sub-component will cover the project management and coordination activities of SACP.

**5.4. Component 4: Contingency Emergency Response.** Given the recurrent weather extremes in Zimbabwe, in particular droughts, this component, designed with a zero cost allocation, has been included to enable IFAD to respond urgently in its support to smallholder farmers, who are the most impacted. Specifically, this component is expected to facilitate and expedite the implementation of level-2 project restructuring, in the event of an emergency or disaster.

## II. Implementation Arrangements

6. *Lead Project Agency.* Ministry of Land, Agriculture, Fisheries, Water and Rural Resettlement ("MLAFWRR"). To this end, MLAFWRR will establish a Joint Management Unit ("JMU") that will include the functions of both the Project Coordination Unit of the ongoing Smallholder Irrigation Revitalisation Project ("SIRP") project and the National Project Management Unit ("NPMU") of this Project.

7. *Project Oversight Committee.* A joint Project Steering Committee ("PSC") will be constituted for SIRP and SACP, chaired by the Permanent Secretary of MLAFWRR. The PSC will be responsible for programme oversight and strategic guidance, and comprise of the representatives of the following public sector departments/institutions and private sector organisations that are expected to play key roles in the SACP efforts to develop rural value chains in Zimbabwe: The Strategic Policy Planning and Business Development Directorate, Department of Mechanisation and Irrigation, and Department of Agricultural Extension Services ("Agritex") of MLAFWRR; the Ministry of Finance and Economic Development; Ministry of Women Affairs, Community and Small and Medium Enterprise Development; Ministry of Environment, Tourism and Hospitality; Ministry of Youth, Sports and Recreation; and the Chamber of Commerce. The PSC will also include two senior members of the water user organisations and APGs from the provinces, representing SIRP and SACP beneficiaries. The JMU will act as a secretariat for the PSC meetings.

8. *National Project Management Unit and Joint Management Unit.* The JMU shall be established with structure, functions and responsibilities in accordance with the PIM and acceptable to the Fund. The JMU staff will consist of a mix of SIRP staff, officers working for both SIRP and SACP, and specialists specifically hired or seconded to manage the new SACP activities. The JMU and the NPMU of SACP will be based in Harare close to the MLAFWRR premises.

The PMU will be composed of, but not limited to the SACP National Coordinator, Senior Value Chain and Agribusiness Advisor, Senior Climate Smart Agriculture Advisor, Chief Accountant and Procurement Officer, who will be competitively recruited from the market



for the duration of the Project. The Monitoring & Evaluation and Planning Specialist will be recruited from the market for the initial 3 years to assure a proper set up of the system, and thereafter replaced by secondment for 3,5 years. The above-mentioned roles form the key Project roles. While several specialists, particularly the key ones, are dedicated to only one project, SACP shares an Office Secretary, Senior Social Inclusion Specialist and KM/Communication Specialist with SIRP. The rest of the SACP staff members are seconded.

To manage the field operations, SACP will establish four Provincial Project Implementation Units (PPIU), covering Matebeleland North, Mashonaland Central, Mashonaland East and Mashonaland West. Implementation for Kwekwe district in Midlands province will be the responsibility of the Matebeleland North PPIU while Chirumanzu will fall under the Mashonaland West PPIU.

At the district level, the implementation will be carried out through Agritex extension network, who form implementation teams in 18 SACP districts covered by SACP.

All staff, recruited or seconded, shall be selected competitively according to the Borrower's applicable procedures acceptable to the Fund and hiring and termination of the contracts shall be subject to the Fund's no-objection.

9. *Implementing partners.* In order to smoothly manage field operations, SACP will establish four Provincial Project Implementation Units. At district level, implementation will be carried out through Agritex's extension network, who form implementation teams in the districts covered by SACP. The district-level field operations will be supported by SACP-resourced staff from other public institutions and private sector service providers.

10. *Monitoring and Evaluation.* The Monitoring & Evaluation and Planning Specialist at NPMU will be supported by four Provincial Monitoring & Evaluation Planning Officers with functions and responsibilities detailed in the PIM. These includes: (i) establishment of the Monitoring & Evaluation and management information system; (ii) conducting the baseline, midterm review, completion surveys; (iii) conducting Monitoring & Evaluation capacity building for project staff; and (iv) compilation of progress reports among others.

11. *Knowledge Management & Communication.* The Knowledge Management and Communication Specialist will undertake detailed responsibilities and functions described in the PIM, in particular the generation of evidence-based knowledge products for the communication of project activities, achievements and lessons learned to stakeholders and the wider public.

12. *Project Implementation Manual.* A draft project implementation manual has been prepared as well as an annual work plan and budget, and procurement plan for the first 18 months of project implementation. The Joint Management Unit with SIRP is expected to speed up the Project start-up.

## Schedule 2

### *Allocation Table*

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

Category	Loan Amount Allocated (expressed in USD)	**Percentage
Grants & Subsidies	21 650 000	100%
Goods, Services & Inputs	900 000	100%
Equipment & Materials	1 000 000	100%
Credit	2 400 000	100%
Consultancies, Training & Workshops	3 800 000	100%
Recurrent costs	2 450 000	100%
Unallocated	3 500 000	100%
<b>TOTAL</b>	<b>35 700 000</b>	<b>100%</b>

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

\*\*Percentage means all expenses are Net of taxes.

2. *Disbursement arrangements. Start-up Costs.* Withdrawals in respect of expenditures for start-up costs (in Categories: (i) Goods, Services & Inputs; (ii) Consultancies, Training & Workshops and (iii) Recurrent Costs) incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of four hundred thousand United States Dollars (US\$ 400 000). Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

### Schedule 3

#### *Special Covenants*

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within six (6) months of entry into force of the Financing Agreement, the Project will procure and install a customized accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understanding (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. *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.
4. *Gender.* The Borrower shall ensure that the Project is gender transformative by addressing gender inequality challenges along the agricultural value chains.
5. *Inclusivity.* The Borrower shall ensure that:
  - (a) 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 a Project Area are adequately and fairly represented in local planning for Project activities; and
  - (c) the terms of Declarations, Covenants and/or Conventions ratified by the Borrower on the subject are respected<sup>9</sup>.
6. *Land Access.* The Borrower shall ensure that Smallholder farmers have full access to land along applicable country's customary and legal regulations.
7. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower confirms that the Project will be implemented in compliance with IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) and the main policies and strategies, including, *inter alia*: (i) IFAD's Environment and Climate Change Strategy; (ii) IFAD's Natural Resources Management Policy; and (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 of 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 and 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 an Environmental and Social Impact Analysis and Environmental Social Management Plans (ESMPs), where they are required, with adequate budget for their implementation, so that to confirm the full social and environmental sustainability of the infrastructure development foreseen.

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<sup>9</sup> Refer to ILO 169, 1989 when ratified.

8. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

9. *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.

10. *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 transferred to or procured under the Project are dedicated solely to Project use.

11. *External audit.* Annual external audits to be conducted and to include a performance audit of disbursed Matching Grants.

# Logical framework

Results Hierarchy	Indicators			Means of Verification			Assumptions		
	Name	Baseline	Mid-Term	End Target	Source	Frequency		Responsibility	
Outreach	<b>1.b Estimated corresponding total number of household members</b>						The number of woman-headed HH targeted is lower than the number of women targeted because the project will also directly target women in men-headed households		
	Household members - Number of people	0	200000	391200	MIS	Monthly		PCU	
	<b>1.a Corresponding number of households reached</b>							Improved macro-economic conditions; Baseline of US\$483 to be confirmed by survey	
	Women-headed households - Number		15000	30000	MIS	Monthly			PCU
	Households – Number	0	40000	78240					
	<b>1 Persons receiving services promoted or supported by the project</b>								
	Females – Number	0	20000	39120	MIS	Monthly			PCU
Young – Number		10000	23472						
Total number of persons receiving services - Number of people	0	40000	78240						
Project Goal Increased household incomes and improved nutrition, through sustainable transformation of the smallholder farming sector	<b>Smallholder income level in target districts</b>					BL/MLS/ELS	3 years	NPMU	
	US\$ HH average in target districts / year (% increase) - Percentage		5	20					
	US\$ Project beneficiary / year (% increase) - Percentage		15	50					
	US\$ Women headed HH (% increase) - Percentage		15	50					
	US\$ APG member / year (% increase) - Percentage		25	100					
Development Objective Increased equitable smallholder participation in market-oriented and climate-smart value chains	<b>2.2.5 Rural producers' organizations reporting an increase in sales</b>					AOS/ELS	Annual	NPMU	
	Number of Rural POs - Number	0	400	720					
	<b>3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>					AOS/ELS	Annual	NPMU	
	Households – Number	0	15000	30000					
	<b>Percentage of households satisfied with project supported services</b>					AOS/ELS	Annual	NPMU	
Households – Percentage	0	80	80						
Outcome Component 1 - Outcome: Inclusive Value Chain Development	<b>2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities</b>					MIS	Quarterly	NPMU	
	Number of POs - Number	0	400	720					
	<b>Number of bankable business plans completed</b>					MIS	Quarterly	NPMU	
	# Groups - Number	0	400	800					
	# MSMEs - Number	0	125	200					
	# VC lead enterprises - Number	0	30	40					
	<b>1.2.4 Households reporting an increase in production</b>					MIS	Quarterly	NPMU	
	Women-headed households - Number	0	4000	12000					
	Households - Number	0	10000	30000					
	<b>2.2.1 New jobs created</b>					AOS/ELS	Annual	NPMU	
	New jobs - Number	0	1000	2000					
	<b>1.2.9 Households with improved nutrition Knowledge Attitudes and Practices (KAP)</b>					COI survey	MTR, Endline	PCU	
Households (number) Number		9000	18000						
Women-headed households Number		4500	9000						

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	<b>IE.2.1 Individuals demonstrating an improvement in empowerment</b>				COI survey	MTR, Endline	PCU	index to be determined at baseline and end-line survey (IE 2.1)
	Young – Percentage	0						
	Total persons – Number	0						
	Females – Percentage	0						
<b>Output</b> Component 1 - Outputs	<b>2.1.3 Rural producers' organizations supported</b>				MIS	Quarterly	NPMU	GoZ will engage external BDS service providers (CI 1.1.4); GoZ will engage external CSA service providers (CI 3.1.4); APGs completed viable business plans; Interest of private sector to participate
	Rural POs supported - Number				0	650	800	
	<b>1.1.4 Persons trained in production practices and/or technologies</b>				MIS	Quarterly	NPMU	
	Total number of persons trained by the project - Number				0	12000	24000	
	Women trained in crop - Number				0	3600	7200	
	Young people trained in crop - Number				0	1800	3600	
	Women trained in livestock - Number				0	1800	3600	
	Young people trained in livestock - Number				0	900	1800	
	Women trained in fishery - Number				0	600	1200	
	Young people trained in fishery - Number				0	300	600	
	Total persons trained in crop - Number of people				0	7200	14400	
	Total persons trained in livestock - Number of people				0	3600	7200	
	Total persons trained in fishery - Number of people				0	1200	2400	
	<b>3.1.4 Land brought under climate-resilient practices</b>				AOS/ELS	Annual	NPMU	
	Hectares of land - Area (ha)				0	12000	24000	
	<b>2.1.2 Persons trained in income-generating activities or business management</b>				MIS	Quarterly	NPMU	
	Females - Number				0	7500	12250	
	Young - Number				0	3750	6125	
	Persons trained in IGAs or BM (total) - Number				0	15000	24500	
	<b>APG matching grants disbursed</b>				MIS	Quarterly	NPMU	
	# young group members - Number				0	3000	6000	
	# Groups - Number				0	400	800	
	# Group members - Number				0	12000	24000	
	# female group members - Number				0	6000	12000	
	<b>MSME and Lead Enterprise matching grants disbursed</b>				MIS	Quarterly	NPMU	
	# MSMEs with female lead - Number					40	70	
	# MSMEs with youth lead - Number					30	50	
	# VC lead enterprises with female lead - Number					10	15	
	# MSMEs – Number				0	125	200	
	# VC lead enterprises – Number				0	30	40	
<b>1.1.8 Households provided with targeted support to improve their nutrition</b>				MIS	Quarterly	NPMU		
Households – Number				0	9000	18000		
Women-headed households - Number				0	4500	9000		
Females – Number				0	33,750	67,500		
Males – Number				0	11,250	22,500		
Total persons – Number				0	45,000	90,000		
<b>Outcome</b> Component 2 - Outcome: Climate	<b>2.2.6 Households reporting improved physical access to markets, processing and storage facilities</b>				AOS/ELS	Annual	NPMU	Roads completed (CI 2.2.6); Baseline
	Households reporting improved physical access to markets - Number					12000	30000	

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Proofed Value Chain Infrastructure								values through baseline survey (CI 3.2.3)
<b>Output</b>	<b>1.1.2 Farmland under water-related infrastructure constructed/rehabilitated</b>				MIS	Quarterly	NPMU	Villagers mobilized (CI 1.1.2); Constructors available (CI 2.1.5)
Component 2 - Outputs	Hectares of land - Area (ha)	0	900	1780				
	<b>2.1.5 Roads constructed, rehabilitated or upgraded</b>				MIS	Quarterly	NPMU	
	Length of roads - Length (km)	0	50	150				
<b>Outcome</b>	<b>Percentage of households reporting they can influence decision-making of local authorities and project-supported service providers</b>				AOS/ELS	Quarterly	NPMU	
3. Institutional Support and Project Coordination	Households – Percentage	0	40	75				
	Women-headed households - Percentage	0	40	75				
	Youth headed households - Percentage	0	40	75				

## Integrated Project Risk Matrix

Risk Categories and Subcategories	Inherent	Residual
<b>Country Context</b>	<b>High</b>	<b>Substantial</b>
<b>Political Commitment</b>	<b>High</b>	<b>Moderate</b>
<p>Risk(s): As COVID–19 pandemic has exacerbated the deepening economic crisis, the recent threat of protests arising from the worsening economic situation, shortages of goods in particular food, and declining real wages amidst hyperinflation, highlight the risk of political uncertainties and instability.</p>		
<p>Mitigations: While the potential of SACP to mitigate political risks is limited, detailed agreements with the Government on all investment activities and implementation modalities aim to mitigate these risks. The SACP focus on smallholder agriculture transformation is on private sector-led and operated activities, as opposed to the earlier exclusively GoZ-led approach, which is expected to remove some of the uncertainties associated to the political context.</p>		
<b>Governance</b>	<b>High</b>	<b>Moderate</b>
<p>Risk(s): Zimbabwe’s limited economic and financial governance as well as erratic formulation of policies has been earmarked by key international financiers as one of the causes of poor overall performance in the country in the past 20 years. This has created a weak environment for growth and development in key sectors and reduced the willingness of local and international investors to commit their resources in the country. Zimbabwe is ranked 158 out of 180 countries according to Transparency International’s 2019 Corruption Perception Index (CPI). High corruption rating and overall lack of transparency have significantly increased risks for investments in Zimbabwe, including investments in agriculture and agro-processing.</p>		
<p>Mitigations: SACP incorporates safeguard mechanisms to mitigate against these risks. This includes ensuring strict adherence to IFAD procurement rules as well as provision of support in the competitive recruitment of a SACP procurement officer. Indeed, the competitive recruitment of key staff, particularly the National Project Coordinator and Chief Accountant, is also expected to ensure good project governance. One of the main safeguards against governance risks is the private sector orientation of all the investments in the key value chain development component of the project.</p>		
<b>Macroeconomic</b>	<b>High</b>	<b>Substantial</b>
<p>Risk(s): Macroeconomic instability including risks related to high international and domestic debt overhang, hyperinflation and currency convertibility will continue to adversely impact the country’s development agenda, including efforts to commercialise smallholder agriculture. Investment inflows remain weak and due to debt arrears, several sources of external credit are not accessible yet. The commercial banks’ portfolios, denominated mostly in Zimbabwean dollars, have lost much of their value, with currency devaluation and the consequent significant hyperinflation. At the same time, the concentration of bank assets on non-liquid central bank deposits and treasury bills has further reduced the amount available for lending to private urban and rural sectors.</p>		



<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
Additional economic stress has been caused by the COVID-19 outbreak. With COVID-19, negative macroeconomic trends are projected to persist, resulting in a projected contraction in GDP by 8%-10% in 2020.		
Mitigations: The macroeconomic outlook for Zimbabwe, as from 2021, remains cautiously optimistic. It is expected that between 2021-24, real GDP will rebound gradually, as better weather conditions facilitate growth in agriculture and a resurgence in domestic hydropower production, allowing mining activity to pick up. It should also be noted that the core investment instruments of SACP, including the large-scale matching grant and capacity building operations on the supported value chains, are developed to function even in an economy, in which many sub-sectors and services do not function properly. The assumption at the same time is that with SACP support, farmers and enterprises are better positioned to tap into the economic opportunities when the country's macroeconomic performance improves, and investor confidence increases.		
<b>Fragility and security</b>	<b>High</b>	<b>Substantial</b>
Risk(s): Against the backdrop of political instability, a weak economy as well as arrears with key development partners (including World Bank and the African Development Bank), Zimbabwe has also in recent decades, experienced various types of shocks, ranging from weather extremes to the recent COVID-19 outbreak.		
Mitigations: Through strong contractual agreements, private sector orientation of key activities and effective and systematic implementation systems, SACP aims to increase its capacity to tolerate moderate shocks in its operational environment. Further, the well-resourced components and activities provide independence and increase tolerance to unexpected changes in the implementation environment.		
<b>Sector Strategies and Policies</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Policy alignment</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): Although Zimbabwe has several policies in place to support rural development [e.g. National Food and Nutrition Security Policy (2012), National Youth Policy (2015), National Gender Policy (2017) and Zimbabwe Climate Policy (2016)], agricultural policy has been inconsistent and has not adequately supported sustained rural growth.		
Mitigations: Since 2018, the Government of Zimbabwe's (GoZ) strategy has focused more on efforts to commercialise smallholder agriculture. This includes: (i) organising smallholders into groups and associations and eventually converting them into small and medium enterprises (SMEs); (ii) connecting farmers and their groups into profitable value chains (VCs) and markets; (iii) facilitating contract farming along profitable VCs; (iv) developing smallholders' capacity in marketing and business skills; (v) revitalising infrastructure, including marketing and agro-processing hubs; (vi) promotion of climate smart agriculture; and (vii) strengthening of income pathways for improved food security and nutrition.		
<b>Policy development &amp; implementation</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): As indicated above, there is improvement regarding the formulation and implementation of key rural development policies. However, limited		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
national budget resources and capacity to effectively support the implementation of new agricultural policies remains a risk.		
<p>Mitigations:</p> <p>SACP will support Government efforts to create a conducive policy environment for private sector-led smallholder agriculture transformation in Zimbabwe. In 2020, GOZ launched several strategies and plans: Agriculture and Food Systems Transformation Strategy, Livestock Growth Plan, Horticulture Recovery and Growth Plan and the Accelerated Irrigation Rehabilitation and Development Plan. Specifically, SACP will contribute to operationalise relevant strategies/plans, through enhancing a community feedback loop to GoZ.</p> <p>SACP will also draw lessons from SIRP's success in stakeholder consultations regarding smallholder irrigation development models, now at Attorney General approval stage. Specifically, SACP will engage specialists to develop relevant knowledge products. Through stakeholder dialogue, SACP will enhance the development of action-oriented plans in support of diversification and commercialisation of smallholder agriculture, including contact farming, horticultural action plans and studies to identify new profitable smallholder value chains.</p>		
<b>Environment and Climate Context</b>	<b>High</b>	<b>Substantial</b>
<b>Project vulnerability to environmental conditions</b>	<b>Substantial</b>	<b>Moderate</b>
<p>Risk(s):</p> <p>The main environmental risks for the SACP include land degradation, which is already adversely impacting agricultural productivity and site-specific loss of soils and vegetation during the infrastructure development activities. SACP activities may also result in increased abstraction of ground and surface water resources for agriculture productivity and domestic use.</p>		
<p>Mitigations:</p> <p>The capacity building targeted at the smallholders will include climate smart agriculture techniques that also ensure environmental sustainability such as integrated soil fertility management and diversified cropping systems. Environmental Management Plans (EMPs) will be developed for the infrastructure sites articulating mitigation measures. In addition, water use efficiency will be promoted in the irrigation schemes.</p>		
<b>Project vulnerability to climate change impacts</b>	<b>High</b>	<b>Substantial</b>
<p>Risk(s):</p> <p>The climate change risks for the SACP include increasing rainfall variability, incidence of droughts, prolonged dry spells, and intermittent floods. Droughts have occurred in the recent past due to the El-Nino phenomenon leading to crop losses and negatively impacting agricultural dependent livelihoods. Water stress will also increase as a result of climate change as well as incidence of pests and diseases.</p>		
<p>Mitigations:</p> <p>Climate change adaptation measures will be promoted through the climate smart agriculture investments. Capacity building of the smallholders will also include measures such as integrated pest management and conservation agriculture techniques. The infrastructure developed under SACP will be climate resilient to improve water use efficiency and harvest rainwater for productive use.</p>		
<b>Project Scope</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Project relevance</b>	<b>Low</b>	<b>Low</b>
Risk(s):		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
This risk is very limited in the case of SACP, due to appropriate policy alignment and active participation of the national Government counterparts in the project design.		
Mitigations: As indicated above and discussed in detail in the PDR, SACP is fully aligned with Government's key rural development policies, IFAD's new COSOP and IFAD's core corporate priorities.		
<b>Technical soundness</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): Relatively poor overall performance of agriculture sector interventions creates a risk that this could happen also with SACP. There is also very little recent experience and information on the overall management of rural development projects, with external funding. SACP is the first IFAD funded loan operation for Zimbabwe since 1990s.		
Mitigations: SACP integrates capacity building of government staff to manage development projects. At the same time, the project creates linkages with the private sector, which is also in line with GoZ policy objective, to enhance market access for smallholder agricultural produce. Matching grants, based on a competitive process, are expected to encourage companies and farmers to commit themselves in the operations of the supported value chains and improve chances of implementation success.		
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Implementation arrangements</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s):  After 20 years with very few international projects, many Zimbabwean institutions lack experience on how to implement development partner-supported projects and have limited adequate, staff and resources to implement them. The management mechanism for matching grants in particular require a comprehensive and clear framework to ensure effective implementation, viability of promoted value chains, and to avoid elite capture.		
Mitigations:  The Lead Agency, MLAWRR, is the implementing agency for the IFAD-supported SIRP. With a Joint Management Unit, SIRP and SACP will work closely together This Joint Management Unit will make it easier for IFAD to focus its support, introduce new tools and facilitate training and capacity building. Measures to reduce elite capture in the matching grant operations include: (i) Increased volume of independent BDS support (NGO or private sector service provider) to include follow up visits and investment monitoring for each grant implementer; (ii) utilization of formal financial institutions for all matching grant financial transactions, through established bank accounts, and supervision of these as part of project audits, (iii) systematic training provided to the evaluation panels and key project-related GOZ staff on integrity, eligibility and conflict of interest, and corruption and bribery related topics; (iv) ensure beneficiary access to project information through public dissemination events for project start-up and periodic batches of successful matching grant proposals; (v) piloting a digital business plan database for matching grant projects; (vi) selection of the evaluation panels to be subject to IFAD's NO and rotation of some of the evaluation panel members, and (vii) prior elite capture risk assessment for key value chains supported by the APG matching grants.		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<b>M&amp;E arrangements</b>	<b>Substantial</b>	<b>Moderate</b>
<p>Risk(s): The key risk that the project executing agency's M&amp;E processes and systems are weak or inefficient, resulting in a limited ability to monitor, validate, analyse, and communicate results, capture lessons, and adjust implementation to seize opportunities and take corrective actions in a timely manner.</p>		
<p>Mitigations: SACP has a full time M&amp;E, KM, and data assistant specialists. A robust M&amp;E system that is linked to the MIS will be designed. Baseline studies to benchmark progress will be carried out in Year 1. Field extension staff will be furnished with electronic tablets that are linked to MIS. Participatory monitoring will be used to capture qualitative and quantitative data, capture lessons and adjust implementation. Reports will be evidence-based, gender and sex disaggregated data and will be submitted timely. Field verification monitoring visits will be carried out regularly.</p>		
<b>Procurement</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Legal and regulatory framework</b>	<b>Substantial</b>	<b>Moderate</b>
<p>Risk(s): The Legal and regulatory framework score is 1.80 points and categorized, henceforth, as substantial. The new Statutory Instrument 5 of 2018 "Public Procurement and Disposal of Public Assets" provides a relatively acceptable coverage of the various rules and procedures to be followed by the public purchaser across the procurement cycle. Nonetheless, a number of deficiencies are highlighted particularly in terms of transparency and public access to information indicator which poses a particular issue. Further, the country regulations do not detail matters related to consulting and non-consulting processes (including the recruitment of individual consultants).</p>		
<p>Mitigations: Standard Bidding Documents for low purchases falling under shopping to be developed for the project, subject to IFAD review and approval. Project will establish and maintain a database of records through the IFAD client portal contract monitoring tool. The GPN is required to be published through the newspapers and online means prior to launching the procurement processes. The SACP annual procurement plan is required to be published on PRAZ, MLLR webpage, the Gazette, and newspapers with large audience. All contract awards must be published, and respective bidders acknowledged accordingly of the process output. IFAD procedures will prevail for the consulting and non-consulting processes with appropriate procurement training and ad hoc support to be provided.</p>		
<b>Accountability and transparency</b>	<b>Substantial</b>	<b>Moderate</b>
<p>Risk(s): By reference to PEFA framework, procurement complaint management remains largely unsatisfactory. Zimbabwe Corruption Perception Index score is 24 (2019) and ranks the country at the 158 position out of 198. The corruption risk indicator is therefore high. The complaint management system is based on 1-tier level only. The SI 5-2010 does not, among others, provide clear information on the constitution of the complaint committee and the handling of the challenge procedure. The Statutory Instrument covers the code of conduct for procurement officers as well as ethical responsibilities of bidders and contractors. However, these two subjects lack institutional guidance and comprehensiveness. In addition,</p>		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
there are no provisions for SH/SEA in accordance with requirements emanating from IFAD's policies.		
Mitigations: IFAD will be notified in the event of complaints and follow up the process and decisions issued by PRAZ. Project to strictly adhere to IFAD's "Revised Policy on Preventing Fraud and Corruption in its Activities and Operations". Training and awareness sessions will be conducted.		
<b>Capability in public procurement</b>	<b>Moderate</b>	<b>Low</b>
Risk(s):  The capability in public procurement score is 2,40 points and categorized, henceforth, as medium. SACP includes within its organizational structure a procurement unit both at the headquarter (Harare) and at the Provinces with different threshold levels. The country benefited from limited international support during the past five years, therefore public procurement officers have limited knowledge and experience in donor-funded procurement environment, in particular at the Provinces. The rules and regulations guiding procurement are publicly available online through the Procurement Regulatory Authority of Zimbabwe website. Within the beneficiary's organizational structure, the financial and procurement functions are, on the other side, fully separated.		
Mitigations: Appointed project procurement staff (at the NPMU and Provincial levels) will be trained on IFAD's procurement rules and procedures and the quality of the tendering process to be monitored subsequently. IFAD Standard Bidding documents will be used.		
<b>Public procurement processes</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): Government procurement planning is not undertaken thoroughly and suffers from the prevailing economic crisis rendering the market highly volatile. The lack of resources adversely impacts the day-to-day management of the government budget. The procurement methods as well as the bidding procedures are, globally, in line with the common international and IFAD's practices. On the other side, contract awarding lacks transparency while contract management requires support through providing relevant trainings to the government staff and preparing adequate guidance.		
Mitigations: All project procurement plans must be prepared in advance and be consisted with the annual work plan. Any revision is subject to IFAD's explicit No Objection. Respective procurement officers at the NPMU and Provincial level to be involved in the annual work planning process and assess the feasibility of the activities within each year as well as the consistency and timeliness of the activities. IFAD procurement plan to be adopted. Minimum publication days under competitive bidding processes must be not less than 30 calendar days (inclusive of the advertisement and closure day). Project to follow similar procedures as SIRP for all matters related to contract management and administration.		
<b>Financial Management</b>	<b>High</b>	<b>Substantial</b>
<b>Organization and staffing</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): Inadequate staff capabilities, skills and experience in project accounting, donor funds management and on IFAD procedures.		
Mitigations:		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
At project onset the creation of Joint Project implementation unit will avail staff from SIRP to help new recruited staff quickly on board SACP shall recruit a suitably qualified, competitively selected persons to initially lead the finance unit, set up SACP financial systems. Training in IFAD funding guidelines to be done during start up work but will be a continuous process throughout the project life.		
<b>Budgeting</b>	<b>Moderate</b>	<b>Low</b>
Risk(s):  Low budgeting capacity in the Lead Agency and low motivation of district field staff to prioritise implementation of SACP activities leading to low AWPB execution rates resulting in overall slow implementation progress. AWPB not approved at the commencement of the fiscal year Over expenditure/ under expenditure on project activities not tracked		
Mitigations:  Ensure the accounting package will include a budgeting module that must be put into use at the onset of the project SACP implementation shall incorporate results-based award scheme for seconded GoZ field extension staff to motivate excellent project delivery. Clear budget guidelines and procedures to be detailed in the PIM to assist the preparation of budgets. Further, the SACP officers and field staff will provided with transportation and communication means and appropriate skill to be able to carry out the required AWPB-related tasks. Technical guidance from IFAD during the budgeting process.		
<b>Funds flow/disbursement arrangements</b>	<b>High</b>	<b>Substantial</b>
Risk(s):  Delayed payments to Suppliers are also affected affecting the timely supplies for the project and beneficiaries for in terms of goods and services. Non-availability of forex for SACP operations due to the regulatory framework in the country that affects the availability of funds to the project for foreign exchange invoiced expenditure. Delays in collating expenditures by implementing partners leading to delays in processing replenishments		
Mitigations:  SACP shall maintain a USD designed account at a commercial bank to facilitate timely settlement of forex invoices. SACP will to a great extent use the IFAD direct payment method for payments above USD 100,000. The project will adhere to the liquidity mitigation measures incorporated within IFAD disbursement guidelines relating to submission timelines and thresholds for withdrawal applications.		
<b>Internal controls</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s):  Lack of adequate delegation of authority within the Finance unit due to limited staff numbers. Failure to justify programme expenditures in implementing districts and		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
provinces, leading to delayed replenishment of the designated account and potential ineligible expenditures.		
<p>Mitigations:</p> <p>The FM manual will detail controls and procedures to be followed in using programme funds.</p> <p>SACP accounting and disbursements operations will be centralised at the NPMU.</p> <p>Engagement of the internal audit unit within the ministry to carry out annual review of the systems.</p> <p>The NPMU will perform quarterly reimbursements to implementing agencies to ensure timely replenishment before replenishment to their accounts.</p>		
<b>Accounting and financial reporting</b>	<b>Substantial</b>	<b>Moderate</b>
<p>Risk(s):</p> <p>Inadequate record keeping of accounting records.</p> <p>Failure to properly track use of grant proceeds to disbursed to grantees.</p> <p>Failure to produce IFAD –specific reports.</p> <p>Community level beneficiaries not having sufficient financial management capabilities per GOM and IFAD requirements.</p>		
<p>Mitigations:</p> <p>Centralised accounting of SACP at the NPMU.</p> <p>PIM to detail reporting and monitoring requirements and rules including on grant disbursements.</p> <p>Off-the shelf accounting software to be configured generate automated, consolidated financial reports and smart SOEs</p> <p>Capacity building by PMU of all implementing partners including beneficiaries on SACP financial management.</p>		
<b>External audit</b>	<b>Moderate</b>	<b>Low</b>
<p>Risk(s):</p> <p>The key risk is the potential delay in performance of independent and competent oversight of the SACP financial statements leading to possible misrepresentation of the financial results and/or suspension due to compliance breaches.</p>		
<p>Mitigations:</p> <p>External audits for the project will be performed by independent private firms during the initial years of implementation in line with guidelines spelt out in the IFAD Handbook on Financial Report and Auditing for IFAD funded projects. IFAD will continuously perform reviews together with the Office of the Auditor General of Zimbabwe to assess its readiness in staffing capacities to conduct SACP audits for IFAD funded projects. SACP NPMU will proactively engage this external auditors during the financial year to plan for timely execution of year–end audits.</p>		
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Low</b>
<b>Biodiversity conservation</b>	<b>Moderate</b>	<b>Low</b>
<p>Risk(s):</p> <p>Clearing of land for agricultural expansion may occur in some of the targeted areas of the SACP. Land clearing has already resulted in loss of habitat and biodiversity. Smallholders may also reduce the diversity of their farms as they become integrated in specific value chains thus adversely impacting agro-biodiversity.</p>		
<p>Mitigations:</p> <p>The business plans and grant proposals will be screened for adverse environmental impacts including potential to result in loss of biodiversity.</p>		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
In addition, capacity building for the smallholders will include biodiversity conservation within the agricultural production landscape. SACP will promote nutrition sensitive value chains and crop diversification as part of the CSA.		
<b>Resource efficiency and pollution prevention</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk(s):</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> The pollution will be point source that can be managed by the farmers once equipped with the knowledge and skills to do so. The screening criteria for business plans includes environmental criteria that will minimize impacts of pollution. CSA capacity building will include safe handling and use of agro-chemicals. Design of irrigation systems will also ensure adequate drainage systems design and periodic water testing at the discharge points.		
<b>Cultural heritage</b>	<b>Low</b>	<b>Low</b>
<b>Risk(s):</b> The potential risk is that SACP may cause significant cultural or physical resource degradation, including threats to or the loss of resources of historical, religious or cultural significance. There is also the risk that women may be prevented from participating due to patriarchal norms and that the men could take over lucrative enterprises from the women beneficiaries.		
<b>Mitigations:</b> There is a very low risk that SACP will be implemented in areas of cultural heritage sites. SACP will put in place a grievance redress mechanism and indigenous people will be engaged through FPIC process to ensure consent to all interventions. GALS methodology, to empower women and men, will be adopted. Training on GALS will increase the visibility of women's roles and raise awareness of gender justice for men, women and youth for increased wellbeing. Using WEAI survey, SACP will measure empowerment in terms of income generation and sharing of labour roles, improved knowledge and leadership skills, equitable household decision making and access to productive resources. GALS mentors will monitor the use of assets and economic activities. The WEAI survey will benchmark the percentage of individuals demonstrating improvement in empowerment. SACP targets mostly group activities in order as mitigation to male elite capture.		
<b>Indigenous Peoples</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk(s):</b> The potential risk that SACP 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> SACP community mobilisers will be well versed with the communities to ensure that the project targets group are reached and that there are no threats to or loss of resources for indigenous people. A grievance mechanism and strong feedback mechanisms will be put in place for reporting on targeting. Indigenous people will be engaged in a consultative and participatory process through FPIC.		
<b>Community health and safety</b>	<b>Moderate</b>	<b>Low</b>



<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<p><b>Risk(s):</b> The 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.</p>		
<p><b>Mitigations:</b> The Environmental and Social management Plans for each sites will include measures to minimise the risks. Capacity building for smallholders will also include safe use and handling of agro-chemicals. SACP will develop road infrastructure to improve transport safety. Communities will access training on gender-based violence, reproductive health rights, child feeding and nutrition education as part of other mainstream topics such BDS, financial literacy etc. Labour saving technologies will improve the health and will being of women. For COVID-19, SACP's efforts will be towards increased awareness on social distancing, wearing masks, washing hands and increasing the use of digital platforms.</p>		
<b>Labour and working conditions</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk(s):</b> The potential risk is that SACP 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.</p>		
<p><b>Mitigations:</b> SACP 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 contacts with APGs, microenterprises and lead value chain enterprises. SACP will also 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.</p>		
<b>Physical and economic resettlement</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk(s):</b> The potential risk is that the SACP 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.</p>		
<p><b>Mitigations:</b> SACP will raise awareness of the Lead Value Chain Companies to be ethical and engage producers in a transparent manner, as a condition in the SACP grant agreement. Infrastructure development proposals will be screened to ensure no physical or economic resettlement will result from these activities.</p>		
<b>Greenhouse gas emissions</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk(s):</b> The green-house gas emissions from the SACP activities are minimal. Land clearing may result in increased emissions as a result of land use change.</p>		
<p><b>Mitigations:</b> Screening of investments will ensure no forests are cleared for agricultural production and agricultural intensification as opposed to expansion is promoted. CSA includes benefits of mitigation through measures such as improved soil carbon storage resulting from integrated soil fertility management and agroforestry.</p>		

<b>Risk Categories and Subcategories</b>	<b>Inherent</b>	<b>Residual</b>
<b>Vulnerability of target populations and ecosystems to climate variability and hazards</b>	<b>Substantial</b>	<b>Moderate</b>
Risk(s): Most of the SACP target beneficiaries depend on rain-fed agriculture for their livelihoods. This dependency increases their vulnerability to variable climate. Some of the SACP locations are also water stressed, which increases the vulnerability of the ecosystems.		
Mitigations: CSA 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>
<b>Stakeholder engagement/coordination</b>	<b>Low</b>	<b>Low</b>
Risk(s): There is a potential risk that relevant stakeholders are not adequately consulted and that may undermine project implementation and achievement of project development objectives.		
Mitigations: SACP utilizes participatory, consultative engagement with the stakeholders and demand driven approach to develop activities in partnership with stakeholders. Full-time Targeting and Social Inclusion Experts are stationed at both the provincial and national level to ensure the project engages appropriately with men, women and youth in project interventions.		
<b>Stakeholder grievances</b>	<b>Moderate</b>	<b>Low</b>
Risk(s): The potential risk is that SACP has ineffective grievance/complaint redress processes, leading to unaddressed stakeholder complaints that may undermine project implementation and the achievement of project development objectives.		
Mitigations: SACP will put in place a strong stakeholder grievance mechanism and a beneficiary feedback mechanism through which beneficiaries can lodge grievances and have concrete measures taken by SACP. This will be backed by community validation mechanisms at each stage in project implementation. SACP will raise awareness on an anti-corruption policy and establish contact telephone numbers for grievances.		