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President's memorandum
Proposed additional financing to
Republic of Angola for the
Smallholder Resilience Enhancement Project

Project ID: 2000002071

Note to Executive Board representatives

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For: Approval

Contents

Abbreviations and acronyms	ii
Financing summary	iii
Recommendation for approval	1
I. Background and project description	1
A. Background	1
B. Original project description	1
II. Rationale for additional financing	1
A. Rationale	1
B. Description of geographical area and target groups	3
C. Components, outcomes and activities	3
D. Costs, benefits and financing	4
III. Risk management	6
A. Risks and mitigation measures	6
B. Environment and social category	7
C. Climate risk classification	7
IV. Implementation	7
A. Compliance with IFAD policies	7
B. Organizational framework	8
C. Monitoring and evaluation, learning, knowledge management and strategic communication	9
D. Proposed amendments to the financing agreement	9
V. Legal instruments and authority	9
VI. Recommendation	9

Appendices

- I. Updated logical framework incorporating the additional financing
- II. Updated summary of the economic and financial analysis

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Abbreviations and acronyms

AFD	Agence Française de Développement
BADEA	Arab Bank for Economic Development in Africa
EIRR	economic internal rate of return
FFS	farmer field school
FMPM	financial management procedures manual
IDA	Agricultural Development Institute
IPSAS	International Public Sector Accounting Standards
IFAD11	Eleventh Replenishment of IFAD's Resources
PIF	portfolio implementation facility
PIU	project implementation unit
SCU	single coordination unit
SDG	Sustainable Development Goal
SECAP	Social, Environmental and Climate Assessment Procedures
SO	strategic objective
SREP	Smallholder Resilience Enhancement Project
UCU	unified coordination unit

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Republic of Angola
Executing agency:	Ministry of Agriculture and Fisheries
Total project cost:	US\$150 million
Amount of original IFAD loan:	EUR 26.2 million (equivalent to US\$29.7 million)
Terms of original IFAD financing:	Ordinary terms, with a maturity of 23 years and a grace period of 7 years at a fixed spread
Amount of additional IFAD loan:	US\$21.745 million
Terms of additional IFAD financing:	Ordinary terms, with a maturity of 23 years and a grace period of 7 years at a fixed spread
Cofinancier(s):	Agence Française de Développement (AFD) Arab Bank for Economic Development (BADEA)
Amount of cofinancing:	AFD: US\$42 million BADEA: US\$40 million
Terms of cofinancing:	AFD: ordinary BADEA: ordinary
Contribution of borrower/recipient:	US\$10 million
Contribution of beneficiaries:	US\$6.5 million
Amount of original IFAD climate finance:	US\$14.8 million
Amount of additional IFAD climate finance:	US\$6.7 million

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional financing contained in paragraph 51.

I. Background and project description

A. Background

1. The Smallholder Resilience Enhancement Project (SREP) in the Republic of Angola, with a pre-identified financing gap of US\$21.75 million, was approved by the Executive Board on 12 September 2019.¹ The financing agreement was signed and became effective on 15 July 2020. The project completion date is 30 September 2026 and the loan closing date is 31 March 2027. The total project cost is US\$150 million, including an IFAD loan on ordinary terms equivalent to US\$29.75 million. Counterpart funding from the Government of Angola totals US\$10 million and the beneficiary contribution is US\$6.5 million. Taxes and duties will be met by the borrower. SREP is cofinanced by the Arab Bank for Economic Development in Africa (BADEA) for US\$40 million and the Agence Française de Développement (AFD) for US\$42 million.

B. Original project description

2. The project's goal is to contribute to improved food and nutrition security of targeted communities. This underlines the importance of food and nutrition security as a prerequisite for participating in development activities. The project's development objective is to increase production and resilience of target farm households. This is being achieved by strengthening cooperatives and associations, establishing farmer field schools (FFSs) and supporting agricultural and livestock development through capacity-building and construction of supporting infrastructure.
3. The main outcomes by component are as follows:
 - **Component 1, Institutional capacity-building and rural infrastructure:** (i) strengthened institutional capacity to deliver services to enhance food security, productivity and resilience; and (ii) rural infrastructure to build resilience and enhance productivity and market access.
 - **Component 2, Family farming strengthening and investment:** (i) farming families acquire skills and technologies for food and nutrition security, enhanced resilience and productivity, and market access; (ii) improved profitability of farm and non-farm income-generating activities to improve access to food.

II. Rationale for additional financing

A. Rationale

4. This request for additional financing is to fill the pre-identified financing gap of US\$21.75 million and therefore does not change the original project design. The requested additional funding is being sought from the reallocation of unutilized funds from the Eleventh Replenishment of IFAD's Resources (IFAD11). SREP is a timely intervention, given the current national focus on diversifying the economy from an emphasis on the oil sector towards a sustainable growth path based on the agriculture sector and agribusiness.
5. SREP is designed to address some of the critical constraints to agricultural development in Angola. The north and the south of the country represent two distinct agroecosystems and sets of socio-economic conditions for family farmers.

¹ Document EB 2019/127/R.27.

Large areas of the northern provinces are characterized by hilly topography and a cassava-based cropping system, while the southern provinces are generally lowlands with a mixed agropastoral system. The north has relatively good climatic and soil conditions for agricultural production, while the south suffers from arid and semi-arid conditions, and is highly vulnerable to climate risks. As a result, the south relies on food from other regions in Angola.

6. Production improvements in the north and livelihood diversification in the south will be beneficial for both regions. Potential shifts in crop suitability and the need for agroecological-based adaptations are heightening the interdependency among regions. In addition, smallholders in both regions suffer from food and nutrition insecurity, low agricultural productivity and vulnerability to climate risks – although these risks are greater in the south than in the north. The project design addresses these important issues in the north and the south, with intervention strategies derived from a common theory of change that takes into account the two different contexts.
7. SREP also takes into account the recommendation of the 2018 country strategy and programme evaluation on the need to make capacity-building a key pillar of IFAD's support to Angola. The project is therefore seeking to increase institutional capacity at the individual and national levels, while enhancing smallholder agricultural production and fostering resilience in the project areas.
8. In the north, SREP helps family farmers to transition from mainly subsistence to semi-commercial or commercial farming. Change is being achieved by: (i) strengthening institutional capacities for improved delivery of advisory and other support services, tailored to family farmers' needs and conditions; (ii) rolling out FFSs and other extension approaches to support adoption of good agricultural practices for improved soil and water management, and increased productivity; (iii) training in nutrition and healthy diets; (iv) financial literacy and provision of technical assistance to develop bankable business plans; and (v) investments in rural infrastructure and the provision of matching grants.
9. In the south, SREP will contribute to government efforts to enhance rural households' resilience, aligned with the strategic priorities laid out in the drought recovery framework. The Government's recovery plan also emphasizes the need to focus on: (i) promoting sustainable farming practices and agricultural technologies adapted to local conditions; (ii) improving information systems for food security and animal health surveillance; (iii) introducing adequate rangeland management systems; and (iv) promoting income diversification. SREP contributes to most of these thematic areas. The project will also be proactive in supporting smallholders' adaptation to the potential long-term negative consequences of climate change.

Alignment with IFAD's corporate mainstreaming priorities

10. In line with the IFAD11 mainstreaming commitments, the project has been validated as:
 - Including climate finance;
 - Nutrition-sensitive;
 - Youth-sensitive.
11. **Gender.** In Angola, 23 per cent of agricultural households are headed by women, who account for 70 per cent of the country's traditional subsistence agriculture and 24 per cent of its commercial agriculture. Women are not entitled to own property on equal terms with men; their right to own land depends on their marital status.
12. **Youth.** Youth unemployment stands at 46 per cent compared to the total unemployment rate of 24 per cent. Rural youth face major challenges in finding profitable livelihoods and employment opportunities. A significant number of households are headed by young people.

13. **Nutrition.** Despite some progress, nutrition remains a public health concern: the stunting rate is 38 per cent and the anaemia prevalence rate among children 6–59 months is 65 per cent. The prevalence of stunting is greater among rural populations (46 per cent) than urban ones (32 per cent).
14. **Climate change.** Agriculture has become increasingly vulnerable to climate change and extreme weather events, including droughts (e.g. 2012–2016) and floods (e.g. 2017) – especially in the south. In the north, extremely heavy rainfall damages crops and has adverse effects on living conditions. A noticeable consequence is the reduced length of growing seasons due to droughts (in the south) and the late onset of rains (in the north), which have negatively impacted food and nutrition security.

B. Description of geographical area and target groups

15. The project area covers 35 municipalities within the seven provinces: Bengo, Zaire, Uíge and Cuanza Norte in the north; and Benguela, Cunene and Namibe in the south.
16. The project targets 218,000 households (just over 1 million people). The core SREP target group is comprised of low-income smallholder households that are members of cooperatives and associations in the north, and FFSs in the south, established during past emergency and recovery projects. Support is being provided to strengthen established FFSs so that the beneficiary households can transition from recovery to long-term resilience and sustainable development.

C. Components, outcomes and activities

17. SREP has two technical components and one cross-cutting component:
18. **Component 1: Institutional capacity-building and rural infrastructure.** This component focuses on strengthening capacities and supporting investments in rural infrastructure, market access and land management in order to enhance climate resilience. It is divided into two subcomponents. The first is devoted to strengthening capacity for the provision of improved services to family farmers. This objective is being pursued by building the skills of: government agricultural extension specialists at the provincial and municipal levels; national NGOs working to support the development of family farming; and producer groups. The second subcomponent focuses on investing in climate-resilient public rural infrastructure as a means of enhancing resilience and market access. The objective of this subcomponent is to support the construction of rural infrastructure and land development in order to enhance climate resilience and promote better production and marketing conditions.
19. **Component 2: Family farming strengthening and investment.** This component focuses on strengthening the capacities of family farmers – mainly via FFSs – and providing investments to support agricultural productivity, value addition and improved livelihood opportunities for rural poor people. It comprises: (i) strengthening capacity for family farming through the provision of support by government agricultural extension workers and national NGOs; and (ii) investing in family farming to improve agricultural productivity, increase value addition, link farmers to markets, boost farmers' incomes and enhance livelihood opportunities.
20. **Component 3: Project coordination and management.** This component addresses institutional capacity gaps in project management, finance and procurement. It is being carried out through the: (i) SREP project implementation unit (PIU); (ii) unified coordination unit (UCU); and (iii) portfolio implementation facility (PIF).
21. SREP's **expected outcomes** are: (i) strengthened institutional capacity for the delivery of services to enhance food security, productivity and resilience, with 125,000 farmers reporting regular use of advisory and support services; (ii) rural

infrastructure to build resilience and enhance productivity and market access, with 40,000 households reporting improved access to water, land and road infrastructure; (iii) acquisition by farming families of skills and technologies for food and nutrition security, enhanced resilience, productivity and market access, with 80,000 households (disaggregated by gender) applying climate-resilient technologies and practices; and (iv) improved profitability of farm and non-farm income-generating activities as a means of improving access to food, with 80,000 households reporting at least a 30 per cent increase in the proportion of agricultural outputs sold on the market.

D. Costs, benefits and financing

Project costs

22. The total combined SREP investment and incremental recurrent costs for both original and additional financing, including physical and price contingencies, are estimated at US\$150 million. Of this amount, IFAD was expected to finance US\$51.5 million. However, under IFAD11, initial funding of USD\$29.76 million was approved, leaving a financing gap of US\$21.75 million. With the second reallocation of unused funds from IFAD11, the Government confirmed the need to fill the pre-identified financing gap for SREP.
23. By filling the project's pre-identified financing gap, SREP component 1 will amount to US\$10.9 million (50.3 per cent of additional cost). Component 2 will amount to US\$6.84 million (31.5 per cent of the additional cost) and component 3 will amount to US\$3.96 million (18.2 per cent of the additional project cost). Table 1 presents a breakdown of original and additional financing while table 2 presents a breakdown of the costs by component and subcomponent for only the additional financing. Table 3 presents the additional project costs by expenditure category, and table 4 presents total project costs (original and additional financing) by component and year.
24. The total of IFAD climate finance for both original and additional financing is estimated at US\$21.53 million (49.5 per cent). This amount constitutes US\$14.8 million (49.7 per cent) of IFAD climate finance for the original IFAD investment, and US\$6.7 million (31 per cent) of IFAD climate finance for the additional financing. The additional financing will have the same closing date and expenditure categories as the original financing.

Table 1
Original and additional financing summary
(Thousands of United States dollars)

	<i>Original financing*</i>	<i>Additional financing</i>	<i>Total</i>
IFAD loan	29 755	21 745	51 500
BADEA	40 000		40 000
AFD	42 000		42 000
Beneficiaries	6 500		6 500
Borrower	10 000		10 000
Original financing gap	21 745	-	-
Total	150 000	21 745	150 000

*See table 1 in document EB 2019/127/R.27 for a detailed breakdown.

Table 2

Additional financing: Project costs by component (and subcomponent) and financier
(Thousands of United States dollars)

Component/subcomponent	Additional IFAD loan	
	Amount	%
A. Institutional capacity-building and rural infrastructure		
1. Strengthening capacity for the provision of improved services to family farmers	6 063	28
2. Investing in public rural infrastructure	4 869	22
Subtotal	10 932	50
B. Family farmer strengthening and investment		
1. Strengthening capacity of family farming	4 508	21
2. Investing in family farming	2 340	11
Subtotal	6 847	31
C. Project coordination and management		
1. SREP PIU	2 608	12
2. UCU) – PIF	1 358	6
Subtotal	3 966	18
Total	21 745	100

Table 3

Additional financing: Project costs by expenditure category
(Thousands of United States dollars)

Expenditure category	Additional IFAD loan	
	Amount	%
1. Works	4 925	23
2. Matching grant	3 457	16
3. Vehicles	496	2
4. Goods, services and inputs	3 072	14
5. Consultancies	1 962	9
6. Training	2 907	13
7. Operating costs	779	4
8. Salaries and allowances	4 147	19
Total	21 745	100

Table 4

Project costs by component and project year
(Thousands of United States dollars)

Component/subcomponent	Project year 1		Project year 2		Project year 3		Project year 4		Project year 5		Project year 6		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Institutional capacity-building and rural infrastructure														
1. Strengthening capacity for the provision of improved services to family farmers	6 251	30.7	6 723	21.0	6 451	19.7	2 189	7.8	805	3.6	832	5.6	23 251	15.5
2. Investing in public rural infrastructure	5 168	25.4	15 356	48.0	14 749	45.1	14 298	51.0	10 398	47.1	6 207	41.8	66 176	44.1
Subtotal	11 419	56.2	22 079	69.0	21 200	64.8	16 486	58.8	11 203	50.8	7 039	47.4	89 427	59.6
B. Family farmer strengthening and investment														
1. Strengthening capacity of family farming	2 836	14.0	4 098	12.8	4 413	13.5	4 548	16.2	3 918	17.8	1 885	12.7	21 697	14.5
2. Investing in family farming	1 268	6.2	2 156	6.7	3 449	10.5	3 486	12.4	3 489	15.8	2 718	18.3	16 566	11.0
Subtotal	4 105	20.2	6 253	19.5	7 862	24.0	8 034	28.6	7 407	33.8	4 602	31.0	38 263	25.5
C. Programme coordination														
1. SREP PIU	3 354	16.5	2 424	7.6	2 555	7.8	2 512	9.0	2 456	11.1	2 699	18.2	16 001	10.7
2. UCU – PIF	1 437	7.1	1 235	3.9	1 121	3.4	1 022	3.6	996	4.5	498	3.4	6 310	4.2
Subtotal	4 792	23.6	3 660	11.4	3 676	11.2	3 534	12.6	3 452	15.6	3 197	21.5	22 311	14.9
Total	20 316	13.5	31 992	21.3	32 738	21.8	28 054	18.7	22 062	14.7	14 839	9.9	150 000	100.0

Financing and cofinancing strategy and plan

25. The original cofinancing strategy and plan remains viable at US\$98.5 million (65.7 per cent of the total project cost of US\$150 million). The Government will finance taxes, duties and contributions to extension infrastructure in the amount of US\$10 million (about 6.7 per cent of the total cost). The estimated taxes and duties is based on prevailing rates at the time of project design. In conformity with the principle that no taxes or duties shall be financed out of the proceeds of an IFAD loan, any changes in the rates of taxes and duties must be met by the Government. Beneficiaries will contribute US\$6.5 million (approximately 4.3 per cent of project costs), mainly in the form of in-kind contributions. BADEA will contribute US\$40 million (26.7 per cent) and AFD will cofinance US\$42 million (28 per cent).

Disbursement

26. The requested additional financing will be anchored in the same disbursements as the original loan. The Government's Agricultural Development Institute (IDA) has opened a designated bank account in Luanda to receive the loan proceeds. Two operational accounts, one in Angolan kwanza and one in United States dollars, were opened at a commercial bank in Luanda. Another bank account, in kwanza, was opened to receive government counterpart funds. Four bank accounts in kwanza (one per province) were opened to manage local-level expenditures.

Summary of benefits and economic analysis

27. SREP is expected to: improve the livelihoods and nutrition of 218,000 beneficiary households; create employment at the farm and farmers' organizations levels; and boost crop and livestock production along with market linkages. It is estimated that SREP will yield an economic internal rate of return (EIRR) of 26 per cent and have an economic net present value of US\$91.6 million (at a 9.35 per cent discount rate). The project is expected to be highly profitable from an economic standpoint. A sensitivity analysis indicates the presence of a high degree of resilience to cost increases and reductions in benefits. The project would still yield an EIRR of 25.9 per cent and 25.5 per cent if benefits were reduced by 10 per cent or 20 per cent, respectively.

Exit strategy and sustainability

28. Sustainability is built into SREP through the: (i) use of FFSs and other extension approaches to train large numbers of farmer facilitators, who will continue to provide technical assistance long after project closure; (ii) focus on developing the competencies and skills of extension workers and service providers; (iii) investment support to smallholder farmers and their organizations in order to enhance productivity, increase income and develop better linkages with traders, input suppliers and agro-processors; and (iv) enhanced capacity of IDA staff and technical support service providers.
29. SREP interventions will contribute to environmental sustainability by enhancing resilience and improving community-based natural resource management.

III. Risk management

A. Risks and mitigation measures

30. SREP's overall risk is assessed as significant due to weak implementation and fiduciary capacity, limited technical capacity, and potential environmental and climate impacts.
31. Table 5 presents the overall risk summary as per the integrated project risk matrix.

Table 5
Overall risk summary

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

B. Environment and social category

32. SREP has been classified in environment and social category B. Details on minimizing the potential negative environmental and social impacts, as well as climate risk, are included in the Social, Environmental and Climate Assessment Procedures (SECAP) review note, included as an appendix to the original project design report. SREP will make use of IFAD's complaints procedure to resolve any concerns regarding possible non-compliance with its environmental and social policies, or mandatory SECAP requirements.

C. Climate risk classification

33. SREP's climate risk classification is high. Rainfed cropping in the northern provinces is subject to significant annual variations in rainfall, while the southern provinces have been severely affected by droughts and floods. In both areas, farmers use traditional cropping methods and have a limited awareness of: soil and water conservation methods; the need to replace soil nutrients; the implications of their choices of crop varieties; irrigation systems; and other climate adaptation technologies. A detailed climate vulnerability analysis was conducted with the original project financing to inform the project's climate adaptation measures.

IV. Implementation

A. Compliance with IFAD policies

34. **No adjustment made to original project.** SREP is aligned with national priorities, including those set out in Angola's Medium-Term Development Plan for the Agricultural Sector and the Long-Term National Plan, where agriculture and rural development are highlighted as priority areas. SREP will contribute to the achievement of four Sustainable Development Goals (SDGs): no poverty (SDG 1); zero hunger (SDG 2); climate action (SDG 13); and life on land (SDG 15).
35. **Alignment to IFAD's Strategic Framework 2016–2025 and country strategic opportunities programme.** SREP will contribute directly to the achievement of IFAD's strategic objective (SO) 1 to increase poor rural people's productive capacities; SO2 to increase poor rural people's benefits from market participation; and SO3 to strengthen the environmental sustainability and climate resilience of poor rural people's economic activities. SREP is also aligned with the 2019–2024 country strategic opportunities programme for Angola, which supports the sustainable and inclusive transformation of family farming, with a view to increasing incomes, food security and diversified livelihoods for rural poor people. Project implementation is informed by the country strategy and programme evaluation findings for 2005–2017.

36. An innovative element of SREP is the establishment of the UCU to coordinate and oversee the IFAD investment portfolio as executed by the Ministry of Agriculture and Fisheries.

B. Organizational framework

Management and coordination

37. There is no change in project management introduced by the request for additional financing. As per the original design, the Ministry of Agriculture and Fisheries will be the lead project agency and work closely with the other ministries and partners whose mandates are aligned with the achievement of project objectives. IDA will be responsible for overall project administration and coordination. The Ministry of Agriculture and Fisheries will be supported by a project coordination committee that will provide oversight, chaired by the Minister of Agriculture (or a nominee).

Financial management, procurement and governance

38. There is no change introduced by the request for additional financing. As per the original project design, IDA will be SREP's implementing agency. The SREP management unit will be embedded in the UCU, established by IDA in Luanda to coordinate the implementation of all IFAD projects executed by the Ministry of Agriculture and Fisheries. The UCU is also responsible for the overall fiduciary management of IFAD-financed projects for which the Ministry of Agriculture and Fisheries serves as executing agency.
39. **Financial management.** The additional financing will be managed by the dedicated SREP financial management team, embedded in the UCU. The team is composed of a financial management officer, a finance specialist and an accountant, who are responsible for the daily accounting and project financial management, including both the original and requested additional financing. The additional financing will not result in the creation of new personnel positions. The accountants at the four provincial PIUs will also handle the additional financing.
40. The annual workplan and budget will describe all the activities to be implemented and the corresponding expenditures, which are to be listed by component, category, funding source and implementation timeline. It will also contain a procurement plan for the relevant implementation period. The budget information will be entered in the accounting system and will be accessible from that system in order to allow for the timely recording of commitments and payments. SREP's accounting policies comply with the International Public Sector Accounting Standards (IPSAS). The project's chart of accounts will capture the appropriate information on financiers, components, subcomponents, categories, activities and expenditures.
41. The financial management procedures manual (FMPM) adopted by the UCU will also cover the additional financing, with a slight modification to the chart of accounts to allow for reporting separately on the two financing instruments. The arrangements envisaged at project design are still applicable. SREP will employ regular government internal control systems and procedures, including those related to authorization, recording and custody controls. The project-specific control requirements will be stipulated in the FMPM. The UCU will procure and install accounting software, which will include a budget module. Software customization will ensure a direct connection between the UCU and the provincial level. Annual financial statements will be prepared in accordance with the IPSAS cash-basis accounting method. The UCU will engage the services of an internal auditing company through a competitive bidding process. This company will provide its services to all ongoing IFAD projects implemented by IDA. Since the level of perceived risk is high, the project should be internally audited at least twice each project year. The internal auditor will report to the project steering committee. Contract administration will be facilitated by the project coordinator.

42. **External audit.** No change is foreseen from the original design. Project financial statements will be audited by independent private auditing firms that are satisfactory to IFAD in accordance with International Standards on Auditing. The selection of the auditor will be conducted through open competitive bidding. The auditor's report will be submitted to IFAD no later than six months after the close of the borrower's fiscal year.
43. **Procurement.** Goods, works and services will be procured in accordance with national procedures consistent with IFAD's Project Procurement Guidelines. All procurement activities financed by IFAD will be exempt from duties and taxes.

C. Monitoring and evaluation, learning, knowledge management and strategic communication

44. No change will be made from original project design. The planning of project activities will be an ongoing, participatory process coordinated by the PIU with support from provincial and municipal offices in the southern and northern provinces. Consolidated annual workplans and budgets for the two subregional offices will serve as the basis for planning and implementation.
45. The monitoring and evaluation system will provide information on progress and performance that can be used to monitor agricultural development in the project area and contribute to effective decision-making and reporting to the Government and IFAD.

Innovation and scaling up

46. Attention will be given to scaling up successful activities. These include the FFS approach to extension work and the animal health worker approach to improve access to veterinary services for herders in the south.

D. Proposed amendments to the financing agreement

47. Upon approval of the Executive Board, the SREP financing agreement will be amended to reflect the proposed activities and additional financing. This additional financing will fill the financing gap and complement the financing plan initially agreed upon at project design.

V. Legal instruments and authority

48. A financing agreement between the Republic of Angola and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. The signed financing agreement will be amended following the approval of additional financing.
49. The Republic of Angola is empowered under its laws to receive financing from IFAD.
50. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

51. I recommend that the Executive Board approve additional financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of Angola in the amount of twenty-one million seven hundred and forty-five thousand United States dollars (US\$21,745,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Updated logical framework incorporating the additional financing

Results hierarchy	Indicators				Means of verification			Assumptions (A)/ Risks (R)
	Name	Baseline	Mid-term	End target	Source	Frequency	Responsibility	
Outreach	Number of beneficiaries reached (hh) (with women comprising at least 40% and youth 25%)	0	100,000	218,000	Reference studies and hh surveys.	<ul style="list-style-type: none"> ▪ Baseline ▪ MTR ▪ End-line 	▪ PIU/ SCU	(A) Extreme climate change shocks do not occur
Goal: Contribute to improved household food and nutrition security of targeted communities	No. of HH reporting improved food security as measured by Food Insecurity Experience Scale (FIES) ⁶ , (data disaggregated by gender of household heads) and	0	42,000	152,600	Reference studies and hh surveys	<ul style="list-style-type: none"> ▪ Baseline ▪ MTR ▪ End-line 	▪ PIU/ SCU	(A).Extreme climate change shocks do not occur
	No. of women of reproductive age reporting good dietary diversity (MDD-W) ⁷	TBD	25,000	61,000	Household surveys	<ul style="list-style-type: none"> ▪ Baseline ▪ MTR ▪ End-line 	▪ PIU/ SCU	A).Extreme climate change shocks do not occur
Development objective: Increased productivity and resilience of targeted households	HH report a 30% increase in agriculture productivity for selected food crops	TBD	40,000	112,000	<ul style="list-style-type: none"> ▪ Project M&E system ▪ Production and yields survey ▪ Specific technical and activity report. 	▪ Annual	▪ PIU/ SCU	A).Extreme climate change shocks do not occur
	No. of HH report a > 50% increase in resilience score ⁸ (data disaggregated by gender of household heads)	TBD	30,000	104,600	Specific technical and project activity reports	▪ Annual	▪ PIU/ SCU	(R).population increases may jeopardize sustainability of management systems
Outcome 1: Strengthened institutional capacity to deliver services to enhance food security, productivity and resilience	No. of family farmers reporting regular use of advisory and support services (disaggregated by gender and age)	0	40,000	125,000	Specific technical and project activity report	Annual	▪ PIU/ SCU	(R).GoA was unable to recruit the additional extension staff needed to ensure effective project delivery
	No. of family farmers reporting use of climate information services (disaggregated by gender and age)	0	20,000	49,000	Specific technical and project activity reports	Annual	▪ PIU/ SCU	
Outputs: 1.1 Technical, organizational and managerial competencies of advisory and support service staff improved	No. of government-employed staff participating in training programmes run by the project during the period under review. (disaggregated by gender)	TBD	1,500	3,000	Project M&E system	Annual	▪ PIU/ SCU	

Outcome 2: Rural infrastructure to build resilience and enhance productivity and market access	No. of households with improved access to water, land and road infrastructure	TBD	15,000	40,000	Project M&E system	Annual	▪ PIU/ SCU	A).Extreme climate change shocks do not occur
Outputs								
2.1 Identification, prioritization construction/ rehabilitation of feeder roads	No. of kilometer of rural roads constructed and/ or rehabilitated	0	200	510	Contractor reports	Bi-annual	▪ PIU/ SCU	
2.2 Land sustainably managed under climate resilient practices	No. of hectares under SLM (including rangelands)	TBD	10,000	21,000	Specific technical and project reports	▪ Annual	▪ PIU/ SCU	(A)Project resources are mobilised accordingly
2.3 Water infrastructure managed under climate resilient practices	No. of households reporting improved access to water resources for productive and domestic use (data disaggregated by gender of household heads)	TBD	10,000	30,000	Specific technical and project reports	Bi-annual	▪ PIU/ SCU	A).Extreme climate change shocks do not occur
Outcome 3: Farming families acquire skills and technologies for food and nutrition security, enhanced resilience/ productivity and market access	No. of HH applying climate resilient technologies and practices. (data disaggregated by gender)	TBD	30,000	80,000	Specific technical and project reports	Bi-annual	▪ PIU/ SCU	
Outputs:								
3.1 Family farmers, technical, organizational and managerial competencies Improved	No. of farmers reporting the use of knowledge acquired through FFS training (disaggregated by gender and age)	0	40,000	95,000	Specific technical and project activity reports	Bi annual	▪ PIU/ SCU	
Outcome 4Improved profitability of farm and non-farm income generating activities to improve access to food.	No. of HH reporting 30% increase in percentage of agriculture output sold in market	TBD	30000	80,000	Specific technical and project activity reports	▪ Annual	▪ PIU/ SCU	(R)Cultural factors could hinder the long-term uptake of GAP technologies
Outputs:								
4.1 Family farmers are investing in improved production and marketing	No of households reporting use of production inputs and or technological practices	TBD	45,000	120,000	Specific technical and project reports	Bi- annual	▪ PIU/ SCU	

Updated summary of the economic and financial analysis

Financial cash flow models

Several financial models were developed to determine the financial viability of SREP project. All enterprises used were found financially viable to be able to seek for additional funds. The table below summarizes the financial viability assessment for SREP.

Table A: SREP overall financial analysis

A)		Farm models' net incremental benefits (in 'AOA Million)						
		Bengo/ Zaire FFS only	Uige/ Cuanza FFS only	Bengo/ Zaire FFS +grants	Uige/ Cuanza FFS + grants	Farm type 1 - drier areas	Farm type 2 - smallholder in wetter areas	Off-farm
PY1		-256,282	-305,808	-329,369	-357,014	-135,029	-208,475	-5,618
PY2		-147,587	-155,470	-148,083	-132,641	-43,340	-75,731	-118,111
PY3		114,389	156,287	-60,862	8,858	-5,897	-21,428	-277,741
PY4		192,673	239,778	131,095	194,333	52,361	69,944	-299,926
PY5		232,026	278,581	162,248	200,509	74,670	112,069	-104,250
PY6		267,424	313,774	185,469	215,992	100,178	133,900	18,623
PY7		267,701	313,774	194,426	224,705	118,493	146,628	317,893
PY8		267,701	313,774	249,331	281,025	100,973	145,951	530,181
PY9		267,700	313,772	242,981	274,655	90,034	138,507	654,333
PY10		267,700	313,772	244,948	276,622	93,968	141,129	703,767
PY11		267,700	313,772	244,948	276,622	97,902	143,752	739,360
PY12		267,700	313,772	244,948	276,622	101,836	146,375	750,822
PY13		267,700	313,772	244,948	276,622	105,770	148,997	767,017
PY14		267,700	313,772	244,948	276,622	111,337	152,404	765,456
PY15		267,700	313,772	244,948	276,622	111,337	152,404	765,704
PY16		267,700	313,772	244,948	276,622	111,337	152,404	765,040
PY17		267,700	313,772	244,948	276,622	111,337	152,404	764,393
PY18		267,700	313,772	244,948	276,622	111,337	152,404	764,051
PY19		267,700	313,772	244,948	276,622	111,337	152,404	763,497
PY20		267,700	313,772	244,948	276,622	111,337	152,404	763,497
FIRR		40%	42%	25%	30%	30%	27%	33%
NPV (USD'000)		5,835	7,013	3,850	4,996	1,916	2,504	10,224
FIRR'000 (@ 9.35%)		1,364,777	1,640,522	900,493	1,168,715	448,058	585,720	2,391,594

Project costs and logframe targets

Table B provides overall project costs by components and beneficiaries. The total project costs have been estimated at US\$ 150.0 million over a six-year project implementation period. The cost per beneficiary has been estimated at US\$ 138 and cost per household has been estimated at US\$ 688. Adoption rate of the project is 65 per cent and it is estimated that up to 218,000 households will be impacted by the project implementation (equivalent to 1,090,000 beneficiaries). The following table summarizes the expected outcomes of the project interventions and indicators linked to Log frame targets.

Table B: Project costs and log-frame indicators

B)					
PROGRAMM					
TOTAL PROGRAMME COSTS (in million USD)			150	Base costs	
Beneficiaries	1,090,000	people	218,000	Households	
Cost per beneficiary	138	USD x person		688	USD x HH
A. Component 1: Institutional capacity building	89.4				
B. Component 2: Family Farmer Strengthening and	38.2				
C. Component 3: Programme Cordination	22.3				

Main assumptions and shadow prices

Table C provides data on the expected yield per hectare for the models used to estimate the project viability. It also summarizes some of the main input prices included in the models. All local costs were converted into their approximate economic values using a Standard Conversion Factor (SCF) of 0.85. The economic analyses include the investment and incremental recurrent costs of the project components. The project's financial costs

have been converted to economic values by removing price contingencies, taxes and duties. To avoid double counting, the final aggregation considered only those costs that were not included in the financial models.

Table C: Main assumptions and shadow prices

c)		MAIN ASSUMPTIONS & SHADOW PRICES			
FINANCIAL	Output	Yields (kg)	Price (AOA)		Input prices
	Maize	5,000	250		cassava stems recycled
	Beans	1,000	300		Fertilizer NPK12-24-12
	Cassava	9,360	25		Beans pesticide
ECONOMIC	Official Exchange rate (OER)	0.85		Discount rate (opportunity cost of capital)	
	Shadow Exchange rate (SER)			Social Discount rate	
	Standard Conversion Factor			Output conversion factor	
	Labour Conversion factor \3			Input Conversion factor	

Beneficiary adoption rates and phasing

Beneficiary and household phasing has been derived as follows:

Table D: Beneficiaries and household phasing

d)		BENEFICIARIES AND PHASING						
		PY1	PY2	PY3	PY4	PY5	PY6	Total
FFS only	hh	12,825	30,391	30,600	31,500	30,000	12,500	147,816
Grants	hh	1500	3700	13000	13500	13599	9820	55,119
Off-farm								
No. of post harvest enterprises	hh	15	650	1400	1500	1300	1200	6,065
No. of service provider enterprises	hh	0	1200	2200	2000	1800	1800	9,000
Sub-total		15	1,850	3,600	3,500	3,100	3,000	15,065
TOTAL		14,340	35,941	47,200	48,500	46,699	25,320	218,000

Economic cash flow

The table below presents the net incremental benefit of the project. Net incremental costs include all project costs while avoiding double counting. The analysis shows that the project has the capacity to generate an Economic Rate of Return (ERR) of 26 per cent over a 20-year period of implementation. The base case Net Present Value (NPV) of the project's net benefit stream, discounted at 9.35 per cent, is US\$ 91.6 million (AoA 29.2 billion).

