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CONFORMED COPY

CREDIT NUMBER 4502 - ANG

Financing Agreement

(Market Oriented Smallholder Agriculture Project)

between

REPUBLIC OF ANGOLA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 26, 2009

CREDIT NUMBER 4502 - ANG

FINANCING AGREEMENT

AGREEMENT dated November 26, 2009, entered into between REPUBLIC OF ANGOLA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to eighteen million five hundred thousand Special Drawing Rights (SDR 18,500,000) (variously “Credit and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section V of Schedule 2 to this Agreement. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is its Minister of Planning.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Recipient shall pay interest at a rate of four and two tenths of one percent 4.2% per annum on the principal amount of the Credit withdrawn and outstanding from time to time which shall be computed on the basis of a three

hundred sixty (360) day year of twelve (12) thirty (30) day months. Interest shall accrue from the respective dates on which such amounts shall have been withdrawn, and shall be payable semi-annually in arrears on each Payment Date.

- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MINADER, in accordance with the provisions of: (a) Article IV of the General Conditions, (b) this Agreement, (c) the Annual Action Plans; (d) the Annual Reports; (e) the PIOM; (f) the PGAP; (g) the ESMF; (h) the RPF; (i) the Resettlement Action Plans; and (j) the Environmental Management Plans.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The IFAD Co-Financing Agreement has been: (a) amended in form and substance satisfactory to the Association; and (b) all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled;
 - (b) The Japan PHRD Co-Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled;

- (c) (i) The Recipient has hired within the PIU a Project coordinator, a financial management specialist, and a procurement specialist, all with qualifications and experience, and pursuant to terms of reference, satisfactory to the Association, in accordance with the provisions of Section IV of Schedule 2 to this Agreement, and (ii) the Recipient has ensured that Project Coordinators have been appointed to each of the three PPIUs;
 - (d) The Recipient has adopted, and submitted to the Association, the Project Implementation Operations Manual;
 - (e) The Recipient has furnished to the Association terms of reference, in form and substance satisfactory to the Association, for the selection of independent auditors for the Project; and
 - (f) The Project Implementing Unit has made operational and accounting information system satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is fifteen (15) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Planning.

The Recipient's Address is:

Ministério de Planeamento
Largo do Palácio
Caixa Postal 1205
Luanda
República de Angola
Facsimile:

244-233-9586

5.02. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Luanda, Republic of Angola, as of the day and year first above written.

REPUBLIC OF ANGOLA

By */s/ Ana Dias Lourenço*
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By */s/ Eleoterio Codato*
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase agricultural production through provision of better services and investment support to rural smallholders in selected comunas and municipios of the Recipient's provinces of *Bié, Huambo and Malange*.

The Project consists of the following parts:

Part A: Capacity Building

1. Provision of technical assistance and Training to smallholders organizations to strengthen their: (a) technical capacities; (b) managerial competence; (c) marketing skills; (d) organizational structures; (e) agricultural extension delivery services; and (f) accounting knowledge.
2. Provision of technical assistance and Training to traders, processors and service providers to enhance their: (a) legal incorporation methods; (b) organizational structures; (c) managerial competence; and (d) business skills.
3. Provision of technical assistance and Training to staff working in agricultural matters in Recipient's provinces and municipalities and in MINADER to enhance their capacity, skills and decentralization initiatives.
4. Provision of public housing for extension officers, rehabilitation of ADI local offices and provision of office equipment and material.

Part B: Agricultural Investment Support

Carrying out of Agricultural Investment Support Sub-projects in Participating Provinces for purposes of, *inter alia*:

- (a) enabling veterinary and livestock services;
- (b) purchasing farming equipment;
- (c) constructing and rehabilitating small-scale water control infrastructure projects;
- (d) implementing agricultural marketing projects;
- (e) designing and implementing agriculture technology adaptation projects;
and

- (f) supporting other productive investments Sub-projects, including sub-projects financing warehouses and silos that are consistent with the Project's development objective.

Part C: Project Management, Monitoring and Evaluation

Provision of support for overall Project management, coordination, evaluation, supervision and implementation, including, *inter alia*:

1. strengthening the capacity of the PIU and the PPIUs to comply with their respective responsibilities referred to in paragraphs 3 and 5 of Section I of Schedule 2 to this Agreement;
2. provision of Training to staff of the PIU and the PPIUs to enhance their knowledge of the Association's procurement and financial management policies and procedures;
3. carrying out of audits for the Project;
4. carrying out of Project studies, including, *inter alia*, performance reviews and impact evaluations;
5. implementation of a program to monitor and evaluate the carrying out of the Project; and
6. carrying out of environmental and resettlement assessments and corresponding environmental and resettlement action plans in connection with the carrying out of Parts A and B of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional Arrangements

1. Execution of the Project

The Recipient shall carry out the Project through MINADER, with the assistance of the Participating Provinces, the PCC, the PIU, the PISC, the PPIUs, the PPCCs and the PPISCs.

2. The PCC

(a) The Recipient shall maintain a national project coordination committee, at all times during Project implementation, with a structure, functions and responsibilities acceptable to the Association, for the purpose of overseeing the execution of the Project. The PCC shall be chaired by the Minister of Agriculture or his designate and comprises of the relevant National Directorates of the Recipient's Ministry of Agriculture and Rural Development, and representatives of the Recipient's Ministries of Planning, Finance, Trade and Commerce, and Environment.

(b) The PCC shall approve: (i) the Annual Action Plans referred in paragraph 3, Section II of this Schedule 2, and (ii) the Annual report prepared by the PIU as provided in paragraph B, Section III of this Schedule 2.

3. The PIU

(a) The Recipient shall maintain the PIU, at all times during Project implementation, with a structure, functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of the PIU to assist the Recipient, the PCC and the PPIUs in the coordination, implementation, monitoring, evaluation and supervision of the Project.

(b) The Recipient shall ensure that the PIU is, at all times during Project implementation, headed by a Project Coordinator and staffed with a financial management specialist, a procurement specialist, an accountant, a monitoring and evaluation officer, a communication specialist and professional and administrative staff, all hired with terms of reference, through competitive processes, in numbers and with qualifications and experience acceptable to the Association.

- (c) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not introduce changes in the number of positions of the PIU or in the professional skills required for occupying such positions, unless said changes have been previously agreed in writing with the Association.
- (d) The Recipient shall ensure that the PIU will undertake all the procurement and financial management responsibilities for the Project until the staff referred to in paragraph 4 (a) (i) of Section II of this Schedule 2 have been recruited and the Association has undertaken a procurement and financial management capacity assessment of the PPIUs and found these to be satisfactory.

4. The PISC

The Recipient shall maintain a small executive national Project implementation sub-committee under the PCC, at all times during Project implementation, with a structure, functions and responsibilities acceptable to the Association, for the purpose of speeding up Project-related decisions and procedures particularly with respect to the approval of Sub-projects. PISC shall be composed of the Director of the Agricultural Development Institute, members of the PIU, including the procurement officer, and the relevant provincial project coordinators. Representatives of the private sector and civil society shall be co-opted as members of the provincial project sub-committee (PPISC) in accordance with Section II.2 (a) (vi) (F) of this Schedule 2.

5. The PPIUs

- (a) The Recipient shall maintain the PPIUs, at all times during Project implementation, in ADI offices in its *Bié*, *Huambo* and *Malanje* provinces, each with a structure, functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of the PPIUs to assist the Recipient, the PCC and the PIU in the coordination, implementation, monitoring, evaluation and supervision of the Project.
- (b) The Recipient shall ensure that, not later than three months after the Effective Date, and at all times thereafter during Project implementation, each PPIU is headed by a Provincial Project Coordinator and staffed with a financial management specialist, a procurement specialist, an accountant, a monitoring and evaluation officer, a communication specialist, and professional and administrative staff, all hired with terms of reference, through competitive processes, in numbers and with

qualifications and experience acceptable to the Association.

- (c) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not introduce changes in the number of positions of the PPIUs or in the professional skills required for occupying such positions, unless said changes have been previously agreed in writing with the Association.

6. The PPCCs

- (a) The Recipient shall maintain a provincial Project coordination committee in each Participating Province at all times during Project implementation, each with a structure, functions and responsibilities acceptable to the Association, for the purpose of overseeing the execution of the Project. The PPCC shall be chaired by the Recipient's Provincial Vice-governor responsible for economic development and comprises of the Provincial Director of agriculture and other relevant provincial directors satisfactory to the Association.
- (b) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not introduce changes in the number of positions of the PPCCs or in the professional skills required for occupying such positions, unless said changes have been previously agreed in writing with the Association.

7. The PPISCs

The Recipient shall maintain a small executive provincial Project implementation sub-committee under the PPCC for each Participating Province, at all times during Project implementation, each with a structure, functions and responsibilities acceptable to the Association and with responsibility for speeding up compliance with Project-related procedures and decisions, particularly with respect to approval of Sub-projects. For the purpose of the approval of Sub-projects, the PPISC shall also include representatives with high integrity from civil society and the private sector.

Section II. Implementation Arrangements

1. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

2. **The PIOM**

- (a) Without limitation upon the provisions related to Project implementation set forth in Section 4.01 of the General Conditions, the Recipient shall carry out the Project in accordance with a manual, in a form and substance satisfactory to the Association, said manual to include, *inter alia*:
- (i) the institutional structure describing the integration of the Project within MINADER and ADI (including, *inter alia*, allocation of responsibilities among staff, yearly planning of activities and budget and time allocation for those activities);
 - (ii) detailed arrangements for the overall carrying out of the Project (including, *inter alia*, the procurement, financial management, environmental, resettlement and social guidelines and procedures to be followed by the Recipient during Project implementation);
 - (iii) the guidelines for the preparation of the Annual Action Plans;
 - (iv) the guidelines for the preparation of the Annual Reports;
 - (v) internal control systems to be followed by the PIU during Project implementation;
 - (vi) the criteria and procedures for:
 - (A) the selection of Sub-project Beneficiaries;
 - (B) the preparation, review, approval and implementation of Agricultural Investment Support Sub-projects (including, *inter alia*, a suggested list of possible activities to be carried out under Agricultural Investment Support Sub-projects and a negative list of activities that cannot be carried out under Agricultural Investment Support Sub-projects);
 - (C) the procurement and contracting procedures applicable to consultant's services, goods and works to be procured under Agricultural Investment Support Sub-projects;
 - (D) Training and technical assistance, environmental assessments, resettlement assessments, social assessments, and corresponding mitigation measures;
 - (E) the selection of the Recipient's *municipalities* eligible

for participation under Part B of the Project; and

- (F) the selection of the Recipient's representatives with high integrity from civil society and the private sector to integrate the PPISCs for purposes of reviewing, selecting and approving Sub-projects under the Project.
 - (vii) the detailed guidelines for the implementation of the ESMF, Environmental Management Plans, the RPF, and Resettlement Action Plans in connection with the carrying out of the Project;
 - (viii) the guidelines for Project monitoring and evaluation;
 - (ix) the guidelines for Project management, administrative and financial matters;
 - (x) the Model Forms; and
 - (xi) the PGAP.
- (b) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, waive or otherwise fail to enforce the PIOM or any provision thereof.
 - (c) In case of any conflict between the terms of the PIOM and those of this Agreement, the terms of this Agreement shall prevail.

3. **Annual Action Plans**

- (a) The Recipient shall, not later than September 30 of each year during Project implementation, or such later date as the Association may determine, starting in calendar year 2008, furnish to the Association for approval, an annual action plan, each said plan to include, *inter alia*: (i) the Project activities to be carried out during the twelve months immediately following the presentation of each said plan; (ii) the procurement plan, and disbursement schedule for each said twelve month period; (iii) the annual budget for Operating Costs for the Project; (iv) the annual budget for Training; and (v) the amount of counterpart funds needed and to be provided by the Recipient to carry out the Project activities during said twelve month period.
- (b) The Recipient shall thereafter implement each said Annual Action Plan, approved by the Association, in accordance with its terms.
- (c) The Recipient shall carry out the Annual Action Plan for the year 2008,

approved by the Association prior to the date of this Agreement.

4. The Recipient shall ensure that: (a) not later than three months after the Effective Date, each PPIU: (i) has recruited, through competitive processes and with terms of reference acceptable to the Association, one Project coordinator, one financial management specialist, one accountant, and one procurement officer, all with qualifications and experience acceptable to the Association, in each Participating Province (*Bie, Huambo and Malange*); and (ii) has employed, through competitive processes and with terms of reference acceptable to the Association, a consulting firm, with experience and qualifications satisfactory to the Association, to complete the baseline survey to gather relevant quantitative and qualitative information on variables related to the household economy in the Project area such as market framework, current technical, institutional, managerial and marketing skills among smallholders, service providers and relevant government institutions; and (b) not later than six months after the Effective Date, the PIU: (i) has employed, through competitive processes and with terms of reference acceptable to the Association, independent auditors for the first three years of Project implementation with experience and qualifications satisfactory to the Association; and (ii) has established a monitoring and evaluation system adequate to monitor progress and results in the implementation of the Project.

5. **Agricultural Investment Support Sub-projects**

- (a) Upon approval of the corresponding Annual Action Plan by the Association, the Recipient shall, through MINADER: (i) enter into separate agreements or amend existing separate agreements (the Agricultural Investment Support Sub-project Agreements), on terms and conditions satisfactory to the Association, with each Subproject Beneficiary, such agreements to include, *inter alia*:
 - (i) the Recipient's obligation to transfer, on a non refundable grant basis, to each Subproject Beneficiary the proceeds of the Financing allocated under Part B of the Project for the Sub-project Beneficiary;
 - (ii) the Sub-project Beneficiary's obligation to:
 - (A) provide or cause to be provided, in a timely manner as needed, its share of the funds, goods and/or services required for implementing Part B of the Project;
 - (B) carry out, or assist the Recipient in carrying out, Part B of the Project;

- (C) assist the Recipient to allow full compliance with the obligations set forth in paragraphs 1, 2, 3, 4, 5, 6 and 7 of Schedule 2 to this Agreement;
 - (D) maintain records and accounts, in a manner acceptable to the Association (including any other information and/or documentation as the Association may request from time to time) regarding Part B of the Project;
 - (E) provide to the Association and to the Recipient audits of the Sub-project Beneficiary's records and accounts regarding the implementation of Part B of the Project;
 - (F) procure the goods, services and works for the Project in accordance with the requirements of this Agreement;
 - (G) abide by all applicable Project provisions laid out in this Agreement;
 - (H) follow the provisions of the ESMF, the Environmental Management Plans, the RPF, and the Resettlement Action Plans in the carrying out of Parts A and B of the Project; and
 - (I) carry out the Agricultural Investment Support Sub-project in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient.
- (iii) the requirements for auditing the expenditures under Part B of the Project;
 - (iv) the Recipient's right to suspend disbursements for the Financing allocated to Part B of the Project in the event of non-compliance by the Sub-project Beneficiary with the obligations set forth in the corresponding Agricultural Investment Support Sub-project Agreement, this Agreement, the Anti-Corruption Guidelines, and those of the PIOM;
 - (v) the schedule of disbursements of the Financing by the Recipient to the Sub-project Beneficiaries for the implementation of Part B of the Project;
 - (vi) the technical, social, financial, procurement, environmental, social and resettlement requirements for the implementation of Parts A and B of the Project; and

- (b) (i) The Recipient shall exercise its rights and carry out its obligations under each Agricultural Investment Support Subproject Agreement, in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing; and
- (ii) except as the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce any Agricultural Investment Support Sub-project Agreement, or any provision thereof.
- (c) In case of any conflict between: (i) the terms of any Agricultural Investment Support Sub-project Agreement, and (ii) the terms of this Agreement, the terms of this Agreement shall prevail.

6. **Approval Criteria for Agricultural Investment Support Subprojects**

- (a) The Recipient shall provide Sub-Project financings to Sub-project Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Association, which shall include the following:

Only communities and smallholder farmer groups or associations in the Project area are eligible for Sub-projects and the following criteria will be used to prepare and prioritize and approve the potential Sub-project proposals:

- (i) economic and financial returns to investment; (ii) impact on agricultural production (particularly food crops) and/or value added; (iii) impact on poverty reduction, including positive impact on income generation and job creation; (iv) low cost (proposals that are less than US\$25,000 to be given priority); (v) simplicity and feasibility of implementation; and (vi) demand-driven sub-projects with full support from the local community, smallholder farmer groups or associations, including vulnerable groups.
- (b) The Recipient shall provide each Sub-Project financing under an Agricultural Investment Support Sub-project Agreement with the respective Sub-project Beneficiary on terms and conditions approved by the Association, which shall include that the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Sub-project Beneficiary to use the proceeds of the Sub-financing, or obtain a refund of all or any part of the amount of the Sub-financing then withdrawn, upon the Sub-project Beneficiary's failure to perform any of its obligations under the Sub-project Agreement; and (ii) require each Sub-project Beneficiary to:
 - (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial,

managerial, environmental social and resettlement standards and practices satisfactory to the Association (including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Credit proceeds other than the Recipient and the provisions of the ESMF, the Environmental Management Plans, the RPF, and the Resettlement Action Plans);

- (B) provide, promptly as needed, the resources required for the purpose;
 - (C) procure the goods, works, services, Operating Costs and Training to be financed out of the Sub-financing in accordance with the provisions of this Agreement;
 - (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives;
 - (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
 - (F) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and
 - (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.
- (c) The Recipient shall exercise its rights under each Agricultural Investment Support Sub-project Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Agricultural Investment Support Sub-project Agreement or any of its provisions.

7. **Environmental and Social Safeguards**

The Recipient shall:

- (a) agree and coordinate with the Sub-project Beneficiaries all necessary actions to minimize and/or avoid: (i) damage to the Recipient's environment; and (ii) any involuntary loss by persons of shelter, productive assets or access to productive assets, or of income or means of livelihood, temporarily or permanently as a result of the implementation of Parts A and B of the Project;
- (b) prior to initiating the implementation of Parts A and B of the Project provide evidence to the Association, in form and substance satisfactory to the Association, demonstrating that the Recipient has: (i) complied with the provisions of the RPF; and (ii) complied with the environmental mitigation measures; natural habitat protection procedures; pest management mitigation and protection measures; cultural property protection guidelines; forests protection actions; safety of dams procedures; international waterways procedures; institutional strengthening; overall safeguards monitoring and evaluation procedures; and other environmental measures set forth in the ESMF;
- (c) without limitation upon the provisions of paragraphs 7 (a) and 7 (b) of this Section, when applicable, the Recipient shall prepare and implement Resettlement Action Plans in accordance with the RPF, in form and substance acceptable to the Association, defining a program of actions, measures and policies for compensation and resettlement of Affected Persons, as a result of the carrying out of the Project, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with said Resettlement Action Plans;
- (d) without limitation upon the provisions of paragraphs 7 (a) and 7 (b) of this Section, when applicable, the Recipient shall prepare and implement Environmental Management Plans in accordance with the ESMF, in form and substance acceptable to the Association, defining a program of actions, measures and policies to avoid, minimize, mitigate, and offset potential adverse environmental and social impacts, as a result of the carrying out of the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with said Environmental Management Plans;

- (e) cause the Sub-project Beneficiaries to implement their respective parts of the Project in compliance with the environmental mitigation measures; natural habitat protection procedures; pest management mitigation and protection measures; cultural property protection guidelines; forests protection actions; safety of dams procedures; international waterways procedures; institutional strengthening; overall safeguards monitoring and evaluation procedures; and other environmental measures set forth in the ESMF;
- (f) cause the Sub-project Beneficiaries to implement their respective parts of the Project in compliance with the program of actions, measures, policies for compensation and resettlement of Affected Persons and mitigation measures thereof set forth in the RPF;
- (g) furnish to the Association any proposals for revisions to be introduced into the ESMF, RPF, Resettlement Action Plans, and Environmental Management Plans in order to achieve their objectives and, thereafter, introduce such revisions into such plans as shall have been agreed in writing with the Association;
- (h) except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the provisions of the ESMF, RPF, Resettlement Action Plans, and Environmental Management Plans; and
- (i) in case of any conflict between the terms of the ESMF, the RPF, the Resettlement Action Plans, the Environmental Management Plans and those of this Agreement, the terms of this Agreement shall prevail.

8. **The PGAP**

Without limitation upon the provisions related to Project implementation set forth in Section 4.01 of the General Conditions, the provisions of this Agreement, the provisions of the PIOM; and the rules and procedures set forth in the Anti-Corruption Guidelines, the Recipient, through MINADER, shall carry out the Project with a governance action plan, in form and substance satisfactory to the Association, including, *inter alia*: (a) anticorruption prevention measures; (b) mechanisms to improve the impact of Project activities; and (c) procedures to enhance the transparency of Project transactions.

Section III. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
- (b) The performance outcome indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) 30% of eligible communities and/or associations benefited from grants and completed the activities under the Project's agricultural investment support component.
 - (ii) 25% of agricultural production increase of participating smallholder farmers.
 - (iii) 5% of participating smallholder farmers with secured market access through contractual arrangements with agribusinesses or traders.
 - (iv) 4% of participating vulnerable groups with secured market access through contractual arrangements with agribusiness or traders.

B. Annual Report

1. The Recipient shall prepare under terms of reference and in a form and substance satisfactory to the Association, and furnish to the Association, on or about March 31 of each year, an annual report (the Annual Report), integrating the results of the monitoring and evaluation of activities as per the procedures set forth in paragraphs A.1(a) and A.1(b) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said Annual Report and setting forth the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such Annual Report.
2. The Recipient shall review with the Association, on or about April 30 of each year, the Annual Report, and thereafter act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming identified in the Annual Report as a result of the implementation of the Project,

or to implement such measures as may have been agreed between the Recipient and the Association in furtherance of the objectives of the Project.

C. Mid-Term Review

Without limitation to the provisions of sub-paragraph (a) of Section III.A.1 above, the Recipient shall carry out jointly with the Association, a comprehensive mid-term review to assess the status of project implementation not later than September 30, 2011. The Recipient shall prepare, terms of reference satisfactory to the Association, and shall furnish to the Association approximately three months prior to the beginning of such mid-term review of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date.

D. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Reports, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering such quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Financing was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months (6) after the end of such period.
4. The Recipient shall carry out annual procurement audits of the Project under terms and conditions and by independent consultants whose qualifications are acceptable to the Association. The audits shall include action plans to improve performance, and shall be furnished to the Association for review and, if required for further consultations with the Recipient's representatives.

Section IV. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Community Participation
(e) Procurement from United Nations Agencies

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-Based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Short lists of national consultants.** Short lists of consultants for services estimated to cost less than US\$100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.
3. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection based on Consultants Qualifications
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Single Source Selection
(e) Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section V. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Financing Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed</u>
(1) Consultants' Services and Training under Part A of the Project	400,000	7%
(2) Goods and Works under Part A of the Project	1,800,000	100%
(3) Grants for Subprojects under Part B of the Project	14,400,000	89%
(4) Goods, Consultants' Services, Training and Operating Costs under Part C of the Project	1,900,000	36%
TOTAL AMOUNT	18,500,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for: (a) payments made prior to the date of this Agreement; and (b) Grants under Category 3, unless: (i) at least 30 (10 per province) qualified service providers and public agents are certified under Part A of the Project; (ii) the baseline survey to gather relevant quantitative and qualitative information on variables related to the household economy in the Project area such as market framework, current technical, institutional, managerial and marketing skills among smallholders, service providers and relevant government institutions has been completed to the satisfaction of the Association; and (iii) the Association is satisfied that the administrative capacity of PPIUs is in compliance with the Association's fiduciary requirements.
2. The Closing Date is September 30, 2014.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15: commencing November 15, 2018 to and including May 15, 2028	1.25 %
commencing November 15, 2028 to and including May 15, 2043	2.50 %

APPENDIX

Section I. Definitions

1. “ADI” means MINADER’s (as hereinafter defined) agricultural development institute.
2. “Affected Persons” means persons who, on account of an involuntary taking of land under the Project, had or would have their: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; and “Affected Person” means any of the Affected Persons.
3. “Agricultural Investment Support Sub-project Agreement” means any of the agreements referred to in paragraph 5 (a) of Section II of Schedule 2 to this Agreement; as the same may be amended from time to time.
4. “Agricultural Investment Support Sub-project” means a set of investments to be carried out by a Sub-project Beneficiary (as hereinafter defined) under an Agricultural Investment Support Sub-project Agreement and included in Part B of the Project.
5. “Annual Action Plan” means any of the plans referred to in paragraphs 3 (a) and 3 (c) of Section II of Schedule 2 to this Agreement.
6. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants,” dated October 15, 2006.
7. “Annual Report” means the annual report to be prepared by the Recipient, on or about February 28 of each year, in form and substance satisfactory to the Association, referred to in paragraph B, of Section III of Schedule 2 to this Agreement.
8. “Category” means a category set forth in the table in Section V of Schedule 2 to this Agreement.
9. “Co-financier” and the acronyms “IFAD” and “Japan PHRD” mean, respectively, the International Fund for Agricultural Development and the Japanese Policy and Human Development Program, referred to in paragraph 10 of the Appendix to the General Conditions, and “Cofinanciers” refers collectively to IFAD and Japan PHRD.

10. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
11. “Environmental Management Plan” means each plan to be prepared and adopted by the Recipient pursuant to the ESMF (as hereinafter defined), as may be required, setting out the measures to be taken for the avoidance, minimization, mitigation and offsetting of potential adverse environmental and social impacts of the activities to be implemented under the Project, as each said plan may be amended and/or supplemented from time to time with the prior written concurrence of the Association.
12. “Environmental and Social Management Framework” and the acronym “ESMF” mean the plans of action, satisfactory to the Association, prepared by MINADER and published on March 20, 2007 which set out the objectives, policies, monitoring procedures, time schedules and other environmental protection provisions to:
 - (a) prevent and mitigate potential environmental effects;
 - (b) prevent and mitigate potential adverse effects to natural habitats;
 - (c) prevent and mitigate potential adverse effects to cultural property;
 - (d) provide pest management procedures;
 - (e) prevent and mitigate potential adverse effects to forests;
 - (f) control safety of dams; and
 - (g) provide international waterways procedures, in the carrying out of Parts A and B of the Project.
13. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.
14. “Grant” means that portion of a subproject investment financed under Part B of the Project and made available to a Sub-project Beneficiary (as hereinafter defined), through an Agricultural Investment Support Sub-project Agreement, on a non refundable basis for the carrying out of an Agricultural Investment Support Sub-project.
15. “IFAD Co-financing Agreement” means the agreement entered into on April 16, 2008 between the Recipient and IFAD providing for the IFAD Co-financing.
16. “IFAD Co-financing” means a loan in an amount of eight million two hundred thousand Dollars (US\$8,200,000) to be provided by IFAD to the Recipient to assist in the financing the Project.
17. “Japan PHRD Co-financing Agreement” means the agreement to be entered into between the Recipient and the Association, acting as administrator on behalf of Japan PHRD, providing for the Japan PHRD Co-financing.

18. “Japan PHRD Co-financing” means a grant in an amount of four million Dollars (US\$4,000,000) to be provided by the Association, acting as administrator on behalf of Japan PHRD, to the Recipient to assist in financing the Project.
19. “MINADER” means the Recipient’s Ministry of Agriculture and Rural Development.
20. “Model Forms” means the set of model draft agreements satisfactory to the Association, for Agricultural Investment Support Sub-project Agreements, set forth in the PIOM (as hereinafter defined).
21. “Operating Costs” means reasonable recurrent Project expenditures, based on an annual budget previously approved by the Association, that would not have been incurred by the Recipient absent the Project, including: (a) office equipment and supplies; (b) office utilities; (c) office rental expenses; (d) Project’s vehicles maintenance costs, fuel and spare parts; (e) travel expenses and per-diems for official Project staff (excluding salaries of Recipient’s government staff); and (f) operation and maintenance of office equipment, financed with the proceeds of the Financing, all needed for the supervision of the Project.
22. “Participating Provinces” means the Recipient’s provinces of: *Bie, Huambo and Malange*.
23. “PCC” means the Recipient’s national Project coordination committee, referred to in paragraph 2 of Section I of Schedule 2 to this Agreement.
24. “PGAP” means the Project’s governance action plan, referred to in paragraph 8 of Section II of Schedule 2 to this Agreement.
25. “PIOM” means the project implementation operations manual referred to in paragraph 2 of Section II of Schedule 2 to this Agreement, as the said manual may be amended and/or supplemented from time to time with the prior written agreement of the Association.
26. “PISC” means the small executive national Project implementation sub-committee under the PCC referred to in paragraph 4 of Section I of Schedule 2 to this Agreement.
27. “PIU” means the project implementation unit within MINADER, referred to in paragraph 3 of Section I of Schedule 2 to this Agreement.
28. “PPCC” means the Recipient’s provincial Project coordination committee, referred to in paragraph 6 of Section I of Schedule 2 to this Agreement.

29. "PPISC" means the Recipient's small executive provincial Project implementation subcommittee under the PPCC, referred to in paragraph 7 of Section I of Schedule 2 to this Agreement.
30. "PPIU" means the provincial project implementation units referred to in paragraph 5 of Section I of Schedule 2 to this Agreement.
31. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
32. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 9, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
33. "Resettlement Action Plan" means each plan to be prepared pursuant to the RPF (as hereinafter defined) as may be required, setting out the principles, procedures, the time schedule governing acquisition of rights to land, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with said plan.
34. "Resettlement Policy Framework" and the acronym "RPF" mean the policy framework for compensation and resettlement of Affected Persons, satisfactory to the Association, in connection with the carrying out of Parts A and B of the Project, dated March 21, 2007, prepared by MINADER and adopted through ministerial approval 852-A/GAB.MIN/07, dated March 19, 2007.
35. "Rural Smallholder" or "Smallholder" means a single family or household with a land holding less than 5 hectares.
36. "Sub-project Beneficiary" means a Rural Smallholder or farmer group or association in the Recipient's territory, selected according to the eligibility criteria set forth in paragraph 6 of Section II of Schedule 2 to this Agreement, and empowered to carry out Agricultural Investment Support Sub-projects.
37. "Sub-project" (a) is an investment activity proposed by a Sub-project Beneficiary to finance productive rural infrastructure, and activities related to agricultural production, processing and marketing and (b) is financed through a Grant and the contribution in kind or in cash of the relevant Sub-project Beneficiary.
38. "Training" means reasonable expenditures, based on an annual budget previously approved by the Association, (other than those for consultants' services) incurred by the Recipient, to finance transportation costs and per diem of trainers and trainees, workshops, rental of training facilities and

acquisition of training equipment and material needed for the implementation and supervision of the Project.

Section II. Modifications to the General Conditions

The modifications to the International Development Association General Conditions for Credits and Grants, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Paragraph 28 of the Appendix is amended in its entirety to read as follows:

“28. “Financing Payment” means any amount payable by the Recipient to the Association pursuant to the Financing Agreement or these General Conditions, including (but not limited to) any amount of the Withdrawn Credit Balance, the Service Charge, the Commitment Charge, interest and any refund of the Withdrawn Grant Amount payable by the Recipient.”