COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS)
CONCEPT STAGE

Report No.: PIDISDSC18688

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I. BASIC INFORMATION

A. Basic Project Data

Country:	Angola	Project ID:	P159052
		Parent Project ID (if any):	
Project Name:	Angola: Commercial Agriculture Development Project (P159052)		
Region:	AFRICA		
Estimated Appraisal Date:	17-Jan-2017	Estimated Board Date:	18-Apr-2017
Practice Area (Lead):	Agriculture	Lending Instrument:	Investment Project Financing
Borrower(s):	Republic of Angola		
Implementing Agency:	Ministry of Agriculture		

Financing (in USD Million)

Financing Source	Amount
Borrower	0.00
International Bank for Reconstruction and Development	230.00
Financing Gap	0.00
Total Project Cost	230.00

Environmental Category:	B - Partial Assessment
Concept Review Decision:	Track II - The review did authorize the preparation to continue
Is this a Repeater project?	No
Other Decision (as needed):	

B. Introduction and Context

Country Context

1. The Republic of Angola is still recovering from a turbulent past despite oil and mineral wealth. With approximately 25.8 million inhabitants, it is the seventh most populated country in Africa. Angola is one of the largest oil exporters in the region, and is rich in diamonds and other mineral

resources. Angola became independent from Portugal in 1975, but was then engulfed in a 27-year civil conflict, which ended with a peace accord in 2002. Despite the country➢ s upper-middle income status with GDP per capita of US$5,400 in 2014, poverty remains pervasive with 30.1 percent of the population living below the international poverty line in 2008.

2. Propelled by the end of the civil conflict and the expansion of the oil sector, the Angolan economy posted an average growth rate of 12.5 percent between 2004 and 2008. This period of high growth was interrupted by the 2008-09 global financial crisis. Following a slowdown between 2009 and 2011, when GDP grew at 2.5 percent on average, fast growth resumed in 2012 (7.6 percent).

3. Limited progress was made in improving social indicators during the oil boom years. Angola's remarkable growth has not been equally shared. Large parts of the population lack access to basic services. Life expectancy is 52.3 years and the country ranks 149th out of 188 in the Human Development Index. Income inequality is high and marked disparities in regional and urban/rural poverty persist. More than half of Angola➢ s poor are located in rural areas and depend almost exclusively on agriculture for their livelihood. Among the most vulnerable groups in the country are women-headed agriculture households, which represent 33 percent of agriculture households.

4. Angola is experiencing a major macroeconomic shock due to the dramatic oil price drop since 2014. This is not surprising as oil represents about 30 percent of GDP, over 95 percent of export earnings, and 75 percent of government revenue. The country faces a scarcity of foreign exchange (FX), fiscal and external deficits, higher inflation and weakened economic activity. The impact on households are considerable. Lower government expenditures and a reduced

public sector wage bill have resulted in reduced private consumption, compounded by the elimination of fuel

subsidies. Because of the crisis, GDP growth is forecasted at just 0.9 percent in 2016, followed by a rebound of about 3 percent in 2017 .

5. The government has implemented bold fiscal measures since mid-2015 to address the effects of the oil price drop, but challenges remain on the monetary front. A revised budget was adopted in March 2015 to reflect the major shortfall in revenue, with oil prices dropping from US$80 in the initial budget to US$40. The government cut capital expenditure by nearly half, and significantly reduced fuel subsidies. The Strategy to Exit the Crisis brought further fiscal consolidation measures such as the institution of a new tax on financial transactions and the cancellation of double payments to former combatants. The adjustment however has not progressed much on the monetary and external sector. Although interest rates have risen and the currency has devalued, inflation reached 29.2 percent in May and the spread between the official and parallel exchange rate has more than doubled. Imports have been contained and international reserves have been kept high due to strong administrative controls on access to foreign exchange (FX). As a result, companies are postponing investments and reducing production because they cannot import the inputs needed.

6. Despite recent reforms, Angola➢ s investment climate remains challenging. The country underperforms in competitiveness, business environment, and governance rankings. For example, the World Economic Forum➢ s Global Competitiveness Report (GCR) 2014-2015 ranked

Angola 140th out of 144 economies while the country ranks 181st out of 189 economies in the Doing Business 2016 report, suggesting a complex regulatory environment. Angola lags other Sub-Saharan Africa countries in the 2015 Worldwide Governance Indicators. Recent reforms include a reduction in the costs and requirements to start a business, a new Labor Code, and an overhaul of investment policy. Other efforts are underway to modernize tax and customs administration, and the justice sector. Well implemented, they could contribute to a more effective and transparent government interaction with the private sector. However, institutional weaknesses and governance issues defy reform implementation. Overall, Angola➢ s business environment is characterized by cumbersome regulations, constrained competition and considerable government presence in economic activity. Limited access to finance, poor infrastructure, weak workforce skills and corruption are the main constraints mentioned by firms.

7. Diversifying the economy away from oil is an urgent priority and part of the Government➢ s response to the oil price crisis. Dependency on oil leaves Angola vulnerable to price and production shocks. For years, an overvalued exchange rate contributed to reduce the competitiveness of the non-oil sectors. The government crisis response strategy, presented in February 2016, aims at reducing the reliance on oil to generate revenues, substitute imports and promote non-traditional exports. Agricultural production plays a large role in the government➢ strategy. Diversifying the economy will require economic transformation and eliminating obstacles to private investment, as well as efficient use of government resources to address infrastructure bottlenecks, and invest in human capital.

Sectoral and Institutional Context

8. Angola➢ s agriculture potential remains largely untapped. The country has an abundance of land, water, and diversity of climatic and soil conditions for the production of a large variety of crops, but only 8 percent of its 58 million hectares of arable land is currently cultivated . The agricultural sector in Angola currently represents around 5 percent of GDP, compared to 57.7 percent for industry, including extractive, and 37.7 percent for services, and could contribute more to employment creation, especially for the youth. Nonetheless, agriculture is the main

source of income for 90 percent of the 8.5 million Angolans living in rural areas (about 37 percent of the population).

9. Once a large exporter of coffee, cotton, sisal, sugar cane, bananas and tobacco, Angola➢ s agriculture sector suffered widespread destruction during the conflict and has not fully recovered since. Before the war the country was self-sufficient in all food crops except wheat. The exodus of Portuguese settlers after independence and the ensuing civil war that ravaged the country meant the loss of technical capacity and infrastructure destruction, cutting production areas from markets. Roads, bridges and other rural infrastructure were largely destroyed. Large-scale population displacement in rural areas and land mines➢ as many as 10 million➢ further constrained the sector recovery.

10. Production has been growing in recent years and the country has reached self-sufficiency in sweet potatoes and manioc, but Angola still relies on imports for most of its food consumption needs. For example, locally produced chicken supply only 40 percent of the local demand and production is limited by the lack of feed. In general, Angola has greater opportunities to compete with imports of perishable goods, including fruits, vegetables, and eggs, and local production of these goods has increased in recent years. Statistics on agriculture production are unreliable and outdated, but should improve with the planned agricultural census. According to MINAGRI 2013/2014 production data, major crops based on volume include sweet potatoes, cassava,

bananas, maize, pineapples, citrus fruits, beans, peanuts, and tomatoes. Agriculture exports represent less than 0.8 percent of total exports. Excluding fish, where little value is added in country, agriculture exports amount to just US$3.5 million. Coffee accounts for 43 percent,

followed by non-alcoholic beverages (32 percent), beer (9 percent), fruit juice (5 percent) and medicinal plants (3 percent). The country is slowly opening new export markets including to neighboring DRC. It recently restarted exporting bananas to Portugal, 42 years later, with a shipment of 17 tons.

11. Smallholders represent over 80 percent of agriculture production and 92 percent of land under cultivation. A small but growing formal distribution sector is establishing partnerships with local producers to ensure quality supply of primarily fresh produce. Still, most agriculture production is used for self-consumption or sold through informal channels.

12. Macroeconomic conditions and the business climate constrain private investment in agriculture. An overvalued exchange rate in recent years and the current scarcity of foreign exchange affect the sector competitiveness and hamper private investment. The challenging business environment, including high cost of doing business, uncompetitive input markets, and insecurity of land tenure, as well as government crowding out the private sector, further reduce the sector➢ s attractiveness to private investors. However, based on discussions with private operators, investment opportunities exist in the production and processing for products such as horticulture, grains and beans, poultry and livestock, as well as aquaculture. While foreign exchange shortages are resulting in some of these investments being put on hold, they could materialize once macroeconomic conditions improve. New investment could bring much needed capital and know-how to the commercial agriculture sector.

13. Access to finance is a serious hindrance to commercial agricultural development. Notwithstanding the high credit growth from 2004 to 2014 (going from 5 percent to 22 percent of GDP), the share of credit going to agriculture has remained very low at less than 5 percent of

overall credit provided. Additionally, despite the general increase in access to finance over the five years between 2010 and 2014 (with an increase of two-thirds of branches, doubling of ATMs, and tripling of Points of Sale), there has been a clear urban/rural divide in access with Luanda accounting for the bulk of financial sector outreach. Specifically, Luanda, which has 27 percent of the population, accounted for 83 percent of credit, 94 percent of deposits and the majority of bank branches, ATMs and POS in 2015. Government programs such as the Angola Investe, offer subsidized credit, guarantees and a public risk capital fund, however most supported projects belong to non-agribusiness sectors and tend to be concentrated in Luanda. The Angola Development Bank also offers some lines of credit to the agriculture sector. Finally, the enabling environment for promoting agriculture finance (including agriculture insurance, warehouse receipts, equipment leasing, moveable collateral registry) is yet to be developed.

14. Infrastructure weaknesses hinder the creation of value addition through processing, and the integration of small producers into value chains. Market linkages are constrained by poor road and storage infrastructure. The total road network is about 76,000 km, many in need for rehabilitation, and the road density is 6 km /100 kmÂ², one of the lowest in Southern Africa. The rural access index is 42 percent, which is the fourth lowest in the world after South-Sudan, Chad and Mali (WDI). Although the government has heavily invested in improving the transport network over the last decade, including road and railways, limited budget is available for rural roads. Moreover, the limited reach of the electricity grid and the high cost of operating generators

hamper the competitiveness of agribusiness, including agro-processing, irrigated agriculture, and livestock. The sector also suffers from lack of other adequate dedicated public services and infrastructure, such as phytosanitary and quality systems and commercial infrastructure.

15. Lack of technical knowledge and access to inputs further constrain commercial agriculture development. Poor agronomic practices, limited use of improved seeds, fertilizers, and irrigation technology, undermine productivity, growth and diversification. Most agricultural inputs, including fertilizers and machinery, are imported at high cost, and remain out of reach of small producers. These shortcomings are compounded by the very low technical capacity all along the

value chain.

16. Responsibility for agriculture policy and program development falls under the Ministry of Agriculture (MINAGRI). The Ministry is represented at the provincial level by the Provincial Directorates of Agriculture (DPA), and at the municipal level by the EstaÃ§Ã£o de Desenvolvimento AgrÃ¡rio (EDAs). MINAGRI➢ s capacity for program design and implementation has room for significant improvement. The World Bank Market Oriented Smallholder Agriculture Project (MOSAP), which closed in March 2016, and its follow up Smallholder Agriculture Development and Commercialization Project (SADCP), approved by the Board of Directors on July 5, 2016, include activities to strengthen MINAGRI➢ s capacity at the local, provincial and national levels. This project will build on and complement these efforts.

17. Other Government agencies are involved in the development of the agribusiness sector. These include the Ministry of Economy, which manages the Angola Investe program to provide subsidized credit to productive investments, the Angola Development Bank, the Ministry of Commerce and Industry, which is in charge of investment promotion (through APIEX) and the agriculture commercialization program (PAPAGRO). Other relevant agencies include the Ministry of Construction (for road construction), Ministry of Transport, and Ministry of Energy and Water. The coordination among the various Government agencies in the implementation of

complex multisectoral projects to support agribusiness development needs substantial strengthening. This is hindered by limited technical capacity and a centralized approach to decision-making.

18. In an effort to spur commercial agriculture, the government has invested in spatial approaches and infrastructure development. Government-sponsored projects range from integrated socio-economic projects, following Israel➢ s Kibutz model (Aldeia Nova) to large-scale agro-industrial poles such as the 400,000 ha Capanda development pole, as well as irrigated perimeters

with plots for large, medium and small-scale producers. These projects are often financed by foreign lines of credit, and management is frequently contracted out to foreign firms, which bring the technology and know-how to run them. A state owned company, Gesterra, sponsors many of these projects. While some of these projects have achieved productivity close to international good practices , others are still not operational or have failed to attract private producers (e.g. Family Aviculture Project). Overall, the financial and economic viability of these projects on a purely commercial basis needs to be confirmed. Other government investments include distribution centers and cold storage, some of which remain underutilized. Support infrastructure is still insufficient and existing facilities need to be more effectively used.

19. Low and declining public spending in agriculture highlights the need for mobilizing private investment. The share of agriculture in the national budget declined from 1.10 percent in 2013

(US$701.76 million) to 0.41 percent (US$543.9 million) in 2015. In the current constrained fiscal environment, there is a need to improve the effectiveness and efficiency of public expenditures to develop strategic infrastructure, strengthen institutional capacity and improve research and

extension services, and support smallholders. More efforts are needed to attract private investment and promote public-private partnerships under transparent criteria. The Commercial Agriculture Development project will contribute to these goals.

20. Weak public sector governance and poor capacity have considerably limited agriculture development efforts in the past. These issues affect resource allocation across a range of key areas in the agriculture sector, from access to land to financing of irrigation, agricultural infrastructure, and inputs. For example, one bottleneck for investment in agriculture is secured land access: land allocation procedures and coexistence of several legal systems for recognition and governance of land rights in Angola (state law and traditional rights) weaken legal certainty and hinder the

sector➢ s development. To attract transformative private investments in the agriculture sector, particular attention will need to be paid to: (i) legal and regulatory measures; (ii) institutional mechanisms and delivery platforms; and (iii) transparency and social accountability. Besides involving several agencies/departments within the Ministry of Agriculture, the Project will need to work closely with, and reinforce the capacities of, several public institutions that have critical influence on agricultural investment generation.

Relationship to CAS/CPS/CPF

21. Supporting integrated national economic diversification is one of the pillars in the Country Partnership Strategy (CPS) FY14-16. Development of the agriculture sector, through productivity increases and market linkages, is seen as an important source of growth, employment creation and poverty reduction. Making progress toward the twin goals is found to be feasible building on the adoption of pro-poor growth strategies and policies. The draft Performance and Learning Review (PLR) envisions an extension of the CPS until FY18 and a reformulation of the objectives to respond to the macroeconomic challenges emerging from the oil price drop. The draft PLR maintains economic diversification as one of the key objectives of the CPS. A specific outcome

related to enhancing productivity and competitiveness in the agriculture sector has been proposed, which is directly related to the activities of this project.

22. This Project will also build synergies with other World Bank Group projects, such as the Smallholder Agriculture Development and Commercialization Project (SACDP, P154447) and Angola Statistics Project (P157671). Close coordination between the IFC and the Bank (IBRD) will play an important role to mobilize investment, sector financing and PPPs, where each institution will contribute on the basis of its respective mandates.

23. Economic diversification and the development of commercial agriculture are critical priorities for the government, as outlined in the National Development Plan (NDP) 2013-2017. The National Development Plan seeks to promote an enlargement of the productive base to increase employment, leveraging the country➢ s natural and human

resources. It underscores the role of the private sector as the engine of economic growth, with the public sector playing a leveraging role. For the agriculture sector, the NDP objective is to achieve sustainable development building on the country➢ s natural resources and competitive advantage to ensure food security and self-sufficiency, as well as maximizing regional and international market opportunities. Developing a competitive agriculture sector, with increased private investment and market linkages for smallholders is an objective that will be supported by the activities of this project. The project also contributes to the objectives of Angola➢ s Medium Term Agriculture

Development Plan 2013-2017, which seeks to foster agricultural and rural transformation, based on the development of smallholder agriculture, cooperatives and public-private partnerships, as well as contribute to the country➢ s industrialization.

C. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

24. The proposed project development objective (PDO) is to promote commercial agriculture development, increasing production and employment within selected value chains, in targeted areas in Angola.

Key Results (From PCN)

25. The project strategy to achieve the PDO is to support the transformation of Angola➢ s agriculture towards a greater role for the private sector, building on existing programs, and focusing on value chains with the largest growth and employment creation potential. More private investment in agriculture is needed to increase production, productivity and commercialization, and to help create employment opportunities for the Angolan poor. This will be achieved by identifying and helping prepare Private-Public Partnerships (PPPs) ➢ private investment opportunities in selected value chains, and providing support to Small and Medium Enterprises (SMEs), including cooperatives, and producer organizations, in those value chains to increase their production, productivity and linkages with larger firms. In order to create the conditions for private investment the project will support investments in supporting

infrastructure, as well as improvements in the regulatory environment and government capacity to play a catalytic role for the commercial agriculture sector development.

26. Success in achieving the PDO will be measured by the following PDO-level indicators: (i) increased investment in dollar terms; (ii) support infrastructure constructed or rehabilitated by the project; and (iii) jobs created in the beneficiary firms.

27. External factors may affect the realization of the PDO: (i) evolution of international markets (e.g., commodities prices, growth, and external financing), (ii) security and/or disease outbreak in Angola, and (iii) global warming, that may worsen droughts and lead to severe floods.

D. Concept Description

28. The overall approach is to foster commercial agriculture through a set of integrated investments in hard and soft infrastructure, and developing an enabling environment for private participation in the sector. By simultaneously intervening along multiple dimensions, the project aims to remove key constraints to business formation and strengthen the platform for growth in high-potential value chains. World Bank support is required first to identify and prioritize these investments; and to develop the capacity to procure them and manage their execution. The project will also seek to mobilize private funds for the sector through PPPs and targeted investment promotion. At the same time, the project will support activities to create more conducive conditions for the future development of commercial agriculture, including regulatory reforms, and strengthening of research capacity. Strong coordination among the government agencies involved (agriculture, transport, energy, commerce, etc.) and building a constituency for the project among public, private and non-governmental stakeholders will be necessary, as suggested by previous experience in supporting integrated interventions along agriculture value chains.

29. Initially, two value chains will be supported and this would be scaled up during the life of the project to a maximum of five. Criteria for selecting value chains will be based on the competitiveness of specific value chain segments, potential impact (on jobs, food production,

export diversification, and opportunities for upgrading), and readiness (existing production, necessary investments, and sector organization). Identifying competitive value chains in Angola will require a more in-depth analysis of demand, current cost structure and existing constraints. Two initial value chains will be selected during preparation, in consultation with the Government and private sector stakeholders. Existing studies of priority value chains for the Government, including horticulture, livestock, chicken and dairy, and by extension maize and soy, provide limited analysis on existing cost structures to assess their competitiveness. Preliminary work on the poultry sector inspired by the value chain segmentation methodology identified opportunities for competitive production of fresh chicken to supply the local market, provided reliable supply of local feed can be secured (see Annex 3). The Government has requested initial focus on poultry and by extension maize/soy as a priority due to growing demand, recent growth and the large share of chicken in the country➢ s imports. Support to export-oriented value chains, such as coffee, another government priority, also requires careful consideration of the competitiveness of Angola vis-④ -vis other countries. Analytical work supported by the project will inform public-private dialogue to agree on priority subsectors and constraints. The experience and capacity developed by the project will enable supporting other value chains in the future.

30. The project will be geographically concentrated in the areas (to be defined during preparation), with the highest agricultural potential to meet domestic consumption (as would be the case for example in the poultry/maize/soy value chain) and export (e.g. coffee value chain). Other factors to select geographic areas include having a critical mass of potential commercially oriented producers, and access to downstream value chain activities and markets through

proximity to agrologistical networks and platforms.

31. Moreover, the proposed project will ensure that: (1) equal opportunities and support will be

provided to women➢ s and youth groups to participate in several aspects of the project; (2) training in gender awareness will be provided using appropriate media, language and gender-sensitive approaches and methods; and (3) a gender informed M&E system will be implemented, will collect and present gender-disaggregated data on project beneficiaries.

32. Given the institutional weaknesses, governance, and other risks, a flexible and modular design is called for. The project must remain flexible to potential delays in specific components, changing implementation realities, and to the response of private sector supply and demand. It should allow subcomponents to be removed or amended without compromising the overall project framework and the causal chain of activities. Starting with a focus on existing investment opportunities and just two value chains will help test the approach while striving to deliver results early on in the project. In parallel, efforts to build client project implementation capacity and to improve the enabling environment will start. Once key conditions are established, such as: (i) progress in business environment reforms, PPD, analytical and implementation capacity (ii) selected area and pilot value chains under implementation, in compliance with all activities planned for the first two years of the project life, work on other value chain will be undertaken (to be defined during preparation). Therefore, the proposed time for the project implementation is 6 years.

33. With an amount of $230 million, the project will support commercial agriculture

development through three interrelated components: (1) Agribusiness development by means of mobilizing investment, including PPPs, providing financial and non-financial support to value chain actors and developing support infrastructure (rural roads, storage, irrigation, and energy);

(2) Support to create an enabling environment for commercial agriculture; and (3) Project management, coordination, and public-private dialogue.

34. Component 1 ➢ Agribusiness Development (US$ 190 million). This Component will address the following challenges: (i) underinvestment by SMEs in inputs, technology and skills development due to access to credit constraints and information failures; (ii) insufficient linkages among value chain actors due to coordination and information failures and (iii) underprovision of infrastructure oriented to underpin market-oriented agriculture. This component aims to mobilize investments in agribusiness and support improvements in productivity, quality assurance and market linkages through the following subcomponents:

35. Subcomponent 1.1 Technical and financial support to SMEs development. This subcomponent will have a value chain focus and will aim to (i) support SME development, including market-ready producer groups and cooperatives, and help them overcome constraints in access to credit and managerial/technical knowledge; and (ii) support links and partnerships between large, medium and small-scale producers and purchasers through business alliances. As a result of project investments, enhanced capabilities and links to larger firms, it is expected that SMEs will be able to grow their business, improve productivity and quality, strengthen market connections, and create jobs. An important aspect during preparation will be to assess the actual size of the SME sector in the pilot value chains and adapt the intervention design to uptake, capacity, and sustainability considerations.

(a) This subcomponent will provide support through a competitive matching grant facility:

1. Provision of technical assistance for pre-investments. This window will provide financial

resources for the development of innovative business and linkages between small producers and other actors along the value chain.

The competitive grant will provide ➢ startup➢ capital for promoting the introduction of new sustainable practices and technologies, and processes that improve the competitiveness of agricultural production by SMEs. The grant will consider three main levels of support to be further defined during preparation. These could include: (i) extension and technology development; (ii) studies for business alliances, including the formulation of business plans and associated productive subprojects and pilots➢ investments; and (iii) capacity building for entrepreneurs, individually or as member of a formal group (e.g. associations, cooperatives, farmer organizations).

2. Establish a Matching Grant facility for Value Chain Development. . This window will finance investments based on the business plans directly linked to the selected value chains and will have a geographical focus.

SMEs investments will be identified through a competitive process based on a review of feasible business plans and selected proposals identifying SMEs financial contribution through a matching grant (at least 60% of total investment, to be confirmed during preparation), and presenting social environmental and economic sustainability analysis.

The grant will combine innovation with a focus on partnerships with the market and will consider to implement investments designed based on business plans agreed with their business partners.

The objective of each proposal would be to reach the product specifications (quantity, quality, delivery, etc.) agreed and established in the business plan. Eligible activities that would be financed could include expenditures at the level of both individual producers and their organizations (e.g. cooperatives), such as: (i) minor on-farm infrastructure and working capital, (ii) technical assistance services, (iii) agriculture inputs, equipment, production facilities (nurseries, greenhouses), (iv) value addition investments (post-harvest processing and storage, packaging), soil and water conservation measures and (v) other minor infrastructure, e.g. off-farm infrastructure for storage specific to the needs of the business alliance. If needed, the project will provide additional training to improve their governance, organizational, managerial, business and risk-management skills and to facilitate adoption of good agricultural and environmental practices.

Eligible applicants would include: (i) organized producer organizations associations and related farmers organizations with developed or developing linkages to agricultural value chains, and supporting the development of smallholder farmers; (ii) agribusinesses linked with smallholders, involved in processing, trading, and marketing of agricultural and food products/commodities which help to improve the growth and competitiveness of smallholder farmers either directly to farmers at the production stage, or further down the value chain as part of the processing chain of agricultural commodities; (iii) input suppliers; (iv) nucleus commercial farms working with smallholders; and (v) publicly and privately funded agricultural and industrial institutions and trusts.

In addition, for mobilizing business alliance investments, the project will carry out a differentiated communication and dissemination campaigns to: (i) inform potential stakeholders about the scope and rules of the Project; (ii) the publication and dissemination of Project activities including, inter

alia, information on demand, approvals, procurement and results; and (iii) promote investments and contract farming/buying contracts in agricultural sector value chains.

(b) This subcomponent will also provide support to mobilize and select larger private investors.

1. Selected interventions will need to demonstrate (i) alignment with the value chain development and (ii) potential impact on job creation. The stakeholders jointly with the PIU will develop proposals to request select interventions that are not firm-specific but that benefit their segment of

the value chain and the value chain as a whole (i.e. common goods).

2. Following the Client➢ s and the Chamber of Commerce➢ s advice, the investors will need to be strongly involved in crafting these proposals for interventions to ensure their commitment aspect and consistency with the constraints faced by groups of firms in the VC. The project will support the creation of a national committee composed of public and private sector stakeholders that will be in charge of reviewing the requests for funds to finance catalytic activities, ensuring that they conform with the strict eligibility criteria that will be imposed (e.g. demonstrate direct contribution to the VC➢ s development and job creation) and selecting the best proposals that receive project support.

36. Subcomponent 1.3. Establish a Partial Credit Guarantee (PCG) fund to promote access to

credit for the project target groups. The fund is expected to lower the risk exposure of financial institutions through a PCG arrangement and thus increase the incentives for financing agricultural activities. The fund would target the agribusiness SMEs in the selected value chains for their

financing needs whether these are for fixed assets or for working capital. It would therefore support matching grants beneficiaries to provide the contribution required to benefit from the matching grants. It is anticipated that the project PCG fund will utilize the existing structure established by the Angola Investe Program. However, a dedicated Fund for commercial agriculture will be created and will be governed in accordance with applicable Bank Group➢ s policies and the recently issued Principles for Public Credit Guarantee Schemes for MSME, with IFC support. For participating banks wishing to benefit from the guarantee coverage, a prequalification process will be undertaken.

Financial institution eligibility criteria will be transparent and open to all institutions that have an interest to lend to the beneficiaries of the Project. The PCG will cover 50 percent of the risk pari-

pasu for loans to and it will be priced to cover the administration costs and risks it covers.
However, the PCG fees would be priced, so that the facility would remain sustainable after the project conclusion and would continue to serve this market segment following project conclusion.

37. Eligibility criteria and selection processes for investment support may vary according to the type of support required, and will be detailed during the preparation phase and described in the Project Appraisal Document (PAD).

38. Subcomponent 1.3. Develop critical infrastructure. This subcomponent aims to (i) address existing gaps in infrastructure (rural roads, post-harvest facilities, irrigation, and energy); (ii) strengthening the capacity of public agencies to formulate, prepare and promote medium and long-term public-private partnerships in the sector. Special focus will be given to the promotion of climate smart agriculture approaches and renewable energy technologies.

39. This subcomponent will support infrastructure investments in selected value chains and geographic areas of focus. It will leverage existing transport, logistics, energy, and irrigation infrastructures to support improvements in agriculture production and productivity, reduce post-harvest losses, and connect production areas with markets:

- Construction and rehabilitation of feeder roads. Once geographic areas of focus have been identified during preparation, a mapping will be conducted of existing road links and current gaps between production areas and the main national road networks (for example, the Luanda-Malanje corridor for the poultry/maize/soy value chain). Maximum length of rural roads supported by the project will be no more than 50 km to the main road (to be confirmed during preparation). The project will build on the existing Strategic Plan for the Rehabilitation of Tertiary Roads and the National Integrated Plan for Accessibility, Mobility and Transport (PENAMT) by the Ministry of Transport.

- Post-harvest facilities: support to landing docks infrastructure and rehabilitation/construction of storage facilities to facilitate collection of production.

- Irrigation infrastructure: support to irrigation infrastructure including water storage facilities and main canals will be agreed during preparation. Private investors will finance the construction of secondary canals to their farms.

- Energy investments will be further explored during preparation phase, depending on confirmation of targeted value chains and the degree of electrification of the selected geographic areas of focus. Other sources of clean energy will also be explored.

40. This subcomponent will also support the identification and assessment of existing government storage and agro-industrial infrastructure amenable to private sector participation, as well as other rural infrastructure and agribusiness services that could advantageously be developed and implemented by private entities as PPP or as purely private investment. Whenever the local conditions so require, opportunities for the use of PPPs for the integrated development and management of rural facilities and services should be identified, particularly when those facilities and services are apt to be co-funded by commercial and individual users. Following that initial assessment, the project will support pre-feasibility studies for the 3-4 most promising opportunities to enable the government to decide whether to move ahead with a PPP. This subcomponent can also provide support to strengthen the legal framework for PPPs in Angola and support capacity building efforts in this area. This would be done not as an isolated effort, but in order to guarantee an adequate environment for private investment, and conditions for effective definition of incentives for private investors to implement the government➢ s agricultural policy.

41. Component 2 ➢ Support to develop an enabling environment for commercial agriculture (US$ 25 million). This component will focus on addressing challenges related to (i) existing gaps in the Government strategy for commercial agriculture development and analytical capacity; (ii) limited government investment generation capacity (iii) constraints in the

agriculture input markets; (iv) high costs and uncertainty of doing business, related to burdensome regulations and procedures; and (iv) weaknesses in the agriculture research and development capacity. The component will focus on strengthening the building blocks for creating a competitive commercial agriculture sector, including strategy and regulatory reforms, as well as support to enhance research and development (R&D) for the sector.

42. Subcomponent 2.1 Support sector strategy development and enhance client analytical capacity. This subcomponent will contribute to strengthen institutional capacity at MINAGRI to develop strategies for competitive and sustainable agriculture value chain development based on analysis of local, regional and global demand and existing competitive advantage. By doing so, it will complement envisioned support by SADCP to strengthen the capacity of local, provincial, and national units of the Ministry of Agriculture to provide services to smallholders in the areas of irrigation, extension, market information, statistics and policy analysis. Specific areas of support will be defined during preparation, but may include: (i) capacity building for evidence-based economic research, value chain segmentation analysis, and M&E; and (ii) technical assistance to develop Climate Smart Agriculture Country Profile . It could be an important mechanism to build awareness of country options, facilitate dialogue, and help prioritize investments to deliver on the ➢ triple win➢ , implementing agriculture and food production practices that not only boost productivity but also enhance resilience and lower greenhouse gas emissions, the three pillars that form the basis of climate smart agriculture.

In order to support the thinking on Government strategy, the project preparation advance will fund the organization of a practitioners➢ forum on international experiences, including successes and failures, in developing commercial agriculture with a special focus on value chain approaches and agroindustrial poles.

43. As part of this component, the project will also support the establishment

of a team of analysts at MINAGRI with strong skills in economic and market analysis. They will be in charge

of reviewing and validating the outputs of consultants hired previously by the Government, and in assessing the experience of failed prior agribusiness initiatives. They will receive training on value chain segmentation methodology and will conduct additional analysis as needed to identify the most promising value chain segments for Angola and the existing binding constraints for their development. This analysis will inform the discussions in the public-private dialogue platform (Component 3). The team will formulate proposals for addressing such constraints in collaboration with the relevant government agencies. This activity will be developed in coordination with other Government efforts to develop skills to support economic diversification strategies.

44. Subcomponent 2.2 Promote investment opportunities. This subcomponent will work with the recently established Agency for Investment and Export Promotion (APIEX) and MINAGRI➢ s Technical Unit for Investment Promotion to strengthen investment promotion, facilitation and aftercare in agribusiness. In particular, the project will support the compilation of a pipeline of investment leads and build capacity for assisting investors during the process of establishing their operations. Additionally, the project will assess current investor aftercare functions and provide training and other capacity building activities to ensure client➢ s effective support to existing investors, with the goal to encourage reinvestment. Technical assistance will be provided to prepare information packages and implement targeted investor outreach efforts in the priority value chains. Finally, the project will include additional support to the implementation of the revamped Investment policy and legal framework, including an assessment of existing incentives.

45. Subcomponent 2.3 Improving the regulatory environment. This component will support key regulatory and administrative reforms to remove barriers to private sector activity in agribusiness. Strong emphasis will be given to ensure capacity for implementation of

amended regulations is in

place and adequate monitoring systems are developed. In these, the project will focus on those areas (i) have been identified as key constraints by analysis and private sector actors in the priority value chains, and (ii) where there is clear government commitment. This subcomponent will be closely coordinated with efforts to support regulatory improvements in the business environment under the DPL series and other World Bank Advisory work, including support in the areas measured by the Doing Business report. Areas for support will be confirmed based on the value chains selected. The following four areas have been identified as problematic in initial consultations with agribusiness private sector actors:

- Policy and competition barriers in agricultural inputs: limited supply and high costs of improved seeds, fertilizers, and equipment is a critical constraint to increased productivity and production. The project will support studies to assess existing constraints affecting input availability including sector policies, tariffs, entry barriers and market competition. Recommendations emanating from these studies will inform public-private dialogue and the development of actions to address existing constraints. The project will provide technical assistance for implementation of these actions.

- Trade facilitation and identification, classification and removal of Non-Tariff Barriers (NTBs): Given Angola➢ s dependency on imports for food and agriculture inputs and the country➢ s objective to develop exports as a way to diversify export revenues away from oil, an efficient

trade environment is essential. Building on ongoing reform efforts, the project will identify activities that will further simplify trade logistics systems and services, focusing on reducing the time and cost associated with international trade, through coordinated agency efforts. In addition, NTBs in Angola severely hamper the import of key products and inputs. There is a strong need to streamline NTBs, especially those related to agriculture. This exercise would include building capacity for streamlining non-tariff measures (NTMs) and identifying and removing non-tariff barriers, effective simplification of import-export procedures, and strengthening risk-management approaches for SPS (Sanitary and Phytosanitary) and TBT (Technical Barriers to Trade) measures.

- Land administration: This subcomponent will support targeted interventions to strengthen land management and administration. Land in Angola is owned by the Government and the 2004 Land Law (Lei de Terras de Angola, Lei 09/04) defines the mechanisms for the Government to grant transferable land use rights for rural and urban land. The law recognizes customary uses, and the Government can grant surface rights to individuals and entities. Land is a delicate issue in Angola. It is estimated that 85-90% of the land is not registered due to weaknesses in land administration institutions, among other factors. Given the magnitude of this challenge, the project will focus on local level interventions based on needs identified in the priority value chains and focus on transparent and fair procedures for land acquisition and regularization, protecting communities➢ rights to land use and natural resources. The project will build on the experience of the FAO implemented Land Project and will follow the ➢ principles for responsible agriculture investments➢ .

- Regulatory reforms to promote agriculture finance: In addition to the catalytic interventions to promote access to credit, the project would support reform efforts to improve the enabling environment for agriculture finance. Activities will be defined during preparation, but may include diagnosis and support to reforms to enable agricultural equipment leasing, establish a moveable asset registry, warehouse receipts and commodities exchange development, and

agriculture insurance (including weather base d index insurance).

46. Component 3 ➢ Project Management, Coordination and Public-Private Dialogue (PPD) (US$ 15 million). This component will support the costs of establishing and funding the Project Implementation Unit (PIU), which will be comprised of a technical team, supplemented by external consultants, to manage the following activities: Project Manager, Financial Management, Procurement, Social and Environmental Safeguards, Monitoring & Evaluation, Technology & Information, among others. Lessons learnt from Bank operations in several weak and fragile environments suggest that both Borrower and Bank teams typically tend to underestimate project implementation costs, and run into associated difficulties. The team will re-visit the estimated costs of implementation during project preparation. In addition, this component will address existing weaknesses in implementation capacity, coordination, and public-private dialogue for development of commercial agriculture by (i) providing capacity building and technical assistance to the inter-agency working group to be created by MINAGRI to coordinate project activities, and (ii) creating and implementing a PPD platform.

47. Subcomponent 3.1 Project Implementation Unit and coordination support. This component will fund the activities of the Project Implementation Unit (PIU). Strong emphasis on capacity building based on the experience from MOSAP will be included in this component. The MOSAP PIU, which will remain in place for SADCP, will be used during project preparation, but the

client has requested creating a separate PIU for this project. This component will also provide technical assistance and training to the inter-agency working group to be established by MINAGRI to coordinate project implementation. Support may include successful experiences

from other countries in planning, development of action plans, and implementation monitoring, among others.

48. Subcomponent 3.2. Establishing Public-Private Dialogue. The project will support increased

public-private dialogue specific to the agribusiness sector. An assessment will be conducted on existing public-private dialogue mechanisms in Angola. Recommendations for establishing an inclusive public-private dialogue platform, including institutional arrangements, will be developed, followed by technical assistance for implementation. The objective of the dialogue will be to ensure private sector inputs to sector policies and programs, including the identification of priority value chains, identify specific constraints and remedy actions to increase private investment, and assess implementation progress, as well as avenues to improve the effectiveness of public investments. In addition to government and private sector, efforts will be undertaken to ensure the maximum representativeness of the PPD including farmer organizations, as well as other stakeholders as relevant, such as academia or civil society. Special attention will be given to ensure the voice of women is well represented and the specific constraints for women in agribusiness are discussed in the PPD.

II. SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

49. The project is expected to be at national scale however, specific geographic details of the exact project footprint and its impacts will be determined during project preparation and will be reflected in the safeguards documents (ESMF, ESIA, MP, RPF, and RAP, PMP, etc.).

B. Borrower's Institutional Capacity for Safeguard Policies

50. At the framework level, there are no relevant gaps between the Angolan environmental legislation and the World Bank➢ s Safeguard policy and guidelines. The environmental legislation in Angola is quite recent and inspired by the international Conventions that Angola takes part. In regard to the environmental impact assessment, the existing Angolan regulatory framework covers the most relevant principles and best practices, including public consultation and participation, monitoring and licensing procedures.

51. The Ministry of Agriculture (MINAGRI) through the Institute for Agriculture Development (IDA) will be the lead implementing agency. IDA will have the responsibility of

coordinating implementation by hosting a Project Implementation Unit (PIU) with sub PIUs at Province level, tasked with the responsibility of project coordination and management using Technical Assistance (TA) when needed. MINAGRI has acquired reasonable experience in handling World Bank projects that require Safeguards attention, such as MOSAP. Hence, Commercial Agriculture Development Project will build up from the experience in safeguards management acquired by IDA-MINAGRI during MOSAP implementation. Nonetheless, substantial capacity building and training will be required to deal with this project Safeguards requirements, particularly in ensuring adequate subproject screening and subsequent preparation of ESIA/ESMP and RAP as necessary.

C. Environmental and Social Safeguards Specialists on the Team

Eden Gabriel Vieira Dava (GSU07)

Paulo Jorge Temba Sithoe (GEN01)

D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The construction of rural roads, electricity and water infrastructure for irrigation , including a series of land administration reforms, under component 2.3, may have adverse impacts on soil, water, air quality, flora and fauna. Some of the adverse impacts may include land right conflicts, soil erosion and water logging, alteration of water flows due to irrigation schemes, vegetation loss and fauna disturbance for access road and power transmission construction, risks to the human health by those handling pesticides. Consequently the OB/BP4.01 is triggered to comply with the Environmental Assessment safeguard requirements. Specific geographic details of the exact project footprint and its impacts are not yet know and will be determined during project preparation. Hence, the recipient will prepare an Environmental and Social Management Framework (ESMF) to help mitigate the potential environmental and social impacts by the direct and indirect

investments in the project selected areas and to guide the preparation of ESIA and ESMP. The ESMF will be consulted and disclosed both in-country and at the Infoshop prior to appraisal.

Natural Habitats OP/BP 4.04	Yes	The project is not expected to invest in activities that may have direct impacts on natural habitats. However, rural roads improvements and water infrastructure may happen in proximity to national parks or protected areas and therefore lead to downstream impacts that may affect ecosystem services and functions provided by natural habitats. Hence, OP/BP 4.04 is triggered and the ESMF will include the specific provisions to prevent or mitigate impacts on natural habitats.
Forests OP/BP 4.36	Yes	The Project will not have any direct or indirect negative impacts on health and quality of forests, or the health and safety of people who depends on forests. However, clearance of vegetation for rural roads improvements and water infrastructures may require compensatory reforestation and tree maintenance along the rehabilitated roads. OP/BP 4.36 is triggered and the ESMF will include specific provisions to address the requirements.

Pest Management OP 4.09	Yes	Promotion of agriculture activities may include the use of small quantities of pesticides, though expected only at a small scale, to treat orchards and crops against pest and infestations to enhance agriculture productivity of project beneficiaries. Hence, OP/BP4.09 is triggered and a Pest Management Plan will be prepared to help mitigate potential risks to human health and to the environment using the integrated pest management approaches.

Physical Cultural Resources Yes The policy is triggered as project
investments
OP/BP 4.11 involve infrastructures (roads, irrigation,
electricity)
that may require large movements of earth in areas likely to contain sites deemed physical cultural resources by communities living there (e.g. holy
sites
sacred graves, sacred forests, etc.). To ensure due diligence, the ESMF will include a Chance Find procedures that will be detailed in the ESIA/ESMP then reflected in the constructor contracts.
Indigenous Peoples OP/BP TBD
4.10
Involuntary Resettlement OP/ Yes The project will finance activities
associated with
BP 4.12 construction/ rehabilitation of small scale
irrigation
infrastructures, rural roads, electricity transmission lines that could necessitate involuntary land acquisition resulting in physical of people and/or
loss
of assets, means of livelihoods or resources. The Borrower will prepare a Resettlement Policy

Framework (RPF) to adequately deal with issues of land acquisition resulting with compensation and/or the physical displacement of peoples. The RPF will be consulted and disclosed both in-country and by the Bank prior to appraisal. The RPF will include detailed guidance for the preparation of site specific Resettlement Action Plans (RAPs) prior or during project implementation.
Safety of Dams OP/BP 4.37 No

Projects on International TBD The proposed project is not expected to
engage in
Waterways OP/BP 7.50 large scale irrigation activities or other
activities that
would adversely affect the quality or quantity of water flow within shared waterways. Notwithstanding, triggering this policy will be determined once specific details of the project are known.
Projects in Disputed Areas OP/ No This policy is not triggered. The area in
which the
Project will be implemented is not known to include

BP 7.60 any disputed areas, at this stage.

E. Safeguard Preparation Plan

1. Tentative target date for preparing the PAD Stage ISDS

15-Sep-2016

2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the PAD-stage ISDS.

The specific studies and their timing should be specified in the PAD-stage ISDS: September 2016 to March 2017

III.Contact point

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Public Disclosure Copy

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V. Approval

Task Team Leader(s): Name: Maria de Fatima de Sousa Amazonas

Approved By

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Practice Manager/ Name: Dina Umali-Deininger (PMGR) Date: 24-Aug-2016

Manager:
Country Director: Name: Elisabeth Huybens (CD) Date: 25-Aug-2016

1 Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to

potentially affected persons.