
President's report
Proposed Debt Sustainability Framework grant
Republic of Mozambique
Artisanal Fisheries Resilient Development Project
(PROPEIXE)

Project ID: 2000004008

Document: EB 2023/140/R.4

Agenda: 3(a)(i)(b)(ii)

Date: 16 November 2023

Distribution: Public

Original: English

FOR: APPROVAL

Action: The Executive Board is invited to approve the recommendation contained in paragraph 74.

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- I. Negotiated financing agreement (to be made available prior to the session)
- II. Logical framework
- III. Integrated project risk matrix

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Map of the project area



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

Map compiled by IFAD | 30-06-2023

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Republic of Mozambique
Executing agency:	Ministry of Sea, Inland Waters and Fisheries
Total project cost:	US\$63.4 million
Amount of IFAD Debt Sustainability Framework grant:	US\$29.3 million
Cofinanciers:	Global Environment Facility (GEF), Norwegian Agency for Development Cooperation (NORAD)
Amount of cofinancing:	GEF: US\$8.9 million NORAD: US\$3.0 million
Terms of cofinancing:	GEF: Grant NORAD: Parallel financing
Contribution of recipient:	US\$3.4 million
Contribution of beneficiaries:	US\$2.2 million
Contribution of private sector:	US\$5.5 million
Financing gap:	US\$11.1 million
Amount of IFAD climate finance:	US\$13.2 million

I. Context

A. National context and rationale for IFAD involvement

National context

1. **Political, economic and social context.** The Republic of Mozambique, with a population of approximately 32 million, is a least developed country in a fragile situation.
2. The economy is recovering from the protracted slowdown of recent years. Growth is projected to increase to 7 per cent in 2023,¹ driven by the offshore liquefied natural gas platform that commenced operations in 2022. Despite the positive trends, significant risks are related to: (i) adverse climate events; (ii) the war in Ukraine; (iii) the fragile security situation; and (iv) public debt assessed at high risk of distress by the International Monetary Fund.
3. **Poverty.** The multidimensional poverty rate is estimated at 73 per cent, while the population living at the national poverty line accounts for 46.1 per cent and the population at the international poverty line, 63.7 per cent.² The highest proportion of extremely poor people live in rural areas, predominantly in the northern provinces.
4. **Food security and nutrition.** In 2020, 40.4 per cent of the population was classified as food insecure and 33 per cent as undernourished^{3,4}, with particularly high levels in the north. The artisanal sector provides 50 per cent of the country's daily protein intake, which makes it important from a nutritional perspective.⁵
5. **Stage in transition and presence of fragility.**⁶ Since 2017, there has been an armed insurgency in the northern provinces. In 2021, the country again appeared on the World Bank's List of Fragile and Conflict-affected Situations.⁷ Contributing factors include limited employment opportunities for youth, particularly in the oil and gas industries, and limited social services in the region.
6. **National strategies, policies and/or programmes.** The Artisanal Fisheries Resilient Development Project (PROPEIXE) is aligned with Mozambique's key policy instruments, namely: (i) the National Development Strategy (ENDE 2015–2035); (ii) the Government's Five-Year Plan 2020–2024; and (iii) other national plans, strategies, policies and programmes.
7. **Key actors and institutional arrangements and multisectoral platforms.** The key institutions and government bodies include: (i) the Ministry of Sea, Inland Waters and Fisheries (MIMAIP) (including all its directorates and institutes); (ii) the community fisheries councils, through co-management; and (iii) other key government institutions (the Ministry of Economy and Finance, Ministry of Land and Environment and the Ministry of Public Works, Housing and Water Resources) and other actors.

¹<https://www.imf.org/en/News/Articles/2023/07/06/pr23258-mozambique-imf-exec-board-completes-2nd-rev-ecf-arr>.

² United Nations (2022). *United Nations Human Development Report 2021-2022*, p. 297.

<https://hdr.undp.org/content/human-development-report-2021-22>.

³ World Bank (2020) "Prevalence of severe food insecurity in the population (%) – Mozambique".

<https://data.worldbank.org/indicator/SN.ITK.SVFI.ZS?locations=MZ>.

⁴ Ibid.

⁵ <https://documents1.worldbank.org/curated/en/342481619154376842/pdf/Fisheries-in-Mozambique-A-Snapshot.pdf>.

⁶ Reference to: *Strategy for engagement in countries with fragile situations, Dec 2016 and the Special Programme for Countries with Fragile Situations (IFAD11 commitment 35)*.

⁷<https://thedocs.worldbank.org/en/doc/608a53dd83f21ef6712b5dfef050b00b-0090082023/original/FCSListFY24-final.pdf>.

Special aspects relating to IFAD's corporate mainstreaming priorities

8. In line with IFAD's mainstreaming commitments, the project has been validated as:
 - Including climate finance
 - Gender-transformational
 - Nutrition-sensitive
9. **Nutrition.** Thirty-eight per cent of children under 5 suffer from malnutrition (mainly rural areas). Stunting is over 50 per cent in the northern provinces of Nampula and Cabo Delgado, compared to 30 per cent in the provinces of Maputo and Gaza.⁸
10. **Gender.** Gender inequality in Mozambique is acute, the country ranking 136th out of 162 countries on the Gender Inequality Index (0.537).⁹ In 2017, 28 per cent of adolescent girls had already been married or in a union.¹⁰ The proportion of underage married girls was about 40 per cent in the northern provinces, compared to 5 to 15 per cent in the southern provinces.
11. **Youth.** Rural youth account for 69 per cent¹¹ of the rural population. According to World Bank 2022 (International Labour Organization-modelled estimate), youth unemployment (labour force aged 14–24) stands at 8.1. It is estimated that around 87 per cent of youth are employed in vulnerable jobs, mainly in subsistence agriculture or the informal sector.
12. **Strategy for mainstreaming themes.** The project aims to: (i) expand women's economic empowerment through access to and control over productive and household assets; (ii) strengthen women's decision-making role in the household, community and community-based organizations; and (iii) achieve an equitable workload balance between women and men and girls and boys.¹²
13. **Climate vulnerability.** The Notre Dame Global Adaptation Initiative Matrix¹³ puts Mozambique in the upper-left quadrant due to its high vulnerability and low resilience. The country urgently needs climate action, investment and innovations to improve readiness. Mozambique ranks 135th in vulnerability and 171st out of 192 in readiness.¹⁴ The country has been hit by 14 cyclones between 2000–2023, with coastlines, where half of the population lives, being more vulnerable.¹⁵

Rationale for IFAD involvement

14. PROPEIXE aims to unlock the development potential of fisheries, a key economic sector with high growth potential. It addresses the key challenges for the artisanal fisheries sector. The project will integrate existing community structures and technology, promoting climate-smart sustainable practices. PROPEIXE will work with targeted beneficiaries to overcome constraints, implement biosafety semi-processing/processing techniques and connect them to organized market opportunities.

B. Lessons learned

15. The PROPEIXE design has been informed by lessons from previous IFAD-funded projects and other countries in the region. It is also informed by IFAD's country strategic opportunities programme (COSOP) 2018–2022 evaluation. Key lessons are the following:

⁸ World Bank, Nutrition Smart Agriculture Country profile, Mozambique, 2020 [link](#).

⁹ Global Gender Gap report, World Economic Forum, 2022 [link](#).

¹⁰ Trends and patterns of child marriage in Mozambique: 2017 Census, UNFPA 2020, [link](#).

¹¹ UNCDF Youth Start Global: Youth Economic Opportunity Ecosystem Analysis, 2015, [link](#).

¹² Theory of change for gender pathways available in the PROPEIXE project implementation manual with details.

¹³ <https://gain-new.crc.nd.edu/>.

¹⁴ Readiness rankings | ND-GAIN Index.

¹⁵ [EM-DAT | The international disasters database](#).

16. **Scope and complexity.** Simpler design and a less-dispersed project area, combined with only essential project components, to improve results and desired outcomes.
17. **Sustainability.** Embedding projects in government structures and active private sector engagement (together with strong community participation) are key to local ownership and the sustainability of project interventions and outcomes.
18. **Financial services.** Using public financial institutions to distribute formal credit in fishing communities is a necessary first-stage development approach, but due to various organizational weaknesses, it does not offer a long-term solution for financing critical investments in the fishery value chain.
19. **Gender Action Learning System.** This has proven successful under the Rural Markets Promotion Programme (PROMER).¹⁶ PROMER female beneficiaries' state that they experienced a more equitable work balance at home, a greater voice in household decision-making, a fairer share of economic benefits, improved food security and nutrition and a reduction in domestic violence.¹⁷

II. Project description

A. Objectives, geographical area of intervention and target groups

20. The PROPEIXE goal is to "sustainably increase the incomes, nutrition and food security by addressing the main barriers to sustainable production and marketing for artisanal fisheries". The project development objective is to "increase the sustainability of fisheries value chain returns by promoting responsible fisheries, community conservation and restoration of ecosystems and biodiversity, while also supporting fisheries community resilience through diversification of livelihoods".
21. **Target group.** The project targets small-scale artisanal fishers (including collectors) who are economically poor, unable to cope with negative shocks (e.g. economic, climatic and environmental) and at risk of falling into poverty.
22. **Geographic targeting and criteria.** The geographic area covers five coastal provinces – Inhambane, Sofala, Zambézia, Nampula and Cabo Delgado – representing a total of 21 districts, for which key locations will be selected.
23. **Project participants and outreach.** The total project outreach is estimated at 90,000 direct beneficiaries, or 40,000 households with a total of 172,000 members.¹⁸ Women will constitute at least 50 per cent of the project beneficiaries (50 per cent of them young girls).¹⁹
24. **Internally displaced person (IDP)/returnee targeting:** approximately 9,000 IDPs. IDP/returnee households will be selected through social protection registries and community-based targeting processes, prioritizing poorer and more food-insecure households, the most at risk of climate change and vulnerable to fragility risks.

B. Components, outcomes and activities

25. The project comprises the following components:
26. **Component 1. Resilient artisanal fishery and ecosystem management.** This component aims to increase the resilience of artisanal fisheries through: output 1.

¹⁶ IFAD-funded project in Mozambique.

¹⁷ "Sementes da Mudança" PROMER's approach in promoting gender equality (report on lessons learned).

¹⁸ Average household size is 4.3.

¹⁹ This project will benefit more than one person per household with the full set of services, (e.g. information, trainings, access to financing), and 90,000 direct beneficiaries do not correspond to 90,000 households. The 32,500 beneficiaries of roads will be all members of the equivalent households (around 7,558) benefiting from the rehabilitated roads.

effective fisheries management, and output 2. increase in rehabilitated coastal habitat.

27. Component 1 will support transition to environmentally friendly fishing gear in compliance with the new Maritime Fisheries Regulation prohibiting beach seining as of January 2024. These measures will improve fisheries' long-term viability and resilience. Communities will be strengthened to better manage fisheries and support ecosystem activities, including the restoration of degraded mangrove, coral reef and seagrass bed habitats. The initiative will analyse the sustainability of carbon markets and develop future interventions to incentivize mangrove conservation, drawing from pioneers like ACORN and Rabobank. The specific interventions will include trials to demonstrate improved/selective fishing methods and techniques and training for artisanal fishers; mariculture promotion; the mapping of sensitive and degraded mangrove, coral reef and seagrass bed habitats for rehabilitation; and equipping meteorological stations to provide updated information to fishers and increase the availability of suitable tools for climate resilience.
28. **Component 2. Inclusive climate-resilient fisheries value chain development and livelihood diversification.** This has two subcomponents: 2.1. sustainable entrepreneurship and livelihood development, and subcomponent 2.2. value chain-driven, climate-resilient infrastructure development.
29. Component 2 aims to accelerate transformation, address livelihood diversification and address resource, climate and environmental sustainability concerns. A transition approach will identify successful sustainable fishing practices and methods and assist their becoming market-oriented operations.
30. **Component 3. Institutional strengthening, project management and policy initiatives,** which aims to improve public sector support for long-term sustainable development of the artisanal fisheries sector, with two subcomponents: subcomponent 3.1. institutional strengthening and policy support, and subcomponent 3.2. project coordination and implementation support. This is a cross-cutting component that supports the technical components and ensures proper coordination and policy engagement.
31. **Component 4. Crisis and disaster risk reduction.** This component aims to increase the resilience of fisheries and fishing communities in the face of disasters related to climate change (droughts, floods, cyclones, heat waves). Activated through official Government declarations of natural disasters, it allocates up to 60 per cent of project contingency funds (approximately US\$1.3 million) to finance response activities such as acquiring and replacing fishing gear, rehabilitating fishery production infrastructure and developing early warning systems.

C. Theory of change

32. The project will address key challenges for the artisanal fishery sector and artisanal fishing communities. It has three interlinked project components and subcomponents that will contribute to greater resilience of artisanal fisheries; greater economic resilience and profitability of artisanal fisheries and local livelihoods and strengthened fishery sector institutional capacity. These results will thus contribute to a sustainable improvement in incomes, nutrition and food security by addressing the main barriers to the sustainable production and marketing of fishery products. The overall sustainability of the project intervention is anchored in its private sector development focus, established market linkages and the strengthening of dedicated government capacity and community organizations in the sector.

D. Alignment, ownership and partnerships

33. **Alignment with Sustainable Development Goals (SDGs).** PROPEIXE's goal and development objective will contribute to SDGs 1, 2, 5, 13 and 14. This will be

accomplished through productivity, the enhanced production of artisanal fishery value chains and linkage of the target beneficiaries' increased production of high-value fish with different marketing channels.

34. **Alignment with national priorities.** The project is aligned with key government strategies and policies, including ENDE 2015–2035, the Government's Five-Year Program 2020–2024 and other relevant policies and strategies.
35. **Alignment with IFAD policies and corporate priorities.** The project is consistent with the COSOP 2023–2027 and contributes to strategic objectives 1 and 3 of IFAD's Strategic Framework 2016–2025 and corporate priorities.
36. **Country ownership.** The design of PROPEIXE was participatory.²⁰ The Government, represented by MIMAIP and multidisciplinary teams, was deeply involved in the preparation of the project concept note and actively involved in the project design process.
37. **Harmonization and partnerships.** The project will coordinate with programmes and projects financed by IFAD, the Government and various development partners that support PROPEIXE-related thematic areas. It contributes to the United Nations Sustainable Development Cooperation Framework 2022–2026, as well as other partner interventions in the country.

E. Costs, benefits and financing

38. The total PROPEIXE incremental investment and recurrent costs, including price and physical contingencies over a 7-year implementation period, are estimated at US\$63.4 million. This includes base costs of US\$62 million and estimated price and physical contingency costs of US\$1.3 million. Investment costs have been estimated at US\$57.6 million (93 per cent of base costs), with recurrent costs at US\$4.4 million (7 per cent of the base costs). All project components will contribute to IFAD climate finance,²¹ totalling US\$13.2 million (45 per cent of total IFAD project costs).

Project costs

39. The summary of the overall project costs by component and year and expenditure category is presented in the tables below.

²⁰ Design commenced in February with the project concept note mission, followed by a design mission in May/June 2023.

²¹ Based on the multilateral development methodology, <https://www.eib.org/attachments/press/2017-joint-report-on-mdbs-climate-finance-48p.pdf>.

Table 1

Project costs by component, subcomponent and financier

(Thousands of United States dollars)

	<i>Government</i>		<i>IFAD</i>		<i>Private sector</i>		<i>Beneficiaries in-kind</i>		<i>GEF</i>		<i>Financing gap</i>		<i>NORAD</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
A. Resilient artisanal fishery and ecosystem management	662	4	5 321	28	-	-	925	5	8 932	47	2 984	16	-	-	18 824	30
B. Inclusive climate-resilient fishery value chain development and livelihood diversification																
Sustainable entrepreneurship and livelihood development.	576	5	8 337	73	2 536	22	-	-	-	-	-	-	-	-	11 449	18
Value chain-driven, climate- resilient infrastructure development	1 374	7	5 662	27	2 941	14	1 275	6	-	-	8 084	39	1 525	7	20 861	33
Subtotal	1 950	6	13 999	43	5 477	17	1 275	4	-	-	8 084	25	1 525	5	32 310	51
C. Institutional strengthening, project management and policy initiatives																
Institutional strengthening and policy support.	413	7	4 192	69	-	-	-	-	-	-	-	-	1 475	24	6 080	10
Project coordination and implementation support	379	6	5 787	94	-	-	-	-	-	-	-	-	-	-	6 166	10
Subtotal	792	7	9 979	82	-	-	-	-	-	-	-	-	1 475	12	12 246	19
D. Crisis and disaster risk reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	3 403	5	29 300	46	5 477	9	2 200	4	8 932	14	11 068	18	3 000	5	63 380	100

Table 2
Project costs by expenditure category and financier
 (Thousands of United States dollars)

	<i>Government</i>		<i>IFAD</i>		<i>Private sector</i>		<i>Beneficiaries in-kind</i>		<i>GEF</i>		<i>Financing gap</i>		<i>NORAD</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Investment costs																
A. Civil works	1 571	6	6 301	22	2 651	9	1 993	7	6 576	23	8 084	28	1 425	5	28 602	45
B. Consultancies	770	5	7 636	54	2 825	20	-	-	755	5	995	7	1 227	9	4 209	22
C. Equipment and materials	316	10	1 910	63	-	-	-	-	397	13	413	14	-	-	3 036	5
D. Goods and inputs	76	6	1 138	94	-	-	-	-	-	-	-	-	-	-	1 213	2
E. Services	105	5	1 305	59	-	-	-	-	798	36	-	-	23	1	2 231	4
F. Training and workshops	408	5	6 040	67	-	-	207	2	405	5	1 577	18	325	4	8 963	14
G. Grants and subsidies	44	7	577	93	-	-	-	-	-	-	-	-	-	-	621	1
Total investment costs	3 290	6	24 907	42	5 477	9	2 200	4	8 932	15	11 068	19	3 000	5	58 874	93
Recurrent costs																
A. Salaries and allowances	-	-	2 835	100	-	-	-	-	-	-	-	-	-	-	2 835	5
B. Operating costs	113	7	1 558	93	-	-	-	-	-	-	-	-	-	-	1 671	3
Total recurrent costs	113	3	4 393	98	-	-	-	-	-	-	-	-	-	-	4 506	7
Total project costs	3 403	5	29 300	46	5 477	9	2 200	4	8 932	14	11 068	18	3 000	5	63 380	100

Table 3
Project costs by component and subcomponent and project year (PY)
 (Thousands of United States dollars)

	<i>Totals including contingencies</i>							<i>Total</i>
	<i>PY1</i>	<i>PY2</i>	<i>PY3</i>	<i>PY4</i>	<i>PY5</i>	<i>PY6</i>	<i>PY7</i>	
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	
1. Resilient artisanal fishery and ecosystem management	776	5 533	5 112	3 755	3 356	177	115	18 824
2. Inclusive climate-resilient fishery value chain development and livelihood diversification								
1.1. Sustainable entrepreneurship and livelihood development	816	2 262	2 166	2 278	1 747	1 289	890	11 449
1.2. Value chain-driven, climate-resilient infrastructure development	578	3 906	5 999	4 459	4 226	1 365	329	20 861
Subtotal	1 394	6 168	8 165	6 737	5 973	2 654	1 219	32 310
3. Institutional strengthening, project management and policy initiatives								
3.1. Institutional strengthening and policy support	1 335	1 692	1 730	610	365	222	126	6 080
3.2. Project coordination and implementation support	1 653	636	588	818	792	770	909	6 166
Subtotal	2 987	2 328	2 318	1 429	1 157	993	1 034	12 246
4. Crisis and disaster risk reduction	-	-	-	-	-	-	-	-
Total	5 157	14 028	15 596	11 921	10 486	3 823	2 369	63 380

Financing and cofinancing strategy and plan

40. PROPEIXE will be financed as follows: projected IFAD financing: US\$29.3 million (46 per cent of total project costs); GEF: US\$8.9 million; private sector: US\$5.5 million. Potential parallel financing from the Government of Norway is estimated at US\$3 million. Domestic financing from the Government and the beneficiary contribution are estimated at US\$5.6 million (61 per cent and 39 per cent, respectively).
41. The financing gap of US\$11.07 million (18 per cent) may be sourced through cofinancing to be identified during implementation. Other partners are interested in cofinancing PROPEIXE and covering the gap; however, their financing terms are a highly concessional loan (e.g. the OPEC Fund for International Development (OPEC Fund), and the Government is currently not taking out loans due to debt distress).
42. Project components (i) resilient artisanal fishery and ecosystem management; and (ii) inclusive climate-resilient fisheries value chain development and livelihood diversification partly constitute climate-financed interventions. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is estimated at US\$13.2 million.

Disbursement

43. **Disbursement arrangements and flow of funds.** A designated account (DA) will be opened at the Bank of Mozambique (the country's central bank) to receive IFAD funds. DAs will also be opened for other cofinancier financing (GEF and OPEC Fund), as required. Payments and financial reporting for PROPEIXE will be made through the integrated State Financial Management Information System (e-SISTAFE). PROPEIXE will maintain a local currency account for the project management unit (PMU) in e-SISTAFE under the Single Treasury Account (CUT).
44. IFAD funds will be channelled into the DA in the currency agreed on during negotiations. The funds will then be transferred into the CUT managed by the Ministry of Economy and Finance, where they will be converted to local currency (Metical) at the prevailing exchange rate on the date of conversion. Each provincial directorate and implementing agency shall maintain a separate account in CUT to receive the project funds from the PMU.
45. The disbursement of funds will be based on quarterly interim financial reports, with cash projections covering the two upcoming quarters.

Summary of benefits and economic analysis

46. **Financial analysis.** Based on the value chain models developed to assess the financial viability of project investment at the individual household level, all models show positive financial viability using the key metrics of financial internal rate of return and net present value (NPV). The discount rate used for financial analysis is 12 per cent.
47. **Economic analysis.** The baseline economic rate of return (ERR) and NPV for PROPEIXE have been estimated at 33 per cent and US\$88.8 million, respectively. The ERR of 33 per cent is higher than the discount rate used for economic analysis, confirming the justification of the proposed investment. The benefit-cost ratio for the whole investment is estimated at 36.05.

Exit strategy and sustainability

48. The key interventions of the PROPEIXE exit strategy are built around the following approaches: (i) effective fishery management and ecosystem activities through community fisheries councils; (ii) sustained and strengthened enterprises and alternative livelihoods for small-scale producers; (iii) public value chain infrastructure to be co-managed by communities through public-private-producer partnership arrangements; and (iv) institutional strengthening and policy support.

III. Risk management

A. Risks and mitigation measures

49. The main risks of PROPEIXE are: public procurement, financial management, country context, climate change impacts, institutional capacity for implementation and sustainability.

Table 4

Overall risk summary

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

B. Environment and social category

50. The environmental and social classification of PROPEIXE is substantial because potential adverse environmental and social effects may pose threats to the environment and people but are reversible through the proposed mitigation measures. To guide implementation, an environmental, social and climate management framework, a generic environmental, social and climate management plan with mitigations, a stakeholder management plan, a grievance redress system, a security management plan, and a free prior and informed consent implementation plan were developed.

C. Climate risk classification

51. The climate risk of PROPEIXE is substantial. The primary risks emanate from the population's high vulnerability to climate change and limited adaptability. The projected greater frequency of extreme weather events – cyclones, floods, droughts, and thunderstorms – will have devastating consequences for the fishery industry and the livelihoods of the rural poor.²² PROPEIXE will invest in climate adaptation and resilience initiatives that also contribute to climate change mitigation.

D. Debt sustainability

52. According to the July 2023 International Monetary Fund country report, the debt sustainability assessment classifies Mozambique as at high risk of debt distress. The Government is instituting sound prudential measures to improve the country's debt sustainability status.

IV. Implementation

A. Organizational framework

Project management and coordination

53. Successful implementation of PROPEIXE will require the active participation of both government institutions and carefully selected private sector institutions. Service providers will be engaged through a competitive process. The project will work along the artisanal fishery value chain, from input suppliers to end users.

²² Nationally Determined Contribution, Mozambique 2020–2025.

54. In order to ensure smooth and rapid project start-up, the Government will guarantee the following: (i) build on the existing National Institute of Fisheries and Aquaculture Development (IDEPA) and Small-scale Aquaculture Development Project (PRODAPE) structure and mechanisms; (ii) ensure timely competitive recruitment of the key staff and specialists (recruitment through human resources companies, if necessary). The Ministry of Agriculture and Rural Development (MADER) has a good, rigorous and sound recruitment process and will be involved in the support to MIMAIP; and (iii) accelerate the disbursement of start-up funds or government advance for initial interventions.

Financial management, procurement and governance

55. **Financial management.** MIMAIP will be the project's lead agency, delegating its implementation to IDEPA. Financial management arrangements will be mainstreamed within government systems that provide adequate controls. These arrangements will be similar to those of the ongoing PRODAPE project.
56. Financial management will be the responsibility of a dedicated finance team in the PMU, consisting of a finance manager and at least two accountants. The PMU will train finance staff from IDEPA provincial delegations that receive PROPEIXE resources to ensure financial reporting from decentralized levels.
57. **Accounting systems and financial reporting mechanisms.** The project will use the government accounting system (e-SISTAFE), which is used across all government ministries in Mozambique. The system is used for processing financial transactions incurred by the project at the national and subnational levels and is integrated across both levels. Payments are also made within the system through the CUT subsystem, which is a module/ledger within e-SISTAFE. Each provincial directorate and implementing agency shall maintain a separate account in CUT to receive the project funds from the PMU.
58. The e-SISTAFE system is managed by the Ministry of Economy and Finance.
59. A constraint that will be addressed through a legal covenant is completing ongoing customization of financial reports from e-SISTAFE to align them with financial management requirements. As with other IFAD-funded projects in Mozambique, taxes will be covered by IFAD's financing.
60. **External audit.** The Administrative Court (TA) is the Supreme Audit Institution in Mozambique, in charge of auditing all public institutions and State entities at the central, provincial and local levels. TA will audit IFAD projects in the country as of the financial year ending 31 December 2023.
61. **Procurement.** The legal and regulatory framework spelled out in Decree No. 79/2022 of December 30 establishes the institutional framework required to support the procurement of goods, works and services. The procurement risk assessment for PROPEIXE shows a medium country procurement and project institutional risk. The country's legislative and regulatory framework is adequate for governing the PROPEIXE procurement processes.
62. The procurement of goods, works and services will be carried out in accordance with the national legal and regulatory framework, complying, moreover, with IFAD requirements, as specified in the financing agreement and the procurement arrangements letter. However, procurement under international competitive bidding will employ IFAD procedures and IFAD standard bidding documents.
- Target group engagement and feedback and grievance redress**
63. The project emphasizes community consultation and stakeholder engagement, integrating the perspectives of all stakeholders into self-driven development. Mobilization activities involve informing and engaging community members, including women, youth, marginalized groups and persons with disabilities. Special

attention is paid to social inclusion and proactive participation, ensuring representation in decision-making.

Grievance redress

64. The project emphasizes the creation of a comprehensive grievance redress mechanism to address participant concerns effectively. This mechanism will be widely publicized at the local level in the local language, providing various points of access such as a phone number, a complaints box, a website, e-mail and a postal address.

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

65. The PROPEIXE logical framework and monitoring and evaluation (M&E) system will guide the annual workplan and budget and monitoring processes. The M&E system will be integrated with government systems – in particular, supporting the National Fisheries Administration’s (ADNAP) transition from the Pescart system for the collection and analysis of fishery-related data to Open ArtFish.²³ Digital data collection at landing sites through Open Data Kit will be promoted, and PROPEIXE will support ADNAP in delivering the necessary training and equipment to data gatherers.
66. The PROPEIXE knowledge management strategy aims at ensuring effective learning and tailor-made communication.

Innovation and scaling-up

67. PROPEIXE will promote innovative technologies at the production or post-production level that can be further considered for scale-up. These include innovative techniques for boat construction, post-handling practices (particularly for fish drying and smoking using affordable and efficient green technologies); solar-powered cold storage equipment and ice-making plants, as well as resilient green environmental technologies on climate-proofed infrastructure. In addition, carbon markets, microinsurance and digital information platforms (Open ArtFish) will be piloted and also scaled up by private sector and public interventions, based on the successful outcomes demonstrated in this project.

C. Implementation plans

Implementation readiness and start-up plans

68. A draft annual workplan and budget, procurement plan and project implementation manual have been prepared as part of the design. In addition, an implementation readiness action plan has been prepared as part of the mitigation plan for financial management. To facilitate implementation readiness, the Government has agreed to prefinance expenditure up to a total of US\$100,000 as retroactive financing that will be effective on Executive Board approval. The retroactive financing will be reconfirmed during negotiations and covenanted in the financing agreement. Upon entry into force, the project will receive a start-up advance to support the implementation of conditions precedent to withdrawal. Start-up activities will be closely monitored by IFAD to avoid delays in PROPEIXE implementation.

Supervision, implementation support, midterm review and completion plans

69. PROPEIXE will be directly supervised by IFAD and the Government through annual supervision and implementation support missions. Follow-up missions will be conducted, as required.
70. A joint midterm review will be conducted in project year four, and a completion report will be prepared by the end of the project. The midline and endline surveys must comply with IFAD’s Core Outcome Indicators Measurement Guidelines.

²³ The Food and Agriculture Organization of the United Nations-designed system currently being piloted.

V. Legal instruments and authority

71. A financing agreement between the Republic of Mozambique and IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy of the negotiated financing agreement will be made available prior to the session.
72. The Republic of Mozambique is empowered under its laws to receive financing from IFAD.
73. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

74. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a Debt Sustainability Framework grant to the Republic of Mozambique in an amount of twenty-nine million three hundred thousand United States dollars (US\$29,300,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

(To be made available prior to the session)

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project /1				Primary data collected through the project M&E system	Annual	PCU	Project activities are implemented as planned. The target group - especially youth and women - are interested in and capable of engaging more in the fish value chain
	Internally displaced people	0	4500	9000				
	PwDs	0	1170	2340				
	Total number of persons receiving services - Number	0	45000	90000				
	1.b Estimated corresponding total number of households members							
	Household members - Number of people	0	86000	172000				
	1.a Corresponding number of households reached							
Project Goal: Sustainably increase the incomes, nutrition and food security by addressing the main barriers to sustainable production and marketing for artisanal fisheries	Households reporting increased annual net income (fish producers, processors, input suppliers)				Demographic health and nutrition survey; COI surveys	Baseline, mid-line, completion	External sources and outsourced COI survey	Economic and weather conditions remain favourable. Economic recovery Political enabling environment and stability in the North region of the country
	Households - Number	0	14000	26000				
	Households - Percentage (%)	0	35%	65%				
	Households in targeted areas who are food-insecure							
	Percentage of households	50%	45%	40%				
Development Objective: Increase the sustainability of fishery value chain returns, by promoting responsible fisheries, community conservation and restoration of ecosystems and biodiversity, while also supporting fishery community resilience through diversification of livelihoods	2.2.1 Beneficiaries with new jobs/employment opportunities /1				COI surveys	Baseline, mid-term and completion	Outsourced COI survey	Existence of right macroeconomic and climactic conditions; The promotion of enterprises in the fishing sector leads to job creation; The project responds to the target group needs.
	new jobs - number	0	4000	8000				
	IE.2.1 Individuals demonstrating an improvement in empowerment							
	Total persons - Percentage (%)	0	32%	64%				
	Total persons - Number of people	0	29250	58500				
	Females - Percentage (%)	0	35%	70%				
	Females - Females	0	15750	31500				
	Males - Percentage (%)	0	30%	60%				
	Males - Males	0	13500	27000				
	SF.2.1 Households satisfied with project-supported services							
	Household members - Number of people	0	68800	137600				
	Households (%) - Percentage (%)	0	40%	80%				
	Households (number) - Households	0	16000	32000				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers							
	Household members - Number of people	0	60200	120400				
	Households (%) - Percentage (%)	0	35%	70%				
	Households (number) - Households	0	14000	28000				
	1.2.8 Women reporting minimum dietary diversity (MDDW)							
	women (number)	0	5000	10000				
	women (percentage)	0	41%	83%				
	Households (number) - Households	0	5000	10000				
	Households (percentage)	0	41%	83%				
	Total number of household members - Number	0	21500	43000				
Women-headed households - Households	0	1000	2000					
1.2.9 Households with improved nutrition Knowledge Attitudes and Practices (KAP)								

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Women-headed households - Households	0	1200	1920				
	Households (number)	0	6000	9600 ²⁴				
	Households (%)	0	15	24				
	Households Members	0	25800	41280				
Outcome 1: Increased resilience of Artisanal Fisheries	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				COI surveys	Baseline, mid-line, completion	Outsourced COI survey	Economic and weather conditions remain favourable. The technologies and practices promoted by the project are suited for the target areas and the target group.
	Total number of household members - Number	0	51600	103200				
	Households - Percentage (%)	0	30%	60%				
	Households - Households	0	12000	24000				
	3.2.1: Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered							
	tCO2e/20y			508256				
	ha		4000	8000				
	tCO2e/ha			-363				
	tCO2e/ha/yr			-18.2				
	1.2.4 Households reporting an increase in production							
	Households - number	0	14000	28000				
Households - %	0	35%	70%					
Total household members	0	60200	120400					
Output 1.1. Effective fisheries management promoted	1.1.4 Persons trained in production practices and/or technologies				Primary data collected through the project M&E system	Annual	PCU	Existing CCPs are interested in and able to increase their role, and new CCPs can be created where they do not exist
	Males trained in fisheries	0	11000	21000				
	Females trained in fisheries	0	4500	9000				
	Young trained in fisheries	0	6000	12000				
	total persons trained in fisheries	0	15000	30000				
Output 1.2 Rehabilitated coastal habitat increased	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks				Primary data collected through the project M&E system	Annual	PCU	Target group actively participates in training activities; the new technologies promoted by the project respond to artisanal fishermen's needs
	Total size of groups - Number of people	0	1200	2400				
	number of groups	0	120	240				
	women	0	400	720				
	men	0	800	1680				
	youth	0	450	960				
	Number of CCPs led by women							
Percentage of groups	0	10%	20%					
Outcome 2: Improved economic resilience and profitability of artisanal fisheries and local livelihoods	Increase in volume and value of fish traded from the artisanal fisheries				Open Art Fish platform	Annual	ADNAP	Economic and weather conditions remain favourable, infrastructure activities carried out by the project are implemented as planned.
	total annual volume in targeted districts (tons)	231495	290000	329949				
	Total annual value in targeted districts (\$)	260200380	350000000	469517427				
	2.2.2 Supported rural enterprises reporting an increase in profit				COI survey, Primary data collected through the project M&E system	Baseline, mid & end line	PCU and outsourced COI survey	
	Number of enterprises - Enterprises	0	430	860				
	Percentage of enterprises - Percentage (%)	0	40%	80%				
	Number of persons benefitting from rehabilitated feeder roads				Primary data collected through the project	Annual	PCU	
Number of persons	0	16000	32500					

²⁴ Having in mind that the target defined for "People targeted with nutrition training is 12000" Please refer to table 2 in PDR. Therefore it is being assumed that at least 80% of the 12000 people trained (9600) will influence and improve nutrition Knowledge Attitudes and Practices, ultimately corresponding 24% of the total Households reached by the project.

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Output 2.1 Sustainable fisheries enterprises and alternative livelihoods developed	2.1.1 Rural enterprises accessing business development services				Primary data collected through the project M&E system	Annual	PCU	Enterprises in the fisheries sector are willing to form 4Ps and to engage with project activities The target group - especially youth and women - are interested in and capable of engaging more in the fish value chain
	Rural enterprises - number	0	500	1 080				
	2.1.2 Persons trained in income-generating activities or business management /1				Primary data collected through the project M&E system	Annual	PCU	
	Persons	0	5000	10000				
	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services							
	total number of people	0	12000	24000				
	males	0	3600	7200				
	females	0	8400	16800				
	young	0	4800	9600				
	Number of PCRs who received credit from a finance institution							
	Number	0	60	120				
	1.1.8 Households provided with targeted support to improve their nutrition							
	total persons	0	6000	12000				
	females	0	6000	12000				
	young	0	2400	4800				
number of households	0	6000	12000					
Women headed households	0	1200	2400					
Non-women headed households	0	4800	9600					
Total number of household members - Number of people	0	25800	51600					
Output 2.4 Resilient fisheries value chain infrastructure established	2.1.5 Roads constructed, rehabilitated or upgraded				Primary data collected through the project M&E system	Annual	PCU	
	Length of roads - Km	0	100	360				
	Number of management agreements established and operating							
	Number	0	8	14				
	2.1.6 Market, processing or storage facilities constructed or rehabilitated							
	Total number of facilities - Facilities	0	13	26				
	Market facilities constructed/rehabilitated - Facilities	0	5	12				
	Processing facilities constructed/rehabilitated - Facilities	0	3	4				
Storage facilities constructed/rehabilitated - Facilities	0	5	10					
Outcome 3: Institutional strengthening, project management and policy initiatives	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				Primary data collected through the project M&E system	Annual	PCU	Economic and weather conditions remain favourable
	Number - Number	0	1	2				
Output 3.1 Strengthened fisheries institutions and extension services	Policy 1 – Policy-relevant knowledge products completed				Primary data collected through the project M&E system	Annual	PCU	KM activities are demand-driven and closely linked to the project's policy-engagement objectives
	Number of products - Number	0	1	2				

Integrated project risk matrix

Risk Categories and Subcategories	Inherent	Residual
Country Context	Substantial	Substantial
Political Commitment	Substantial	Substantial
<p>Risk(s): The risk that a country's political developments (i.e. upcoming elections in 2025, decentralization, changes in government, high political instability/turnover/uncertainty, changing political priorities) result in delays and/or in a reversal of key political decisions and commitments (including approval and implementation of laws and regulations, and timely counterpart funding) underpinning the success PROPEIXE implementation.</p> <p>In addition, despite the positive developments with the stabilization of the Northern Mozambique (affected by insurgency), with the support from SADC and Rwandan forces, there are potential risks for PROPEIXE in the affected areas, particularly with some districts being excluded from project implementation during some period and delays or inability in release of counterpart funding due to the permanent focus on the north.</p>		
<p>Mitigations: The PROPEIXE project, will be implemented in 5 out the 10 provinces in the country including the northern part of the country which has a higher risk of unrest. The project will be implemented through a phased approach, starting with all other provinces and in secured districts of Cabo Delgado (aligned with UNDSS recommendations).</p> <p>The IFAD country team will seek continued engagement with the relevant ministries and contact persons to foster better coordination the implementing agencies. This will ensure efficient cooperation pertaining to planning, coordination and implementation of the project.</p> <p>The ongoing gradual decentralization process and the establishment of dual Government Leadership structures at Provincial level (Provincial Governor - Elected and Secretary of State – Appointed) impacted negatively on the project's efficiency. In addition, according to the law, during the next elections (2025), this model will be further decentralized at District level. IFAD resources are implemented using a decentralized model through the Government budget and financial management system (e-SISTAFE), therefore reinforcing the use of national systems, as well as strengthening the capacity of the institutions at all levels. The IFAD support to the decentralization process will be hybrid, maintaining its support to the Government, as well as focusing on private sector and community based institutions.</p>		
Governance	High	Substantial
<p>Risk(s): The risk that the country can suffer from governance breakdowns (lack of/weak political checks and balances; lack of/weak public auditing systems; lack of/weak transparent information on government rules, regulations, and decisions; lack of/weak standards to prevent fraud and corruption; lack of/poor quality/transparency of allocation of resources for rural development) which can negatively affect the achievement of project objectives.</p>		

<p>Mitigations: Through the implementation of IFAD's "Framework for Operational Feedback from Stakeholders: Enhancing Transparency, Governance and Accountability", inclusive governance, transparency and accountability in development processes, including in associated grievance redress mechanisms, will be fostered. Information about the existence and functioning of such mechanisms will be made readily available to all stakeholders. Further, information regarding whistle-blower protection measures, and confidential reporting channels will be widely accessible in order to receive and address grievances appropriately, including allegations of fraud and corruption, and sexual exploitation and abuse.</p> <p>Engage, support and strengthen the National Audit Office (Tribunal Administrativo) for regular auditing of IFAD supported investments, in accordance with the International Standards of Supreme Audit Institutions (ISSAI).</p> <p>Strengthen and reinforce the use of national systems, particularly e-SISTAFE (Government Financial Management System).</p>		
Macroeconomic	Substantial	Moderate
<p>Risk(s): The risk that macroeconomic policies (monetary, fiscal, debt management/sustainability, trade) are overall fragile, unsustainable, and/or vulnerable to domestic or external shocks, thus resulting in high inflation, low foreign exchange reserves, large fiscal deficits and debt distress. This could lead to government inability to mobilize counterpart funding, and to an overall adverse impact on market dynamics of value chains, (market prices and profit margins for IFAD's target groups).</p>		
<p>Mitigations: Taking into account the country's debt unsustainability, last programme financing has been negotiated to be 80% as grant and 20% as loan on highly concessional terms. Currently, the PROPEIXE financing terms are at 100 per cent DSF grant.</p> <p>IFAD will continue its supporting the production and productivity increases and build sustainable and market-oriented value chains, as well as macro-economic stability.</p> <p>IFAD is incentivizing the project teams to collect and document In-Kind-Contribution (IKC). Therefore, it is expected that PROPEIXE will report on IKC.</p>		
Fragility and security	High	Substantial
<p>Risk(s): The risk that the country is vulnerable to natural and man-made shocks including civil unrest, conflict, and/or weak governance structures and institutions.</p>		
<p>Mitigations: Project design includes a Disaster Risk Reduction and Management/ contingency resources. This component was included as a mechanism to reduce project and beneficiary vulnerability to future climatic hazards and other shocks. It constitutes a programmatic window for the integration of preventive and response measures and corresponding allocation of additional dedicated funding. This is expected to facilitate easier and quick implementation of level 2 restructuring of the Programme in the event of an emergency or disaster.</p>		
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Moderate	Moderate

<p>Risk(s): The risk that a country's strategies and policies governing the rural and agricultural/Fisheries sector are not sufficiently pro-poor and/or aligned to IFAD's priorities (e.g. on land, environment, climate, gender, indigenous peoples, PwD, nutrition, youth, private sector engagement), undermining IFAD objectives.</p> <p>The Marine Regulation (REPMAR) will restrict the use of Beach Seine gear in the all-Mozambican coastal area in two years in order to ensure proper conservation and restoration of marine resources. This technique is used by the majority of the fisherman/women and is key for the food security, income and livelihoods of millions of coastal communities. The ban of Seine without any alternative livelihood options, will put thousands of HHHs which rely on seine on a critical situation.</p>		
<p>Mitigations: Leverage on Development Partners Group and IFAD country office in Mozambique (through the new Blue Economy Working Group – BewG) to remain engaged with the MIMAIP and restore country-level policy dialogue in a structured manner and support the design of sectoral strategies with clear milestones and indicators.</p> <p>Continue to engage IFAD to the in-country Policy Dialogue, with the Ministry of Fisheries and bring to the attention of the Senior Management the relevance of the provincial IDEPA delegations for implementing Fisheries policies/strategies and for supporting PROPEIXE and other development projects/programmes that are being implemented in the fisheries sector. With the current reestablishment of the IDEPA Delegations, the project will provide institutional support to reinforce the capacity of these provincial delegations and support the finalization of the new Artisanal Fisheries Strategy, the new Blue Economy Strategy, the and implementation of Marine Regulation.</p> <p>PROPEIXE will contribute to create alternative livelihood and income generation activities, and will strengthen the CCPs to play a great role when the decision to ban the gear takes place.</p>		
Environment and Climate Context	Substantial	Moderate
Project vulnerability to environmental conditions	Substantial	Moderate
<p>Risk(s): Over exploitation of mangroves for firewood, loss of biodiversity and degradation of coastal ecosystems. Vegetation clearing may occur during construction of various fisheries infrastructure.</p>		
<p>Mitigations: i) Promoting community conservation and restoration of ecosystems and biodiversity rehabilitation and protection of coastal ecosystem and biodiversity hotspots, including mangroves reforestation, seagrass, coral reefs through education; ii) Strengthening environmental education and co-management through capacity building of CCPs to sustainably use of common resources; iii) Site specific Environmental and Social Management Plans (ESMPs) will be developed to minimise negative environmental impacts; iv) Capacity building on environmental management and Ecosystem rehabilitation will be promoted.</p>		
Project vulnerability to climate change impacts	Substantial	Moderate
<p>Risk(s): Mozambique is at high risk for extreme weather events. The frequency of days of heavy rainfall is expected to increase, leading to increased floods. Models also reveal that the frequency of tropical cyclones is likely to reduce but the intensity of these cyclones will increase. The frequency and intensity of days of extreme heat as well as droughts are also expected to increase.</p>		

<p>Mitigations: Awareness raising and preparedness training of communities and implementers:</p> <ul style="list-style-type: none"> - Developing a costed project specific Disaster Risk Reduction and Management/contingency Plan - Engaging with Meteorology Agency and media platforms for accurate and timeous climate information and weather forecasts generation and dissemination - Promoting a fusion of indigenous and technological Early warning system - diversifying fishing effort from the coastal area to the more distant open sea, - provision of fresh water access points - improved storage facilities and practices to improve quality of produce and safety against temperature increase - promotion of solar energy for market infrastructures and cold storage facilities - weather information and early warning services to increase safety at sea for the project beneficiaries - Adequate adaptation measures in siting, designing and construction of infrastructure to ensure robustness. There is need for specific considerations for the type and housing of fisheries equipment - Diversification of livelihood options off coastal area including Savings and lending schemes/groups - Promoting weather indexed Insurance for the fisheries sector and other alternative non marine activities - Targeted adaptation assessment was developed during design to assist in developing site-specific adaptation options - Governance efforts should aim to increase adaptive governance and resilience in fisheries communities as a response to the impacts of climate change and other environmental forces. Existing community structures such as CCPs should be more closely integrated with disaster risk preparedness. 		
Project Scope	Moderate	Low
Project relevance	Moderate	Low
<p>Risk(s): The project is well aligned with the national policy, with the development objective to increase production, sales of higher value fish and income levels of rural households and other actors involved in the fisheries value chain in the target area.</p> <p>The lack of updated information of fisheries resources, especially on fish stocks and potential in the in-between open seas areas, where most of the project's high value fishing would be carried out, could entail a risk of over exploitation of the resources.</p>		
<p>Mitigations: The project by diversifying artisanal fishing operations away from waters close to the shore, the areas that fishermen can currently reach with their boats and gear, would in fact relieve pressure on these easily accessible areas that are often over exploited both by inshore fishing and by beach seines, and instead promote fishing in areas where there is currently very little fishing effort and where the stocks are under exploited and in some areas especially in the north hardly exploited at all. In addition, the strengthening of CCPs, the establishment of community management areas, as well interventions to preserve the ecosystems and biodiversity.</p>		
Technical soundness	Moderate	Moderate

Risk(s): As noted in the completion report of PROPESCA, it is prudent to pay attention to setting realistic goals in order to ensure all the activities are carried out, and done within the project lifespan. The completion report also noted the necessity to allocate sufficient time for launching the preparation period and coordination of activities pertaining to availability of resources and disbursement. Although the targets laid out in the logical framework are quite realistic, there is always a risk of underachievement of targets especially if activities and outputs are not monitored and documented properly, and problems arising along the way addressed swiftly and effectively.		
Mitigations: Continued monitoring and evaluation of the project with the aim of reviewing the achievement of targets. At mid-term review, the project will review achievement of mid-term targets against those set at design. This will provide an opportunity for revision/restructuring of the targets in order to ensure better results at completion, and sustainability beyond the project's life span.		
Risk(s): The lack of fishing inputs produced in-country, at provincial and district levels, as well as quality of the imported products.		
Mitigations: The Government is working with different institutions to organize the fisheries inputs importing. This include the customs as well technical teams to ensure that the quality of the products. At provincial and district levels, PROPEIXE will support the establishment of network of input providers through the 4P model envisaged in the project.		
Institutional Capacity for Implementation & Sustainability	Substantial	Moderate
Implementation arrangements	Substantial	Moderate
Risk(s): The main institutions involved in the promotion of fisheries activity in Mozambique are the Ministry of Sea, Inland Water and Fisheries (MIMAIP), the Provincial Directorates of Sea, Inland Waters and Fisheries (DPMAIPs) and the Institute of Development of Fisheries and Aquaculture (IDEPA). Based on the institutional analysis conducted during the projects design, the following risks were identified: insufficient administration capacity at central and provincial levels, and particularly at the district level. The planning, coordination, implementing and policy monitoring is challenging taking into account the different MIMAIP institutions that are involved with the project implementation with different key roles. There is also a lack in the technical expertise and extension capacity in the fields. Given the critical roles of these institutions to the implementation of this project, these risks pose a significant threat of underachieving the development objectives, if not adequately addressed.		
Mitigations: IDEPA has been identified as the primary institution for management of the project. This will streamline the coordination procedures between the various institutions. The project will have support from a Project Coordination Team (PMT) which will be made up of competitively recruited persons for the roles of: coordinator, financial manager, accountant, procurement officer and M&E officer. This expertise will fill the capacity gap in the sector and facilitate achievement of the project's development goal, and coordination with institutions from other sectors.		
M&E arrangements	Moderate	Low
Risk(s): IDEPA is working in collaboration with ADNAP to develop and strengthen the sector M&E System. Although project specific, the PROPEIXE M&E system will be linked to the sector M&E system, and due to the range of involved institutions and partners, there is a risk of lack of efficiency in the reporting due to the weak capacity of the Government technicians at all levels.		

Mitigations: The project is confronted with weak implementation capacity particularly at provincial level; the challenge is one of attracting suitably qualified staff to manage the provincial offices following the reestablishment of IDEPA Delegations. The Government of Mozambique's debt crisis and the COVID-19, Ukraine-Russia crisis have impacted on its ability to fund existing commitments. The experience of many other projects (past and present) suggests that these capacity constraints could seriously affect the pace and quality of project implementation, compromising the achievement of PDO.		
Public procurement²⁵	High	High
Legal and Regulatory Framework	High	High
Risk: The risk that the implementing regulations that supplement and detail the provisions of the procurement decree are not updated regularly to allow adequate implementation of the decree and/or to address the identified gaps such as opportunities for the use of Direct Contracting and other less competitive methods that impact on competition and result in poor procurement outcomes, the unavailability of updated Standard Bidding Documents (SBDs) and updated operating guidelines for use by procurement implementing units.		
Mitigations: The project to use IFAD procurement Guidelines and Handbook to ensure competition among market participants until a time when the Government of Mozambique SBDs are updated to a level that is acceptable to IFAD for use in IFAD-funded projects. Avoiding the use of Direct Contracting since it is highly regulated and can only be used in exceptional circumstances as provided in the IFAD Procurement Guidelines and Procurement Handbook.		
Accountability and Transparency	High	High
Risk: The risk that there may be loss of trust of the public procurement system by the stakeholders, in particular the bidders and private sector due to the absence of an effective enforcement of non-judicial dispute resolution mechanism (no independent appeals body at administrative level), non-implementation of audit findings/recommendations, and lack of comprehensive information on public procurement on a centralized portal to facilitate effective public and civil society participation.		
Mitigations: Publish procurement opportunities to ensure wide availability of public procurement information which can in turn spur effective participation by stakeholders (citizens, private sector and civil society), for example by publishing procurement plans and General Procurement Notices well in advance of procurement time, inviting the public to observe tender opening sessions, publishing bid awards and debriefing unsuccessful bidders. Arrange Business Opportunity Seminars to sensitise the private sector on how to access procurement opportunities, how to do business with IFAD projects, how to participate and submit tender documents, how to register at the Cadastro, conditions for pre-qualification/post qualification, and how to register complaints/appeals.		
Capability in Public Procurement	Moderate	Moderate
Risk(s): Lack of a professionalized procurement cadre. This poses the risk of procurement processes being carried out by unqualified procurement practitioners and may lead to incidences of non-compliance with the procurement law.		

²⁵ See **Appendix I**: IFAD PRM - Part A Country Level, Based on MAPS II – Assessment of National Procurement System for Mozambique; and **Appendix II** IFAD PRM - Part B Project Level.
Assessment of the project's procurement implementation Arrangements.

Mitigations: The procurement regulatory agency (UFSA) should lobby for the legislation of a Procurement Practitioners Act for public procurement to be treated as a strategic level activity in corporate structures to give the procurement profession better recognition by stakeholders. UFSA to conduct regular procurement training to close the skills gap among procurement practitioners.		
Public Procurement Processes	Moderate	Moderate
Risk(s): Procurement planning based on limited market scoping. Procurement plans are not published. Manual procurement system that prolonged the procurement process and causes delays. Hence limited ability to track and monitor procurement progress and processes. Weak contract management. Contracts are managed by the Finance department and levels in the contract management process are not clarified in the contract management framework.		
Mitigations: Adopt a risk-based approach to procurement. Train procurement staff on procurement planning, contract management, sustainability and SECAP requirements. Publish procurement plans on the project website and the UFSA portal. Computerize and integrate technology into procurement processes. The introduction of e-procurement. Since there is a framework already in place.		
Financial Management²⁶	Substantial	Substantial
Organization and staffing	Substantial	Moderate
Risk(s): The LPA has demonstrated sufficient FM organisation and staffing capacity. Accounting staff of the IDEPA are adequately qualified and experienced. The current and past projects have had dedicated finance staff, and there is additional support from the LPA finance team when necessary, especially in relation to approval of transactions through the government systems, and follow up of sub-national FM reporting. There is a risk that the staff to be recruited for the new project at national and sub-national levels will not have sufficient knowledge of IFAD FM requirements.		
Mitigations: Final FM structure of the PMU to be refined and staff recruited prior to first withdrawal. Training of all finance staff at national and sub-national level to be conducted within the start-up phase of the project.		
Budgeting	Substantial	Substantial
Risk(s): Budgets for the current IFAD supported project are reasonable. The process of developing the AWPBs is participatory. There have been revisions in the past, which slowed implementation. Approval of the budgets is done by the PSC. Delays in preparation and approval of budgets could significantly affect implementation of the project		
Mitigations: Preparation of project AWPBs will be participatory to ensure reasonable/realistic targets for both national and sub-national implementation. Set-up of the PSC should be completed (including selection of PSC members and drafting the relevant TORs) before commencement of the project.		
Funds flow/disbursement arrangements	Substantial	Substantial
Risk(s): The project is likely to have multiple financing facilities (IFAD, OFID, GEF, and GoM). This could complicate the treasury arrangements leading to delays in accessing funding, thus adversely affecting implementation of project activities.		

²⁶ See Appendix 3 for FMAQ Detailed Findings.

Mitigations: DA for each financier to the project and corresponding operational accounts in CUT will be opened prior to the first withdrawal. Develop tools during the start-up phase to capture all counterpart contributions, including taxes, duties, salaries for counterpart staff at national and sub-national levels, in-kind contributions by government and beneficiaries.		
Internal controls	Substantial	Substantial
Risk: There are sufficient controls within the government financial systems in Mozambique to effectively manage external funding. Specific to project financing, there has not been incidences of government interference with project funds that would cast doubt on the ability of the project to successfully implement the project. There is a risk that with limited monitoring, the controls in place may not work optimally which could lead to inefficient and inappropriate use of project resources.		
Mitigations: Project specific FM policies and procedures to be detailed in the PIM. The new project will be included in the annual plan of the internal audit department. Consideration to be made regarding recruitment of an internal auditor to supplement the efforts of the internal audit department of IDEPA, focusing mainly on the two IFAD financed projects.		
Accounting and financial reporting	Substantial	Moderate
Risk(s): The accounting system (e-SISTAFE) allows for proper recording of financial transactions. However, the system is not fully tailored for IFAD financial reporting requirements. The customization process is ongoing for the current project (PRODAPE) and should be suitable for PROPEIXE as well.		
Mitigations: Complete the customisation process of e-SISTAFE to suit IFAD financial reporting requirements prior to the first withdrawal.		
External audit	Substantial	Moderate
Risk(s): The Administrative Court ('Tribunal Administrativo': TA) is the Supreme Audit Institution in Mozambique in charge of the audit of all public institutions and State entities at central, provincial and local levels. Whereas this assessment did not specifically cover the structures of the SAI, the institution has not audited IFAD projects in previous years. However, there is agreement to commence the review of IFAD projects in the country commencing with the financial year ending 31 December 2023.		
Mitigations: Project to prepare financial statements in compliance with IPSAS cash basis standard. Engage the TA early for inclusion into their external audit plan from the first year of the project.		
Environment, Social and Climate Impact	Substantial	Moderate
Biodiversity conservation	Substantial	Moderate
Risk(s): Overreliance on fishing as only source of livelihood thereby putting pressure on coastal resources, ii) Over exploitation of mangroves for firewood, iii) Poor land and water management activities vegetation clearing during construction of various fisheries infrastructure; iv) construction as required for value chain improvement; v) inadequate restoration approach		

<p>Mitigations: Develop a clear plan for natural resource management within the framework of the project</p> <ul style="list-style-type: none"> - Improvement of coastal defense by rehabilitation and protection of coastal ecosystem and biodiversity hotspots, including mangroves reforestation, seagrass, coral reefs and promoting mariculture in potential coastal areas is required - Preserve sensitive species through clear assessment of the presence and behavior (e.g., nesting turtles), - Avoid and monitor the introduction of invasive flora or fauna species - Fisheries Management, Equipment and Infrastructure - Strengthening community-based conservation and restoration of ecosystems and biodiversity through CCPs, and establishment of community management areas, and interventions to preserve the ecosystems and biodiversity - Adapt and upgrade existing coastal infrastructure using nature-based approaches. - Promote motorisation of small-scale fishing boats and fishing gear improvements fit for open sea fishing to reduce pressure at the coast - Discourage the use of beach trawls and other harmful and indiscriminate activities - Put measures to protect fish in the open sea - Promote construction of boats using wood obtained from sawmills to avoid indiscriminate cutting of trees, especially protected tree species. - Promote construction of floating cages using PVC materials, which are less polluting to the environment, avoiding the cutting of mangrove species and thus reducing the pressure on natural resources; - Promoting the proper handling of fishing products in order to prevent disease and environmental pollution 		
<p>Resource efficiency and pollution prevention</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Risk(s): Increased pollution from improper disposal of effluents from fish processing. Accidental oil spills from shipping activities, oil extraction, or transportation can have catastrophic effects on marine ecosystems and fisheries. Oil spills can contaminate water, harm fish populations, and disrupt the livelihoods of local communities dependent on fishing.</p>		
<p>Mitigations: Fishers will be educated in i) boat safety, safe handling methods of oil, fuel, control of spills; and conservation of marine resources. ii) segregation of solid waste, avoidance and monitoring of banned/hazardous substances; (iii) sustainable disposal of batteries and waste; (iv) build capacity of farmers in sustainable land management to reduce water pollution.</p>		
<p>Cultural heritage</p>	<p>Moderate</p>	<p>low</p>
<p>Risk(s): Unexpected encounter with sensitive cultural sites (sacred trees and pools, medicinal plants, graves) and archaeological remains (ancient stone tools, pottery sherds).</p>		

<p>Mitigations: The Environmental and Social Impact Assessment (ESIA) process will be used to verify with relevant authorities, Institute of Socio-Cultural Research (ARPAC) and local authorities the presence of cultural heritage features in the proposed sub-project's site. In case of identification of any archaeological artefacts during works process, the Contractor should stop the operation and notify the Resident Engineer which must inform the relevant authorities for future inquiry.</p> <p>Chance Finds Procedure</p> <p>Carry out inspect all excavations, and where archaeological remains are found work must stop until it has been cleared to proceed. The officer should contact the Museums Authorities in the event of a significant archaeological find.</p>		
Indigenous Peoples	Low	Low
Risk(s): There are no issue pertaining specifically IPs.		
Mitigations: N/A		
Community health and safety	Moderate	Low
<p>Risk(s): Adverse health effects such as malnutrition, stunting, wasting anemia or micronutrient deficiencies (including folate, Vitamin A, iron, iodine) due to e.g. changes in livelihood and subsistence practices, or food inflation. There is a risk of not attaining the anticipated nutrition outcomes if smallholder households do not consume diversified diets and if income earned from sell of fish products is not used to buy nutritious food items at households.</p> <p>The project may cause significant adverse impacts on social health/safety status of the population as a result of poor safety standards around fishing processing infrastructures and technologies, resulting in disease outbreaks of water borne disease, and pollution.</p>		
<p>Mitigations: Dedicated nutrition interventions will for (i) households that are food insecure and nutritionally vulnerable and have at least one child under the age of five years; (ii) Households with a malnourished mother and adolescent girls; (iii) Women-headed households and iv) vulnerable households with pregnant and lactating women. Strong nutrition education and social and behavior change and communication will encourage increased consumption of diversified foods and will ensure that income generated is also invested in better diets of the family members. Coordination and alignment of the project to existing national and provincial level health programs will enhance and contribute to better outcome of the interventions.</p> <p>Capacity building for farmers and other community members will be done on efficient use of water; proper storage, handling, use and disposal of chemicals, integrated pest management; disease/infection monitoring occurrence and public health indicators, and also how to take corrective measures (e.g. physical changes to the production units, education, etcl) as needed.</p>		
Labour and working conditions	Moderate	low
<p>Risk(s): Due to weak legal and regulatory enforcement, exploitative labour practices e.g employment of children and gender based violence may be experienced in the project. There is also a risk of poor working conditions especially for the youth and women involved in fish processing due to smoke. In addition some fish production, processing, transporting and marketing may involve some children (age under 18).</p>		

Mitigations: The project will raise awareness against child labour, gender-based violence, and unsafe working conditions. The project will enforce the IFAD Sexual Exploitation and Abuse (SEA) gender based violence provisions and Gender Action Learning System (GALs) to engage targeted households on the benefits of impartial sharing of labour. The use of GALs methodology will minimize inequity in labour distribution, discourage child labour and encourage household members to work together and reduce women's workload through time and energy saving solutions.		
Physical and economic resettlement	Low	Low
Risk(s): No risk envisaged		
Mitigations: The project does not anticipate any physical or economic resettlement		
Greenhouse gas emissions	Low	Low
Risk(s): carbon emissions from the mechanized fisheries sector <ul style="list-style-type: none"> - use of electricity powered equipment - construction of roads and other infrastructure - fish production and processing Chlorofluorocarbons (CFC) generation from end-of-life waste from equipment (fridges, batteries)		
Mitigations: The risk will be assessed using the FAO Ex Ante carbon tool during design and account for carbon sequestered due to planting of mangroves and restoration of the ecosystems. Implementation of climate smart and environmentally sustainable practices <ul style="list-style-type: none"> - promote a sustainable exploitation of fish resources through: less invasive fishing tools and techniques - Promote use of renewable energy in fish processing (drying, storage and transportation) - Avoid the use of wood in construction to diminish the use of wood and decrease GHG emission - Renewable energy for less dependency to grid - Raise awareness on the need for transition from HCFC-22/HFC to HFO and natural refrigerants which is a non-ozone-depleting HFC refrigerant blend Alternative processing/preservation methods not dependent on cooling (Dried, salted and smoked, Prepared and preserved)		
Vulnerability of target populations and ecosystems to climate variability and hazards	Low	Low
Risk(s): The risk that the project may significantly increase the exposure or vulnerability of target populations' livelihoods, ecosystems, economic assets or infrastructure to climate variability and hazards.		
Mitigations: PROPEIXE will invest in climate adaptation and resilience strategies with mitigation co-benefits to lessen susceptibility and manage the numerous climate-related risks to combat the effects of climate change hazards. Climate adaptation with mitigation co-benefits like improved early warning systems, more accessible access to weather and climate data, climate-resilient infrastructure, climate-smart agricultural practices/technologies, renewable energy, and climate insurance, will support build resilience.		
Stakeholders	Moderate	Low
Stakeholder engagement/coordination	Moderate	Low

<p>Risk(s): Elite capture may limit participation from the most vulnerable households and direct project resources to areas which are not relevant for them. A part of PPP engagement with multiple stakeholders, it is key that poverty focus is maintained to ensure poverty targeting.</p>		
<p>Mitigations: The project will put attention to capture and integrate the view of all stakeholders and include key steps such as: information, consultation, engagement with all social actors and specific measures for social inclusion of the most vulnerable as outlined in the targeting and social inclusion strategy. Field staff will be attentive to critical monitoring of intended beneficiaries to ensure they are effectively reached and understand the effects of interventions within each target group. Detailed Stakeholder Engagement plan will be prepared.</p>		
<p>Stakeholder grievances</p>	<p>Moderate</p>	<p>Low</p>
<p>Risk(s): Inadequate or delayed activation of grievance/complaint redress mechanisms, resulting in unresolved stakeholder complaints, which may result in low motivation and project participation. This could jeopardize project implementation and the achievement of project development goals.</p>		
<p>Mitigations: PROPEIXE will provide capacity building for project staff and senior government representatives from lead project executing agencies so that they can effectively engage stakeholders and provide feedback on IFAD investments. For the project, a grievance redress mechanism will be developed to provide a channel for complaints.</p>		