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Enabling poor rural people  
to overcome poverty

## **President's report**

### **Proposed loan to the Republic of Mozambique for the**

### **Artisanal Fisheries Promotion Project**

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

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Executive Board — 101<sup>st</sup> Session  
Rome, 14-16 December 2010

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**For: Approval**

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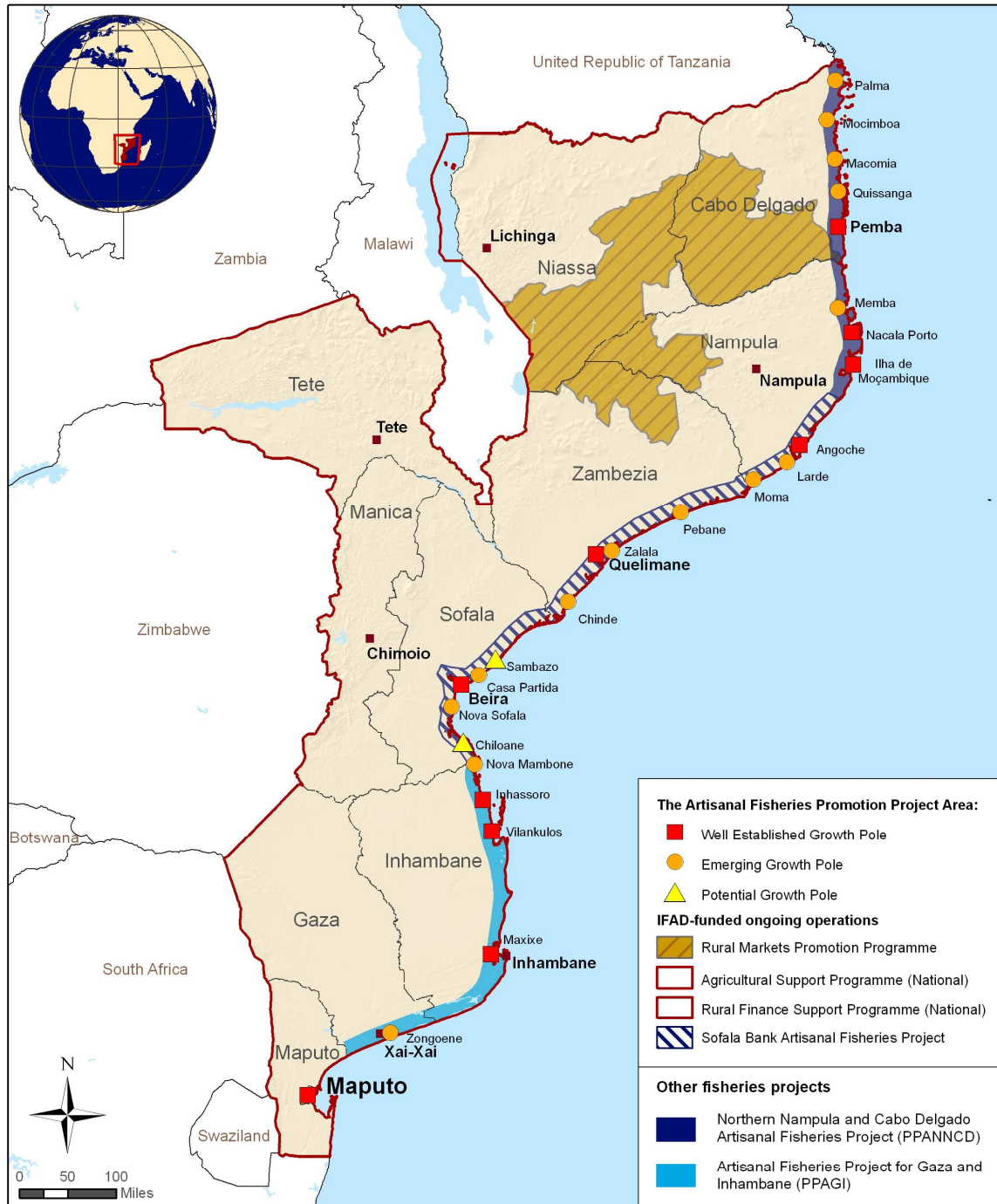
## Abbreviations and acronyms

IDPPE	Institute for the Development of Small-Scale Fisheries
PPABAS	Sofala Bank Artisanal Fisheries Project
RFSP	Rural Finance Support Programme

# Map of the project area

## Mozambique

The Artisanal Fisheries Promotion Project and other IFAD-funded ongoing operations



13-10-2010



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.

IFAD Map compiled by IFAD

## Republic of Mozambique

### Artisanal Fisheries Promotion Project

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Republic of Mozambique
<b>Executing agency:</b>	Ministry of Fisheries
<b>Total project cost:</b>	US\$43.5 million
<b>Amount of IFAD loan:</b>	SDR 13.85 million (equivalent to approximately US\$21.1 million)
<b>Terms of IFAD loan:</b>	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
<b>Cofinanciers:</b>	Belgian Fund for Food Security (BFFS) Other (not yet identified)
<b>Amount of cofinancing:</b>	BFFS: US\$7.1 million Other: US\$10.9 million
<b>Terms of cofinancing:</b>	BFFS: grant Other: unknown
<b>Contribution of borrower:</b>	US\$1.1 million
<b>Contribution of beneficiaries:</b>	US\$3.3 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of Mozambique for the Artisanal Fisheries Promotion Project, as contained in paragraph 37.

## **Proposed loan to the Republic of Mozambique for the Artisanal Fisheries Promotion Project**

### **I. The project**

#### **A. Main development opportunity addressed by the project**

1. The project responds to a major concern of the artisanal fisheries sector in Mozambique, while at the same time taking advantage of a development opportunity. The waters within relatively easy reach of artisanal fishers are becoming heavily overfished in many coastal areas because of the increasingly intensive use of fishing techniques such as beach seines. Catch sizes are reducing and return per unit of effort is starting to decline. Instead, many open sea areas along the coastline remain largely underexploited. By creating the conditions for diversifying the artisanal fishers' operations towards offshore waters, the project will not only increase the income-earning opportunities of fishing communities, but also facilitate a reduction in the fishing effort in inshore waters.

#### **B. Proposed financing**

##### **Terms and conditions**

2. It is proposed that IFAD provide a loan to the Republic of Mozambique in the amount of SDR 13.85 million (equivalent to approximately US\$21.1 million) on highly concessional terms to help finance the Artisanal Fisheries Promotion Project. The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum. The borrower has requested that reasonable costs of taxes and duties (estimated at US\$1.3 million) be included in expenditures financed by IFAD. This will promote economy and efficiency for fiduciary and operational purposes including, but not limited to, matters of the flow of funds and reporting. Experience with IFAD-funded programmes and projects in the country has proved that the borrower lacks the capacity to provide timely, adequate funding to cover taxes and duties, as well as to refund them promptly in the case that the programme/project pays them in advance from the IFAD loan. This is seriously affecting implementation of programmes and projects and posing fiduciary issues for the borrower. The borrower also declares that it is not legally able to exempt the project from all taxes. IFAD is hereby following the World Bank approach to the financing of taxes. Management has ascertained that World Bank country financing parameters for Mozambique permit the financing of taxes and duties, and in practice these parameters are implemented by the Bank.

##### **Relationship to the IFAD performance-based allocation system (PBAS)**

3. The allocation defined for Mozambique under the PBAS is US\$39.8 million over the 2010-2012 allocation cycle. The project will use US\$21.1 million of the allocation, leaving US\$18.7 million for further investment under the new country strategic opportunities programme 2011-2015, which will be presented to the Executive Board in May 2011.

##### **Relationship to national medium-term expenditure framework criteria**

4. The medium-term expenditure framework (MTEF) in Mozambique has a three-year horizon. For 2011-2013, the overall allocation for the fishery sector is projected to be

above US\$150 million. All IFAD-supported programmes and projects in Mozambique are on budget and thus consistent with the MTEF.

#### **Relationship to national sector-wide approaches or other joint funding instruments**

5. There is no sector-wide approach mechanism in the fisheries sector in Mozambique. There is, however, a sector donor coordination group in which IFAD participates through its country presence office.

#### **Country debt burden and absorptive capacity of the State**

6. Mozambique received debt relief from the Debt Initiative for Heavily Indebted Poor Countries in 1998, reaching the completion point in September 2001. According to the latest joint World Bank/International Monetary Fund (IMF) debt sustainability analysis (June 2010), the country is at low risk of debt distress and therefore not eligible for grant assistance under the Debt Sustainability Framework.

#### **Flow of funds**

7. Funds will be deposited into a designated account denominated in United States dollars. From there, depending on the nature of expenditures, funds will either be transferred to the project accounts in the Institute for Development of Small-Scale Fisheries (IDPPE) or to the Government's single treasury account (CUT) for payments to be made using the government electronic public finance budgetary and reporting system (e-SISTAFE).

#### **Supervision arrangements**

8. The project will be directly supervised by IFAD.

#### **Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies**

9. No exceptions are foreseen.

#### **Governance**

10. The following measures will address governance aspects of the IFAD loan: (i) use of same project coordination unit as for the ongoing Sofala Bank Artisanal Fisheries Project (PPABAS), given its proven operational and financial management capacities; (ii) application of IFAD standards and procedures for fiduciary aspects, which already proved effective under PPABAS and are being further strengthened for the whole country programme, especially in areas of financial reporting, audit and procurement; and (iii) strengthening of the role of beneficiaries and communities in planning and monitoring of project investments.

### **C. Target group and participation**

#### **Target group**

11. In accordance with the IFAD Policy on Targeting, the primary target group consists of poor men and women involved in fishing and related activities for whom fishing and fish products are the principal source of livelihood and often the only source of cash income. A secondary target group comprises poor households that will benefit directly from project activities (e.g. as members of savings and credit groups and as contract workers for road construction) but are not necessarily involved in fisheries. A third group is made up of relatively well-off people and of institutions, both critical to value chain functioning.

#### **Targeting approach**

12. The targeting strategy comprises: (i) geographic inclusion to ensure the progressive involvement of remote and poor communities around the growth poles; (ii) provision of differentiated activities for different segments of the fishing population; (iii) promotion of inclusive community organizations, such as savings and credit groups; and (iv) intensive training of staff on targeting, gender and HIV/AIDS issues.

## **Participation**

13. Participation of all stakeholders will be promoted through growth pole planning and the annual review and monitoring processes, which will be used to determine priorities for allocation of project resources. Poverty profiling and gender dimensions of the fishing communities will be established and strategies introduced to ensure effective inclusion of poorer families and women in project activities.

## **D. Development objectives**

### **Key project objectives**

14. The project's goal is to improve the incomes and livelihoods of poor households involved in artisanal fisheries in the selected growth poles. Its development objective is to increase the returns from fish sales for artisanal fishers and small market operators on a sustainable basis.

### **Policy and institutional objectives**

15. The project will continue the process started by PPABAS of building government capacity, and in particular the capacity of IDPPE and associated fisheries institutions, to develop the artisanal fisheries sector and create a supportive policy and regulatory environment for it.

### **IFAD policy and strategy alignment**

16. The project is consistent with the IFAD Strategic Framework 2007-2010, which highlights the important role access to transparent and competitive markets plays in empowering poor rural people to achieve higher incomes and improved food security. The project is also consistent with the IFAD country strategic opportunities programme, in particular with the strategic objective of integrating artisanal fisheries into the market economy and turning them into profitable economic activities.

## **E. Harmonization and alignment**

### **Alignment with national priorities**

17. The project is aligned with the Government's main strategic orientations as outlined in its Action Plan for the Reduction of Absolute Poverty 2006-2009 and its Strategic Plan for the Artisanal Fisheries Subsector. The project combines poverty reduction with sustainable economic development, with a strong emphasis on effective market linkages for artisanal fishers.

### **Harmonization with development partners**

18. IFAD is a member of the donor coordination group and, due to its long-term partnership with IDPPE, is recognized as a lead donor in the artisanal fisheries sector. Besides coordinating activities with two IFAD-funded programmes in Mozambique – the Rural Finance Support Programme (RFSP) (also funded by the African Development Bank) and the Rural Markets Promotion Programme – the project will liaise with the Norwegian Government-sponsored Fisheries Sector Assistance Programme, to coordinate sector capacity-building and policy initiatives, and with the World Bank/United Nations Development Programme-financed Southwest Indian Ocean Fisheries Project, for the assessment of fishery resources for the artisanal sector.

## **F. Components and expenditure categories**

### **Main components**

19. The project has four components: (i) supporting development of higher-value fish; (ii) improving economic infrastructure; (iii) developing financial services; and (iv) institutional strengthening, policy initiatives and project management.

### **Expenditure categories**

20. There are seven expenditure categories: (i) civil works (27 per cent); (ii) vehicles, equipment and materials (4 per cent); (iii) technical assistance, contracts, studies, training and workshops (21 per cent); (iv) value chain facility (20 per cent);

(v) Innovation and Outreach Facility matching grants (2 per cent); (vi) investment capital (11 per cent); and (vii) recurrent costs (15 per cent).

## **G. Management, implementation responsibilities and partnerships**

### **Key implementing partners**

21. The Ministry of Fisheries designates IDPPE as lead project agency. Additional project parties include but are not limited to the National Fisheries Administration, the Institute of Fisheries Research, the National Institute for Fisheries Inspection, the National Roads Authority, the Mozambique Electricity Company and the National Fund for Alternative Energy. The private sector and civil society institutions will be contracted for implementation of activities where they have a comparative advantage, for instance for the provision of financial services.

### **Implementation responsibilities**

22. The project will combine the comparative advantages of the private sector with government oversight and support. While IDPPE will have overall implementation responsibility, through the project coordination unit and the provincial delegations, the private sector will be a key player in enabling fishers to expand their operations and increase their incomes: commercial banks will be co-investors in the value chain and will extend their outreach to the growth points; and private investors will invest in and/or manage key facilities such as ice plants.

### **Role of technical assistance**

23. Long-term technical assistance expertise with advisory and capacity-building roles will be embedded within IDPPE, with individual experts in key technical areas working either in IDPPE departments or in its provincial delegations.

### **Status of key implementation agreements**

24. Memorandums of understanding will be signed directly after start-up with key implementation partners, namely the National Roads Authority, the Mozambique Electricity Company, and the Fund for Support to Economic Rehabilitation/RFSP, based on similar agreements already operational for other IFAD-supported programmes.

### **Key financing partners and amounts committed**

25. The total project cost is US\$43.5 million over seven years. The sources of financing are: IFAD (49 per cent); the Government (3 per cent); the Belgian Fund for Food Security (16 per cent); other financiers<sup>1</sup> (25 per cent); partner financial institutions (5 per cent); and private-sector entrepreneurs (2 per cent).

## **H. Benefits and economic and financial justification**

### **Main categories of benefits generated**

26. The key benefit will be increased incomes for a large portion of the households in fishing communities. Some 13,600 poor households and 1,700 better-off households involved in fishing and related activities are projected to benefit directly through improved access to markets, financial services, and fishing inputs, gear and boats. Furthermore, about 25,000 poor households not directly involved in fisheries will benefit from participation in savings and credit groups and from work opportunities created by road works. Finally, an additional 40,000-60,000 households will benefit from improved road access and the supply of electricity.

### **Economic and financial viability**

27. Fishery, enterprise and value chain models indicate significant increases in gross and net returns, with internal rate of returns after financing ranging from 13 to 60 per cent. The project as a whole shows an economic rate of return of 25 per cent.

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<sup>1</sup> The project is currently being considered for cofinancing by the Spanish Food Security Cofinancing Facility Trust Fund.



## **I. Knowledge management, innovation and scaling up**

### **Knowledge management arrangements**

28. The project will systematically capture, analyse, document and disseminate lessons learned and best practices, while strengthening the knowledge management capacity of IDPPE and the other participating fisheries agencies. The experts involved will be responsible for knowledge management in IDPPE as a whole, as well as in the project, and this will allow for broader institutional impact.

### **Development innovations that the project will promote**

29. Innovation is a key driver in the project. The development of the fresh fish value chain will entail innovation, scaling-up and adaptation of technical solutions throughout the whole chain, from boats and propulsion systems, to fishing gear and post-catch processing, in particular relating to the use of ice. Innovative financing mechanisms (the Risk Mitigation Fund) will also be promoted to improve the financial institutions' risk perception of the sector. In addition, the development of savings and credit groups into more structured institutions linked with the formal financial sector will also constitute an innovation in the context of Mozambique.

### **Scaling-up approach**

30. Some of the most successful and innovative experiences piloted by the project in specific geographic areas will be replicated in the entire project area. Strengthening IDPPE capacity to document and extract lessons for replication will be a key strategy to facilitate the scaling-up process.

## **J. Main risks**

### **Main risks and mitigation measures**

31. The project faces two main risks: (i) borrowers could experience difficulties in securing loan financing for critical medium-term investment; and (ii) fisheries resources in the open sea areas could become overexploited as a result of the value chain development. The planned mitigation measures include: (i) funding from the Risk Mitigation Fund to reduce collateral issues combined with incentives for expansion of outreach of financial institutions to the growth poles; and (ii) preliminary and ongoing assessment and monitoring of resources, combined with capacity-building for resource management at all levels.

### **Environmental classification**

32. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact. It will have a positive impact on the environment by encouraging fishers to move away from overexploited inshore waters to underexploited open sea areas.

## **K. Sustainability**

33. The sustainability of project investments will be ensured by supporting viable private investment along the value chain and by strengthening public institutions so that they can provide public services to the sector more efficiently.

## **II. Legal instruments and authority**

34. A project financing agreement between the Republic of Mozambique and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as an annex.
35. The Republic of Mozambique is empowered under its laws to receive financing from IFAD.
36. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

### **III. Recommendation**

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

RESOLVED: that the Fund shall make a loan on highly concessional terms to the Republic of Mozambique in an amount equivalent to thirteen million eight hundred and fifty thousand special drawing rights (SDR 13,850,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein. The Fund shall not require the Government of Mozambique to make counterpart funds available for financing the reasonable costs of taxes and duties that the project may incur.

Kanayo F. Nwanze  
President

## **Negotiated financing agreement: "Artisanal Fisheries Promotion Project"**

(Negotiations concluded on 2 December 2010)

Loan Number: \_\_\_\_\_

Project Title: Artisanal Fisheries Promotion Project (the "Project")

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

The Republic of Mozambique (the "Borrower")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

### **Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

### **Section B**

1. The amount of the Loan is thirteen million eight hundred and fifty thousand Special Drawing Rights (13 850 000 SDR).
2. The Loan is granted on highly concessional terms.
3. The Loan Service Payment Currency shall be United States Dollars.
4. The first day of the applicable fiscal year shall be 1 January.
5. Payments of principal and service charge shall be payable on each 1 February and 1 August.
6. One designated account in United States Dollars shall be opened in the Bank of Mozambique by the Borrower for the purpose of receiving the Financing.
7. The Borrower shall provide counterpart financing for the Project in an amount estimated at USD 1.1 million equivalent for the recruitment of additional extensionists and cost-sharing of alternative power supply systems.

**Section C**

1. The Ministry of Fisheries designates the Institute for Development of Small-Scale Fisheries (IDPPE) as Lead Project Agency.
2. Additional Project Parties include but are not limited to institutions and service providers mentioned in Schedule 1.
3. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

**Section D**

The Fund shall administer the Loan and supervise the Project.

**Section E**

1. The following is designated as an additional ground for suspension of this Agreement: The Project Coordinator or the Financial Manager shall have been removed from the Project Coordination Unit (PCU) without the prior concurrence of the Fund.
2. The following is designated as an additional general condition precedent to withdrawal: The Project Coordinator, the Financial Manager and the Monitoring and Evaluation/Knowledge Management Specialist shall have been appointed in accordance with Schedule 1.
3. The following are designated as additional specific conditions precedent to withdrawal with regard to the categories listed in Schedule 2:
  - (a) Category I:
    - (i) Expenditures related to the sub-component on Access Road Improvement: The Agreement between IDPPE, the Road Fund (FE) and the National Roads Administration (ANE), as defined in Schedule 1, Section II, paragraph 7B, shall have been approved by the Fund in draft, and a signed copy of such Agreement, shall have been delivered to the Fund;
    - (ii) Expenditures related to the sub-component on Electrification: The Agreement between IDPPE and Electricidade de Mocambique (EDM), as defined in Schedule 1, Section II, paragraph 7B, shall have been approved by the Fund in draft, and a signed copy of such Agreement, shall have been delivered to the Fund; and
    - (iii) Expenditures related to the sub-component on Alternative Power Supply: The Agreement between IDPPE and the National Energy Fund (FUNAE), as defined in Schedule 1, Section II, paragraph 7B, shall have been approved by the Fund in draft, and a signed copy of such Agreement shall have been delivered to the Fund.
  - (b) Category V: The Agreement between IDPPE and the Fund for Support to Economic Rehabilitation (FARE), as defined in Schedule 1, Section II, paragraph 7C, shall have been approved by the Fund in draft, and a signed copy of such Agreement, shall have been delivered to the Fund.

(c) Category VI, expenditures related to the sub-component on Risk Mitigation Fund (RMF): The Subsidiary Loan Agreement between the Ministry of Finance and the financial institution selected to manage the RMF, as defined in Schedule 1, Section II, paragraph 7C, shall have been approved by the Fund in draft; and a signed copy of such Agreement, shall have been delivered to the Fund.

5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

Mr. Alessandro Marini  
(Country Programme Manager)  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

For the Recipient:

Minister of Finance  
Placa da Marinha Popular  
Maputo  
Mozambique

This agreement, dated \_\_\_\_\_, has been prepared in the (English) language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

\_\_\_\_\_  
For the Fund

\_\_\_\_\_  
For the Borrower

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The Project shall directly benefit about 40 000 households, including: about 13 600 poor households involved in fishing and related activities ("primary target group"); approximately 25 000 households will benefit from Project activities but are not necessarily involved in fisheries ("secondary target group"); and about 1 700 households of other direct beneficiaries that are not poor, but will directly benefit from Project interventions and resources given that they are of critical importance to the success of the Project. The target population will be located in the selected growth poles along the whole coastline of Mozambique (the "Project Area"), each growth pole comprising a major fishing centre and a number of fishing centres linked to the major one.
2. *Goal.* The goal of the Project is: to improve incomes and livelihoods of poor households involved in artisanal fisheries in the selected growth poles.
3. *Objective.* The objective of the Project is: to increase the returns from fish sales for artisanal fishers and small-scale operators on a sustainable basis.
4. *Components.* The Project shall consist of the following Components and Sub-Components:
  - A. *Component 1: Supporting Development of Higher Value Fish*, including:
    - (i) Training, demonstrations and support activities;
    - (ii) Market infrastructure;
    - (iii) Staff training and increased institutional capacity;
    - (iv) Feasibility studies, planning and community mobilization;
    - (v) Long-term technical assistance.
  - B. *Component 2: Improving Economic Infrastructure*
    - Sub-Component 2.1: Access Road Improvement*, including: (i) Rehabilitation of unclassified roads; (ii) Rehabilitation of classified roads; (iii) Road transitability maintenance; and (iv) Planning, design, capacity building and supervision.
    - Sub-Component 2.2: Electrification*, including support to establishment of electrification: (i) for growth poles not already connected to the national grid; (ii) within growth poles, to facilities important to fresh/frozen fish marketing; and (iii) from growth poles to important fishing centres.
    - Sub-Component 2.3: Alternative Power Supplies*, for more remote but important outlying fishing centres.
  - C. *Component 3: Developing Financial Services*
    - Sub-Component 3.1: Community-Based Financial Services*, including:
      - (i) Establishment of new savings and credit groups (PCRs);
      - (ii) Capacity building of service providers/NGOs and development of the PCR method;
      - (iii) Support to formal community-based financial service providers;
      - (iv) Provision of business development services and literacy programmes to PCR groups.

*Sub-Component 3.2: Financial Support to Value Chain Investments*, including: (i) Support to attract financial institutions to fishing areas; (ii) Risk Mitigation Fund; (iii) Infant industry facility; (iv) Innovation fund for women's enterprises; and (v) Specialised business development services.

*Sub-Component 3.3: Technical Assistance for Financial Services*, including: (i) Rural finance expertise; and (ii) PCR development specialist.

- D. *Component 4: Institutional Strengthening, Policy Initiatives and Project Management*, including: (i) Co-management; (ii) Research and fishing potential; (iii) Gender and poverty targeting; (iv) Policy/legislative initiatives; (v) Monitoring, evaluation and knowledge management; and (vi) IDPPE institutional strengthening.

## **II. Implementation Arrangements**

1. The Project shall come under the auspices of the Ministry of Fisheries, with IDPPE having been designated Lead Project Agency. In addition to IDPPE, the following public institutions shall partner with IDPPE and be directly involved in Project implementation: the National Directorate of Fisheries Administration (ADNAP), the National Institute for Fisheries Research (IIP), ANE, FE, EDM, FUNAE, FARE and relevant district administrations and municipalities. Moreover, the Project will partner with private sector financial institutions and service providers.
2. The Director of IDPPE shall have overall institutional responsibility for ProPESCA, but line responsibility for day-to-day Project implementation shall be delegated to the Project Coordinator, who leads the PCU that is embedded in IDPPE. The provincial delegations of IDPPE shall be charged with coordinating Project activities in the growth poles that fall within their area, under overall oversight by the PCU. IDPPE technical departments shall provide technical support and backstopping to the Provincial Delegations for technical matters related to the Project.
3. The PCU shall be composed of a team of individuals contracted by IDPPE and managed by a Project Coordinator who shall be responsible to the Director of IDPPE. The PCU shall have its main office in IDPPE in Maputo. The PCU shall have overall responsibility for project implementation, including planning, reporting and monitoring project progress and impact, as well as for the overall financial management, including procurement, disbursement and accounting. The PCU shall consist of a Project Coordinator, a Financial Manager, a Monitoring and Evaluation/Knowledge Management Specialist (also Gender Focal Point) and support staff. The PCU shall be supported by technical assistance (TA) experts, including but not limited to, a value chain/marketing specialist, a fisheries technologist, a civil engineer, a rural finance specialist, and a gender/poverty targeting specialist. Each TA expert will be based in the relevant IDPPE technical department and will work with a counterpart assigned by the department.
4. The PCU key staff, who shall have qualifications and experience satisfactory to the Fund, shall be appointed by IDPPE subject to prior approval by the Fund. Key staff shall preferentially be confirmed from the PCU of the closing Sofala Bank Artisanal Fisheries Project (PPABAS) or, alternatively, shall be recruited through a competitive process, with posts open to highly qualified candidates from the private and public sector, although IDPPE staff with satisfactory qualifications and expertise shall be preferred. Specialists for the TA team shall be recruited through a competitive process. All staff recruited through a competitive process shall be appointed for a two-year period with possibility of renewal subject to a satisfactory performance evaluation by IDPPE and the Fund. Civil servants selected for any of the posts above should either resign or obtain leave without pay from the Government and be hired on a contract basis.

5. The Borrower shall establish Project Reference Groups (PRGs) at national and local level to facilitate coordination among key Project parties and stakeholders and their participation in the planning, monitoring and implementation of the Project. The PRGs shall be composed of representatives from key Project partner organizations, including government agencies, civil society and private sector. At local level, PRGs will be created in each growth pole where Project investment will take place. At national level, the PRG shall be chaired by the Director of IDPPE and shall act as the Project Steering Committee.

6. The PRGs shall meet semi-annually and fulfil an oversight and advisory role throughout the Project period, including:

- Involvement in the annual planning by providing advice and inputs for the elaboration of the AWPBs as required. The AWPBs will be approved by the PRG at national level before being submitted to the Fund for no objection;
- Monitoring the Project implementation through review of progress reports, interaction with supervision missions and, if needed, field visits to Project areas to assess progress and achievements;
- Ensuring coordination among the Project parties for a smooth implementation of the Project;
- Provide a consultative mechanism for management to solicit the views of stakeholders at the appropriate level.

7. The following are the specific implementation arrangements by component:

A. Component 1. The component shall be implemented by the PCU based in Maputo with the IDPPE Delegations at the provincial level having a major part of the responsibility for organizing the training, demonstrations and other activities. That training which is within the purview and competence of IDPPE would be undertaken by its provincial and HQ technical staff and extensionists. Other training shall be by specialized service providers. The identification of the activities to be financed each year shall be determined by a growth pole stocktaking, assessment and planning process, involving the main stakeholders in the value-chain. This shall be led by the IDPPE provincial delegations and involve establishing, and annually updating, a technical inventory of economic, technical and social features of the growth poles, including the identification of the main constraints, potentials and opportunities. Based on the assessment and an agreement of priorities, a growth pole investment plan shall be elaborated at the beginning of the Project in each growth pole and subsequently broken down into annual work programmes and budgets, which will be reviewed annually.

B. Component 2. For the roads sub-component, the FE and ANE, working with the districts, shall have overall implementation responsibility, on the basis of an Agreement that will be signed between these two institutions and IDPPE. The Agreement shall be sent to the Fund for prior approval before its signature. ANE shall be responsible for the tendering process for the construction works, as well as for their supervision and certification of completion. The works shall be contracted directly to local road construction companies experienced with labour-based road rehabilitation. The PCU shall monitor the fulfilment by ANE of the agreed work plans. The districts and the PCU/provincial IDPPE Delegations shall be involved in the selection of the roads to be rehabilitated, which shall be identified as part of the growth pole planning process. The district authorities shall assume the responsibility for maintenance of the unclassified roads rehabilitated by the Project and the provincial authorities for the classified roads. For the Electrification and Alternative Power Supply sub-components, EDM and FUNAE respectively shall have overall implementation responsibility, on the basis of an Agreement that will be signed between each of these two institutions and IDPPE. The Agreements shall be sent to the Fund for prior approval before their signature. The works



shall be contracted out to private sector in lots to maximise the interest and competition amongst qualified contractors. If the size and location of works do not justify mobilization of contractors, EDM shall carry out the works through 'force account'. The PCU shall monitor the fulfilment by EDM and FUNAE of the agreed work plans.

C. Component 3. The activities related to Capacity Building of Service Providers and Development of PCR Method shall be implemented by contracted service providers. The Support to Attract Financial Institutions to Fishing Areas shall be implemented by the Innovation and Outreach Facility of RFSP, using its own investment rules, criteria and procedures and matching resources from the RFSP, on the basis of an agreement that will be signed between FARE and IDPPE. The Agreement shall be sent to the Fund for prior approval before its signature. The RMF shall be managed by a financial institution competitively selected. A Subsidiary Loan Agreement shall be signed between the selected financial institution and the Ministry of Finance for this purpose. A Manual for the operations of the RMF shall be elaborated by the selected institution and submitted for approval to IDPPE and the Fund. The Innovation and Infant Industry Facility shall operate under a modality that will be established through a study that shall be undertaken during the first year of the Project.

D. Component 4. For activities related to Co-Management and Research under the Project, IDPPE shall enter into Agreements with ADNAP and IIP respectively, which are the two institutions that have institutional mandate and responsibility in these two areas. For Policy/Legislative Initiatives and Governance, a system shall be established to enable IDPPE to respond to policy/legislative issues arising during Project implementation by setting up dialogue and response mechanisms to feed into national policy debate/formation.

## Schedule 2

### *Allocation Table*

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

Category	Loan Amount Allocated <sup>2</sup> (expressed in SDR)	Percentage
I. Civil Works	3 310 000	100%
II. Vehicles, Equipment and Materials	840 000	100%
III. TA, Contracts, Studies, Training and Workshops	1 990 000	100%
IV. Value-chain Facility	1 940 000	100%
V. Innovation and outreach facility matching grants	470 000	100%
VI. Investment Capital	770 000	100%
VII. Recurrent costs	3 140 000	100%
Unallocated	1 390 000	
<b>TOTAL</b>	<b>13 850 000</b>	

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

“Investment Capital” means expenditures incurred under the RMF and the Infant Industry Facility;

“Recurrent costs” include salaries, allowances and incremental operating costs.

2. *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs in Categories II, III and VII incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 250 000 equivalent.

<sup>2</sup> The Allocated Amount is net of expenditures funded by other financiers.

### Schedule 3

#### *Special Covenants*

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

1. *Recruitment of additional extensionists.* The Borrower shall ensure the recruitment of additional extensionists in the growth poles where the Project shall invest.
2. *Insurance of Project Personnel.* The Borrower, through IDPPE, shall insure PCU personnel against health and accident risks to the extent consistent with its customary practice in respect of its national civil service.
3. *Maintenance of Market infrastructure.* The Borrower shall ensure that the maintenance of market infrastructure (including roads) constructed and/or rehabilitated under the Project is carried out throughout the Project Implementation Period and continues after the Project Completion Date and that it shall provide necessary financing of such maintenance at the appropriate level.
4. *Planning, Monitoring and Evaluation (PM&E).* The PCU shall develop a PM&E system within 12 months from the date of entry into force of this Agreement with active participation of the IDPPE Departments/Delegations and partner organizations. The system will be based on the existing one for the Sofala Bank Artisanal Fisheries Project (PPABAS). The system will allow for appropriate planning, progress monitoring and evaluation of outcomes and impact.
5. *Project Implementation Manual (PIM).* A PIM, including a Financial Management Manual and a section describing the planning and monitoring process of the growth poles investment plans, with emphasis on the mechanisms for involvement of beneficiaries in planning and monitoring of Project activities, shall be finalized by the PCU within 12 months from the date of entry into force of this Agreement having been submitted to the Fund for its comments and No Objection.

## **Key reference documents**

### **Country reference documents**

Poverty Reduction Strategy (PARPA II) 2006-2009, May 2006, Maputo

Agenda 2025, The Nation's Vision and Strategy, 2003, Maputo

Strategic Plan for the Artisanal Fisheries Sub-Sector (PESPA), August 2006, Maputo

Fisheries Master Plan, March 1995, Maputo

Law of Fisheries and General Regulation for Marine Fisheries, September 1990, Maputo

### **IFAD reference documents**

Project design document (PDD) and key files

COSOP

## Logical framework

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Assumptions and Risks
<b>Goal</b>			
Improve incomes & livelihoods of poor HHs involved in artisanal fisheries in selected growth poles.	HHs improvement in assets ownership index Reduction in prevalence of child malnutrition (%) HHs for which food security has improved (no)	<ul style="list-style-type: none"> <li>Quantitative baseline, mid-term, completion survey including HHs</li> <li>Health statistics, qualitative studies</li> </ul>	
<b>Development Objective</b>			
Increase returns from fish sales for artisanal fishers and small market operators on a sustainable basis	Incremental fishers sales value; Incremental value traders selling dried & fresh fish by PY7 (numbers specified in detailed logframe)	<ul style="list-style-type: none"> <li>baseline, mid-term, completion survey; qualitative studies; ongoing monitoring of fish catches and sales.</li> </ul>	Effective targeting includes poorer and vulnerable households.
<b>Outcomes</b>			
Increased catch of higher quality fish in coastal areas of selected growth poles	Fishing units that predominantly target higher quality fish (no improved boats by PY7); Incremental quantity of higher quality fish caught by fishing units by PY7 (# specified)	<ul style="list-style-type: none"> <li>IIP catch and effort survey data.</li> <li>Point-of-first-sale market records.</li> <li>Ice plant production records.</li> <li>IDPPE/IIP fish prices survey data</li> </ul>	Absence of negative local and national economic / social effects that overshadow project results.
Increased value of fish traded from the artisanal sector in coastal areas of selected growth poles.	Incremental prod'n of ice; Higher value fish traded in markets; Average fish price at growth pole markets (each by PY7 with numbers specified in detailed logframe)		
<b>Project Outputs</b>			
<b>Component 1. Supporting Development of Higher Value Fish (<i>Households receiving project services – no: 13,600</i>)</b>			
<b>Output 1.</b> Diversified, commercially viable fishing units <b>Output 2.</b> Improved organization for post-harvest utilization of fish <b>Output 3.</b> Infrastructure ensure quality fish	Fishers trained in fish handling gear & fishing; boat builders engine mechanics trained; Traders/processors trained in conservation, marketing; Traders/fishers accessing biz dev't services; associations supported; ice plants, markets established (Numbers specified in detailed logframe)	<ul style="list-style-type: none"> <li>Progress reports from contractors, services providers</li> <li>Project monitoring registers</li> <li>Qualitative studies complement indicator-based data</li> </ul>	Demand for higher quality fresh/frozen fish sufficient/growing; Suppliers/services providers operate profitably; Regulation prevents over-exploitation; Risk: insufficient ice utilization due to availability
<b>Component 2. Improving Economic Infrastructure (<i>Households receiving benefiting from roads and electrification – no: 40,000</i>)</b>			
<b>Output 4.</b> Econ Infrastructure ensures effective value chain; <b>Output 5.</b> Improved road access	Elect. lines extended; Roads improved; Local contractors trained; People benefitting from labour-based road works employment;; Roads maintained (Nos. specified)	<ul style="list-style-type: none"> <li>Progress reports</li> <li>EDM records &amp; ANE monitoring</li> <li>Project monitoring registers</li> </ul>	Improved roads lead to required increase in transport availability; No undue shocks in electricity prices
<b>Component 3. Financial Services (<i>Households receiving project services – no: 35,200</i>)</b>			
<b>Output 6.</b> Community-based financial institutions with increased capacity for savings mobilization & lending; <b>Output 7.</b> Institutions actively involved in financing fisheries-related investments	PCR promoters trained; Member-based financial institutions supported; No active savers & borrowers; Value of savings & loans; Solidarity group members joining RFAs; Value matching grants/RMF loans disbursed to formal CBFS providers; Enterprises accessing matching grants; New fin institutions outlets; (Nos. specified)	<ul style="list-style-type: none"> <li>Progress reports o CBFI promoters fin institutions</li> <li>Project monitoring registers</li> <li>Qualitative studies.</li> </ul>	Conducive regulatory framework for financial sector operations; Improved availability of financial resources and services stimulates the target group to respond to opportunities in the emerging value chain.
<b>Component 4. Institutional Strengthening, Policy Initiatives and Project Management</b>			
<b>Output 8.</b> Increased institutional capacity to support resource mgt, prodn & marketing of higher value fish <b>Output 9.</b> Improved policy/legislative framework; <b>Output 10.</b> Effective project management systems	Extensionists recruited, trained & equipped; Districts fisheries admin established; Growth pole resource potential assessment reports; Prov'l and district staff trained by gender/type; Sustainable mgt policies, regulations and legislation introduced; Study, survey and strategy reports produced; AWPBs, progress and audit reports submitted on time; KM products created (Nos. specified)	<ul style="list-style-type: none"> <li>Progress reports from IDPPE delegates contracted TA</li> <li>Project monitoring registers on institutions</li> <li>Quantitative survey reports</li> </ul>	Risks: Lack of local regulation and resource management due to delays in setting up the district fisheries administration; Policy/regulatory development emphasises conservation interests without adequately considering artisanal fisheries