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Enabling poor rural people  
to overcome poverty

## **Republic of Mozambique**

### **Pro-Poor Value Chain Development Project in the Maputo and Limpopo Corridors**

#### **Addendum**

Executive Board — 106<sup>th</sup> Session  
Rome, 20-21 September 2012

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For: **Approval**

# Pro-Poor Value Chain Development Project in the Maputo and Limpopo Corridors

## Addendum

The attention of the Executive Board is drawn to the following addenda and modifications to the President's report on the Pro-Poor Value Chain Development Project in the Maputo and Limpopo Corridors (EB 2012/106/R.17). For ease of reference, the changes to the text of the report are shown in boldface, while strikethrough indicates deleted text.

Page iv, Financing summary

Amount of IFAD loan:	SDR <b>10.85</b> million (equivalent to approximately US\$ <b>16.30</b> million)
Amount of IFAD grant:	SDR <b>1.01</b> million (equivalent to approximately US\$ <b>1.52</b> million)
Amount of Spanish Food Security Cofinancing Facility Trust Fund (Spanish Trust Fund) loan:	EUR <b>13.3</b> million (equivalent to approximately US\$ <b>16.30</b> million)
Amount of IFAD Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund grant:	SDR <b>3.26</b> million (equivalent to approximately US\$ <b>4.91</b> million)
Amount of cofinancing:	UNCDF: US\$ <b>0.14</b> million
Contribution of borrower/recipient:	US\$ <b>2.49</b> million

Page 3

An additional paragraph should be added after paragraph 5:

**"The Adaptation for Smallholder Agriculture Programme (ASAP) activities are fully integrated throughout the project, and aim to make the three value chains resilient to the expected impacts of climate change – in particular increased rainfall variability and risks of drought and flooding, especially in the south and central regions of the country. Project implementation is expected to provide many lessons for scaling-up, which is important given the potential to combine the priorities of value chain development and climate resilience across the IFAD-supported portfolio and beyond. Project-funded activities include: (i) project baseline and impact surveys that take into account various aspects of climate resilience; (ii) capacity-building to support the Ministry of Agriculture in climate policy formulation and development planning; (iii) participative formulation and implementation of community-based natural resource management plans; (iv) increasing private-sector uptake of sustainable agriculture techniques that contribute to climate resilience such as intensified cassava production systems that include mixed cropping; (v) strengthening local meteorological stations; (vi) improving water management approaches and infrastructure; and (vii) introducing small-scale infrastructure such as low-cost greenhouses to help farmers produce in the hot season."**

Page 3, paragraph 7

The fourth sentence should read:

"Project oversight will be carried out by a project steering committee, chaired by **the Permanent Secretary of the Ministry of Agriculture**, and three regional value chain platforms."

Page 4

An additional section should be added after paragraph 10:

**"F. Exceptions to IFAD General Conditions for Agricultural Development Financing**

**11. The following provision of the General Conditions shall be modified in the financing agreement for the project: Section 4.08(a)(i). Eligible expenditures, for the purpose of the financing agreement, shall include equity participation."**

Page 4, paragraph 12

The paragraph should read:

"IFAD will finance **51** per cent of project costs (about US\$**22.7** million) through a loan of about US\$**16.3** million, a grant of US\$**1.5** million and a grant of US\$4.9 million from the ~~Adoption for Smallholder Agricultural Programme (ASAP)~~. In addition, the ~~IFAD-administered~~ Spanish Trust Fund will provide a loan of US\$**16.3** million, and the United Nations Capital Development Fund (UNCDF) will finance US\$0.1 million. The Government's contribution in the form of waiving taxes and duties is expected to amount to US\$2.5 million. The private sector will contribute US\$1.9 million and beneficiaries US\$1.4 million. The project's financing plan is shown in the following table."

**Components by financier**  
(Millions of United States dollars)

	IFAD Loan		IFAD Grant		Spanish Trust Fund Loan		ASAP Grant		UNCDF		Private Investors		Beneficiaries		Government of Mozambique		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Horticulture	5.68	42.0	-	-	5.68	42.0	0.56	4.1	-	-	-	-	0.35	2.6	1.26	9.3	13.52	30.1
2. Cassava	1.56	37.5	-	-	1.56	37.5	0.63	15.3	-	-	-	-	-	-	0.40	9.7	4.15	9.2
3. Red meat	1.68	29.4	-	-	1.68	29.4	1.77	31.0	-	-	-	-	-	-	0.58	10.1	5.72	12.7
4. Financial services	5.04	34.6	-	-	5.04	34.6	1.29	8.8	0.14	1.0	1.90	13.0	1.05	7.2	0.10	0.7	14.56	32.4
5. Institutional support and project management	2.34	33.4	1.52	21.7	2.34	33.4	0.66	9.4	-	-	-	-	-	-	0.14	2.0	7.00	15.6
<b>Total PROJECT COSTS</b>	<b>16.30</b>	<b>36.3</b>	<b>1.52</b>	<b>3.4</b>	<b>16.30</b>	<b>36.3</b>	<b>4.91</b>	<b>10.9</b>	<b>0.14</b>	<b>0.3</b>	<b>1.90</b>	<b>4.2</b>	<b>1.40</b>	<b>3.1</b>	<b>2.49</b>	<b>5.5</b>	<b>44.95</b>	<b>100.0</b>

Page 6, paragraph 19

The second sentence should read:

"The project will also contribute to implementation of the forthcoming **National Plan for Agribusiness Development and the National Adaptation Programme of Action that foresees activities to build resilience, including strengthening farmers' capacities to deal with climate change by reducing crop and livestock losses in drought-prone regions, reducing soil degradation and promoting diversified commercially oriented activities.**"

## Page 6, paragraph 25

The recommendation should read:

"RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Mozambique in an amount equivalent to **ten million eight hundred and fifty thousand** special drawing rights (SDR **10,850,000**), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of Mozambique in an amount equivalent to **one million and ten thousand** special drawing rights (SDR **1,010,000**) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Spanish Food Security Cofinancing Facility Trust Fund, acting through IFAD in its capacity as the trustee, shall provide a loan on highly concessional terms to the Republic of Mozambique in an amount equivalent to **thirteen million three hundred thousand** euros (EUR **13,300,000**) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant under the Adaptation for Smallholder Agriculture Programme (~~ASAP~~) to the Republic of Mozambique in an amount equivalent to **three million two hundred and sixty thousand** special drawing rights (SDR **3,260,000**) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein. Subject to availability of funds in the ASAP Trust Fund, the ASAP grant shall be committed as of, and shall not be disbursed before, the effective date of the Ninth Replenishment of IFAD's Resources (as required by section V(d) of Governing Council resolution 166/XXXV)."

## Annex

Negotiated financing agreement (should be added)

## Appendix

Logical framework

The attached logical framework should replace the previous one.

## LOGICAL FRAMEWORK

Narrative summary	Key Indicators and Targets by June 2019	Means of Verification	Assumptions
<b>GOAL AND DEVELOPMENT OBJECTIVE</b>			
GOAL: Improved and climate-smart <b>resilient</b> livelihoods of smallholder farmers in selected districts of the Maputo and Limpopo corridors.	<ul style="list-style-type: none"> <li>Increased asset index for <b>13,700</b> participating households (RIMS)</li> <li>Reduced child malnutrition (RIMS)</li> <li><b>60,000</b> poor smallholder household members whose climate resilience has increased due to ASAP (ASAP)</li> </ul>	Project baseline & impact surveys, reality checked against national statistics	<ul style="list-style-type: none"> <li>Favourable economic environment</li> </ul>
DEVELOPMENT OBJECTIVE: Sustainable increased returns to smallholder farmers from increased production volumes and quality in target value chains, improved market linkages, efficient farmer organisation and higher farmers' share over the final added value.	<ul style="list-style-type: none"> <li>% of final price accruing to small-scale producers in the three value chains</li> <li><b>20,350 14,800</b> households (50% women) receiving project services (RIMS 1.2.5)</li> <li>Number of farmer organisations extending productions support and marketing service to members (COSOP)</li> </ul>	<ul style="list-style-type: none"> <li>Project surveys</li> <li>Service hubs' reports</li> <li>Farmers' organisations statistics</li> <li>Value Chain Platform reports</li> </ul>	<ul style="list-style-type: none"> <li>Continued government commitment to improve returns to farmers in agricultural value chains</li> </ul>
<b>OUTCOMES</b>			
OUTCOME 1: Increased sustainable income for smallholder farmers producing irrigated vegetables in project areas through increased productivity, volumes and quality of vegetables reaching both traditional and modern market segments.	<ul style="list-style-type: none"> <li>1,305 ha improved and 796 ha rehabilitated irrigated schemes operational (19 schemes)</li> <li>4,800 farmers (50% women) accessing support services (RIMS 1.2.5, COSOP) through 7 service hubs (20 schemes)</li> <li>3,840 farmers (50% women) adopting recommended climate-resilient technologies (RIMS 2.2.2, <del>and</del> COSOP <b>and ASAP</b>) (20 schemes)</li> <li>Annual volume of produce sales by hubs (COSOP)</li> <li>All WUAs granted DUATs and with documented rules for regulating members' parcel access and use</li> </ul>	<ul style="list-style-type: none"> <li>DNSA and INIR</li> <li>LSP M&amp;E system</li> <li>Project surveys</li> <li>Service hubs' reports</li> <li>Farmers' organisations statistics</li> <li>Value Chain Platform reports</li> </ul>	<ul style="list-style-type: none"> <li>Private investors interested in investing in outgrower schemes/hubs along conditions proposed by IFAD</li> </ul>
OUTCOME 2: Increased sustainable income for smallholder farmers in project areas from improved cassava production, based on proof-of-concept business models for the profitable production and marketing of cassava-based products.	<ul style="list-style-type: none"> <li>8,000 farmers (50% women) accessing support services (RIMS 1.2.5 and COSOP) through outgrower schemes and service hubs</li> <li>4,800 farmers (50% women) adopting recommended technologies (RIMS 2.2.2, COSOP)</li> <li>Average cassava yield by participating households increased from 6.5 t/ha to 11.0 t/ha (+70%)</li> <li>Annual volume of cassava purchased by processing units (COSOP)</li> <li><b>Increase by 2,880 ha of land managed under best practices (ASAP)</b></li> </ul>	<ul style="list-style-type: none"> <li>Project surveys</li> <li>LSP M&amp;E system</li> <li>Service hubs' reports</li> <li>Farmers' organisations statistics</li> </ul>	<ul style="list-style-type: none"> <li>Private investors interested in investing in processing units, outgrower schemes and hubs along conditions proposed by IFAD</li> </ul>

OUTCOME 3: Increased sustainable income for small-scale cattle, goat and sheep breeders in project areas through improved production and better organised markets	<ul style="list-style-type: none"> <li>• 5,600 herders (50% women) accessing animal health services (RIMS 1.2.5 and COSOP)</li> <li>• 3,360 herders (50% women) adopting recommended technologies (RIMS 2.2.2 and COSOP)</li> <li>• Off-take rate of livestock (increased from current 5% to 10%)</li> <li>• Annual number of animals sold by LPOs by project year 3 (separate for cattle and shoats)</li> <li>• <b># increase in hectares of land managed under best practices (ASAP)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Project surveys</li> <li>• LSP M&amp;E system</li> <li>• Farmers' organisations statistics</li> <li>• Value Chain Platform reports</li> </ul>	<ul style="list-style-type: none"> <li>• Private investors interested in investing in slaughterhouse at PROSUL conditions</li> <li>• Prospect of higher and regular income induces herders to develop commercially-oriented herd management</li> </ul>
OUTCOME 4: Selected value chain stakeholders have a timely and adequate access to a diversified range of affordable financial products, through existing or to be created financial and non-financial service providers	<ul style="list-style-type: none"> <li>• Number of rural clients (50% women) receiving a loan (COSOP)</li> <li>• At least 75% of participating farmers (50% women) access financial services (by type of client, service, financial/non-financial service provider), loan portfolio</li> <li>• Portfolio at risk of MFI loans to participating farmers</li> <li>• Number and volume of working capital loans extended by microfinance institutions to SMEs and repayment rate, by year</li> <li>• Average interest rates charged to project-supported SMEs, farmers' organizations and farmers;</li> <li>• Dividends earned by the Catalytic Fund from MFIs and SMEs (by type) and return on investment;</li> <li>• Yearly amount of PROSUL equity held by Catalytic Fund in SMEs</li> <li>• Number of staff of MFIs/SMEs trained in financial and management subjects (RIMS) (50% women)</li> </ul>	<ul style="list-style-type: none"> <li>• Catalytic Fund and MFIs M&amp;E systems</li> </ul>	<ul style="list-style-type: none"> <li>• MFIs are interested in extending services in rural areas along conditions affordable for agricultural activities</li> </ul>
OUTCOME 5: CEPAGRI, and specifically its delegation for the southern provinces, has and uses systems and tools for supporting inclusive value chain development and for promoting new business models	<ul style="list-style-type: none"> <li>• Systems and tools for planning and budgeting public support to value chains and for monitoring value chain performance are operational and implemented</li> <li>• Linkages with relevant institutions (particularly MICOA and INGC) and with the Strategic Programme for Climate Resilience co-financed by the World Bank and AfDB established and maintained (ASAP)</li> <li>• 10 CEPAGRI and project staff received training and exposure to issues related to the broader national and regional climate agenda (ASAP)</li> </ul>	<ul style="list-style-type: none"> <li>• Project reports and publications</li> </ul>	