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Investing in rural people

Republic of Mozambique  
Small-scale Aquaculture Promotion Project  
Negotiated financing agreement

Executive Board — 127<sup>th</sup> Session  
Rome, 10-12 September 2019

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For: Information

# Negotiated financing agreement: "Small-Scale Aquaculture Promotion Project"

(Negotiations concluded on 28 August 2019)

Grant No: \_\_\_\_\_

Loan No: \_\_\_\_\_

Project name: Small-Scale Aquaculture Promotion Project ("the Project")

The Republic of Mozambique (the "Borrower/Recipient")

and

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

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

Whereas the Borrower/Recipient has requested a grant and a loan from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

Whereas, the Fund has agreed to provide financing for the Project; The Borrower/Recipient has undertaken to provide additional support, financially or in kind that may be needed to the Project;

Now Therefore, 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, amended as of December 2018, and as may be amended hereafter 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, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Grant and a Loan (the "Financing") to the Borrower/Recipient which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

## Section B

1. A. The amount of the Grant is thirty four million four hundred thousand United States dollars (USD 34 400 000).

B. The amount of the Loan is eight million six hundred thousand United States dollars (USD 8 600 000).

2. The Loan granted on highly concessional terms shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the

Financing by the Fund's Executive Board. The rate is fixed for the life of the loan based on the related service charge in force at the time of approval of the Loan. The Loan is repayable semi-annually in the Loan Service Payment Currency. The Financing shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Financing by the Fund's Executive Board.

3. The Loan Service Payment Currency shall be the US dollar.
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. There shall be a Designated Account in USD, opened and maintained by the Ministry of Finance ("MoF"), at Bank of Mozambique ("BoM"), for the exclusive use of the Project. The Borrower/Recipient shall inform the Fund of the officials authorized to operate the Designated Account.
7. There shall be an operating account in the form of a Single Treasury Account in local currency for the PCU. The Borrower/Recipient shall inform the Fund of the officials authorized to operate the Designated Account.
8. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of three million one hundred thousand United States Dollars (USD 3 100 000) to finance the salaries of its own staff, who will support the implementation of the Project on a pro-rata basis, as well as the costs of the PCU office.

#### Section C

1. The Lead Project Agency ("LPA") shall be the Ministry of Sea, Inland Waters and Fisheries ("MIMAIP").
2. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

#### Section D

The Financing will be administered and the Project supervised by the Fund.

#### Section E

1. The following are designated as additional grounds for suspension of this Agreement:
  - (a) Key Project Coordination Unit (PCU) staff as described in Schedule 1 section II.A.3 have been appointed, transferred or moved from the PCU without the consent of the Fund;
  - (b) The Programme Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional conditions precedent to withdrawal:
  - (a) The PCU and the National Project Steering Committee (NPSC) shall have been established;
  - (b) The PCU key staff as detailed in schedule 1 section II paragraph A shall have been recruited;
  - (c) The designated account shall have been opened and the names of the authorized signatories shall have been submitted to IFAD;
  - (d) The PIM as described in section II of schedule 1 shall have been prepared in form and substance satisfactory to the Fund;
  - (e) The first Annual Work Plan and Budget (AWPB) shall have received IFAD's non-objection; and
  - (f) An accounting system has been procured and installed to facilitate the preparation of withdrawals applications and the required IFAD's reports.
  
4. The following is designated as an exception to the General Conditions:
  - (a) As an exception to section 11.01 (a) of the General Conditions, the proceeds of the Financing shall cover taxes and duties under the Project to the extent that compliance with the Fund's policy of requiring economy and efficiency in the use of its financing is ensured. Should the amount of any such taxes being excessive, discriminatory or unreasonable, the Fund may notify the Recipient to reduce the percentage of eligible expenditures to be financed under this Financing Agreement.
  
5. In accordance with section 13.01 of Article XIII of the General Conditions, this Agreement shall become effective subject to the reception by the Fund of a legal opinion issued by the Attorney General or other legal counsel authorized by the Borrower/Recipient to issue such opinion.

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

For the Borrower/Recipient:

Minister of Finance of the Republic of Mozambique  
Ministry of Finance  
Parce da Marinha Popular 272  
Maputo

For the Fund:

President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

This Agreement, [dated \_\_\_\_\_], has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient and shall enter into force on the date of countersignature.

REPUBLIC OF MOZAMBIQUE

\_\_\_\_\_  
[Authorised Representative name]  
[Authorised Representative title]

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Gilbert F. Houngbo  
President

Date: \_\_\_\_\_

## Schedule 1

### Project Description and Implementation Arrangements

#### I. Project Description

1. Target Population. The Project shall benefit smallholder producers at the various levels of the aquaculture value chain (youth and women). The Project is expected to benefit approximately to 17,800 households 50% of financial products targeting the value chain will be attributed to women.

2. Project area. The Project will target 23 districts selected in line with criteria agreed upon with IDEPA in seven provinces: Niassa, Cabo Delgado, Nampula, Zambezia, Tete, Manica and Sofala (the "Project Area").

3. Goal. The goal of the Project is to contribute to poverty reduction and enhance food security and nutrition among rural households.

4. Objectives. The objective of the Project is to increase production, consumption and income of rural householdss and other actors in the aquaculture value chain.

5. Components. The Project shall consist of the following components:

5.0 Component 0- Disaster risk reduction and response. This component shall aim at reducing Project and beneficiary vulnerability to future climatic hazards; it constitutes a programmatic window for the integration of preventive and response measures to ensure (i) sufficient investments in climate change resilience and early warning systems are available (ii) adequate resources and on-time response is put in place when such adverse conditions make themselves manifest.

5.1 Component 1: Small-scale aquaculture productivity. This component aims at (i) supporting the establishment and consolidation of local commercial input supply networks of fish feed and fingerlings at competitive and affordable prices; and (ii) promote fish productivity through climate smart technologies and environmentally sustainable production techniques suited to the different agro-ecological zones.

5.1.1 Sub-component 1.1: Agribusiness for input supply. The sub-component will focus on the development of fish seed (fingerlings) production by supporting selected private hatchery operators, inter alia through the following measures (i) construction/rehabilitation of hatcheries and civil works, (ii) technical assistance to strengthen their operational capacity or, (iii) establishment of linkages between fish seed producers and emerging clients. Microfinance institutions will be used to administer the delivery of suitable credit and grants products to private hatchery operators. Matching grants and LoCs shall be used to support producers based on their existing capacity, sound business plans and their ability to supply a given number of farmers in specified areas.

5.1.2 Sub-component 1.2: Develop smallholder aquaculture production capacity. This sub-component aims at promoting a range of sustainable fish production technologies, by supporting the Beneficiaries through matching grants towards capital costs, training, access to inputs and markets in line with their capacity and production potential. The following measures will be considered to support smallholders: (i) organization of beneficiaries in 2 business-oriented groups - aquaparks and clusters- to facilitate joint access to extension and training, inputs and markets, (ii) access to land and water both for individuals and associations to

secure land tenure rights, as necessary, and (iii) technical trainings to farmers on aquaculture practices.

5.2 Component 2: Development of aquaculture business. This component shall aim at (i) supporting the development of aqua parks; (ii) improving practices for aquaculture products to maintain their value in markets and supporting an environment that facilitates business partnerships, especially PPPs; (iii) promoting financial inclusion; and (iv) supporting youth aquapreneurship.

5.2.1 Sub-component 2.1: Support to development of aqua-parks. The development of small aqua-parks, will be used as a vehicle to integrate smallholder farmers in rural communities into the aquaculture value chain. The Project will support this development by implementing the following measures: (i) provision of technical assistance, (ii) identification of sources of financing and the arrangements for equitable PPPs and (iii) provision of enabling and critical key infrastructure (such as warehouse, water canals etc.)

5.2.2 Sub-component 2.2: Develop market linkages and business partnerships. The sub-component aims at developing practices to improve cultured fish handling, collection as well as marketing and distribution based on the results of a market study carried out beforehand to determine the demand for aquaculture produce. Support will be provided to the establishment of business partnerships between small and commercial fish producers in order inter alia to allow smallholder producers to access to relevant aquaculture technologies. A particular attention will be given to the development of youth aqua-preneurs, providing tailored support package to youth, to facilitate their engagement in small businesses in the aquaculture value chain.

5.2.3 Sub-component 2.3: Access to financial services. This sub-component will aim at addressing access to finance constraints across the aquaculture value chain, by facilitating the provision of appropriate, affordable and sustainable financial and business support services. Financial services for beneficiaries will be provided through (i) the ongoing REFP implemented by the National Investment Bank (BNI) in partnership with participating micro-finance institutions, (ii) the development of financial products such as Crowding-In Fund (CIF) or Line of Credit (LoC), and (iii) the development of synergies with other private sector financing models.

5.3 Component 3: Project management, policy and institutional development. This component shall aim at (i) supporting the strengthening of institutions responsible for small-scale aquaculture to fulfil their roles, as described under section II- A below, in project implementation and beyond, and (ii) warranting the provision of support to the development of sector policies and regulatory frameworks and more specifically to strengthen the institutional and technical capacity of sector institutions such as the National Institute for the Development of Fisheries and Aquaculture (IDEPA).

## II. Implementation Arrangements

### A. Organisation and Management

1. Lead Project Agency (LPA). The Ministry of Sea, Inland waters and Fisheries (MIMAIP) shall be the LPA implementing the Project through the IDEPA. As such the MIMAIP shall ensure the day to day oversight of the Project. The National Institute for the Development of Fisheries and Aquaculture (IDEPA) shall be the implementing agency.

## 2. National Project Steering Committee (NPSC).

2.1 Establishment and composition. A NPSC chaired by the Permanent Secretary of the MIMAIP shall be established to serve as the governing body of the Project. The NPSC shall be composed of representatives as listed in the PIM. Steering Committees will also be established at provincial and district levels.

2.2 Responsibilities. The NPSC shall provide strategic guidance towards the achievement of project objectives and contribute to the higher-level sector policy and strategic goals. It will also be responsible for review and approval of AWPBs, and annual reports. At provincial and districts levels the Steering Committees shall focus on strategic operational issues, the review of local AWPBs and overall project progress and effectiveness monitoring.

## 3. Project Coordination Unit (PCU).

3.1 Establishment and composition. A PCU managed by a Project Coordinator and composed of the following key staff (i) a Financial Manager, (ii) Accountants, a (iii) Procurement Officer, (iv) a Monitoring and Evaluation (M&E) Specialist, (v) a Knowledge Management (KM) and Communications Specialist shall be established. Technical specialists in key areas will be recruited and integrated into the MIMAIP/IDEPA departments. In addition, a Focal Point, directly subordinated to the Provincial Director, will be identified in each target DPMAIP and will be responsible for overall project planning, coordination, implementation and monitoring with provincial and district players.

3.2 Responsibilities. The PCU shall be responsible for core management responsibilities, including inter alia: (i) preparation of the AWPB and submission to the Fund's non-objection; (ii) financial management; (iii) procurement, including contracting of service providers; and (iv) reporting, monitoring, evaluation and knowledge management.

## B. Monitoring and evaluation (M&E)

An integrated M&E system as well as a communication action plan will be developed to steer project implementation, support economic decisions and policy making, share knowledge and scale-up good practices. The communication plan will also integrate an innovation tracking system, learning routes, documentation, dissemination and learning.

## C. Mid-Term Review (MTR)

A MTR will be conducted during the third year of project implementation, to assess the progress, achievements, constraints and emerging impact and likely sustainability of programme activities and make recommendation and necessary adjustments for the remaining Project period. The MTR will be carried out jointly by the LPA/government and IFAD.

## D. Programme implementation Manual (PIM)

1. Preparation. The LPA shall prepare a draft PIM acceptable to the Fund. The PIM shall include among other arrangements: (i) institutional coordination and day-to-day execution of the Project; (ii) Project budgeting, disbursement, financial management, procurement, M&E, reporting and related procedures; (iii) detailed description of implementation arrangements for each Project component; and (iv) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.



2. Approval and Adoption. The LPA shall forward the draft PIM to the Fund for no objection. The LPA shall adopt the PIM, substantially in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund. The Recipient shall carry out the Project in accordance with the PIM and shall not amend, abrogate, waive or permit to be amended, abrogated, or waived, the aforementioned manual, or any provision thereof, without the prior written consent of the Fund.

## Schedule 2

## Allocation Table

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

Category	Grant Allocation (expressed in USD)	Loan Allocation (expressed in USD)	Percentage (net of Government and other contribution)
Equipment, Materials & Vehicles	1 190 000	300 000	100%
Works	17 800 000	4 460 000	100%
Consultancies, Training & workshops	9 460 000	2 190 000	100%
Credit, Guarantee Funds	750 000	190 000	100%
Salaries & Allowances	1 350 000	500 000	100%
Operating Costs	400 000	100 000	100%
Unallocated	3 450 000	860 000	100%
<b>Total</b>	<b>34 400 000</b>	<b>8 600 000</b>	<b>100%</b>

All eligible expenses are inclusive of taxes.

The CIF is a matching grant is for acquiring productive assets with a grantee's equity contribution of approximately 20% of the value of asset. It also involves a loan approval by a participating financial institution amounting to 40% of the asset investment.

## 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/Recipient to request withdrawals from the Grant and Loan Accounts if the Borrower/Recipient 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. Planning, Monitoring and Evaluation. The Borrower/Recipient shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
2. Gender. The Borrower/Recipient shall focus on gender equality and empowering women.
3. Land tenure security. The Borrower/Recipient shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.
4. Compliance with the Social Environmental and Climate Assessment Procedures (SECAP). The Borrower/Recipient shall ensure that the Project will be implemented in compliance with IFAD's SECAP.
5. Environment and Social Safeguards. The Borrower/Recipient shall ensure that:  
(a) all Project activities are implemented in strict conformity with the Recipient's relevant laws/regulations ; ; (c) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Project. In the event of unforeseen land acquisition or involuntary resettlement under the Project, the Borrower/Recipient shall immediately inform the Fund and prepare the necessary planning documents;  
(d) women and men shall be paid equal remuneration for work of equal value under the Project; (e) recourse to child labour is not made under the Project; (f) the measures included in the Gender Action Plan prepared for the Project are undertaken, and the resources needed for their implementation are made available, in a timely manner; and (g) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Project are duly taken.
6. Anticorruption Measures. The Borrower/Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.