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Investing in rural people

Republic of Mozambique

Inclusive Agrifood Value Chain Development Programme

Negotiated financing agreement

Executive Board — 128th Session
Rome, 10-12 December 2019

For: Information

Negotiated financing agreement: "Inclusive Agri-food Value-Chain Development Programme (PROCAVA)"

(Negotiations concluded on 13 November 2019)

Loan No: _____
Grant No: _____

Programme name: Inclusive Agri-food Value-Chain Development Programme (PROCAVA) (the "Programme")

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 loan and a grant from the Fund for the purpose of financing the Programme described in Schedule 1 to this Agreement;

WHEREAS, the Green Climate Fund (GCF) has expressed interest in co-financing the Programme;

WHEREAS, the Fund has agreed to provide financing for the Programme;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme 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 Loan and Grant (the "Financing") to the Borrower/Recipient, which the Borrower/Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the loan is eight million four hundred thousand United States dollars (USD 8 400 000).

B. The amount of the Debt Sustainability Framework (DSF) grant is thirty three million six hundred thousand United States dollars (USD 33 600 000).

2. The Loan is granted on highly concessional terms and 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 is provided in USD.

4. The first day of the applicable Fiscal Year shall be 1st January.

5. Payments of principal and service charge shall be payable on each 15 February and 15 August.

6. There shall be a Designated Account in United States dollars, for the exclusive use of the Programme opened in the Bank of Mozambique. The Borrower/Recipient shall inform the Fund of the officials authorized to operate the Designated Account.

7. The detailed arrangements for the operational accounts to be opened by the Programme to receive funds from the Designated Account for day to day operations will be detailed in the Letter to the Borrower/Recipient.

8 The Borrower/Recipient shall provide counterpart financing for the Programme in the amount of four million eight hundred forty seven thousand and nine hundred United States dollars (USD 4 847 900) in the form of salaries of its own staff who will support the implementation of the Programme, on a pro-rata basis, costs of the PMU offices.

Section C

1. The Lead Programme Agency shall be the Ministry of Agriculture and Food Security (MASA) or the Ministry that will be in charge of Agriculture during the implementation of the Programme.

2. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, PROCAVA will have three reviews with a 2.5 years interval between them. The first review will be undertaken after about 2.5 years of Programme implementation. The second review will be undertaken after 5 years of implementation. The last review will be after 7.5 years of implementation.

3. The Programme Completion Date shall be the tenth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower/Recipient.

4. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent that they are consistent with the IFAD Procurement Guidelines.

Section D

1. The Fund will administer the Loan and Grant and supervise the Programme.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

a) The PIM or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower/Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Programme.

2. The following are designated as additional conditions precedent to withdrawal:

a) The IFAD no objection to the Programme Implementation Manual (PIM) shall have been obtained.

3. The following provisions of the General Conditions shall not apply to this Agreement:

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 Programme 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.

4. This Agreement is subject to ratification by the Borrower/Recipient.

5. 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
Ministry of Finance
of the Republic of Mozambique
Parce da Marinha Popular 272
Maputo

For the Fund:

The 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 Borrower/Recipient.

REPUBLIC OF MOZAMBIQUE

_____
Authorised Representative name
Authorised Representative title

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

_____
Gilbert F. Houngbo
President

Date: _____

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. Target Population. PROCAVA will target a total of around 180,500 households: 50% of that target will be women, and 30% youth. PROCAVA's primary target group will be smallholder farmers comprising the poor, vulnerable and disadvantaged rural households involved in the selected value chains. PROCAVA will pay particular attention to women heading households while ensuring that women in men headed households are not left out.

2. Programme area. PROCAVA will be implemented in 75 districts selected from all ten provinces of the country over the entire ten-year period and in two phases.

3. Goal. PROCAVA's Goal is to contribute to poverty reduction, improved food and nutrition security and resilient livelihoods for inclusive rural transformation.

4. Objectives. The Objective is to increase the net incomes from Climate-Resilient Agri-Food value chains by rural women, men and youth.

5. Components.

Component 1. Production Improvement and Market Linkages: This component aims at contributing to improve production and productivity of target crop and livestock commodities. It will also improve backward and forward linkages of farmers to different stakeholders of the target value chains. Proposed interventions will seek to address some of the identified constraints to increased productivity and production of the target value chains and the associated market linkages. Strengthening climate resilience and enhancing natural resource management and environmental sustainability through promotion of appropriate technologies and best practices will be an integral part of this component.

Component 2. Market-Related Climate Resilient Infrastructure: The objective of this component is to avail the appropriate infrastructure to support the effectiveness of the market-led production interventions and to more efficiently deliver the surplus production to different markets. Planned interventions will focus on addressing constraints faced by relevant actors operating within target value chains. This will include supporting rural infrastructure investments that can add value at the location, upgrade performance of enterprises and support associated agricultural producers to become competitive, environmentally and profitably sustainable. Infrastructure will be prioritized according to business plans and linkages along the value chain.

Component 3. Institutional and Policy Strengthening and Implementation Support: This will be a cross-cutting component servicing the technical components and facilitating pathways for the effective functioning of the target value chains. Accordingly, it will aim at: (a) augmenting the capacity of the institutions that will be responsible for overseeing and/or implementing the different PROCAVA activities; (b) facilitating the development and/or review and update of policies and strategies of selected subsectors for their effective and structured development; and (c) managing PROCAVA in an efficient and effective manner by providing overall coordination, including planning and implementation, financial management and control, procurement support, monitoring and evaluation, knowledge management, and progress reporting. It will also ensure liaison and linkage with all other relevant programmes being implemented in the country that seek to address similar or related constraints.

II. Implementation Arrangements

6. Lead Programme Agency. The Ministry of Agriculture and Food Security (MASA) or the Ministry that will be in charge of Agriculture during the implementation of the Programme, will be the lead executing agency.

7. Programme Oversight Committee. MASA will establish a National Programme Steering Committee (NPSC) to serve as the governing body of the Programme. The PSC shall be chaired by the Minister of MASA and composed of members from institutions with direct relevance to the achievement of PROCAVA's goal and development objective.

8. Regional Programme Consultative Groups. Regional Programme Consultative Groups (RPCGs) would be progressively set up in each of the three regions of the country (Southern, Central and Northern) following PROCAVA's phasing approach.

9. Provincial Programme Consultative Group. In addition to the three RPCGs, a Provincial Programme Consultative Group (PPCG) will be set up in Niassa Province since it will be having a separate Programme Management Unit.

10. Programme Management Unit (PMU). A National Programme Management Unit (NPMU) will be established under the direct supervision of Fundo de Desenvolvimento Agrário (FDA) Director General; it will be based in Maputo. NPMU will be charged with responsibility of the day to day management and supervision of the Programme, under the leadership of a National Programme Coordinator (NPC); the NPC will report to the Director General of FDA. Given the geographical spread of the Programme, Programme management will be organised into sub-units (Regional Programme Management Units (RPMUs)) and Provincial Programme Management Unit (PPMU) to adequately cover PROCAVA's target geographical regions. Three RPMUs and one PPMU will be, progressively, established following the Programme's implementation phasing approach.

11. Implementing partners. MASA will also liaise and work with other Ministries and partners whose mandates have a direct bearing on the achievement of the PROCAVA goal and development objective.

12. Monitoring and Evaluation (M&E). The NPMU will be responsible for the overall Programme monitoring and evaluation. M&E will be undertaken at different levels to support effective implementation, maintain the Programme's focus and direction, provide information for addressing constraints as well as ensure delivery of outputs and outcomes. IFAD will undertake periodic monitoring, evaluation and supervision Missions to assess the status of Programme implementation and evaluate the Programme's direction with respect to its objectives, outputs and Outcomes. A baseline study will be undertaken during the first year of Programme implementation to provide a benchmark for assessment of future outcomes and impact of the Programme. The PROCAVA M&E strategy will be to establish an iterative process for identifying issues and problems to ensure that the Programme focus is maintained and expected outcomes are achieved.

13. Knowledge Management (KM). Knowledge Management will be an integral part of PROCAVA to ensure that Programme implementation is a continuous learning process in which quantitative and qualitative data will be compiled, analysed and disseminated as lessons learned. PROCAVA's M&E system will form the foundation of KM and learning system and will, thus, be a primary instrument of information capture and storage, based on the indicators detailed in the results framework. The Knowledge Management and Learning Officer at the NPMU will lead and coordinate all KM activities in close liaison with the M&E Officer, Regional M&E Officer, Provincial M&E Assistant and the value chain leads. Collaboration with relevant universities, research and learning institutions to design and undertake studies and analyses as well as communicate lessons learnt will be encouraged.

14. Programme Implementation Manual (PIM). The PMU shall prepare a PIM to be approved by the Fund. The Implementation Manual shall include, among other things:

(i) eligibility criteria for communities, economic organizations and beneficiaries; (ii) mechanisms for selecting communities and economic organizations; (iii) guidelines for the design of development plans and working and business plans; (iv) detailed procedures regarding formulation, assessment and approval of development plans and working and businesses plans; (v) rules for accessing to financial support for productive investment; (vi) monitoring and accounting of funds transferred to organizations for productive investments; (vii) management and procurement procedures; (viii) guidance for implementation of each component, and (ix) composition of TMU and PMU. The PMU shall adopt the PIM substantially in the form agreed with the Fund and may make amendments thereto from time to time, in agreement with the Fund. The Borrower shall cause the Programme to be carried out in accordance with the PIM. In case of any discrepancies between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

Schedule II

Allocation Table

1. Allocation of Loan/Grant Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan/Grant 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 Amount Allocated (expressed in USD)	Loan Amount Allocated (expressed in USD)	Percentage
Equipment, Materials	6 300 000	1 600 000	100%
Works	11 700 000	2 900 000	100%
Consultancies, Training & workshops	7 000 000	1 740 000	100%
Credit, Guarantee Funds	200 000	50 000	100%
Salaries & Allowances	4 800 000	1 200 000	100%
Operating Costs	300 000	70 000	100%
Unallocated	3 300 000	840 000	100%
Total	33 600 000	8 400 000	100%

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

(i) Credit, Guarantee funds are meant to cover linkage activities between the PROCAVA Programme and the Rural Enterprise Finance Project

(ii) Start up funds will amounting to an equivalent of five hundred thousand United States dollars (USD 500 000) shall be provided to cover the following categories; Equipment and material, works, workshops, salaries and operating costs

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 Loan or Grant Account 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 Programme:

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. Compliance with the Social Environmental and Climate Assessment Procedures (SECAP). The Borrower/Recipient shall ensure that the Programme will be implemented in compliance with IFAD's SECAP.

3. Anticorruption Measures. The Borrower/Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

4. Sexual Harassment, Sexual Exploitation and Abuse. The Borrower/Recipient and the Programme Parties shall ensure that the Programme is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

5. Environment and Social Safeguards. The Borrower/Recipient shall ensure that: (a) all Programme activities are implemented in strict conformity with the Borrower/Recipient's relevant laws/regulations; (b) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Programme. In the event of unforeseen land acquisition or involuntary resettlement under the Programme, the Borrower/Recipient shall immediately inform the Fund and prepare the necessary planning documents; (c) women and men shall be paid equal remuneration for work of equal value under the Programme; and (d) recourse to child labour is not made under the Programme.