
Republic of Mozambique
Artisanal Fisheries Resilient Development Project
(PROPEIXE)
Negotiated financing agreement

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Negotiated financing agreement

Artisanal Fisheries Resilient Development Project (PROPEIXE)

(Negotiations concluded on 28 November 2023)

Grant No: _____

Project name: Artisanal Fisheries Resilient Development Project ("the Project")

The Republic of Mozambique (the "Recipient")

and

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

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

WHEREAS the Recipient has requested a grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

The Recipient has undertaken to provide additional support, financially or in kind that may be needed to the Project;

WHEREAS, the Fund has agreed to provide financing for 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 2022, 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, except for the provisions that refer to Loan financing which shall not 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 (the "Financing") to the Recipient, which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Grant is twenty nine million three hundred thousand United States Dollars (US\$ 29 300 000).

2. The first day of the applicable Fiscal Year shall be 01 January of each year.
3. There shall be a Designated Account in United States Dollars, for the exclusive use of the Project opened with the Bank of Mozambique. The Recipient shall inform the Fund of the officials authorized to operate the Designated Account.
4. The Recipient shall provide counterpart financing for the Project in the amount of three million four hundred thousand United States Dollars (US\$ 3 400 000) of which one million five hundred thousand United States Dollars (US\$ 1 500 000) will be in kind and one million nine hundred thousand United States Dollars (US\$ 1 900 000) will be in cash, as a share of the project costs, to be further detailed in the project implementation manual (PIM).

Section C

1. The Lead Project Agency shall be the Ministry of Sea, Inland Waters and Fisheries.
2. The National Institute for Development of Fisheries and Aquaculture is designated as a Project Party, and will be responsible for the overall oversight of the Project implementation.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
4. The Project Completion Date shall be the 7th anniversary of the date of entry into force of this Agreement, or such earlier date as may be agreed by the Parties, and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Recipient.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

Section D

1. The Fund will administer the Grant and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The PIM and/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 Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project;
 - (b) Key Project Management Unit (PMU) staff as described in Schedule 1 section II.8 have been appointed, transferred or moved from the PMU without the consent of the Fund;
2. The following are designated as additional grounds for cancellation of this Agreement:
 - (a) In the event that the Recipient did not request a disbursement of the Financing for a period of at least 12 months without justification.

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

- (a) The IFAD no-objection to the PIM shall have been obtained;
- (b) Key Project staff has been competitively selected as per section II.8, Schedule 1 of this Agreement; and
- (c) The IFAD no-objection of memorandum of understandings signed with implementing partners: (i) National Oceanographic Institute (INOM); (ii) Meteorology National Institute (INAM); and (iii) National Fisheries Administration (ADNAP), respectively has been obtained.

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

For the Recipient:

Minister of Economy and Finance
Ministry of Economy and Finance
Avenida 10 de Novembro, Praça da Marinha, Nº 929
Maputo - Mozambique

For the Fund:

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

This Agreement, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient.

THE REPUBLIC OF MOZAMBIQUE

Ernesto Max Tonela
Minister of Economy and Finance

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit an estimated 90,000 direct beneficiaries or 40,000 households corresponding to 172,000 individuals (household members). Women will constitute at least 50 per cent of the project beneficiaries (with 50 per cent being young girls).

2. *Project area.* The Project will cover the geographic areas listed below (the "Project Area"):

Province	Districts
Cabo Delgado	Pemba, Metuge, Quissanga and Mocímboa da Praia (4)
Nampula	Memba, Ilha de Moçambique, Mossuril, Angoche, Moma (5)
Zambézia	Pebane, Chinde, Mocubela, Maganja da Costa e Quelimane (5)
Sofala	Beira, Muanza, Buzi e Machanga (4)
Inhambane	Govuro, Inhassoro e Vilankulo (3)

3. *Goal.* The goal of the Project is to sustainably increase the incomes, nutrition and food security by addressing the main barriers to sustainable production and marketing for artisanal fisheries.

4. *Objectives.* The objective of the Project is to increase the sustainability of fishery value chain returns, by promoting responsible fisheries, community conservation and restoration of ecosystems and biodiversity, while also supporting fishery community resilience through diversification of livelihoods.

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

5.1 Component 1: **Resilient artisanal fisheries and ecosystem management**, is intended to "increase resilience of the artisanal fishery", through: Output 1: Effective fisheries management and Output 2: Increase in rehabilitated coastal habitat. PROPEIXE will support transition to environmentally friendly fishing gear in compliance with the new Maritime Fisheries Regulation (REPMAR, 2020) prohibiting beach seining from January 2024. These measures improve fisheries long-term viability and climate change (CC) resilience and fisheries community councils (CCPs) will be strengthened to better manage fisheries and support ecosystem activities, including restoring of degraded mangroves habitats coral reef and seagrass beds. The initiative will analyse the sustainability of carbon markets and develop future interventions to incentivise mangrove conservation, drawing from pioneers like ACORN and Rabobank. Trials to demonstrate improved/selective fishing methods and techniques and training of artisanal fishers; mariculture promotion; mapping sensitive and degraded habitats with mangroves, coral reefs and seagrass beds for rehabilitation; and equipping meteorological stations to provide updated information to fishers and strengthen the availability of suitable tools for climate resilience, are among the specific interventions.

5.2 Component 2: **Inclusive fisheries climate resilient value chain development and livelihood diversification** - aims to accelerate transformation, address livelihood diversification and handle resource, climatic and environmental sustainability concerns. A transition approach will identify successful sustainable fishing practices and methods and assist them become market-oriented operations. *Interventions* includes scaling up of sustainable fisheries technologies piloted in Component 1; Promotion of sustainable fisheries enterprises; Facilitation of financial services; feeder Road Rehabilitation and

Climate Proofing; Construction/Rehabilitation or upgrade of market, processing and storage facilities).

5.2.1 Sub-Component 2.1: *Sustainable entrepreneurship and livelihoods development*. Under SC2.1, the Project will deliver Output 1: Sustainable and green fisheries enterprises developed. This will be achieved through implementation of key activities that can be divided into 3 categories: (i) Activity Set 1: Promote the private upscale of sustainable fisheries technologies successfully piloted under Component 1; (ii) Activity Set 2: Promote the development of sustainable fisheries enterprises; and (iii) Activity Set 3: Facilitation of access to financial services.

5.2.2 Sub-Component 2.2: *Value chain driven and climate resilient infrastructure development*. SC2.2 will invest in fish value chain related infrastructure and its sustainable management, by supporting interventions aimed at addressing infrastructure and management related constraints faced by artisanal fishers, traders, and other relevant actors operating within the fish value chain.

Planned interventions will include the development of public-private partnerships (PPP)7 market management models, supporting economically sustainable, climate-resilient and accessible infrastructure investments that: (i) reduce post-harvest losses and add economic and market value; (ii) guarantee food safety and extend shelf life; (iii) upgrade performance and competitiveness of the artisanal fishery sector; and (iv) improve the resilience, incomes and livelihoods of poor households involved in artisanal fisheries, including women, youth, and persons with disabilities.

5.3 Component 3: **Institutional strengthening, project management and policy initiatives** for improved public sector support for the long-term sustainable development of the artisanal fishery sector with two subcomponents: 3.1. *Institutional strengthening and policy support*, and 3.2. *Project coordination and implementation support*. This is a cross-cutting component supporting the technical components and facilitating pathways for the effective functioning of the fisheries value chains, ensuring proper coordination and policy engagement.

5.4 Component 4: **Crisis and Disaster Risk Reduction**, aims to enhance the resilience of fisheries and fishing communities in the face of CC-related disasters (droughts, floods, cyclones, heat waves). The component is activated based on official declarations of natural disasters by the Government. It allocates up to 60 per cent of project contingency (approximately US\$1.8 million) to finance response activities such as acquiring and replacing fishing gears, rehabilitating fisheries production infrastructures, and developing early warning systems.

II. Implementation Arrangements

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

7. *Project Steering Committee (PSC)*. The PSC will be established to oversee the project and will be chaired by the Permanent Secretary of MIMAIP. Other members will be from relevant institutions to the project's implementation as listed in the PIM. Provincial-PSCs will be established at Provincial and District levels.

8. *Project Management Unit*. A PMU shall be composed of the following key staff: i) Project Coordinator (who shall manage the PMU); ii) Finance Manager; iii) Procurement Officer; and iv) Monitoring & Evaluation Officer .The PMU will also include assistants and

other support staff (administrative assistant and drivers). Technical specialists in different areas will be recruited and integrated into MIMAIP/IDEPA departments. All staff shall be selected competitively according to the Borrower's applicable procedures acceptable to the Fund, and hiring and termination of the contracts shall be subject to the Fund's no-objection.

9. *Responsibilities.* The PMU shall be responsible for core management responsibilities, including inter alia: i) preparation of AWPB and submission of Fund's no objection; ii) financial management; iii) procurement, including contracting of service providers; and iv) reporting, monitoring, evaluation and knowledge management.

10. *Implementing partners.* MIMAIP will also liaise and work with other Ministries and partners whose mandates have direct bearing on the achievement of the PROPEIXE goal and development objective.

11. *Monitoring and Evaluation.* PROPEIXE will set up a solid M&E system in line with IFAD and Government guidelines, aimed at consolidating and enriching existing country data systems on artisanal fisheries. The M&E system (with the M&E Manual, Plan and Reporting tools being developed by the M&E team) will generate timely information and data to support economic decision and policymaking, and adaptive management, and it will provide the necessary elements for a robust evaluation of project results. A proper MIS will be attached to the M&E system to collect data and produce regular reports with appropriate analysis and graphs.

12. *Knowledge Management.* KM will be an integral part of PROPEIXE to ensure the project implementation is a continuous learning process in which quantitative and qualitative data will be compiled, analysed and disseminated as lessons learned. PROPEIXE M&E System will form the foundations of KM and learning system and will, thus, be a primary instrument of information to capture and storage, based on the indicators detailed in the logical framework. In general terms KM activities will be the main responsibility of the KM Officer, with immediate support of the M&E Unit and M&E staff at IDEPA's provincial delegations

13. *Project Implementation Manual.* The PMU shall review, adjust and re-submit the PIM prepared during the design to be approved by the Fund. The PIM shall include among other things: i) Institutional coordination and day-to-day execution of the Project; ii) project budgeting, disbursement, financial management, procurement, M&E and related procedures; iii) detailed description of implementation arrangements for each project components; iv) other administrative, financial, technical and organizational arrangements and procedures as shall be required by the Project.

Schedule 2

Allocation Table

1. *Allocation of Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the 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)	Percentage
I. Civil works	5 670 000	100%
II. Consultancies & non-consulting services	8 050 000	100%
III. Equipment, materials, goods and inputs	2 740 000	100%
IV. Training and workshops	5 430 000	100%
V. Grants & subsidies	520 000	100%
VI. Recurrent costs	3 960 000	100%
Unallocated	2 930 000	
TOTAL	29 300 000	

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

(i) Recurrent costs includes salaries & allowances, and operating costs.

2. *Disbursement arrangements*

(a) *Start-up Advance.* Withdrawals in respect of expenditures for start-up costs (in Categories II; III; IV and VI) incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 500 000. Activities to be financed by start-up advance will require the no objection from IFAD to be considered eligible.

Schedule 3

Special Covenants

I. General Provisions

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 Recipient to request withdrawals from the Grant Account if the 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. Within (six) 6 months of entry into force of the Financing Agreement, the Ministry of Economy and Finance will ensure the finalisation of the customisation of the e-SISTAFE financial reports to facilitate compliance with IFAD financial reporting requirements.
2. *Planning, Monitoring and Evaluation.* The 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.
3. *Gender.* The Recipient shall ensure that gender equality and empowerment is ensured.
4. *Land tenure security.* The 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.
5. *Anticorruption Measures.* The Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
6. *Sexual Harassment, Sexual Exploitation and Abuse.* The Recipient and the Project Parties shall ensure that the Project 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.
7. *Use of Project Vehicles and other Equipment.* The Recipient shall ensure that:
 - (a) all vehicles and other equipment procured by the Project are allocated and used by the Government and other Implementing Agencies for the Project implementation;
 - (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and
 - (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.
8. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Recipient shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.
9. The Key Project Personnel are: Project Coordinator, Finance Manager, Procurement Officer, and Monitoring & Evaluation Officer. In order to assist in the implementation of the

Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be competitively recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

II. SECAP Provisions

1. For projects presenting high or substantial social, environmental and climate risks, the Recipient shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMPs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Recipient shall not amend, vary or waive any provision of the Management Plan(s), unless: (i) agreed in writing by the Fund and (ii) Recipient has complied with the requirements applicable to the original adoption of the Management Plan(s).

2. The Recipient shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors, and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

3. The Recipient shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

4. The Recipient shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

- (i) has direct or potential material adverse effect;

- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Recipient shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project-affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in the context of the grant or within the Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegations that require intervention by the police/other law enforcement authorities such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

6. The Recipient shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the Management Plan(s) (if any) are respected.

7. Without limitation on its other reporting obligations under this Agreement, the Recipient shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Recipient will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and

- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

8. In the event of a contradiction/conflict between the Management Plan(s), if any, and the Financing Agreement, the Financing Agreement shall prevail.