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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF MOZAMBIQUE

FOR THE

SOFALA BANK ARTISANAL FISHERIES PROJECT



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CURRENCY EQUIVALENTS

| | | |
|---------------|---|---------------|
| Currency Unit | = | Metical (MZM) |
| USD 1.00 | = | MZM 18 000 |
| MZM 10 000 | = | USD 0.55 |

WEIGHTS AND MEASURES

| | | |
|----------------------------------|---|--------------------------------------|
| 1 kilogram (kg) | = | 2.204 pounds (lb) |
| 1 000 kg | = | 1 metric tonne (t) |
| 1 kilometre (km) | = | 0.62 miles (mi) |
| 1 metre (m) | = | 1.09 yards (yd) |
| 1 square metre (m ²) | = | 10.76 square feet (ft ²) |
| 1 acre (ac) | = | 0.405 ha |
| 1 hectare (ha) | = | 2.47 acres |

ABBREVIATIONS AND ACRONYMS

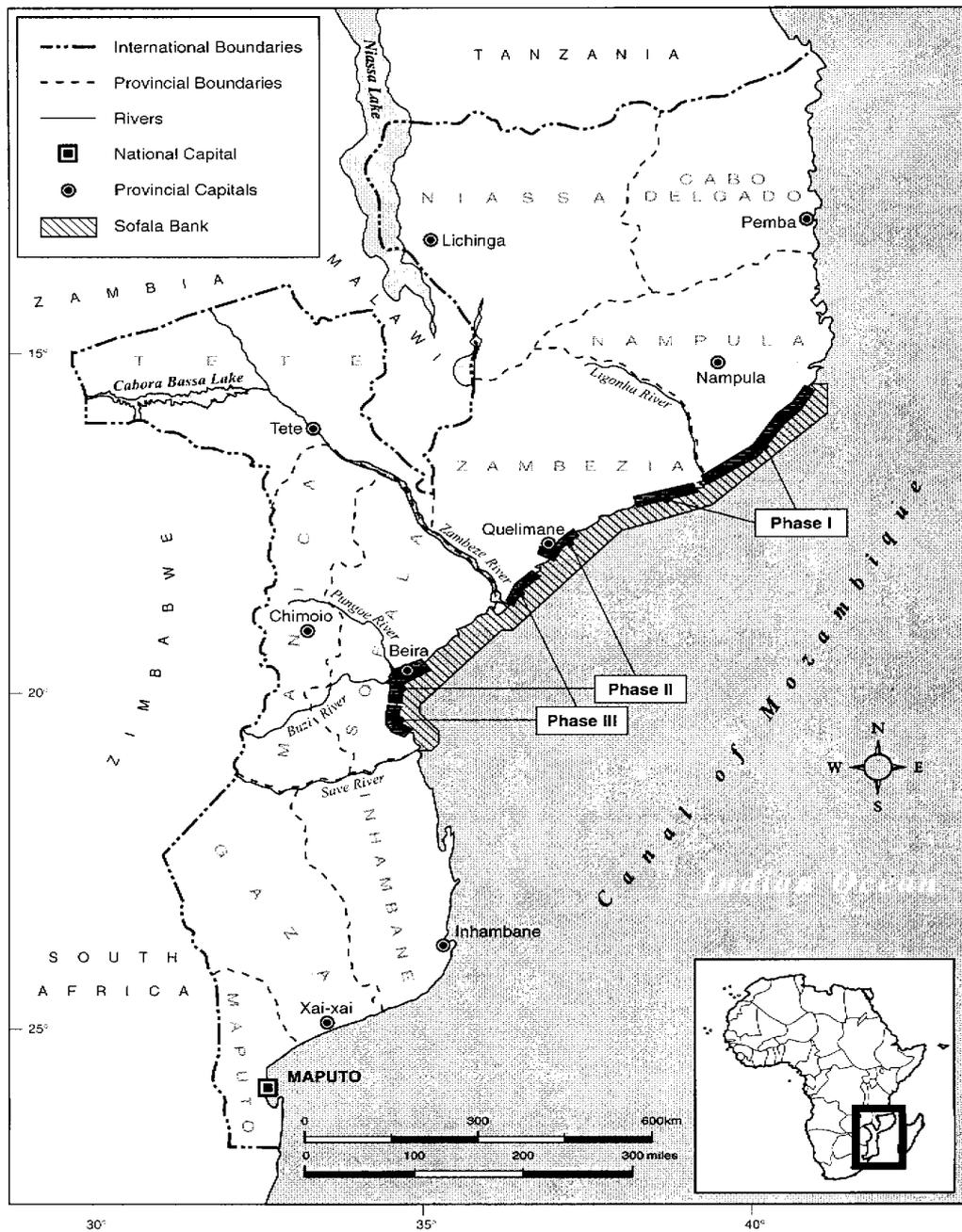
| | |
|---------|--|
| AWP/B | Annual Work Programme and Budget |
| BSF | Belgian Survival Fund |
| FFP | <i>Fundo de Fomento Pesqueiro</i> (Fisheries Development Fund) |
| FFPI | <i>Fundo de Fomento de Pequena Indústria</i> (Support Office for Small-Scale Industry) |
| IDPPE | <i>Instituto de Desenvolvimento da Pesca de Pequena Escala</i> (Institute for the Development of Small-Scale Fisheries) |
| IIP | <i>Instituto Nacional de Investigação Pesqueira</i> (Fisheries Research Institute) |
| M&E | Monitoring and Evaluation |
| MFI | Microfinance Institution |
| MOF | Ministry of Fisheries |
| MOPH | Ministry of Public Works and Housing |
| NAFP | Nampula Artisanal Fisheries Project |
| NGO | Non-Governmental Organization |
| NORAD | Norwegian Agency for International Development |
| PARPA | <i>Plano de Acção para a Redução da Pobreza Absoluta</i> (Action Plan for the Reduction of Absolute Poverty) |
| PCU | Project Coordination Unit |
| PROAGRI | <i>Programa de Investimentos no Sector Agrícola</i> (Agricultural Sector Investment Programme) |
| SOE | Statement of Expenditure |
| UNOPS | United Nations Office for Project Services |

GOVERNMENT OF THE REPUBLIC OF MOZAMBIQUE

Fiscal Year

1 January - 31 December

MAP OF THE PROJECT AREA



Source: IFAD

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.



REPUBLIC OF MOZAMBIQUE
SOFALA BANK ARTISANAL FISHERIES PROJECT
LOAN SUMMARY

| | |
|---------------------------------------|---|
| INITIATING INSTITUTION: | IFAD |
| BORROWER: | Republic of Mozambique |
| EXECUTING AGENCY: | Ministry of Fisheries (MOF) |
| TOTAL PROJECT COST: | USD 30.58 million |
| AMOUNT OF IFAD LOAN: | SDR 14.00 million (equivalent to approximately USD 18.00 million) |
| TERMS OF IFAD LOAN: | 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum |
| COFINANCIERS: | Belgian Survival Fund (BSF) – to be confirmed Norwegian Agency for International Development (NORAD) – to be confirmed |
| AMOUNT OF COFINANCING: | NORAD: USD 5.82 million BSF: USD 3.39 million |
| TERMS OF COFINANCING: | Grants |
| CONTRIBUTION OF BORROWER: | USD 2.99 million |
| CONTRIBUTION OF BENEFICIARIES: | USD 380 000 |
| APPRAISING INSTITUTION: | IFAD |
| COOPERATING INSTITUTION: | United Nations Office for Project Services (UNOPS) |



PROJECT BRIEF

Who are the beneficiaries? Within the project area, there are some 290 coastal fishing communities with a total population of approximately 500 000. All are expected to benefit directly or indirectly from the project. Within these communities, there are estimated to be over 26 000 fishers and their families, for a total of around 130 000 people, who represent the primary beneficiaries of the project. In addition, an estimated 2 300 fish traders plus a large number of fish processors, boat builders, craftsmen and artisans, and other economically active groups within the coastal communities, also stand to benefit from the project, as will many families that provide labour along the access roads rehabilitated by the project. Women are expected to benefit particularly from the support for savings and credit groups, community health services and the provision of improved domestic water.

Why are they poor? According to a range of social and human indicators, the three provinces within the project area (Nampula, Sofala and Zambezia) are among the poorest in the country. Within those provinces, the fishing communities can be assumed to be among the worst off. First, they are poor because they are isolated, largely cut off from, and have few contacts with, the larger economy. They lack communications, as well as social infrastructure such as clean water supplies, health facilities and schools. Second, the ability of fishermen to generate an income is constrained by their lack of fishing equipment and finance to purchase it, and of access to equipment suppliers; by non-optimal fishing techniques; by (often illegal) competition for the same resources from the semi-industrial fleet; by poor fish processing techniques; and by lack of access to markets, which means that they are unable to realise the full value of their produce. Third, both fishermen and other community members are poor because they lack the knowledge, skills and organization necessary to manage their social and economic activities in an effective and dynamic manner.

What will the proposed project do for them? The project will assist fishermen to diversify their fishing techniques as a means of increasing both their production and their incomes; it will encourage them to reduce post-catch losses and add value to their produce through improved processing techniques; and it will improve their linkages with both input suppliers and produce markets. At the same time, the sustainability of the fisheries resources will be promoted through support for data collection and for community-based co-management systems. The project will ensure the availability of financial services that have proved to respond to the needs of fish traders, fishermen and other members of the fisheries communities. The community development component will empower communities to take control of the planning, implementation and management of their own development activities; the provision of social infrastructure in the fishing communities will improve the living conditions there; and the health care programme will increase the capacity of communities to identify and manage their major health problems and improve their health status. The rehabilitation and maintenance of access roads crucial to the fishing communities will not only help expand the fish trade but also provide a broader stimulus to the local economies. Finally, the project will support the development of a legislative, policy and strategic framework, better suited to the challenges and opportunities currently facing artisanal fishermen.

How will the beneficiaries participate in the project? Beneficiary participation will be promoted in virtually all the project's activities and, where appropriate, the beneficiaries will be assisted to establish their own organizations, through which they can be empowered. Particular areas will include: the development and testing of alternative fisheries technologies; the identification, planning and implementation of micro- and community projects; and the establishment of local co-management committees for fisheries resource management, fishermen's associations, savings clubs and water maintenance committees.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
REPUBLIC OF MOZAMBIQUE
FOR THE
SOFALA BANK ARTISANAL FISHERIES PROJECT**

I submit the following Report and Recommendation on a proposed loan to the Republic of Mozambique for SDR 14.00 million (equivalent to approximately USD 18.00 million) on highly concessional terms to help finance the Sofala Bank Artisanal Fisheries Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Fisheries Sector

1. Mozambique is located on the south-east coast of Africa sharing boundaries with Malawi, South Africa, Swaziland, the United Republic of Tanzania, Zambia and Zimbabwe and covering a total land area of 800 000 km². The population numbers approximately 16 million, of which 80% lives in the rural areas.

2. Mozambique won its independence in 1975. The exodus of most Portuguese settlers and Asian traders, the adoption of central planning and nationalization of major enterprises, and the civil war from the late 1970s to early 1990s resulted in a collapse in production and public services, and destruction of infrastructure. Only after the 1992 peace settlement was Mozambique able to effectively pursue economic policies based on privatization of economic assets and functions, market determination of prices and the exchange rate, and rationalization of public expenditure and fiscal balance. Peace, better policies, as well as rising foreign investment and substantial external assistance, have all contributed to a strong economic performance, characterized by growth of 10% per year since 1996, low inflation and rapidly growing private investment

3. Mozambique has a coastline of 2 750 km on the Indian Ocean, and over two thirds of the population live within 150 km of the coast. The fisheries sector is thus an important source both of animal protein and of employment: some 80 000 persons are employed in the sector, of which 90% are artisanal fishers or those associated with the artisanal fisheries handling and distribution activities. The sector is also of importance to the economy as a whole, and fish exports, which were worth some USD 75 million in 1999, contribute 28% of export earnings. Shallow-water shrimp caught on the Sofala Bank account for 80% of these exports.

4. The fisheries sector is characterized by its diversity. The industrial and semi-industrial fleets comprise some 200 vessels, many of which are foreign/state-owned joint ventures, catching almost entirely for export, regional and local niche markets. The artisanal fishery extends along the length of the coastline, often operating from open beaches and informal landing stations. The artisanal fleet

¹ See Appendix I for additional information.



numbers some 11 000 vessels, of which 70% are canoes and only 3% are motorized. Fishers are confined to the near-coastal zone and use a great diversity of fishing gear, including beach seines, gillnets, handlines, traps and spears. Production from the subsector is estimated at 80 000 t per year, with a value of over USD 50 million, almost all of which is destined to national markets.

5. The Fisheries Sector Master Plan, which was approved in 1996, sets out the Government's policy and strategy for the artisanal, semi-industrial and industrial fisheries. The Plan aims to improve supplies of fish to the internal markets, increase net foreign exchange revenues and improve the standards of living of the fishing communities. It refers to three specific sets of action for artisanal fisheries: reduction of post-harvest losses through improved traditional means and the use of ice and refrigeration; increased catch levels through improved vessels and fishing techniques, and incentives to invest in the sector; and development of co-management mechanisms to resolve problems of local over-exploitation. In addition, the subsector is expected to benefit from (a) the introduction of areas reserved for artisanal fishing combined with obligatory use of satellite tracking devices by semi-industrial and industrial vessels; (b) promotion of linkages between shrimp-processing enterprises and artisanal fishers; (c) encouraging by-catch utilization on the part of artisanal fishers; and (d) promotion of sustainable use of shrimp resources through co-management.

6. The Ministry of Fisheries (MOF) is charged with ensuring that fishing activities do not threaten the long-term sustainability of the natural resources and that the benefits reaped from these activities for the fishing communities and the country as a whole are maximized. The Ministry was created in 2000 – previously having been part of the Ministry of Agriculture – and it is still developing the institutional capacity to meet its mandate. Four organizations with administrative autonomy also come under the Ministry: the Institute for the Development of Small-Scale Fisheries (IDPPE), which is responsible for supporting artisanal fisheries and fishing communities; the Fisheries Research Institute (IIP), which provides advice on the state of fish stocks; the Fisheries Development Fund (FFP), which manages public sector budgets on its behalf; and the Fisheries School. The Maritime Administration, under the Ministry of Transport and Communications, is responsible for enforcing fisheries regulations and in most areas handles licensing for artisanal fisheries.

B. Lessons Learned from Previous IFAD Experience in Mozambique

7. IFAD has to date financed six projects in Mozambique. The first two were the (now closed) National Programme for Food Production in the Cooperative and Family Sector and the Second Agricultural Rehabilitation Project. Three projects are currently under full implementation. The Nampula Artisanal Fisheries Project (NAFP) and the Niassa Agricultural Development Project are both proceeding well, while the newer Family Sector Livestock Development Programme, which started up in 1998, is being gradually integrated within the Government's Agricultural Sector Investment Programme (PROAGRI). Finally, the most recent, the PAMA Support Project, is currently in the process of starting up.

8. NAFP was the first integrated fisheries project in Mozambique. It was intended to serve as a pilot exercise and, reflecting that approach, project management has built on the experiences gained over time and responded to rapidly changing economic and social conditions. Lessons have been drawn from NAFP, through both an IFAD interim evaluation and an assessment within the IDPPE. The most important lessons include the following. The integrated approach taken by NAFP – tackling fisheries problems from a community perspective and dealing with a range of their problems – has been appropriate. In particular, the social infrastructure projects, such as water points, schools and clinics, have been important activities to gain the confidence of the communities and so introduce other initiatives such as the community-based co-management committees that have played a critical role both in introducing sustainable resource management practices and in conflict resolution. The project's adaptive research programme has validated many of the fisheries



technologies tested, and it has shown that their successful introduction depends on a number of factors, including secure markets, proven methods of processing, and access to inputs and financial services. The project's promotion of a market-led supply for fisheries inputs, through dialogue with commercial agents and the sharing of market information, has proved to be an effective approach for improving fishers' access. By contrast, although the project piloted a number of different approaches to financial service delivery, few were successful and most were extremely costly to run. The most successful include low-level savings-based approaches drawing on traditional practices, and medium-scale loans by the Support Office for Small-Scale Industry (FFPI) for trading activities and purchases of gear. These efforts have been supported by a number of important policy/legislative initiatives, most notably the creation of a pilot three-mile zone for artisanal fishers in Nampula.

C. IFAD's Strategy for Collaboration with Mozambique

9. **Mozambique's policy for poverty eradication.** Despite rapid economic growth, the gross domestic product (GDP) per capita (USD 230) is still extremely low, and Mozambique remains one of the 10 poorest countries in the world. Although there are notable urban-rural and regional imbalances, absolute poverty affects an average of 70% of the population. Besides suffering from acute material poverty, the poor also suffer from a high degree of vulnerability to natural disasters, as shown by the floods of 2000 and 2001. The Government's Action Plan for the Reduction of Absolute Poverty (PARPA) 2001-05 aims to substantially reduce the levels of absolute poverty in Mozambique, from 70% in 1997 to less than 50% by 2010. The strategy identifies rapid economic growth as an essential tool for poverty reduction. It therefore emphasizes policies aimed at creating a favourable climate for stimulating investment and productivity and for achieving an average annual GDP growth rate of 8%. It also aims to ensure that this growth is inclusive in order that the poor benefit substantially from it. In concrete terms, the poverty reduction strategy is based on six priorities, comprising education; health; agriculture and rural development; basic infrastructure; good governance; and macroeconomic and financial management.

10. **The poverty eradication activities of other major donors.** In 1998, official development assistance to Mozambique amounted to 30% of GDP (USD 1.04 billion), one of the highest figures for any country; and there are currently some 40 donors active in the country. Increasingly, the donors are seeking to respond to the priorities defined in the PARPA, which has been adopted by the Executive Boards of the World Bank and the International Monetary Fund as a framework for the decision point of the enhanced Debt Initiative for Heavily Indebted Poor Countries. Within the agricultural and rural development sector, some 20 donors are supporting PROAGRI, which itself constitutes an element of PARPA. In the past, few donors have targeted the artisanal fisheries sector, although the African Development Bank is currently developing a project on the northern coastline.

11. **IFAD's strategy in Mozambique.** IFAD's evolving intervention strategy in Mozambique is articulated in the Country Strategic Opportunities Paper of April 2000. The strategy recognizes that increased rural incomes depend upon the ability of small-scale producers to participate better in the market complex, and emphasizes commercialization of production systems and the development of enhanced *commercial linkages* between small-scale producers and private markets – for inputs, produce and production support services. IFAD has an important role to play in supporting the Government to promote such linkages while eliminating barriers that inhibit the participation of the poorer households in the markets. A second set of related themes of importance are decentralization and empowerment. Under the ongoing projects, progressive *decentralization* to provincial and district-level institutions has emerged as a crucial issue in developing local ownership and capacity. *Empowerment* is of importance both to communities, to enable them to identify, plan and manage their development works and activities, and to small-scale producers, to assist them to more effectively manage their resources, interact with markets and influence policy towards the sector. Third, *rationalizing donor-supported projects* to ensure coordination and put the Government in the driving seat has been an important issue in all development sectors in Mozambique. The present



project has been specifically designed as a vehicle – and resource – for the Government to use to develop a policy, strategic and financing framework; guide government, donor and non-governmental organization (NGO) support; establish coherence across the sector; and promote private investment.

12. **Project rationale.** The Sofala Bank contains the country's richest fishing grounds, including the important shallow-water shrimp fisheries. While there is little room for expanding overall shrimp catches, there is scope for increasing the catch of high-value fish and for transferring effort from the industrial and semi-industrial shrimp fisheries to individual artisanal fishers. Such an approach requires improved monitoring of the fish resources, better understanding by fishermen of the principles of sustainable use of natural resources, and the implementation and enforcement of appropriate regulatory measures at the community and national levels. With the estimated 8 000 t of shrimp caught annually, over 30 000 t of by-catch is also generated. This is composed of a wide variety of fish, some of it of high value, and crustaceans. Most of it is discarded by the shrimp trawlers, and there is potential to increase the by-catch collected by artisanal fishers. There are also clear market opportunities for high-value fish and shrimp. To take advantage of these, artisanal fishers need to link up to the buyers who are looking to source higher-value products from the sector. The growing number of shrimp-processing facilities along the coast create the opportunity for artisanal fishers both to obtain ice and to market fresh fish or shrimp, thereby dramatically increasing their returns. The opportunities for increasing the flow of benefits from lower-value fish are more limited due to consumers' limited purchasing power, and are largely dependent on (a) reducing post-harvest losses and improving product quality without adding to the cost; (b) reducing transaction costs; (c) widening the distribution network; and (d) resolving a range of problems impeding increased by-catch landings.

13. The ability of artisanal fishers to respond to these growing market opportunities depends in part upon their ability to access appropriate fishing gear. Following NAFP's interventions, traders are now starting to make a range of gear available, while experience has also been gained in making the marketing of the artisanal fisheries' output more systematic and efficient. These efforts can be built upon. However, the lack of financial services continues to inhibit investment in the sector, and the high transaction costs and risks involved in financial service delivery to poor and remote fishing communities means that no banking or microfinance institution (MFI) currently provides these services. Limited opportunities are evident, and involve building on the two activities that have worked well under NAFP: the enterprise credit provided by FFPI, and the savings and credit groups programme. The latter has so far proved to be of particular importance to women in the fishing communities.

14. The road access situation in the project area is bad: many communities are cut off for major periods of the year and some have virtually no access by road at all. Even where the problem is less acute, the poor quality of the roads results in high market transaction costs and low prices to the artisanal producer. The roads rehabilitated under NAFP have had an evident positive economic impact on the communities affected, and there is valuable experience to build upon. The health situation, too, is as bad in the project area as anywhere else in the country. NAFP and other projects have demonstrated the importance that communities attach to health services, and have shown that they are willing to participate in these types of programmes and contribute to health and social infrastructure projects.



PART II - THE PROJECT

A. Project Area and Target Group

15. The Sofala Bank, which is the continental shelf off the coast of Mozambique, stretches for some 950 km, from southern Sofala Province, through Zambezia, to halfway up Nampula Province in the north (see map). The project area is broadly defined as the narrow strip of coast facing the Sofala Bank as well as its fishing waters to a distance of some 20 km from the coast. The area is crossed by a large number of rivers which contribute to the rich fisheries resources of the area, and it has a great diversity of ecosystems, with a coastline made up of a succession of sandy and rocky beaches, low parallel sand dunes, mangrove forests, estuaries and extensive wetlands. The size of, and the variations within, the broad project area mean that it is necessary to define within it 'concentration areas' in which project activities can be implemented most cost-effectively and achieve the greatest impact. Six such areas have been identified based on the concentration of fish resources, numbers of fishing centres and artisanal fishers, level of commercial activity and linkages to markets, and accessibility. These areas are located within 12 of the 17 coastal districts and together they extend a total of about 650 km along the coastline. Using a three-phased approach to implementation, the project will commence in two of the areas and expand slowly to cover all six.

16. Within the project area, the fishers, who are mainly men, can be divided into two groups: owners and workers who do not own boats or gear. However, there is a natural progression from being recruited as a non-permanent worker, to being hired as a permanent worker, to becoming a skipper and eventually an owner. Fishers typically spend at least 60% of their time fishing, and most also engage in other activities such as agriculture and trade. There is also an important group of people who do not fish themselves but are involved in related activities, such as boat building, net making, fish preservation and trading. In most of the coastal communities, women tend to work more in agriculture and men in fisheries. However, this division of labour is not completely rigid: women are involved in transporting fish from the beach to the home or processing site and, in some areas, in land-based 'subsistence fishing'. While the men generally handle processing, women can also become involved in post-harvest activities, including trading in processed fish.

17. The project's target group is made up of the fishing communities along the coast, in the six 'concentration areas'. These communities include some 26 000 fishers and their families, or about 130 000 people. Fishing families make up anything between about 20% and 80% of families in those villages. However, in all villages fishing is important for all families, as a potential source of employment and as a major opportunity to diversify their sources of food and income. Including non-fishing families who live in the villages where the fishers live, the total target population for the project is around 500 000 people. A portion of project activities will benefit the fishing communities as a whole, the rest will be directed specifically at fisher families.

B. Objectives and Scope

18. The project's development goal is to attain a sustained improvement in the social and economic conditions of artisanal fishing communities in the project area. To achieve this, the project will (a) empower and create capacity in fishing communities to take increased responsibility for local development initiatives, including implementing social infrastructure and service activities, and sustainably managing marine resources; (b) improve the access of artisanal fishers to the fish resources of the Sofala Bank, and promote their sustainable and commercially viable use; (c) improve the linkages of artisanal fishing communities to input and output markets; (d) increase the availability of savings facilities and small loans to artisanal fishers, increase business opportunities for traders with linkages to fishing centres, and improve services to fishers through access to finance by small-scale enterprises in the project area; and (e) improve the enabling environment for promoting and supporting artisanal fisheries development.



C. Components

19. The project comprises five components: (a) community development; (b) fisheries development; (c) market support and access; (d) financial services; and (e) policy, legislative and institutional support.

20. **Community development.** The component will be made up of three sub-components. The co-management sub-component will aim to introduce a functional system for the co-management of natural resources in artisanal fishing areas in the project area. An estimated 60-70 community-based co-management committees will be supported. Their mandate will include the three main areas of resource management, conflict resolution, and representation of interests to higher levels. The community development sub-component will partly finance the investment costs of social infrastructure and other projects prioritized through the participatory needs assessment and planning process. Some 150-200 projects are expected to be implemented. Through the community health care sub-component, the project will use the participatory planning process to increase the capacity of communities to identify the major health problems afflicting them and take appropriate cost-effective action and/or seek assistance. A range of community-based initiatives will be supported, focusing on nutrition, water-borne and endemic diseases, children's vaccination, reproductive health care and treatment of Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS).

21. **Fisheries development.** Three investment activities will be supported. The resource assessment and management sub-component will aim to generate the scientific data that the co-management committees need if they are to effectively and sustainably manage the Sofala Bank fisheries resources. Resources will be provided to establish a permanent system for monitoring the state of artisanal fisheries and disseminating the results to fishers through their co-management committees. Diversification will be achieved by creating new income-earning activities based on shrimp and under-utilized finfish resources. This will be promoted through: demonstration by selected fishers of proven techniques, including gillnet, longlines, trammel nets and small engines; experimental fishing for those techniques still to be proved – focusing initially on purse seining for small pelagic species; and support for well-managed by-catch collection. The post-harvest utilization programme will concentrate on the handling of three types of products. It will promote improvements in traditional fish preservation techniques (salting, drying and smoking), which will reduce losses yet not add excessively to the cost of a product aimed at consumers with low purchasing power; for low-value fresh and frozen fish it will provide training in the use of ice and in correct handling; and for higher-value fish, currently mostly sold locally in dried form and at low prices, it will aim to raise the quality of the products, improve fishers' access to higher-value markets, and facilitate linkages between fishers and the market players.

22. **Market support and access.** The component comprises two linked initiatives. Under the support to input and output marketing sub-component, the project will take action in three areas. First, it will assist artisanal fishers to link up to markets – particularly the operators of ice plants for fresh fish marketing, the shrimp exporting processing plants, and buyers of cured fish. Initiatives will include exposure visits, marketing trials, and support for feasibility studies for fish processing and marketing projects, trade and investment microfora, and support for input dealer development. Second, the project will facilitate improved market knowledge and information. It will establish a fisheries price monitoring and dissemination system; set up a system to analyse trends in the terms of trade and the viability of artisanal fisheries; conduct studies on seasonal demand and supply patterns for fisheries products, and on the fiscal regime affecting the sector; and establish a project newsletter and conduct radio programmes. Third, the project will support the upgrading of the wholesale fish markets in Nampula City and Mocuba; it will pilot improvements to other 'mini-markets' on or near the coast; and it will conduct a study on the social and economic dynamics of the Praia Nova fish market in Sofala. Under the market access road development sub-component, road access will be



improved where there are products that are either not reaching the market or are reaching it at a low price. While the roads have not been pre-selected, standard criteria for identifying and prioritizing them have been developed. Two types of rehabilitation will be undertaken: spot improvement for shorter routes with low traffic volumes, and full rehabilitation on more important link roads. All road rehabilitation will be done using labour-based systems, unless such methods prove not to be cost-effective. The project will also finance the maintenance of the roads rehabilitated, using similar methods.

23. **Financial services.** Three types of financial services will be supported. First, the project will promote the introduction of rotating savings and credit groups in the fishing villages, targeted particularly at the poorest sections of the community and women and which after six months training and supervision will be expected to operate independently. Second, while the operations of the established MFIs do not cover the fishing communities in the project area, they do cover the most important neighbouring town markets for fish products. The project will promote linkages between the fish traders operating in or near these markets and selected MFIs, as a measure to encourage the traders to expand their fish buying activities in the project communities. Third, FFPI's ongoing credit operation will be expanded. Its loans will be financed from a credit line provided by the project, and will focus on the core fishing centres that can be relatively easily reached by its credit agents. At least 60% of the loans will be for projects directly related to artisanal fisheries, while the rest should support economic growth and employment creation in the fishing centres. In addition to these activities, the project will also support the development of policies for financial service delivery to the artisanal fishery, based on microfinance best practices and banking norms. The project will finance the inputs of an international technical assistant to work within FFP, which has the coordinating role on public financing in the fisheries sector, with a view to developing the policy guidelines and ensuring their consistent application.

24. **Policy, legislative and institutional support.** Under the policy and legislative support sub-component, the project will make resources available for the drafting of a comprehensive strategy for artisanal fisheries. It will also assist MOF to develop the framework and structure for an overall fisheries Master Plan, within which the artisanal fishery strategy would ultimately fit. The project will additionally focus on a number of policy issues in key areas of concern to artisanal fishing communities, particularly those related to fishing areas, tariffs structures of specific fishing inputs, and the legal and institutional framework for co-management. Resources will be made available to hire specialists to provide support in developing policies and strategies and/or an enabling legislation. Under the institutional strengthening sub-component, the project will invest considerable effort and resources in building up the capacity of IDPPE to provide the support that artisanal fisheries and fishing communities have hitherto lacked. The main activities will include (a) establishment of its presence in Sofala Province, where there are currently no IDPPE operations, and expansion of its presence in Nampula and Zambezia provinces; (b) three major studies: two to improve the effectiveness of IDPPE and a third on financial services and the roles and responsibilities of FFP; (c) training, workshops and retreats for IDPPE staff; and (d) coordination of donor support to the artisanal fisheries sector.

D. Costs and Financing

25. The total project costs are estimated at USD 30.58 million with a base cost of USD 28.23 million. Physical and price contingencies add 8% to the base costs. Taxes and duties amount to USD 3.00 million. The foreign exchange content is low, at USD 9.08 million or 30% of the total base costs. The total cost of the project is equivalent to USD 270 per beneficiary family. A summary of the project costs by component is presented in Table 1 below.



26. **Financing.** External financing will be provided through an IFAD loan of USD 18.00 million (59% of total project costs), a Norwegian Agency for International Development (NORAD) grant of USD 5.82 million (19%), and a Belgian Survival Fund (BSF) grant of USD 3.39 million (11%). Final confirmation of these bilateral grant contributions is pending. Government will finance all the taxes and duties for a total amount of USD 3.00 million (10%), both in cash and as revenue foregone. Communities will contribute on average 20% of the investment costs of social infrastructure projects, amounting to USD 380 000 (1%).

TABLE 1: SUMMARY OF PROJECT COSTS^a
(USD million)

| Components | Local | Foreign | Total | % of Foreign Exchange | % Total Base Costs |
|--|--------------|-------------|--------------|-----------------------|--------------------|
| A. Community development | | | | | |
| 1. Co-management and community development | 3.90 | 1.71 | 5.60 | 31 | 20 |
| 2. Community health care programme | 1.32 | 0.37 | 1.69 | 22 | 6 |
| <i>Subtotal: Community development</i> | 5.22 | 2.08 | 7.29 | 28 | 26 |
| B. Fisheries development | | | | | |
| 1. Sustainable use of resources | 1.02 | 0.61 | 1.63 | 37 | 6 |
| 2. Promotion of diversified fish production | 1.07 | 0.67 | 1.74 | 38 | 6 |
| 3. Post-harvest utilization | 0.72 | 0.38 | 1.10 | 35 | 4 |
| <i>Subtotal: Fisheries development</i> | 2.81 | 1.66 | 4.47 | 37 | 16 |
| C. Market support and access | | | | | |
| 1. Support to input and output marketing | 0.72 | 0.35 | 1.07 | 33 | 4 |
| 2. Market access road development | 2.80 | 1.50 | 4.30 | 35 | 15 |
| <i>Subtotal: Market support and access</i> | 3.52 | 1.85 | 5.37 | 34 | 19 |
| D. Financial services | 1.66 | 0.38 | 2.04 | 19 | 7 |
| E. Policy, legislative and institutional support | | | | | |
| 1. Policy and legislative initiatives | 0.28 | 0.48 | 0.76 | 64 | 3 |
| 2. Institutional support to IDPPE | 2.86 | 1.42 | 4.28 | 33 | 15 |
| 3. Project management | 3.51 | 0.51 | 4.02 | 13 | 14 |
| <i>Subtotal: Policy, legislative and institutional support</i> | 6.65 | 2.41 | 9.06 | 27 | 32 |
| Total base costs | 19.86 | 8.38 | 28.23 | 30 | 100 |
| Physical contingencies | 0.18 | 0.13 | 0.32 | 44 | 1 |
| Price contingencies | 1.46 | 0.57 | 2.03 | 28 | 7 |
| Total project costs | 21.50 | 9.08 | 30.58 | 30 | 108 |
| | | | | | |

^a Discrepancies in totals are due to rounding.



TABLE 2: FINANCING PLAN^a
(USD million)

| Components | IFAD | | NORAD ^b | | BSF ^b | | Government | | Communities | | Total | | Foreign Exchange | Local (Excl. Taxes) | Duties and Taxes |
|--|--------------|-------------|--------------------|-------------|------------------|-------------|-------------|------------|-------------|------------|--------------|--------------|------------------|---------------------|------------------|
| | Amt. | % | Amt. | % | Amt. | % | Amt. | % | Amt. | % | Amt. | % | | | |
| A. Community development | 3.63 | 45.6 | - | - | 3.39 | 42.6 | 0.56 | 7.0 | 0.38 | 4.8 | 7.96 | 26.0 | 2.27 | 5.12 | 0.56 |
| B. Fisheries development | 4.12 | 84.4 | 0.12 | 2.5 | - | - | 0.63 | 12.9 | - | - | 4.88 | 15.9 | 1.81 | 2.43 | 0.63 |
| C. Market support and access | 1.60 | 27.9 | 3.54 | 61.7 | - | - | 0.60 | 10.5 | - | - | 5.74 | 18.8 | 1.98 | 3.16 | 0.60 |
| D. Financial services | 0.75 | 34.1 | 1.29 | 58.6 | - | - | 0.16 | 7.1 | - | - | 2.20 | 7.2 | 0.41 | 1.63 | 0.16 |
| E. Policy, legislative and institutional support | 7.90 | 80.5 | 0.87 | 8.9 | - | - | 1.04 | 10.6 | - | - | 9.81 | 32.1 | 2.61 | 6.16 | 1.03 |
| Total disbursement | 18.00 | 58.8 | 5.82 | 19.0 | 3.39 | 11.1 | 2.99 | 9.8 | 0.38 | 1.3 | 30.58 | 100.0 | 9.08 | 18.51 | 2.98 |

^a Discrepancies in totals are due to rounding.

^b Final confirmation of the bilateral grant contributions is pending.



E. Procurement, Disbursement, Accounts and Audit

27. **Procurement.** Overall responsibility for procurement and the signing of contracts will rest with the Project Coordination Unit (PCU). As there are no formal government procurement guidelines, IFAD or UNOPS procedures will apply. Specifically, all vehicles and other goods costing more than USD 250 000 will be procured through international competitive bidding; equipment and other goods costing less than USD 250 000 and more than USD 20 000 each will be procured on the basis of national competitive bidding (NCB); goods costing less than USD 20 000 will be procured locally after obtaining bids from at least three reputable suppliers; contracts for civil works will follow NCB procedures; training and studies will be procured through direct contracting procedures; and technical assistance will be acquired on terms and conditions satisfactory to IFAD.

28. **Disbursement.** The IFAD loan proceeds will be disbursed over six years. To facilitate project implementation a United States dollar-denominated Special Account will be opened and operated in a commercial bank acceptable to IFAD. Upon request by the Government, IFAD will make an initial deposit of USD 1 000 000 into the Special Account, which will be replenished periodically in accordance with established procedures. Disbursements for expenditures and contracts of less than USD 20 000 will be made against certified statements of expenditure (SOE). Documentation supporting SOE claims will be kept at the PCU and be made available for audits and review by supervision missions.

29. **Accounts and audit.** A Central Project Account (in Meticals - MZM) will be opened and operated by the PCU to receive funds both from the Special Account and from the Government's contribution. This account will be used for expenditures managed by the PCU and for transfers to provincial project accounts (in MZM) which will be opened in Nampula, Sofala and Zambezia. The other implementing agencies will also open dedicated project accounts. To avoid delays in transferring funds, the same commercial bank will be selected for all accounts. All funds disbursed into the various accounts will be separately accounted for by the agency in question which, at the end of each financial year, will submit its annual statements of account to the PCU for reconciliation.

30. The project accounts will be subject to independent annual audit. The contracted external auditors will certify the accounts and make recommendations to improve the accounting procedures. They will also provide a separate opinion on the use of the Special Account. Within three months of the end of the project financial year, the Project Coordinator will submit the project's SOEs both to the auditors and to IFAD; and three months later, the Project Coordinator will submit the auditor's report to the Director of IDPPE and to IFAD.

F. Organization and Management

31. **Institutional responsibilities.** MOF will be responsible for overseeing the project and for all policy and legislative initiatives, and will delegate the coordination and management of the project to IDPPE. Through the PCU, IDPPE will ensure the coordination of the various agencies participating in the project. Through its provincial delegates and their field staff, IDPPE will also be responsible for implementing the initiatives for community development and input/output marketing, and the activities related to catch and post-harvest handling of fish. IIP will be responsible for coordination of project initiatives in support of resource assessment, and its field officers will work alongside IDPPE project staff. FFP will be responsible for providing the Government's counterpart funds to the project and it will oversee the financial services programme and develop policies for the delivery of such services to the artisanal fisheries subsector. MOF will also provide support services to the project: its Department of Fish Inspection (DIP) will provide technical back-up in support of the project's efforts to improve the quality of marketed fish. The National Directorate of Fisheries Administration and its provincial organs will represent the state in the co-management committees and in the national Fisheries Administration Committee, and will have responsibilities relating to the



enforcement of regulations on fisheries. The Ministry of Public Works and Housing (MOPH) will be responsible, through its provincial Departments of Roads and Bridges (DEPs) and of Rural Water (DAR), for coordinating the market access roads programme and facilitating the potable water activities. The project will coordinate with the Ministries of Health and Education to ensure that the provision of social infrastructure and community health services are consistent with provincial and district plans and with the norms and standards set for the infrastructure/services being established. Additionally, the Ministry of Health will have overall responsibility for implementing the project's community health care programme.

32. **Project oversight.** Whenever possible, the project will use existing committees to ensure coordination and oversight. At the central level, the MOF Consultative Council will provide overall project oversight and policy guidance, and ensure coordination. The Council, which meets monthly, is chaired by the Minister for Fisheries and includes as members all senior officials of the Ministry. The monthly IDPPE Consultative Council, headed by the Director of IDPPE and including all heads of sections and the coordinators of all development projects, will discuss operational issues of the project, provide implementation support, and ensure that good practices and experiences gained are transferred among different projects. Coordination and oversight at the provincial level will be undertaken by a steering committee to be established under the chairmanship of the Provincial Governor. Coordination committees will also be established at the district level to screen proposed community projects, assess whether they are in line with district priorities, and ensure their coordination with other initiatives.

33. **Project coordination.** A PCU core team will be staffed by local experts contracted for the six-year period and comprise a project coordinator, reporting to the National Director of IDPPE, assisted by a financial/contracts manager, monitoring and evaluation (M&E)/planning economist, logistics/administration officer, three provincial financial/contracts officers, and support staff. The team will have overall responsibility for coordinating project implementation, with its major emphasis on financial management and planning, and M&E. Supporting the core team will be a number of specialists who will coordinate the implementation of project activities: a marketing specialist, community development specialist, financial services specialist, community health care specialist, and an access roads engineer/economist.

34. **Project planning, monitoring and evaluation.** The PCU's M&E/planning economist will have direct responsibility for planning and M&E. However, the development of the annual work programmes and budgets (AWP/Bs) will engage all staff involved in the implementation of project activities. Specific output/activity plans and budgets will be prepared for each 'concentration area', the three provincial delegations, each institution involved in the project, and the PCU. The PCU will then compile, finalize and present the AWP/B for review by the IDPPE and MOF Consultative Councils, prior to submission to IFAD and inclusion in the national budget.

35. The M&E system will aim both to assist project management, implementing agencies and communities in effectively executing the project, and to verify whether or not targets and objectives are being met. The logical framework, regularly reviewed and updated, together with the AWP/Bs, will be the main tools to facilitate M&E of the project. During the baseline surveys, most of which will be carried out at the same time as the participatory rural appraisal (PRA)/needs assessment is done in the communities, information will be collected for a sample of the target group in the overall project area. Effective project monitoring will involve the continuous, critical observation of progress regarding outputs to be achieved; activities to be undertaken to achieve the outputs; provision of resources required; and the associated budget for these activities. A key output will be timely and comprehensive quarterly, half-yearly and annual progress reports. The most critical element in project evaluation will be the two tri-term reviews connected with the three implementation phases and the process of proceeding from one phase to the next. This will involve an assessment of success in achieving the planned outputs as recorded in terms of monitoring



indicators. Other evaluation activities will include annual evaluation, capacity evaluation, and terminal or ex post evaluation.

G. Economic Justification

36. Three enterprise models have been defined to test the financial viability of the fishing technologies proposed for the project area: gillnets, longlines and trammel nets. All the technologies are attractive, with financial rates of return of between 50% and 70% for gillnets and longlines and more than 100% for trammel nets. The new technologies can therefore represent valid alternatives to beach seines for new investors in the fishing sector, and require a considerably lower capital outlay.

37. While it is difficult to measure the economic impact of a process-driven project such as this, a series of fish production/utilization models have been developed to give an order of magnitude to the project's impact. On this basis, the economic rate of return (ERR) has been estimated at 8%. However, it should be noted that some direct benefits are not captured by the economic analysis as they are financial in nature: trammel nets, the technology with the highest benefit flow and the most expected beneficiaries, generate an important net benefit for the target group but no effect for the whole economy; in the same way, expected changes in prices and margins for traders also represent transfer payments between different elements within the society. Likewise, the project's strong focus on community development is not captured in the economic analysis; excluding the costs for social infrastructure and community health care services increases the ERR to over 10%. In addition, the export of shrimp and other high-value products harvested by the artisanal fisheries can bring other important benefits to the national economy: shrimp harvested by artisanal fishers has lower production costs and involves less imported capital than the industrial fishery; substantial benefits accrue to the poorer sections of the population who have few other economic opportunities; and these benefits are widely dispersed in rural areas, with important multiplier effects for local economies.

H. Risks

38. Five risks have been identified. First, the project's success depends in part on improving artisanal fishers' access to resources – a process that may encounter resistance from the industrial and semi-industrial operators. The project will respond both by supporting policy and legislative initiatives and promoting co-management committees to deal directly with access and management of resources; and by extending to the other two provinces Nampula's three-mile artisanal fisheries zone, and then enforcing this. Second, the project's marketing initiatives seek to catalyse a response from traders, processors and other private enterprises, but if the sector's business opportunities are not attractive to investors it may be difficult for the project to generate the benefits anticipated from higher-value fish and shrimps. While the project has no direct control over this, it will work closely with traders and other market intermediaries to arrive at 'win-win' options of benefit both to them and the fishers. Third, shortage of technical capacity may make it difficult for IDPPE to effectively manage what is a large and complex project. However, a flexible, three-phase approach will allow IDPPE to adjust the pace of implementation according to performance, while the project's substantial training programme and other support will strengthen the capacity of the main implementing agencies. Fourth, with a post-emergency project ongoing in Sofala Province, the credit culture there may prove to be an obstacle to operating a commercially based credit scheme. For this reason, the financial services activities will not start operation in Sofala until well after the subsidized credit programme is finished, while the larger structural problem will be tackled by helping FFP to develop a sound policy framework for financial service delivery. Fifth, maintenance of the roads rehabilitated by the project could be an issue. While there is no easy answer to this, among the road selection criteria will be the Government's commitment to include the roads within its budgeted allocation for maintenance. In addition, in the short-term, the project will finance the maintenance of the roads it rehabilitates.



I. Environmental Impact

39. The overall environmental impact of the project should be positive. One of the most important project ambitions is to develop a functioning and effective co-management system that will provide a framework and forum for discussing and resolving resource management issues. By transferring a large part of the management responsibility to the fishing communities that depend on the resource for their livelihood, and providing them with the skills necessary to properly manage the resource, the current threat to fish and shrimp stocks from overfishing will be reduced and a sustainable regime could be established. In parallel, the project will promote (a) a diversification of fishing effort aimed at increasing the catch and marketing of higher-value fish and shrimp; and (b) measures to increase the value achieved from the catch of lower-value fish. Both of these initiatives will allow fishers to improve their income-generating capacity without placing additional pressure on the fishing resources.

40. The environmental impact of the access roads programme will be negligible, as the project will work only on the rehabilitation of existing roads. Furthermore, MOPH has produced guidelines for environmental protection to be adopted in all roads contracts, which guide the contractor in ways to avoid negative environmental impact during road works and propose activities to be undertaken during the work to mitigate any potentially negative effects. These requirements will become an integral part of all project road rehabilitation and maintenance contracts.

J. Innovative Features

41. There are four particular aspects of the project design that are, within the Mozambican context, considered innovative. Specifically, the project aims to (a) take on from the outset the challenges of empowering fishers and their communities in the areas of fisheries resource management, market access, savings and credit, and in the planning and management of their own development activities; (b) promote market linkage as a key thrust of the project's efforts to raise fisher incomes – focusing on increasing the value of the product to the fishers through improving market efficiency rather than aiming exclusively to increase the level of the catch; (c) promote a legislative, policy and strategic agenda that will enable the Government to better define its roles and responsibilities and provide it with resources to respond to the solutions and orientations that come out of this process; and (d) provide, within the framework of one project, mechanisms and associated resources to assist the Government in coordinating donor initiatives directed at the artisanal fishers sector. In addition, the innovative *process* for project design should be noted. The project was not formulated by IFAD consultants, as is the usual practice within the region, but rather by the Government. Reporting to a working group chaired by the Minister for Fisheries, the task was conducted principally by IDPPE, using local and international experts and drawing considerably on the staff and experience of NAFP. A consultative process was adopted, involving the participation of the fishing communities themselves, private traders and entrepreneurs, NGOs and national government agencies. The exercise is considered to have been a valuable one, not only providing an important on-the-job training for IDPPE staff but also building a sense of ownership over the project, which will surely stand it in good stead for implementation.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

42. A loan agreement between the Republic of Mozambique and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

43. The Republic of Mozambique is empowered under its laws to borrow from IFAD.

44. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.



PART IV - RECOMMENDATION

45. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Mozambique in various currencies in an amount equivalent to fourteen million Special Drawing Rights (SDR 14 000 000) to mature on and prior to 1 September 2041 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President

SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 5 September 2001)

1. The Government of the Republic of Mozambique (the Government) will open and thereafter maintain, in a commercial bank acceptable to IFAD, a current account denominated in meticalis (MZMs) for project operations at the central level of the project (the central project account). The Government will designate the project coordinator and the financial/contracts manager of the PCU as ordinary authorized signatories for the central project account, and the director of IDPPE (the lead project agency) and another person, nominated by the director of IDPPE, as alternative authorized signatories. Two authorized signatories will be required to sign for any transaction related to the central project account, of which at least one must be either the project coordinator or the financial/contracts manager of the PCU.
2. The Government will open and thereafter maintain, in a commercial bank acceptable to IFAD, current accounts denominated in MZMs for project operations at the level of each province in the project area (the provincial project accounts). The Government will designate the respective provincial delegate of IDPPE and the provincial financial/contracts officer as authorized signatories for each provincial project account and the provincial delegate will nominate another person as alternative authorized signatory. Two authorized signatories will be required to sign for any transaction related to the provincial project accounts.
3. The Government will ensure that each party responsible for implementing any part of the project will account separately for all expenditures that they incur in support of project operations and that they, where appropriate, will open and thereafter maintain in a commercial bank, acceptable to IFAD, current accounts denominated in MZMs or United States dollars for the implementation of project activities within their respective area of responsibility (the operational accounts).
4. The Government will take necessary action to ensure that its counterpart funds for the project are accurately reflected in its annual public investment budget. Such counterpart funds will, in accordance with the AWP/B for each fiscal year, be applied to the payment of foregone taxes. The Government will ensure that its counterpart funds are made available to IDPPE annually throughout the project implementation period, in accordance with the AWP/Bs.
5. The Government will ensure that the monitoring and evaluation/planning economist of the PCU will develop the information management system for the project within six months of the date of effectiveness of the loan agreement. The system will include continuous, critical observation of progress regarding outputs to be achieved, information on activities to be undertaken to achieve the outputs, provision of resources required and the associated budget for these activities. The monitoring of the project will be based on key performance indicators, to be agreed by the Government and IFAD.
6. Within 90 days of the date of effectiveness of the loan agreement, the Government will select independent auditors for the project, in accordance with procedures and criteria agreed by the Government and IFAD, to audit the accounts relating to the project. Such selection will be subject to prior review and approval by IFAD. The Government will ensure that the annual audit report for the project will be a long-form audit report based on financial statements which have been prepared in accordance with international accounting standards and which adequately reflect the progress and operations of the project.



ANNEX

7. The Government will ensure that, within six months of the date of effectiveness of the loan agreement, the PCU will have prepared a project implementation manual, which shall have been approved by IDPPE, IFAD and the cooperating institution.
8. The Government will ensure that the consultative council of the Ministry of Fisheries will act as the senior steering committee for the project and that, once per quarter, the council will exclusively address issues arising from the project and other artisanal fisheries projects.
9. The Government will ensure that within six months of the date of effectiveness of the loan agreement, IDPPE will have established the provincial steering committees for the Sofala and Zambezia Provinces, under terms of reference satisfactory to IFAD.
10. The Government will ensure that within 12 months of the date of effectiveness of the loan agreement, it will have approved a regulatory framework to govern fisheries co-management initiatives, satisfactory to IFAD.
11. The Government will, by the end of the second project year, have established an extended artisanal fisheries zone for at least part of the Sofala Bank, through ministerial diploma issued by the Minister for Fisheries, and by the end of the fourth project year, establish an extended artisanal fisheries zone for the remaining part of the Sofala Bank, where necessary.
12. The Government will ensure that, by the end of the first project year, IDPPE will have entered into memoranda of understanding with various entities responsible for parts of project implementation, satisfactory to IFAD.
13. The Government will ensure that, by the end of the second project year, the governmental fisheries development fund will have developed policy guidelines for financial service activities in the artisanal fisheries sector, in consultation with IFAD.
14. The Government will ensure that, by the end of the first project year, IDPPE will have prepared a strategy for the development of the artisanal fisheries sector, which will constitute a part of any reformulation of the fisheries master plan which may be undertaken by the Government.
15. The Government will ensure that, by the end of the second project year, IDPPE will have prepared, in consultation with IFAD:
 - (a) an institutional strategy, including a statement of the future role, scale of operations and responsibilities of IDPPE, in order to implement the strategy for the artisanal fisheries sector; and
 - (b) a human resources and training strategy, including (i) a proposal for human resources development within IDPPE, which will address, among other things, rationalization of salaries and incentive payments, and (ii) an associated training needs assessment.
16. The Government will ensure that the maintenance of roads rehabilitated under the market access road development sub-component of the project is carried out throughout the project implementation period and that it continues after the project completion date. The Government will also provide necessary financing of such maintenance within the roads fund of the Government.
17. The Government will ensure that a tri-term review is undertaken during the latter parts of the second and fourth project years, respectively, or any other time agreed between the Government and IFAD. The Government will further ensure that the implementation of project activities broadly follow the phasing arrangements set forth in the approved AWP/Bs.



18. The Government will ensure that women are represented in the organization and management of the project. The Government will also ensure that women beneficiaries are represented in all project activities and that they receive appropriate benefits from the project outputs. The Government will further ensure that, by the end of the second project year, IDPPE will have prepared and submitted to IFAD a strategic framework for implementing gender initiatives and gender targeting under the project.

19. The following is specified as the condition for disbursement of funds from the loan:

The AWP/B for the first project year will have been prepared and approved by IFAD in draft.

20. The following are specified as conditions precedent to the effectiveness of the loan agreement:

- (a) the PCU will have been duly established and the project coordinator and financial/contracts manager of the PCU have been duly appointed by IDPPE after prior approval by IFAD;
- (b) the Government will have duly opened the Special Account and the central project account;
- (c) the Government will have made a budgetary allocation for its counterpart funds covering the first project year;
- (d) the loan agreement will have been duly signed, and the signature and performance thereof by the Government been duly authorized and ratified by all necessary administrative and governmental action; and
- (e) a favourable legal opinion, issued by the attorney general, in form and substance acceptable to IFAD, will have been delivered by the Government to IFAD.

COUNTRY DATA

MOZAMBIQUE

| | | | |
|---|---------------|--|------------|
| Land area (km² thousand), 1997 1/ | 784 | GNI per capita (USD), 1999 4/ | 220 |
| Total population (million), 1999 4/ | 17.3 | Average annual real rate of growth of GNP per capita, 1990-98 2/ | 3.5 |
| Population density (people per km²), 1998 1/ | 22 | Average annual rate of inflation, 1990-98 2/ | 41 |
| Local currency | Metical (MZM) | Exchange rate: USD 1 = | MZM 18 000 |
| Social Indicators | | Economic Indicators | |
| Population (average annual population growth rate), 1980-98 1/ | 1.9 | GDP (USD million), 1999 4/ | 3 979 |
| Crude birth rate (per thousand people), 1998 1/ | 41 | Average annual rate of growth of GDP 1/, 1980-90 | -0.1 |
| Crude death rate (per thousand people), 1998 1/ | 20 | 1990-98 | 5.7 |
| Infant mortality rate (per thousand live births), 1998 1/ | 134 | Sectoral distribution of GDP, 1998 1/ | |
| Life expectancy at birth (years), 1998 1/ | 45 | % agriculture | 34 |
| Number of rural poor (million) (approximate) 1/ | n.a. | % industry | 21 |
| Poor as % of total rural population 1/ | n.a. | % manufacturing | 11 |
| Total labour force (million), 1998 1/ | 8.8 | % services | 45 |
| Female labour force as % of total, 1998 1/ | 48 | | |
| Education | | Balance of Payments (USD million) | |
| Primary school gross enrolment (% of relevant age group), 1997 1/ | 60 a/ | Consumption, 1998 1/ | |
| Adult literacy rate (% age 15 and above), 1998 3/ | 42 | General government consumption (as % of GDP) | 9 |
| Nutrition | | Private consumption (as % of GDP) | 89 |
| Daily calorie supply per capita, 1997 3/ | 1 832 | Gross domestic savings (as % of GDP) | 2 |
| Prevalence of child malnutrition (height for age % of children under 5), 1992-98 1/ | 36 | Merchandise exports, 1998 1/ | 248 |
| Prevalence of child malnutrition (weight for age % of children under 5), 1992-98 1/ | 26 | Merchandise imports, 1998 1/ | 782 |
| Health | | Balance of merchandise trade | -534 |
| Health expenditure, total (as % of GDP), 1990-98 1/ | n.a. | Current account balances (USD million) | |
| Physicians (per thousand people), 1990-98 1/ | n.a. | before official transfers, 1998 1/ | -790 |
| Percentage population without access to safe water, 1990-98 3/ | 54 | after official transfers, 1998 1/ | -477 |
| Percentage population without access to health services, 1981-93 3/ | 70 | Foreign direct investment, 1998 1/ | 213 |
| Percentage population without access to sanitation, 1990-98 3/ | 66 | Government Finance | |
| Agriculture and Food | | Overall budget surplus/deficit (including grants) (as % of GDP), 1997 1/ | n.a. |
| Food imports as percentage of total merchandise imports, 1998 1/ | 22.0 a/ | Total expenditure (% of GDP), 1997 1/ | n.a. |
| Fertilizer consumption (hundreds of grams per ha of arable land), 1995-97 1/ | 25 | Total external debt (USD million), 1998 1/ | 8 208 |
| Food production index (1989-91=100), 1996-98 1/ | 131 | Present value of debt (as % of GNP), 1998 1/ | 74 |
| Land Use | | Total debt service (% of exports of goods and services), 1998 1/ | 18 |
| Arable land as % of land area, 1997 1/ | 4 | Nominal lending rate of banks, 1998 1/ | n.a. |
| Forest area (km ² thousand), 1995 1/ | 169 | Nominal deposit rate of banks, 1998 1/ | n.a. |
| Forest area as % of total land area, 1995 1/ | 22 | | |
| Irrigated land as % of cropland, 1995-97 1/ | 3 | | |

n.a. not available.

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 20002/ World Bank, *Atlas*, 20003/ United Nations Development Programme, *Human Development Report*, 20004/ World Bank, *World Development Indicators database*, 2001

PREVIOUS IFAD LOANS TO MOZAMBIQUE

| Project | Initiating Institution | Cooperating Institution | Lending Terms | Board Approval | Loan Effectiveness | Current Closing Date | Loan/Grant Acronym | Denominated Currency | Approved Loan/Grant Amount | Disbursement (as % of approved amount) | |
|---------|---|-------------------------|-----------------|----------------|--------------------|----------------------|--------------------|----------------------|----------------------------|--|------|
| 93 | National Programme for Food Production in the Cooperative and Family Sector | IFAD | UNOPS | HC | 31 Mar 82 | 23 Feb 83 | 31 Dec 86 | L-I-93-MZ | SDR | 17 700 000 | 100% |
| 334 | Nampula Artisanal Fisheries Project | IFAD | UNOPS | HC | 15 Sep 93 | 04 Nov 94 | 30 Jun 02 | L-I-334-MZ | SDR | 4 350 000 | 88% |
| 359 | Niassa Agricultural Development Project | IFAD | UNOPS | HC | 20 Apr 94 | 19 Oct 94 | 30 Jun 04 | L-I-359-MZ | SDR | 8 800 000 | 52% |
| 440 | Second Agricultural Rehabilitation Project | IFAD | World Bank: IDA | HC | 10 Sep 87 | 26 Apr 88 | 31 Jan 96 | L-S-8-MZ | SDR | 11 850 000 | 70% |
| 1005 | Family Sector Livestock Development Programme | IFAD | UNOPS | HC | 04 Dec 86 | 12 Feb 98 | 31 Dec 04 | L-I-432-MZ | SDR | 13 450 000 | 34% |
| 1109 | PAMA Support Project | IFAD | UNOPS | HC | 08 Dec 99 | 05 Jul 01 | 31 Oct 07 | L-I-515-MZ | SDR | 16 550 000 | |



DYNAMIC LOGICAL FRAMEWORK

| DESCRIPTION | KEY PERFORMANCE INDICATORS | MEANS OF VERIFICATION | ASSUMPTIONS |
|--|--|--|--|
| DEVELOPMENT GOAL | | | |
| To achieve a sustained improvement in the economic and social conditions of artisanal fishing communities in the project area | <p>Rate of increase in household incomes during the project period</p> <p>Rate of improvements in households access to social services, sanitation facilities and clean drinking water.</p> <p>Rate of improvements realized in health and nutritional status of households</p> | <p>National household income and poverty studies</p> <p>Mid-term and final evaluation surveys compared to baseline survey data</p> | <p>National and international effort to mitigate the effects of natural disasters continues and intensifies.</p> <p>Continued government support to promote the transfer of resources from industrial and semi-industrial to artisanal fisheries.</p> <p>Economic growth and consumer purchasing power will at least be maintained.</p> <p>Improved market linkages will not reinforce exploitation of fishers.</p> |
| PROJECT PURPOSE | | | |
| 1. Community Development | | | |
| To improve the well-being of fishers by empowering and creating capacity in fishing communities to take increased responsibility for local development initiatives, including implementing social infrastructure and service activities and managing marine resources in a sustainable manner. | <p>Numbers of community infrastructure projects and of other community projects planned, constructed and maintained.</p> <p>Rate of introduction of community health care programmes and their operation in fishing communities.</p> <p>Rate of reduction in unsustainable practices that threaten the natural resource base in the project area, through co-management measures.</p> <p>Numbers of conflicts successfully resolved by local co-management committees and/or representation bodies</p> | <p>Baseline survey data</p> <p>Quarterly progress reports from extensionists, IDPPE/IIP mobile teams and participating government agencies, including Health, Education and Water , identifying the impact on women as well as men.</p> <p>IIP resource assessment surveys/data.</p> <p>Community project completion reports.</p> <p>Quarterly and annual progress reports on the project and first and second tri-term reviews.</p> | <p>Provincial Departments of Health, Education and Public Works (for roads and water) provide the support necessary to assist in planning infrastructure facilities (and community health services) within the fishing communities and to provide budget for staff and operation of the facilities/services.</p> <p>Communities are willing to provide the contribution required to construct the infrastructure facilities.</p> |

| DESCRIPTION | KEY PERFORMANCE INDICATORS | MEANS OF VERIFICATION | ASSUMPTIONS |
|--|---|---|---|
| 2 Fishing Technologies | | | |
| To improve access to, and the commercially viable and sustained use of, Sofala Bank fish resources by artisanal fishers. | <p>Rate of uptake of new technologies (numbers of gill nets, of trammel nets, of longlines) and commercially viable use achieved.</p> <p>Numbers of fishers adopt better processing techniques and improve quality of cured fish; and increases in volume and value of cured fish marketed.</p> <p>Proportion of fishers using ice and switch by fishers from marketing high-value fish vs. fish that has to be sold dried, salted or smoked.</p> <p>Rate of increase in net returns to fishers per unit of effort.</p> <p>Numbers of fisher workers/non-boat owners become owners of gear (and boats) and/or increase their incomes.</p> <p>IDPPE extensionists and mobile teams operate more effectively as measured by no. of successfully implemented trials and demonstrations (and the subsequent uptake of the techniques tested/demonstrated).</p> <p>Rate of implementation of range of management measures through the co-management process: e.g. numbers of beach seines converted from mosquito netting, rate of conversion from beach seines to other gear, numbers of commercial/semi-commercial operators illegally fishing in three-mile zone reported and prosecuted.</p> | <p>Follow-up surveys in fishing communities on the impact of adoption of new gear in terms of regular supply of ice, market acceptance of products, prices and incomes.</p> <p>Quarterly progress reports from extensionists and IDPPE/IIP mobile teams on success of marketing higher-value fish on fisher incomes and effectiveness of co-management committees.</p> <p>IIP reports on state of fish resources on the Sofala Bank.</p> <p>Quarterly and annual progress reports and first and second tri-term reviews for the project.</p> | <p>Continued Government support to promote the transfer of resources from industrial and semi-industrial to artisanal fisheries.</p> <p>Clear indication of adequate purchasing power by low-income fish consumers.</p> <p>Prices of key fish products on the domestic market stable, or increasing.</p> <p>Artisanal fishing communities will respond to improved legal environment.</p> |
| 3 Marketing | | | |
| To improve economic and physical linkages of artisanal fishing communities to input and output markets on a sustainable basis. | <p>Rate of increase in marketed volume of high-value fish increases, of low-value fresh and frozen fish (2nd and 3rd grade fish), and cured fish.</p> <p>Rate of increase in marketed value of high value fish increases, of low-value fresh and frozen fish (2nd and 3rd grade fish), and cured fish.</p> <p>Proportion of traders in the project area carrying a wide range of quality fishing inputs on a regular basis, at competitive prices.</p> <p>Rate of increase in sales of quality fishing inputs</p> <p>Numbers of shrimp processing plants agreeing to market shrimp and/or fish on a regular basis from artisanal fishers in the project area.</p> <p>An agreed plan/schedule for rehabilitation of access roads in each concentration area drawn up and km of roads rehabilitated.</p> <p>Distance of roads rehabilitated by the project are budgeted under the Road Fund and regularly maintained.</p> | <p>Annual survey of the traders involved in supplying inputs to, and marketing fish from, artisanal fishers to determine impact of the project, constraints experienced and opportunities.</p> <p>Survey of fish marketed to assess the response of consumers to better-quality cured fish and to increased supplies of fresh and frozen fish.</p> <p>Quarterly reports submitted by Department of Roads and Bridges (DEP) in each of the three project provinces.</p> <p>Reports submitted by a joint project and DEP team on the quality of maintenance carried out on project roads.</p> <p>Quarterly and annual progress reports and first and second tri-term reviews for the project.</p> | <p>Local demand for higher-quality fresh and frozen fish is sufficient so as not to limit adoption of artisanal fishers adopting utilization of ice and associated post-harvest handling of fish.</p> <p>Shrimp processing plants are interested in purchasing shrimp and possibly fish from artisanal fishers.</p> <p>Resources made available for continued maintenance of roads rehabilitated by the project.</p> <p>DEPs select qualified and experienced contractors to rehabilitate and maintain project roads.</p> |



| DESCRIPTION | KEY PERFORMANCE INDICATORS | MEANS OF VERIFICATION | ASSUMPTIONS |
|---|---|--|--|
| 4 Financial Services | | | |
| To increase commercial and economic activity in artisanal fisheries sector. | <p>Increase in number of loans serviced (and repaid) on time.</p> <p>Proportion of the members of advanced rotational savings groups, supported by the project, use their savings to invest in fishing gear or make other fishing and/or non-fishing related investments.</p> <p>As a result of the loans to market town traders, the rate of increase p.a. in volume and range of fisheries inputs and rate of decline p.a. in the cost of gear and other inputs over the six-year project period.</p> <p>Rate of increase in number of traders serving the artisanal fishers, the volume of fish purchased, and the per unit value of fish purchased.</p> <p>Numbers of fishery workers/skippers/<i>marineros</i> able to purchase gear, possibly together with a boat, as a result of the project's line of credit to FFPI.</p> <p>Uniform/mutually consistent lending terms and conditions are used for all credit operations to the artisanal fisheries sector.</p> | <p>Within the above-mentioned survey – the annual survey of the traders involved in supplying inputs to and marketing fish from artisanal fishers – the impact of the project's credit operations directed at traders will be assessed.</p> <p>The quarterly progress reports from extensionists and mobile teams, noted under Community Development above, will include an assessment of the impact of the rotating savings schemes and the enterprise credit on both men and women.</p> <p>Quarterly and annual progress reports and first and second tri-term reviews for the project</p> | <p>MFI's currently working in market towns are interested in including loans to fish traders within their lending operations.</p> <p>Basic stability of the financial sector is maintained to support activities of financial institutions.</p> <p>The other two coastal zone artisanal fisheries projects are willing to adopt credit programmes with lending terms and conditions consistent with the new project.</p> |
| 5 Policy, Legal & Institutional support | | | |
| To improve the enabling environment for promoting and supporting artisanal fisheries development. | <p>Permanent fishery zone exclusive to artisanal fisheries created and effectively enforced.</p> <p>Artisanal fisheries plan prepared for Cabinet approval.</p> <p>Cost effective and coherent structure and function for IDPPE and MOF at the provincial level being implemented.</p> <p>In accordance with new legislation introduced with the project, commercial agreements between industrial fishing operators and fishermen on by-catch being implemented to the satisfaction of both parties.</p> <p>Clear IDPPE mission statement, recognized and effectively executed.</p> <p>IDPPE acting as an advocate to Government on artisanal fisheries policy; advice leads to action.</p> <p>Revised Fisheries Master Plan, including a comprehensive artisanal fisheries policy, developed and approved by Government and implemented</p> <p>Three-mile exclusive artisanal fishing zone established by law and enforced.</p> <p>Terms of trade improved for artisanal fisheries.</p> | <p>Minutes of the project oversight committees: MOF and IDPPE consultative committees and provincial steering committees.</p> <p>The quarterly progress reports from extensionists and mobile teams, noted under Community Development above.</p> <p>Quarterly and annual progress reports.</p> | <p>Government continues to allocate resources for the expansion of institutional capacity by IDPPE (and MOF) to oversee fisheries development.</p> |



APPENDIX III

| | DESCRIPTION | MEANS OF VERIFICATION |
|------------------------------|---|--|
| | OUTPUTS/ RESULTS | |
| COMMUNITY DEVELOPMENT | Numbers of staff trained in PRA/participatory planning | Project's monthly/quarterly progress reports from mobile teams/extensionists |
| | Numbers of community PRA reports and annual action plans produced | Planning/M&E economist's regular reports to project management |
| | Numbers of committee members trained as literacy trainers (all types of committees) | Combination of project's monthly/quarterly progress reports from mobile teams/extensionists and progress report from Adult Education Section of the Provincial Department of Education |
| | Numbers of community project committee members trained in basic administration/ management | Project's monthly/quarterly progress reports from mobile teams/extensionists |
| | Numbers of people exposed through local/national exchange visits and study tours to other community projects | Project's monthly/quarterly progress reports |
| | Numbers of social infrastructure projects constructed | Combination of project's monthly/quarterly progress reports from mobile teams/extensionists and infrastructure completion reports from the participating line agencies (DPOPH through DEP & EPAR, DPSAU, DPE, ...) |
| | Numbers of water point, school, health centre and other committees operating effectively | Project evaluation of effectiveness of the social infrastructure programme Project's monthly/quarterly progress reports from mobile teams/extensionists |
| | Numbers of co-management committees operating effectively and regularly receiving revenues from licensing fees | Reports submitted by committees to higher levels about mismanagement of resources and conflicts and issues resolved Project's monthly/quarterly progress reports from mobile teams/extensionists |
| | Numbers of equipped and staffed IDPPE and IIP field offices/accommodation constructed and operational | Works completion reports from ? Project's monthly/quarterly progress reports |
| | Rate of sustainable improvement in nutritional status of numbers of fishing communities | Periodic surveys by project, carried out jointly with district/provincial health officials, of the health and nutritional status in project villages |
| | Rate of reduction in morbidity from endemic diseases | Periodic surveys by project, carried out jointly with district/provincial health officials, of the health and nutritional status in project villages |
| | Rate of reduction in prevalence of waterborne diseases | Periodic surveys by project, carried out jointly with district/provincial health officials, of the health and nutritional status in project villages |
| | Rate of improvement in health information system. | Semi-annual reports from participating district health units and from DPSAU |
| FISHING TECHNOLOGIES | Inshore fish resources reserved for (exclusive/preferential) use of artisanal fishers | VHF tracking system operated by MOF Reports from village co-management committees |
| | Artisanal fisheries management measures for sustainable use of fish resources approved by co-management committees and implemented by fishers | Project's monthly/quarterly progress reports from mobile teams/extensionists |
| | Rate of adoption by fishers of commercially viable fish production and utilization technologies | Project survey carried out by mobile teams and extensionists of adoption/uptake of improved fish catching and utilization technologies |
| | Rate of reduction in post-harvest losses of traditional/cured fish products | Project survey carried out by mobile teams and extensionists of adoption/uptake of improved fish catching and utilization technologies |
| | Rate of increase in fishers' income by value added to export and up-market fish products | Periodic surveys of impact of project activities on incomes of fisher families |
| | Rate of increase in commercially viable recovery of by-catch by artisanal fishermen | Survey of commercial/semi-commercial fishing vessel owners |



APPENDIX III

| | DESCRIPTION | MEANS OF VERIFICATION |
|---------------------------------------|--|---|
| MARKETING | Established and more widespread input supply system operating in the project area | Sample survey of fishers to determine increased adoption/use of new gear and other fisheries inputs |
| | Intensified and more diversified marketing of artisanal fisheries products from the fishing communities operating in the project area | Periodic surveys of the number of fish traders operating in the project area, including volume and price data (compared to baseline data) |
| | Improved knowledge of consumer preferences and marketing potential for artisanal fisheries products | Project survey of local fish markets, their structure, dynamics, prices and opportunities |
| | Functioning systems to monitor fish and input prices as well as the terms of trade in the subsector | Improvements to the market information system to be introduced under the project |
| | Functioning mechanisms to disseminate information on market developments and project interventions on a systematic basis | Assessment of level of market information by both fishers and traders |
| | Project concentration areas linked to markets by all weather access roads and fishing villages linked to tertiary road network by improved access tracks | Surveys of traffic volume increases on the rehabilitated roads combined with increases in the number of traders operating in the areas |
| FINANCIAL SERVICES | Increased availability of safe savings facilities and small loans for income generation to artisanal fishermen in the villages | Targeted surveys in fishing villages |
| | Increased business development opportunities for market town traders with linkages to fishing centres in the project area | Included in the periodic surveys of the number of fish traders operating in the project area including volume and price data, noted under 3 above |
| | Accelerated economic growth and employment creation, as well as improved services to fishermen, through the development of small-scale enterprises operating in fishing centres. | Evaluation made by the project team in conjunction with the two tri-term reviews |
| POLICY, LEGAL & INSTITUTIONAL SUPPORT | Capacity of IDPPE strengthened to allow it to better fulfil its role in overseeing artisanal fisheries development | Minutes of MOF and IDPPE consultative committees and quarterly and annual project progress reports |
| | Improved strategic policy/legal framework for artisanal fisheries in place and a process established and functioning to enable policy/legislative initiatives to be regularly revised and updated in response to changing conditions in the sector | Minutes of MOF and IDPPE consultative committees and quarterly and annual project progress reports |
| | Conducive legal/legislative framework for co-management at the central level created and functioning | Quarterly progress reports from extensionists and IDPPE/IIP mobile teams on effectiveness of village co-management committees |
| | Legal and institutional structures in place to secure the zones allocated to artisanal fishermen | Minutes of MOF and IDPPE consultative committees and quarterly and annual project progress reports |
| | Effective institutional arrangements for artisanal fisheries established at the provincial level | Minutes of provincial steering committees and quarterly and annual project progress reports |
| | Comprehensive human resource development programme in place within IDPPE | Minutes of IDPPE consultative committees and quarterly and annual project progress reports |
| | Project coordination team established and operating | First project progress report |

COST AND FINANCING

Expenditure Accounts by Components – Base Costs (USD '000)

| | Community Development | | Fisheries Development | | | Market Support and Access | | | Policy, Legislative and Institutional Support | | | Total |
|--------------------------------------|--|---------------------------------|------------------------------|-------------------------------------|--------------------------|-----------------------------------|--------------------------------|--------------------|---|--------------------------------|--------------------|-----------------|
| | Co-management and Community Mobilization | Community Health Care Programme | Sustainable Use of Resources | Promotion of Diversified Fish Prod. | Post-harvest Utilization | Support to Input/Output Marketing | Market Access Road Development | Financial Services | Policy and Legislative Initiatives | Institutional Support to IDPPE | Project Management | |
| I. Investment Costs | | | | | | | | | | | | |
| A. Civil works | - | 444.6 | 144.8 | - | - | 171.2 | - | - | - | 380.0 | - | 1 140.6 |
| B. Vehicles | 606.0 | - | 332.2 | 376.9 | 337.8 | - | - | 299.2 | - | 1 116.4 | 356.4 | 3 424.9 |
| C. Equipment and materials | 236.0 | 274.1 | 125.5 | 352.3 | 86.5 | 8.7 | - | 58.8 | - | 384.5 | 159.5 | 1 685.9 |
| D. Technical Assistance | | | | | | | | | | | | |
| International TA | 357.1 | 111.0 | 194.0 | 79.8 | 47.9 | 208.0 | 442.6 | 94.6 | 546.8 | - | 45.6 | 2 127.4 |
| National TA | 660.1 | 51.0 | 77.6 | 19.2 | - | 261.2 | 35.4 | 73.8 | 132.4 | - | 51.0 | 1 361.7 |
| PCU core team | - | - | - | - | - | - | - | - | - | - | 1 345.5 | 1 345.5 |
| Subtotal Technical Assistance | 1 017.2 | 162.0 | 271.6 | 99.0 | 47.9 | 469.2 | 478.0 | 168.4 | 679.2 | - | 1 442.1 | 4 834.6 |
| E. Studies | 240.3 | - | - | 312.9 | - | 320.2 | - | - | 21.3 | 57.7 | 115.3 | 1 067.7 |
| F. Training and workshops | 1 223.0 | 816.4 | 162.2 | 88.8 | 95.3 | 138.5 | 138.4 | 121.3 | 91.1 | 845.9 | 164.9 | 3 885.9 |
| G. Funds | | | | | | | | | | | | |
| Credit fund | - | - | - | - | - | - | - | 1 293.5 | - | - | - | 1 293.5 |
| Roads fund | - | - | - | - | - | - | 3 979.1 | - | - | - | - | 3 979.1 |
| Social infrastructure fund | 2 195.7 | - | - | - | - | - | - | - | - | - | - | 2 195.7 |
| Subtotal Funds | 2 195.7 | - | - | - | - | - | 3 979.1 | 1 293.5 | - | - | - | 7 468.2 |
| Total Investment Costs | 5 518.2 | 1 697.1 | 1 036.3 | 1 230.0 | 567.6 | 1 107.8 | 4 595.4 | 1 941.2 | 791.6 | 2 784.5 | 2 238.2 | 23 507.8 |
| II. Recurrent Costs | | | | | | | | | | | | |
| A. Allowances | 155.7 | 171.1 | 375.1 | 375.1 | 375.1 | 37.5 | - | 14.7 | - | 612.6 | 122.4 | 2 239.2 |
| B. Incentives /a | - | - | - | - | - | - | - | - | - | - | 1 570.8 | 1 570.8 |
| C. Operation and maintenance | 418.7 | - | 366.7 | 295.2 | 255.1 | - | - | 244.5 | - | 1 271.7 | 413.2 | 3 265.1 |
| Total Recurrent Costs | 574.4 | 171.1 | 741.8 | 670.2 | 630.2 | 37.5 | - | 259.2 | - | 1 884.3 | 2 106.4 | 7 075.1 |
| Total | 6 092.6 | 1 868.2 | 1 778.1 | 1 900.2 | 1 197.7 | 1 145.3 | 4 595.4 | 2 200.4 | 791.6 | 4 668.8 | 4 344.6 | 30 582.9 |
| Taxes | 456.8 | 104.2 | 220.8 | 230.2 | 180.2 | 26.1 | 577.0 | 157.0 | - | 778.5 | 258.2 | 2 989.0 |
| Foreign Exchange | 1 860.9 | 411.2 | 665.0 | 730.9 | 414.6 | 377.9 | 1 598.9 | 412.9 | 505.2 | 1 554.0 | 549.8 | 9 081.3 |

a Performance-based incentives.

**Disbursement Accounts by Financiers
(USD '000)**

| | Communities | | IFAD | | BSF | | Government | | Total | | For. Exch. | Local (Excl. Taxes) | Duties and Taxes |
|-------------------------------------|--------------|------------|-----------------|-------------|----------------|-------------|----------------|-------------|-----------------|--------------|----------------|---------------------------|---------------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | | | |
| A. Civil works | - | - | 595.1 | 52.2 | 380.2 | 33.3 | 165.4 | 14.5 | 1 140.6 | 3.7 | 342.2 | 633.1 | 165.4 |
| B. Vehicles | - | - | 2 082.8 | 60.8 | - | - | 1 342.2 | 39.2 | 3 424.9 | 11.2 | 1 881.4 | 201.3 | 1 342.2 |
| C. Equipment and materials | - | - | 1 207.1 | 71.6 | 234.4 | 13.9 | 244.5 | 14.5 | 1 685.9 | 5.5 | 836.8 | 604.7 | 244.5 |
| D. Technical assistance and studies | - | - | 5 740.3 | 97.3 | 162.0 | 2.7 | 0.0 | - | 5 902.2 | 19.3 | 2 341.7 | 3 560.5 | - |
| E. Training and workshops | - | - | 3 069.5 | 79.0 | 816.4 | 21.0 | 0.0 | - | 3 885.9 | 12.7 | 194.3 | 3 691.6 | - |
| F. Funds | | | | | | | | | | | | | |
| 1. Social infrastructure fund | 384.2 | 17.5 | - | - | 1 624.8 | 74.0 | 186.6 | 8.5 | 2 195.7 | 7.2 | 658.7 | 1 350.3 | 186.6 |
| 2. Roads fund | - | - | 3 402.1 | 85.5 | - | - | 577.0 | 14.5 | 3 979.1 | 13.0 | 1 193.7 | 2 208.4 | 577.0 |
| 3. Credit fund | - | - | 1 293.5 | 100.0 | - | - | - | - | 1 293.5 | 4.2 | - | 1 293.5 | - |
| Subtotal Funds | 384.2 | 5.1 | 4 695.6 | 62.9 | 1 624.8 | 21.8 | 763.6 | 10.2 | 7 468.2 | 24.4 | 1 852.4 | 4 852.2 | 763.6 |
| G. Allowances and incentives | - | - | 3 639.0 | 95.5 | 171.1 | 4.5 | - | - | 3 810.1 | 12.5 | - | 3 810.1 | - |
| H. Operation and maintenance | - | - | 2 791.6 | 85.5 | - | - | 473.4 | 14.5 | 3 265.1 | 10.7 | 1 632.5 | 1 159.1 | 473.4 |
| Total | 384.2 | 1.3 | 23 820.9 | 77.9 | 3 388.8 | 11.1 | 2 989.0 | 9.8 | 30 582.9 | 100.0 | 9 081.3 | 18 512.5 | 2 989.0 |



PROJECT ORGANIZATION AND MANAGEMENT

A. Institutional Responsibilities

1. The Ministry of Fisheries will be responsible for overseeing the project and for all policy and legislative initiatives. The coordination of the activities of all governmental and non-governmental agencies participating in the project will be carried out by a PCU working under the supervision of the National Director of IDPPE.
2. **IDPPE** will be responsible for the implementation of the following project activities: community development initiatives and input/output marketing, which will come under the responsibility of the Department of Social Development; and activities related to catch and post-harvest handling of fish, under the supervision of the Department of Fisheries Technology, Equipment and Infrastructure. Day-to-day responsibility for implementation will lie with the provincial delegates and their field staff, the PCU having the overall coordination and funding responsibility.
3. **IIP** will be responsible for coordination of the project's initiatives in support of resource assessment, including evaluation of the impact on resource levels of, for example, co-management measures and different types of fishing gear. It will participate at the national level and through its field offices in the three project provinces where its officers will work alongside the IDPPE project staff.
4. The **FFP** will be responsible for providing Government's counterpart funds to the project and will play a key role in the delivery of financial services although it will not be directly involved in their provision. FFP's role will be twofold. First, it will oversee the financial service programmes, including developing and negotiating agreements with the service providers, reviewing and approving their AWP/B and monitoring implementation. Second, and within the national framework, FFP will be responsible for developing policies for the delivery of financial service to the artisanal fisheries sector.
5. **Ministry of Fisheries.** While the line directorates/departments of MOF will not be involved in day-to-day implementation of the project, a number of them will provide support services to it. In particular, the Department of Fish Inspection (DIP) will provide technical back-up to the project in support of its efforts to improve the quality of marketed fish, both for local and export markets. The National Directorate of Fisheries Administration (DNAP) and its provincial organs will represent the state in the co-management committees and, at the national level, in the Fisheries Administration Committee, and will have responsibilities relating to the enforcement of regulations relating to fisheries.
6. The **Ministry of Public Works and Housing** will be responsible for coordinating the project's access roads programme and will help facilitate the implementation of the domestic water activities. Its agency, the National Roads Authority (ANE), working primarily through the Provincial Roads Departments (DEP), will collaborate with the project team in planning the project's roads programmes, prioritizing roads to be rehabilitated, setting up design standards for the rehabilitation of roads and developing maintenance procedures. For water, the provincial DAR will be responsible, although they will contract out the construction of water points and the associated training of the communities.
7. **Ministries of Health and Education.** The project will coordinate with both of these ministries, primarily through their provincial and district offices, to ensure that the provision of community health services, social infrastructure and literacy training are consistent with provincial and district plans and with the norms and standards set for the infrastructure/services established. The Ministry of Health will have overall responsibility for the implementation of the project's community health care



activities; and field staff from both ministries will work alongside the project staff and assist them in their participatory planning work for the project's social infrastructure/services programme.

B. Project Oversight and Coordination

8. To avoid creating new institutional structures, whenever possible the project will use existing committees to ensure coordination and oversight of project activities.

9. **MOF Consultative Council.** At the central level, the MOF Consultative Council (*Conselho Consultativo*) will provide overall project oversight and policy guidance, and ensure coordination. The Council, which meets at least once a month to coordinate the ministry's main affairs, is chaired by the Minister of Fisheries and includes as members the Vice-Minister, the Permanent Secretary, and national directors of departments and institutes and their deputies. Once a quarter, the Council will exclusively address issues arising from the project and other artisanal fisheries projects.

10. **IDPPE Consultative Council.** This is headed by the Director of IDPPE and includes all heads of departments and sections, and the coordinators of all development projects. It meets at least once a month. The Council will discuss operational matters of the project and provide implementation support by overseeing its operations and ensuring proper backstopping. It will also ensure that good practices and experiences gained during implementation are transferred across different projects within the subsector.

11. **Provincial steering committees.** Coordination and oversight at the provincial level will be undertaken by a provincial steering committee established under the chairmanship of the Provincial Governor. Membership will comprise a broad cross-section of key stakeholders, including the Government, private sector, NGOs and beneficiaries. District administrators will also be invited to participate in some sessions.

12. **District project coordination committees.** Coordination committees will be established at the district level. Membership will include representation from IDPPE (which will facilitate the meetings), district administrations, the district departments dealing with education and health, and other local governmental and non-governmental agencies. The main role of these committees will be to screen proposed community projects arising from the participatory needs assessment processes, assess whether or not they are in line with district priorities, and prevent overlap with other projects.

13. **Other special committees/working groups.** In order to harmonize practices in financial services and ensure complementarity in approaches and consistency in lending terms, it is proposed to set up a special financial services committee/working group at the national level. The group will be headed by the FFP and include representatives of participating financial services institutions. To promote the active participation of the private sector in the project, a forum of business/trade leaders who are involved in the fisheries sector – and in particular with artisanal fisheries – will be created in each province. The aim is to provide a forum that the private sector considers its own and within which the participants can discuss artisanal fisheries and the project on their own terms.

C. Project Coordination

14. The PCU core team will be staffed by local experts contracted for the six-year period. It will comprise a project coordinator, reporting to the Director IDPPE, assisted by a financial/contracts manager and accounts assistant, M&E/planning economist, logistics/administration officer, provincial financial/contracts officers (three), and support staff. It will have overall responsibility for coordinating project implementation, its major emphasis being on financial management and planning and M&E, and assuring performance of the experts working with the project. Supporting the core team will be a number of contracted specialists who will coordinate the different programmes. While organizationally these specialists will be members of the PCU and report to the Project Coordinator, they will work closely with the responsible entities both in and outside IDPPE. The marketing



specialist and the community development specialist (both contracted for five years) will work within IDPPE's Department of Social Development, while the financial services specialist (two years) will work within FFP. The community health care specialist (short-term inputs over five years) and access roads engineer/economist (short-term inputs over six years) will both be considered members of the PCU and located within IDPPE. However, both will work closely with counterparts in the responsible line agencies, the Ministries of Health and of Public Works and Housing.

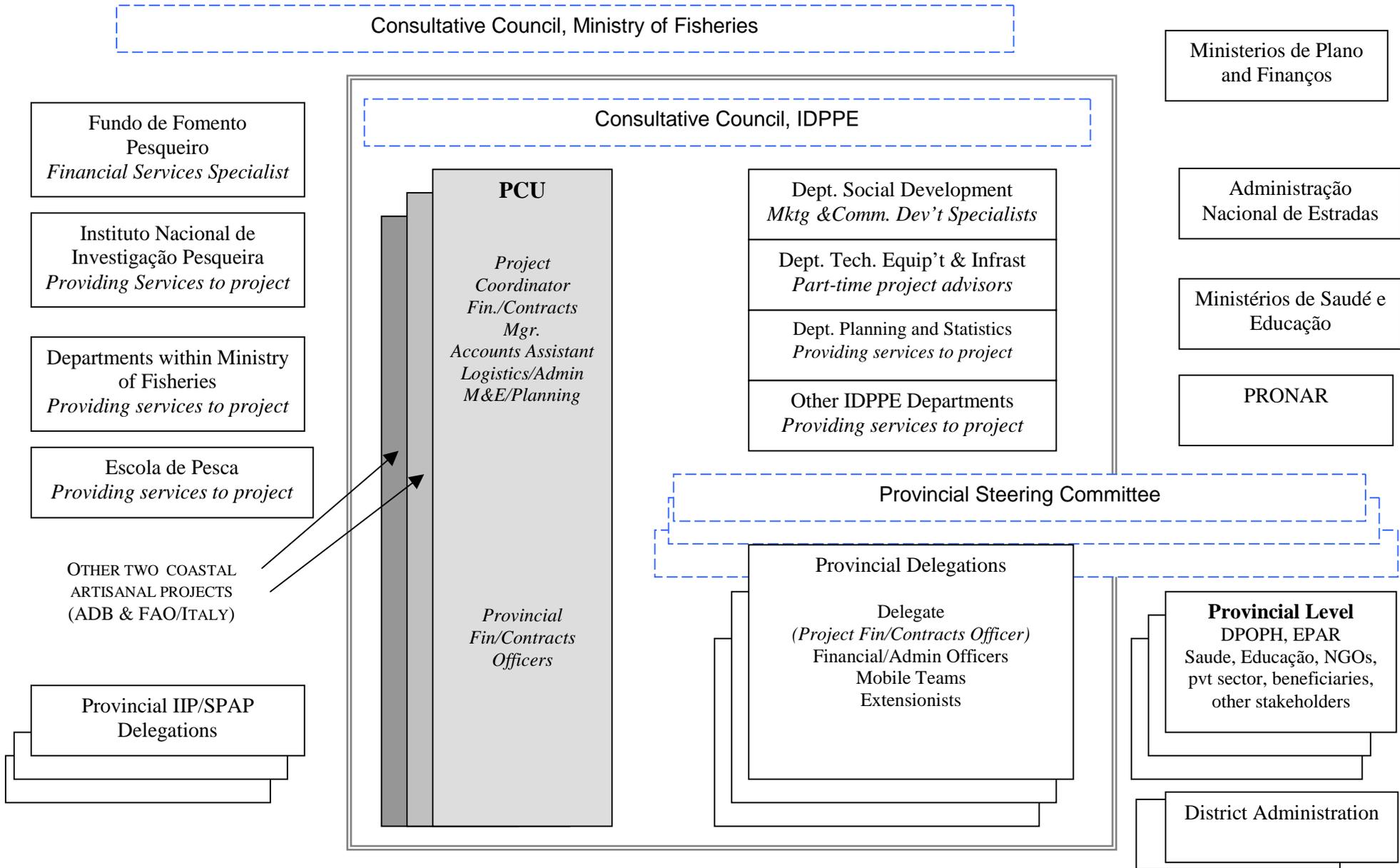
15. The project will be implemented through the regular line departments and staff of IDPPE. In the three provinces, the activities of the project will represent the major part of the workload of the provincial delegates and their staff. Staff from IDPPE headquarters and from other agencies will provide specialized services to the project on a part- or full-time basis as required. Memoranda of understanding will be drawn up between IDPPE and the other agencies (IIP, FFP, Ministry of Health, ANE), and these will govern the respective roles, responsibilities and relations between them.

D. Project Planning, Monitoring and Evaluation

16. **Annual work programmes and budgets.** The AWP/B process will engage all staff involved in implementing project activities. Specific output/activity plans and budgets will be prepared for each 'concentration area', the three provincial delegations, other institutions involved in the project such as the IIP or FFP, and the PCU. The AWP/B process will be integrally linked to the individual work programmes and provide the means to allow project management to assess the success of individuals in meeting their targeted results and impact. The collective and individual AWP/Bs will also provide the basis for the project's management information system. The PCU will be responsible for compiling and presenting the AWP/B for review by the provincial project steering committees and the IDPPE and MOF Consultative Councils, before submitting it for approval to IFAD.

17. **Monitoring and evaluation.** There are two main goals for the M&E system: to assist project management, implementing agencies and communities in effectively executing the project; and to verify whether or not targets and objectives are being met. The logical framework, regularly reviewed and updated, together with the AWP/Bs, are the main tools to facilitate M&E of the project. The M&E/planning economist, who will be a full-time member of the PCU, will be responsible for the compilation of the AWP/Bs and for supervising the design of and carrying out the baseline surveys, introducing monitoring forms and report formats for the project, organizing external evaluation and impact assessment studies, and training project and IDPPE staff in planning and M&E aspects.

18. During the baseline surveys, information will be collected for a sample of the target group in the overall project area. The majority of the baseline survey work will be carried out at the same time as the PRA/needs assessment is done in the communities. Effective project monitoring will involve the continuous, critical observation of progress regarding: outputs to be achieved; activities to be undertaken to achieve the outputs; provision of resources required, and the associated budget, for these activities. The monitoring indicators listed in the logical framework and the detailed AWP/Bs will form the basis of the system. A key output will be timely and comprehensive quarterly, half-yearly and annual progress reports. The most critical element in project evaluation is the review and evaluation process connected with the three phases and the process of proceeding from one phase to the next. This will involve an assessment of the success in achieving the planned outputs. Two tri-term evaluations have been provided for prior to the completion of each of the first two phases.



**FINANCIAL AND ECONOMIC ANALYSIS**

1. **Enterprise models.** Three enterprise models have been defined to test the commercial and financial viability of the fishing technologies proposed for the project area: gillnets, longlines and trammel nets. Generally speaking, all the technologies are financially attractive, with financial rates of return before financing between 50% and 70% for gillnets and longlines and more than 100% for trammel nets. The new technologies can therefore represent valid alternatives to beach seines for new investors in the fishing sector, and require a considerably lower capital outlay.

2. It is difficult to quantitatively determine the impact of a project such as this one, that is largely process driven. However, a series of fish production/utilization models have been developed to give an order of magnitude to the project's impact. The following assumptions underlie the development initiative for artisanal fishing activities under the project: (i) no increase in the traditional technologies (other than a substantial increase in by-catch collection), and (ii) successful uptake of new technologies by PY6 to the following target levels: 250 offshore gillnet/handline units; 465 shrimp trammel net units; and 250 offshore longline/handline units. The estimated benefits are summarized in the following table.

| Estimated Benefits in Project Year 6 | Traditional Technologies | Improved and Offshore Technologies | Total |
|---|---------------------------------|---|--------------|
| Incremental production (t/year) | 7 410 | 5 680 | 13 090 |
| Net benefits to fishers(USD '000/year) | n.a. | 2 360 | 2 360 |
| Incremental benefits (USD '000/year) | 1 780 | 3 540 | 5 320 |
| Incremental employment (numbers of jobs) | 1 160 | 4 190 | 5 350 |
| Value of exports (USD '000/year) | 1 230 | 7 640 | 8 870 |

3. **Economic analysis.** The incremental benefit stream over a 20-year period consists, on the one hand, of the aggregated economic net value of production from the new technologies introduced, excluding trammel nets whose benefits are financial in nature as they represent a transfer from the industrial and semi-industrial sector to the artisanal sector. On the other hand, economic benefits are derived from increased output from existing and ongoing fishing activities, either as an effect of better resource management and improved access to resources, or because of more emphasis on, and better development of, by-catch activity.

4. The project's economic rate of return is estimated to be 8%. Some direct benefits are financial in nature and are therefore not captured by the economic analysis: trammel nets, the technology with the highest benefit flow and the bigger number of expected beneficiaries, generate an important net benefit for the target group, but no effect for the whole economy. In the same way, expected changes in prices and margins for traders also represent transfer payments between different elements within the society. In addition, the project's strong focus on community development is not captured in the economic analysis benefit stream. Excluding the costs for social infrastructure and community health care services from the costs flow increases the ERR by more than two percentage points to over 10%.

5. **Other benefits to the national economy.** The export of shrimp and other high-value products harvested by the artisanal fishery can bring important benefits to the national economy:

- despite the costs of shore-based processing, in comparison with industrial fishing, the shrimp harvested by artisanal fishers involves less imported capital;



APPENDIX VI

- production cost to point of export for ‘artisanal’ shrimp is estimated to be greater than USD 2 per kg **below** the production cost of trawled shrimp;
- costly foreign crews are not required and product is not tied to long-term sales contracts;
- substantial foreign exchange expenditures on loan repayments and charter fees are not needed;
- substantial benefits accrue to the poorer sections of the population who have few other economic opportunities;
- the benefits are widely dispersed in rural areas, with important multiplier effects for local economies; and
- with support and hard work, the prices achieved by exports of artisanal production will approximate those of sea frozen production.