



Investing in rural people

REPUBLIC OF MOZAMBIQUE

Rural Markets Promotion Programme (PROMER)

Additional Financing Report

Main Report and Appendices

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Currency Equivalents

| | | |
|---------------|---|----------------|
| Currency Unit | = | Meticais (MZN) |
| USD 1.0 | = | MZN 35.0 |

Weights and Measures

| | | |
|------------------|---|-------------------|
| 1 kilogram | = | 1000 g |
| 1 000 kg | = | 2.204 lb. |
| 1 kilometre (km) | = | 0.62 mile |
| 1 metre | = | 1.09 yards |
| 1 square metre | = | 10.76 square feet |
| 1 acre | = | 0.405 hectare |
| 1 hectare | = | 2.47 acres |

Abbreviations and Acronyms

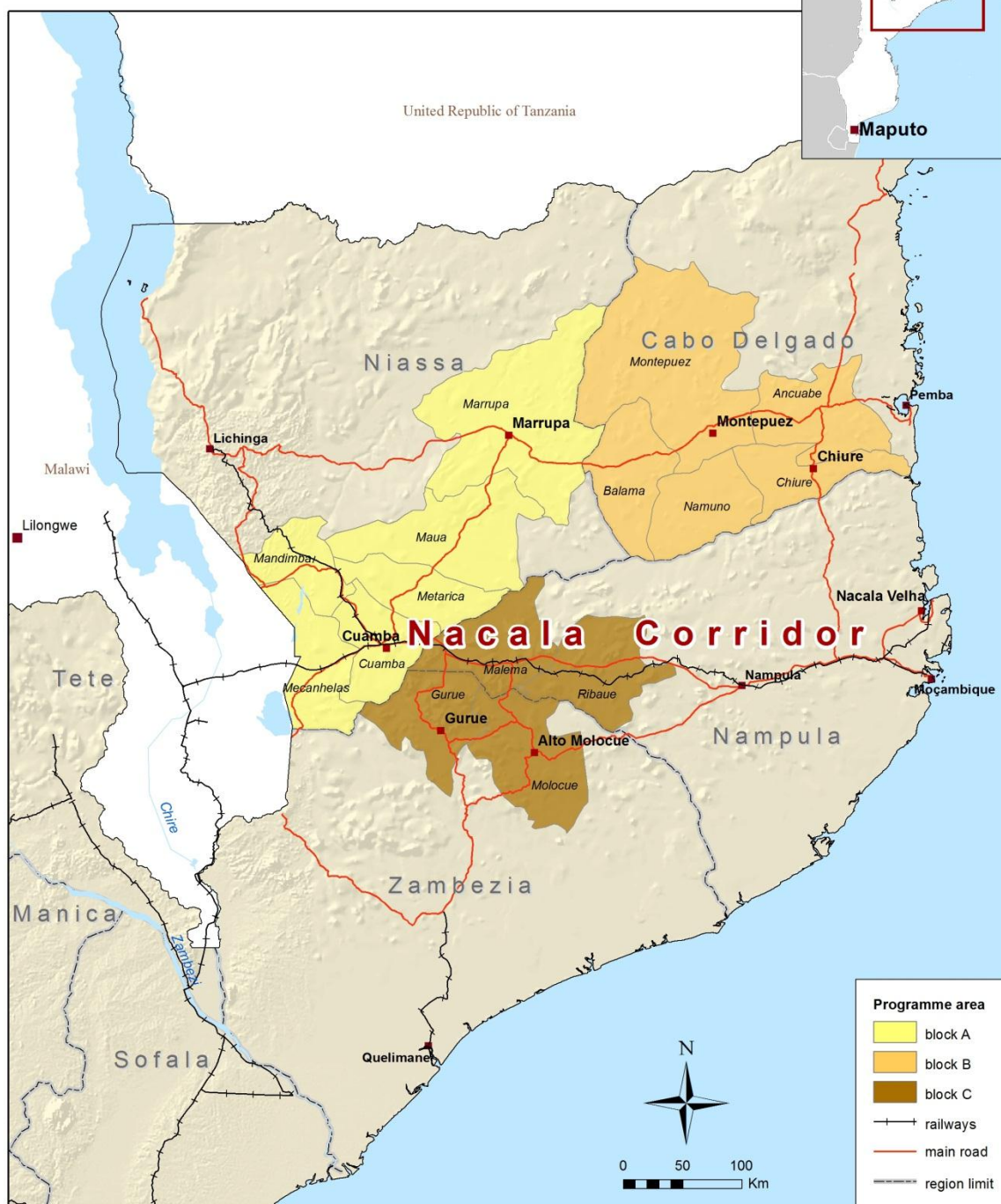
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|--------|---|
| AGRA | Alliance for the Green Revolution in Africa |
| AMODER | <i>Associação Moçambicana para o Desenvolvimento Rural</i> – Mozambican Association for Rural Development |
| ANE | <i>Agência Nacional de Estradas</i> – National Roads Authority |
| AR | Appraisal Report |
| ASCA | Accumulative Savings and Credit Association |
| CBFS | Community Based Financial Services |
| DIC | <i>Departamento de Cooperação Internacional</i> – Department for International Cooperation |
| DNDR | <i>Nacional de Desenvolvimento Rural</i> – National Directorate of Rural Development |
| DPA | <i>Direcção Provincial de Agricultura</i> – Provincial Directorate of Agriculture |
| DPEC | <i>Direcção Provincial de Educação e Cultura</i> – Provincial Directorate of Education and Culture |
| DPIC | <i>Direcção Provincial de Indústria e Comércio</i> – Provincial Directorate of Industry and Commerce |
| DUAT | <i>Direito de Uso e Aproveitamento da Terra</i> – Right of Use and Benefit from the land |
| EU | European Union |
| FA | Farmers' Association |
| FARE | <i>Fundo de Apoio à Reabilitação Económica</i> – Support Fund for Economic Rehabilitation |
| FDD | <i>Fundo Distrital de Desenvolvimento</i> – District Development Fund |
| FI | Financial Institution |
| FO | Farmers' Organisation |
| FONPA | <i>Fórum Nacional de Produtores de Algodão</i> – National Forum of Cotton Producers |
| GAPI | <i>Gabinete de Apoio à Pequena Indústria</i> – Office of Support to Small Scale Industry |
| GDR | <i>Grupo de Referência</i> – Reference Group |
| GoM | Government of Mozambique |
| HDI | Human Development Index |
| KM | Knowledge Management |
| KMU | Knowledge Management Unit (see UGC) |
| M&E | Monitoring and Evaluation |
| MAE | <i>Ministério de Administração Estatal</i> – Ministry of State Administration |
| MDG | Millennium Development Goals |
| MFI | Microfinance Financial Institution |
| MIC | <i>Ministério de Indústria e Comércio</i> – Ministry of Industry and Commerce |
| MINAG | <i>Ministério da Agricultura</i> – Ministry of Agriculture |
| MoU | Memorandum of Understanding |
| MPD | <i>Ministério de Planificação e Desenvolvimento</i> – Ministry of Planning and Development |
| MTR | Mid Term Review |
| NUIT | <i>Número Único de Identificação Tributária</i> – Unique Number of Tax-Payer Identification |
| OIIL | <i>Orçamento de Investimento de Iniciativas Locais</i> – Budget for Local Investment Initiatives |
| P+F | Planning and Facilitation |
| PAMA | <i>Programa de Apoio aos Mercados Agrícolas</i> – Agricultural Market Support Programme |

| | |
|---------|--|
| PAPA | <i>Plano de Acção de Produção de Alimentos</i> – Food Production Action Plan |
| PARPA | <i>Programa de Acção para a Redução da Pobreza Absoluta</i> – Absolute Poverty Reduction Action Programme |
| PICA | <i>Plano Integrado de Comercialização Agrária</i> – Integrated Plan for agricultural marketing |
| PM | Programme Management |
| PMC | Programme Management Cell |
| PMT | Programme Management Team |
| PMU | Programme Management Team |
| PROMER | <i>Programa de Promoção de Mercados Rurais</i> – Rural Markets Support Programme |
| PRONEA | <i>Programa Nacional de Extensão Rural</i> – National Programme of Agricultural Extension |
| ProPAPA | <i>Projecto do Plano de Acção de Produção de Alimentos</i> – Food Production Action Plan Project |
| PSP | Production Support Programme |
| RFSP | Rural Finance Support Programme |
| SDAE | <i>Serviço Distrital de Actividades Económicas</i> – District Office of Economic Activities |
| SIP | Strategic Investment Plan |
| SIRP | <i>Sistema de Informação e Recolha de Preços</i> – Prices Information and Collection System |
| SP | Service Provider |
| SPCU | Sub-component Programme Coordination Unit |
| SRIM | <i>Sistema Regional de Informação de Mercados</i> – Regional System of Markets Information |
| UATAF | <i>Unidade de Assistência Técnica à Alfabetização Funcional</i> - Technical Assistance Unit of Functional Literacy |
| UGC | <i>Unidade de Gestão de Conhecimento</i> (see KMU) – Knowledge Management Unit |
| VC | Value Chain |
| WA | Withdrawal Application |
| WFP | World Food Programme |

Map of the PROMER Area

Mozambique

Programa de Promoção de Mercados Rurais - PROMER
(Rural Markets Promotion Programme)



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.
Map compiled by IFAD | 10-03-2015

Executive Summary¹

- Brief Background** – The Rural Markets Support Programme (PROMER) was originally designed as a 7-year Programme (2009-16) in partnership with the GoM and the Alliance for the Green Revolution in Africa (AGRA) for a total cost of USD 40.6 million. The Programme was approved by the IFAD Executive Board in September 2008 and entered into force in June 2009. However, PROMER's association with AGRA was ended in 2012 because AGRA failed to comply with its commitments. In June 2013, an amendment to the IFAD Financing Agreement was undertaken to include EUR 8.34 million (USD 11.3 million) as additional funds from an EU grant, under the MDG 1c Programme². With AGRA's withdrawal and EU's coming on board, PROMER's new total budget became USD 48.34 million. The Programme's duration was extended by 2 years and current completion date is 30 June 2018 while Programme closure is scheduled for December 2018. However with Additional Financing, it is proposed to extend the closing date to December 2019 to allow for adequate implementation of planned activities.
- The Programme is being implemented in 15 districts of Mozambique's Northern Provinces (Niassa, Cabo Delgado, Nampula and Zambezia). The National Directorate for Rural Development (DNDR), under the Ministry of Land, Environment and Rural Development, is PROMER's lead implementing agency on behalf of GoM. PROMER has 6 Components: a) **Component 1: Development of more Dynamic Market Intermediaries** – The objective is to assist market intermediaries by supporting their marketing activities with the aim of providing smallholders with increased options for selling their crops and getting access to improved agricultural inputs; b) **Component 2: Enterprise-Led Value Chain Initiative** – The objective is to assist smallholders and agribusinesses to establish profitable partnerships that produce mutually beneficial arrangements; c) **Component 3: Improve the Market Environment** - The objective is to enable market participants to operate more knowledgeably and effectively, including market access, infrastructure development/improvement, access to finance, and market transparency; d) **Component 4: Policy/Institutional Support and Programme Management** – The objective is to assist in building the capacity of Government and, in particular, the National Directorate for Rural Development, to take leadership in overseeing the promotion of rural markets in Mozambique; e) **Component 5: Nutritional Education** – The objective is to promote awareness on the consumption of a healthy and balanced diet by ensuring adequate calories, proteins and micro-nutrients; and f) **Component 6: Institutional Support to the Department of International Cooperation (DIC)** – The objective is to manage the funds for the MDG IFAD sub-programme Coordination Unit (SPCU) at DIC/MPD.
- Key Issues Addressed by the Additional Financing (AF) Proposal** – Based on the experience gathered during PROMER's implementation, thus far, it has been established that certain successful processes are beginning to enable smallholder farmers to improve their livelihoods through increased agricultural incomes. This is partly being achieved through: a) reorganisation of Farmers' Organisations (FOs) to improve their ability to better serve their members in linking and dealing with the markets; b) establishment of mutually beneficial partnerships between smallholder farmers and/or their organisations and private sector agribusinesses; and c) rehabilitation of roads thereby improving stakeholders' access to input and output markets. However, more work needs to be done to consolidate the gains made

¹Mission composition for the final design: From IFAD - Robson Mutandi, Country Director and Mission Leader; Shakib Mbabaali, Lead Writer and Programme Management Consultant; Mawira Chitima, Senior Lead Technical Advisor – Infrastructure; Emerson Zhou, Farmer Organisations and Institutions Consultant; Guy Kentsop, Infrastructure Engineer; Alaudio Chingotuane, Economic and Financial Analysis & COSTAB Consultant; Michele Maccari, Value Chain Consultant; and Chiara Romano, Targeting Consultant. The Government was represented by José Manuel Eliza Guamba, DNDR Director, Carla Honwana, Programme Coordinator for PROMER and the entire PROMER PMU team

² MDG1c stands for Millennium Development Goals, Target 1c, which is to "Halve, between 1990 and 2015, the proportion of people who suffer from hunger". This initiative involves IFAD, FAO and WFP activities in Mozambique.

thus far and make the interventions sustainable. FOs still need considerable capacity building in selected areas and the development/strengthening of the necessary support structures for long-term sustainability. Partnerships with the private sector still need to be carefully nurtured and strengthened for trust-building and sustainability. Roads will need to be fully rehabilitated to increase their resilience to adverse climatic conditions and to lower the maintenance costs.

4. Thus, the additional financing will be used to consolidate and scale up the PROMER successful activities as well as introduce innovative approaches to the PROMER model that would contribute to more efficiency and sustainability for Programme interventions. This will also enable the Programme to provide more support to FOs and local institutions and introduce climate smart interventions in infrastructure investments. The additional financing will also be used to further promote adequate nutrition knowledge and behaviour. In addition, and as part of the Programme's exit strategy, the interventions will increase the ability, through capacity building, of the relevant Government and local institutions to monitor and supervise all Programme activities. This would prepare them for taking over total responsibility when the Programme ends.
5. **Costs and Financing** – The remaining FOUR years of the Programme (2016 – 2019) will be financed by: a) Government of Mozambique (USD 2.3 million accounting for about 8.4% of total cost); b) the new IFAD loan to be considered for approval by the December 2015 Executive Board (USD 12.5 million or about 45.5% of total cost) and the DSF Grant (USD 12.5 million or 45.5% of total cost); c) the beneficiaries (USD 0.19 million or about 0.7% of total cost).
6. **Breakdown of the Additional Financing Funds** – Based on the discussions held with the different stakeholders, the following is the apportionment of the additional financing between the different PROMER components:
 - **Component 1: Development of More Dynamic Market Intermediaries (USD 4,674,000).**
 - Subcomponent 1.1: Support for Rural Traders Development (USD 276,000).
 - Subcomponent 1.2: Support to Farmers' Organisations Development (USD 4,398,000).
 - **Component 2: Enterprise-Led Value Chain Initiative (USD 1,032,000).**
 - Identification of Opportunities in Value Chains (USD 203,000).
 - Facilitation of Agribusiness Partnerships (USD 80,000).
 - Matching Investments Grant Facility (USD 749,000).
 - **Component 3: Improve the Market Environment (USD 11,582,000)**
 - Subcomponent 3.1: Market Infrastructure (USD 10,596,000).
 - Subcomponent 3.2: Facilitating Access to Finance (USD 697,000).
 - Subcomponent 3.3: Improving the Market Transparency (USD 289,000).
 - **Component 4: Policy/Institutional Support and Management (USD 6,744,000).**
 - Subcomponent 4.1: Knowledge Management and Coordination (USD 462,000).
 - Subcomponent 4.2: Policy and Institutional Support (USD 505,000).
 - Subcomponent 4.3: Programme Management (USD 5,777,000).
 - **Component 5: Nutrition Activities (USD 968,000).**
7. **Benefits and Economic Analysis** – For the purposes of the Economic Analysis, two models were created that represent the current crop models in the Programme area and typical benefits that will accrue to the populations within the catchment area of the rehabilitated road network. Total number of households involved in Farmers' Organizations was considered as 22,100. The population that will be reached by the road network (and not captured in the crop models) is estimated at 383,000 (76,600 households involved in small scale agriculture). The analysis has shown that the Programme has the capacity to generate an economic internal rate of return (EIRR) of 19% percent over a 20-year period with a Net Present Value (NPV) of MZN 356.5 million (USD 10.2 million) at 10% social discount rate. Sensitivity analysis shows the robustness of the proposed investment, with NPV always remaining positive in typical stress scenarios and EIRR never dropping below the discount rate. Nonetheless, the analysis

shows that delayed onset of overall benefits could have the biggest impact on Programme performance.

8. **Way Forward** –IFAD and the Government of Mozambique will negotiate and conclude the Amendment to the Financing Agreement by November 2015. This AF proposal will be presented to the December 2015 IFAD Executive Board for consideration and approval. The Financing Agreement will be signed shortly thereafter. It is expected that the Agreement will become effective during the period January/February 2016.

Logical Framework: Rural Markets Support Programme

| Narrative Summary | Key Performance Indicators (*) RIMS indicators | Means of Verification | Assumptions (A) / Risks (R) (L) Low, (M) Medium (H) High |
|--|---|--|--|
| Goal: | | | |
| Improve livelihoods of poor Rural households | <ul style="list-style-type: none"> Increased assets ownership of rural households in the project area* <i>Baseline: % assets i.e. Motor bike 7.6; Cell phone 9.5; Radio 54.3; Bicycle 68.;</i> <i>Target: household assets ownership increased by 30 %</i> Reduction of incidence in child malnutrition * <i>Baseline: Prevalence of chronic malnutrition among children <5 year: 44%</i> <i>Target: reduced by at least 30 %</i> | <ul style="list-style-type: none"> Programme baseline (2010) & Impact Survey National Nutrition Survey | <ul style="list-style-type: none"> Political stability (L) No major natural disasters (M) Macroeconomic stability (L) |
| Project Development Objective: | | | |
| Enable smallholders to increase their agricultural income by marketing their surpluses more profitably | <ul style="list-style-type: none"> % Increase in smallholder farmers' production levels and revenue from sales of their produce. <i>Members of FOs (22,100 HHs):</i> <i>Baseline: 1,100 Kg</i> <i>Target: 86% increase (2,044 Kg)</i> <i>Beneficiaries of road network (76,600 HHs):</i> <i>Baseline: 795 Kg</i> <i>Target: 101% increase (1,600 Kg)</i> % Increase in smallholder farmers' net income from sales of their produce. <i>Members of FOs (22,100 HHs):</i> <i>Baseline: USD 41</i> <i>Target: 222% increase (USD 131)</i> <i>Beneficiaries of road network (76,600 HHs):</i> <i>Baseline: USD 41</i> <i>Target: 96% (USD 81)</i> People receiving project services* (RIMS 1.8.2) 477,450 people | <ul style="list-style-type: none"> Programme baseline & Impact Survey | <ul style="list-style-type: none"> Terms of trade for smallholders are unfavourable and negatively impact their returns from crops (L) Beneficiaries are attracted to mining activities and abandon agriculture (L) |
| Component 1: Development of more dynamic market intermediaries and Component 2: Enterprise-led value chain initiative | | | |
| Outcome 1: Increase smallholders access to and participation in agricultural market | <ul style="list-style-type: none"> Increase in the number of men and women farmers signing marketing contracts with traders <i>Baseline: 3650 HHs,</i> <i>Target: 22.100 HHs</i> | <ul style="list-style-type: none"> Programme baseline survey and programme progress report prepared by PMU | <ul style="list-style-type: none"> Market demand and process are unfavourable for major crops in selected value chains to stimulate production (L) Lack of interests of value chain leaders to engage in partnership (M) |

| Narrative Summary | Key Performance Indicators (*) RIMS indicators | Means of Verification | Assumptions (A) / Risks (R) (L) Low, (M) Medium (H) High |
|---|--|--|---|
| Outputs: 1.1 Capacity of farmers' associations and traders to effectively market surplus production built. 1.2 Profitable partnerships between smallholders and agri-business enterprises. | <ul style="list-style-type: none"> 500 (FOs) and 225 traders received training At least 5 partnerships between smallholders and agri-business enterprises established At least 5,000 men and women farmers participating in agribusiness partnership – 50% women by PY10 | <ul style="list-style-type: none"> Programme baseline survey and programme progress reports prepared by PMU Contracts for development of value chain through matching grants Programme progress reports prepared by PMU | |
| Component 3: Improving the market environment | | | |
| Outcome 2: A more conducive environment of agricultural market operations | <ul style="list-style-type: none"> # of market facilities and infrastructure operating by PY10 (by type) <i>Baseline: 678km roads rehabilitated</i> % Increase in the number of FOs and traders accessing and effectively using financial products <i>Baseline: 0</i> <i>Target: 30% increase in the number of participating FOs and traders accessing credit for marketing activities</i> | <ul style="list-style-type: none"> Programme baseline Programme progress reports prepared by PMU Financial institutional reports | <ul style="list-style-type: none"> Larger policy and institutional environments become unfavourable for promoting agricultural market operations (L) |
| Outputs: 2.1 Improvement in the quantity and quality of market related infrastructure and services 2.2 improved access to finance | <ul style="list-style-type: none"> 678 Km of road rehabilitated by PY 10 and 15 district market facilities rehabilitated * (RIMS 1.4.2 and 1.4.3) 275 ASCAs formed, with 6,400 members of which - 60% Women by PY 9* (RIMS 1.3.1) | <ul style="list-style-type: none"> Programme Progress reports prepared by PMU | |
| Component 5: Nutrition activities | | | |
| Outcome 3: Improved nutritional status of vulnerable groups | <ul style="list-style-type: none"> # of people adopt recommended practices to manage a vegetable garden <i>Baseline: 2.000 HHs</i> <i>Target: 10.000 HHs</i> | <ul style="list-style-type: none"> Baseline and Impact survey | <ul style="list-style-type: none"> Low adoption rate resulting from unfavourable cultural practices (L) |
| Outputs: 3.1 women and children with improved knowledge in basic nutrition hygiene and health | <ul style="list-style-type: none"> 10.000 HHs – 50% women sensitized about improved food habits and sources of food by PY 9 | <ul style="list-style-type: none"> Programme Progress reports prepared by PMU | |

I. Introduction

1. The International Fund for Agricultural Development (IFAD) received a request from the Government of Mozambique (GoM) for an additional financing amounting to USD 25 million for the Rural Markets Promotion Programme (PROMER). The request emanated from the findings of the Programme's Mid-Term Review (MTR) that took place from March to July 2014 led by GoM with IFAD support. The MTR evaluated the Programme's implementation performance, the progress made towards achieving its objectives and the constraints, thus far, and the performance of the Programme Management Unit and Cells at provincial level (PMU and PMCs). The MTR also assessed the continued relevance and feasibility of the different components and activities to reach the defined objectives. Where necessary, the MTR recommended reorientation to help address some of the identified constraints and enable the Programme to continue on its path to achieve its objective.
2. The MTR confirmed the Programme's continued relevance along with its overall goal, development objective and its outcomes.

a. Brief description of PROMER

3. The overall goal of PROMER is to improve the livelihoods of the poor rural households by enabling small-scale farmers to increase their incomes from agricultural activities through marketing their surpluses more profitably. PROMER covers 15 districts in the Northern Provinces of Cabo Delgado, Niassa, Nampula and Zambézia. The Programme was designed in partnership with GoM and the Alliance for the Green Revolution in Africa (AGRA). It was initially planned to be implemented over a 7-year period (2009-2016) with a total budget of USD 40.6 million (see table 1). The Programme was approved by the IFAD Executive Board in September 2008 and entered into force in June 2009. However, the MoU signed between GoM and AGRA was cancelled in 2012 since AGRA did not comply with its commitments.

Table 1: Original Project Financing Plan (2009-2016)

| Source | IFAD (loan) | AGRA (grant) | Government | Beneficiaries | TOTAL (USD) |
|------------------------------|-------------|--------------|------------|---------------|-------------|
| Amount planned (USD million) | 31.1 | 3.5 | 2.9 | 3.0 | 40.6 |
| Share of Total budget (%) | 76.6 | 8.7 | 7.2 | 7.4 | 100 |

4. In June 2013, an amendment to the IFAD Financing Agreement was made to include EUR 8.34 million (USD 11.3 million) as additional funds from an EU grant, under the MDG 1c programme³. With a new total budget of USD 48.34 million (see table 2), the Programme duration was extended by 2 years with completion scheduled for June 2018.

Table 2: Current Project Financing Plan (2009-2018)

| Source | IFAD (loan) | E.U. (grant) | Government | Beneficiaries | TOTAL (USD) |
|------------------------------|-------------|--------------|------------|---------------|-------------|
| Amount planned (USD million) | 31.1 | 11.3 | 2.9 | 3.0 | 48.34 |
| Share of Total budget (%) | 64.4 | 23.4 | 6.0 | 6.2 | 100 |

5. Initially designed with 4 components, PROMER is now organized in 6 components:
 - **Component 1: Development of more Dynamic Market Intermediaries** – The objective is to assist market intermediaries by supporting their marketing activities with the aim of providing smallholders with increased options for selling their crops and getting access to

³MDG1c stands for Millennium Development Goals, Target 1c, which is to "Halve, between 1990 and 2015, the proportion of people who suffer from hunger". This initiative involves IFAD, FAO and WFP activities in Mozambique.

improved agricultural inputs (support to input and output traders; farmers organisations; literacy training, small scale value addition initiatives);

- **Component 2: Enterprise-Led Value Chain Initiative** – The objective is to assist smallholders and agribusinesses to establish profitable partnerships that produce mutually beneficial arrangements. This is to be done through the identification of commodity market opportunities, facilitating long term producer-agribusiness partnerships, and matching grant facilities to help the development of agri-business drivers;
- **Component 3: Improve the Market Environment** - The objective is to enable market participants to operate more knowledgeably and effectively, including market access, infrastructure development/improvement, access to finance, and market transparency;
- **Component 4: Policy/Institutional Support and Programme Management** – The objective is to assist in building the capacity of Government and, in particular, the National Directorate for Rural Development (DNDR) – PROMER lead implementing agency), to take leadership in overseeing the promotion of rural markets in Mozambique;
- **Component 5: Nutritional Education** –The objective is to promote awareness on the consumption of a healthy and balanced diet by ensuring adequate calories, proteins and micro-nutrients;
- **Component 6: Institutional Support to the Department of International Cooperation (DIC)** – The objective is to manage the funds for the MDG IFAD sub-programme Coordination Unit (SPCU) at DIC/MPD.

b. Review of PROMER Implementation To-Date

6. PROMER has followed the experience of previous market linkage Programmes, in particular the closed IFAD-funded Agricultural Market Support Programme (PAMA), to address the persistent challenges in the functioning of rural and agricultural markets. It is adopting an inclusive approach to respond to the food security and nutrition needs of its target groups and help them get the necessary labour and other minimum assets to take advantage of the market opportunities that the Programme contributes to create.
7. PROMER implementation has, thus far, faced several challenges. These include unavailability of funds from partners, difficulty in adopting the best implementation approach, lack of competent service providers, etc. These challenges have contributed to delays in implementation progress. Nonetheless, the Programme has been able to successfully undertake interventions that have, so far, reached more than 300,000 people.
8. **Component 1: Development of more Dynamic Market Intermediaries** – Following hereunder is a summary of achievements by subcomponent.
9. **Subcomponent 1.1: Support to Rural Traders Development** – At mid-term, the failure by AGRA to honour the MoU signed with GoM prevented this subcomponent from receiving the necessary funds to take off. The MoU was cancelled in 2012 and, in 2013, the EU came on board and provided the funds to fill the gap that had been created by AGRA's non-compliance. Consequently, two Service Providers (SPs) were contracted in 2014 by PROMER to implement the activities in each of the 3 Implementation Blocks. Activities started in June 2014 with the aim of supporting 225 traders. Activities include training traders to improve their participation in agricultural marketing, facilitating their integration in regional and international markets, introduce risk and guarantee funds, facilitating access to financial products, promote agricultural inputs demand for new technological packages through results demonstration fields, and study the potential to introduce seed vouchers.

10. *Subcomponent 1.2: Support to Farmers' Organisations Development* – This subcomponent aims to improve the ability of Farmers' Organisations (FOs) to better serve its members in linking and dealing with the markets. By the time of the MTR, PROMER had covered a total of 465 FOs in the three blocks, involving 12,427 members. Two training cycles on organizational development and market linkages were conducted covering all 500 FOs and benefiting 13,000 members, being 46% women. A total of 11,250 FOs members (100% of the AR revised target), 61% being women (24% AR target) participated in literacy training in Blocks A and C, following a 1 year model instead of the 3-year model being used by the Ministry of Education (MINED).
11. Moreover, PROMER developed a graduation system of FOs based on PAMA experience. The system defines three categories: A (FOs having a functional internal organization, own assets and management skills to run their business independently of external assistance), B (FOs in an intermediary stage of development still requiring regular project support) and C (emerging FOs highly requiring capacity building assistance). The graduation system is recognized as an important tool to guide capacity building efforts and not necessarily an indicator of sustainability. The 2013 classification exercise revealed that a large number of FOs assisted by PAMA and other projects that had achieved category A classification had regressed. Two key factors could explain this. First of all, the democratic nature of FOs, involving periodic elections, brings in new leadership into associations and therefore imposes continued demand for capacity building services. Secondly, many of the farmer groups and associations established through NGO support, including PROMER, are neither horizontally nor vertically integrated. In recognition of these limitations, PROMER SPs have been supporting district Fora, Unions and Federations. The work consisted mainly of the strengthening of their capacity to provide marketing services to their membership. Thus, 70 Fora, 11 Zone Unions, and 2 Federations were selected to be supported by PROMER.
12. **Component 2: Enterprise-Led Value Chain Initiative.** Implementation of this component was negatively affected by the lack of a pragmatic approach (by PROMER) as well as the lack of interest showed by the potential private sector partners. Nonetheless, the component has been able to achieve a few results.
13. *Identification of Opportunities in Value Chains* – Guidelines were developed to facilitate the development of value chains. A multi-stakeholder Value Chain Advisory Committee was established to support the PMU in the selection of value chains, the approval of the Strategic Investment Plans (SIPs) and the allocation of matching grants. Four value chains (VC) were selected to be assisted by PROMER: cassava, sesame, beans and groundnuts. Dissemination of the procedures of PROMER's matching grant facility was undertaken through a workshop, public announcements, letters to potential value chain drivers, and through meetings led by the PMCs. A workshop with Agri-business officers was also undertaken and this aimed at harmonizing the approach for dissemination of information on the Matching Grant Facility. PROMER received 11 concept notes from two rounds of calls for proposals. Of these, five were rejected for not meeting the minimum requirements; one proposal from OLAM was withdrawn by the Company during the review process since the investment was not cost effective based on the number of farmers expected to benefit; CISTER's proposal was not approved by the Value Chain Advisory Committee and IFAD as the proposed investment was outside PROMER implementation area; three proposals from, MATHARIA, ALIMI and ZAC are at various stages of processing and one proposal from Corridor Agro (CAL) was implemented for 2 years. Overall, however, development and processing of concept notes has been slow. This may partly be explained by the frequent changes in the eligibility requirements and delays by the proponents to present the required supporting documents.
14. *Facilitation of Agribusiness Partnerships through matching Investment Grant Facility* – The only matching grant awarded by PROMER so far was to CAL with a value of USD 250,000, to benefit a total of 3,333 small scale farmers for implementing a sesame out-grower programme

for the development of the sesame VC. PROMER contribution was for various equipment that included trailers, motor cycles and motor vehicles. CAL matching contribution included an existing tractor fleet, computers, salaries of extension agents and some running costs. The contract with CAL was signed in December 2012 and the implementation of the SIP started in January 2013. CAL worked for 2 years signing contracts with 1,139 farmers in 2013 and 1,119 in 2014, 607 of which belong to FOs assisted by the Programme. Producers received inputs and land preparation services and over 90 tonnes of sesame were bought generating income of over USD 70,000 for the producers. However, the matching grant concept as was applied in the case of CAL was rather wide and needs to be narrowed. Thus, investment requests from the participating private sector actor were addressing more of the company's own general investment requirements than the specific investments needed to address market linkage constraints related to the target farmers.

15. **Component 3: Improve the Market Environment** – Each of the three subcomponents under this component are at different stages of implementation, one performing satisfactorily while the others are suffering delays in implementation.
16. *Subcomponent 3.1: Market Infrastructure* – With respect to rehabilitation of feeder roads, the MoU signed with the National Roads Authority (ANE) and FE to permit the rehabilitation of feeder roads stipulates that ANE hires contractors to do road rehabilitation using a spot improvement approach and, whenever possible, labour intensive methods. A set of five criteria score approach was adopted to select roads to be rehabilitated. The criteria include population served, market potential, roads critical to connection to markets, and availability of funds. A fifth eliminatory (*sine qua non*) criterion is that the district government has to ensure future maintenance works. Thus, out of 755 km targeted, PROMER has contributed to rehabilitate 678 km of roads (90% of the target). IFAD is funding the rehabilitation of about 415 km (55% of the total), out of which 405 km have been completed. The EU, through the Food Production Action Plan Project (ProPAPA) and the Millennium Development Goal (MDG) interventions, is funding an additional 340 km, of which 273 km have been completed. While waiting for an impact study to be undertaken on the component, preliminary analysis shows that the rehabilitation of these roads has served more than 300,000 people (both the traders and the community members).
17. There is a real demand for roads and the impact for the rural communities is visible. Traders now have access to areas that were previously inaccessible; this has made it possible for them to increase the quantities of products purchased from farmers in those areas that benefited from road improvement. In some of the cases, traders have reported purchases of various products in excess of 100 tons from those areas in a given season; this is an increase of several folds prior to Programme interventions. The roads rehabilitated serve purposes far beyond access to markets. In some districts, new houses, new schools and new sanitary units are being built along the rehabilitated roads. With regard to other market infrastructure, the PDR target was to rehabilitate 6 market facilities in all the project area. However, the results of the general baseline survey showed that market rehabilitation was a priority in all districts covered by the Programme and it was decided to rehabilitate a total of 15 district markets (1 market/district). By the time of the MTR, 5 of the 15 identified markets had been rehabilitated and an additional 3 were in the process of being rehabilitated.
18. *Subcomponent 3.2: Facilitating Access to Finance* – PROMER provided institutional capacity building to the Office of Support to Small Scale Industry (GAPI) and the Mozambican Association for Rural Development (AMODER) to establish 3 functional outlets; this has not yielded any results so far. Support to financial institution outreach in the PROMER area, through a partnership with FARE/RFSP, led to the establishment of 4 Micro-Finance Institution (MFI) outlets in 3 districts. Those institutions are still far from performing adequately and would need a strong support to improve their performances. They have not yet started to provide services to FOs or other PROMER target groups. Training of FOs has started, through the introduction of an “access to finance” module – about 175 FOs have been trained

(totalling 3,284 members, of which 1,229 are women). The recruited SP did a mapping of the locally available financial institutions in order to better know and be able to disseminate the information. A total of 38 loan applications were received and 12 approved (32%). In 2014, the EU-MDG funds led to the introduction of Community-Based Financial Services (CBFS). This was done using the Accumulative Savings and Credit Association (ASCA) model through SPs and a credit line (CL) to be managed by a wholesale financial institution. A guarantee fund for input wholesalers and working capital for small input/output traders are also foreseen but concrete implementation modalities are yet to be defined. Out of a target of 275 ASCAs, 116 ASCAs have been established benefiting 2,667 farmers.

19. *Subcomponent 3.3: Improving the Market Transparency.* In 2011, a study concluded that conditions were not in place to implement the proposed Regional Market Information System (SRIM). Instead, local initiatives were supported, with the participation of the District Offices of Economic Activities (SDAEs) (in collection of prices), SPs (for information on product availability) and community radios as broadcasters of weekly programmes in Portuguese and local languages. PROMER cells play a coordinating role. The model was piloted in 2013 in Alto Molócue and rolled out in 2013. In July-December 2013, contracts were signed with 10 community radios and 480 bulletins broadcasted. PROMER, through a MoU, is supporting the Ministry of Industry and Commerce (MIC) in monitoring of agricultural marketing and collection of information on agricultural commodity price dynamics. The Programme is also actively promoting the market information programme with SMS services, especially in districts with no operational community radios. The MoU also includes support to promotion of agricultural fairs and planning meetings.
20. **Component 4: Policy/Institutional Support and Management** – The three subcomponents under this component are at different stages of implementation and level of performance.
21. *Sub-component 4.1: Knowledge Management and Coordination* – This subcomponent includes 2 groups of activities: one at the National Directorate of Rural Development (DNDR) level and the other at PROMER level. In 2011, Knowledge Management (KM) was institutionalised in DNDR, by setting up a Knowledge Management Unit (UGC) to facilitate sharing and learning within DNDR and amongst external stakeholders. It comprises 5 existing DNDR staff, including a part-time dedicated Coordinator. Training was provided to DNDR staff on Planning, Monitoring and Evaluation, development of information collection tools and documentation of information. Training was also provided to DNDR staff in the provinces where PROMER is implemented. Computer and intranet equipment were acquired and installed, and a webpage was designed and opened – with funds from other development partners. PROMER also financed the publication of the quarterly Bulletin of DNDR. PROMER is now focusing on ensuring efficient and effective use of the tools developed for the UGC staff to promote structured information and knowledge sharing. In the meantime, PROMER M&E Officers from the cells were trained in KM while the Central PMU M&E Officer participated in an IFAD regional KM forum. Moreover, success stories were prepared for publication in the IFAD and IFADAFRICA website, as well as in the DNDR and Ministry of State Administration (MAE) websites and portals, with the appropriate links. An intranet was installed and the PMU is making an effort to create a culture of information sharing among PROMER staff, SPs and the FOs supported by the Programme. PROMER disseminated good practices and the experience of PROMER was shared through newspapers and TV.
22. *Subcomponent 4.2: Policy and Institutional Support* – To ensure an active role of relevant GoM stakeholders in its implementation, PROMER has signed MoUs with various public institutions that include: a) the National Roads Authority (ANE) and the Road Fund (FE) to support road rehabilitation; b) the Ministry of Industry and Commerce to support marketing dialogue fora and marketing policy development; c) the Provincial Directorate of Agriculture (DPAs) to strengthen the capacity of providing market oriented extension services; and d) the Support Fund for Economic Rehabilitation (FARE) to support the outreach of financial services and improve access by PROMER beneficiaries to financial services. On the other

hand, national, provincial and district Reference Groups have been constituted to ensure follow-up of Programme implementation, specifically the review of AWPBs and progress reports as well as ensure institutional linkages and exchanges. In addition, PROMER has provided financing for DNDR staff to participate in training courses and also in national and international events on rural development and rural markets. The Programme has also provided funds to train the relevant DNDR and MIC staff in publicising and dissemination of information on the National Integrated Plan of Agricultural Marketing (PICA). Overall, the intervention in policy development could be demand-driven from these institutions or from issues arising as a result of experience gained during implementation. So far, no policy issues have originated from these institutions and with about 4 years of implementation, it is only now that PROMER is able to identify substantial lessons learned that could feed the policy agenda.

23. **Subcomponent 4.3: Programme Management** – The Programme Management team consists of 25 staff – 6 of which contracted under MDG funds, an increase from 14 envisaged from appraisal. The Programme's Human Resource structure and requirements had been underestimated given the geographical coverage, the diverse array of activities and the capacity of staff and, in particular, of SPs. Due to the increased number of staff, underestimates of operational expenditures and the addition of two new components, the Programme is underfinanced. Planning and coordination meetings are being held regularly, guided by the Programme Implementation Manual. Programme interventions are implemented through contracts with SPs and MoUs with partner institutions. The M&E system was established in March 2010, including a Programme-wide database for capturing quantitative and qualitative data, and a manual is in place. In February 2011, a baseline was carried out, supplemented by one from each of the contracted SPs; SPs play a strong role in monitoring, and will be conducting similar impact level assessments towards contract completion.
24. The large number of contracts (22 contracts/MoUs) that have to be managed by the Programme, as well as the extensive process of securing approval/'No Objection' from IFAD (on procurement matters) can be time consuming, sometimes, resulting in Programme implementation delays. The vast array of activities and the large number of SPs are a challenge for the PMU in terms of allowing sufficient time for reflection. The role of the cells in signing off on contracts has, to a large extent, replaced the monitoring usually expected by local government authorities, whose main role in implementation has been limited to selection of roads for rehabilitation.
25. **Component 5: Nutritional Education** – PROMER was initially designed without a nutrition component. Added in 2013, the nutrition component is currently only funded by the EU MDG 1c Programme. The intervention aims at promoting awareness on the consumption of healthy and balanced diet by ensuring adequate intake of calories (energy), protein, and micro-nutrients. However, it quickly appeared that the amount budgeted would not be sufficient to cover the PROMER area of intervention. After the October 2013 Supervision Mission, it was therefore agreed that nutrition activities would be piloted in five districts of Cabo Delgado province, one of the provinces suffering the most of chronic under-nutrition. At the end of 2014, PROMER had selected the service provider in charge of implementing this pilot. Activities primarily consist of demonstration and kitchen gardens to increase dietary diversity (including cooking classes and promotion of food and personal hygiene and sanitation), peer-to-peer women groups, nutrition messaging through community radio, and nutrition classes in primary schools.
26. **Targeting, Gender, Youth Employment and HIV**. A gender analysis was conducted as part of the baseline survey leading to the development of a gender action plan. Progress in targeting women has been made in several areas. Some of the results achieved thus far include: a) 46% of the beneficiaries in the capacity building activities carried out with Farmer Groups and Association are women; b) 77% of the FOs supported by the Programme have

women in leadership positions; c) 61% of the functional adult literacy beneficiaries are women. Regarding PROMER focus on youth, there are some young people participating in the Programme activities. However, this is by default as PROMER has not had deliberate effort to reach the young people. Furthermore, activities on HIV/AIDS have focused on awareness and sensitization. In Block B the awareness sessions and sensitization were carried out with contractors, involving 612 people. Similar activities are yet to be undertaken in Blocks A and C.

27. **Lessons Learned from First Phase of PROMER** – The PROMER MTR report provides a series of lessons for each subcomponent. A selection of key lessons is presented hereunder:

| Main issues | Lessons learned and way forward |
|--|--|
| Lack of capacity of the Service Providers | PROMER will follow closely the procurement process of SPs and provide training for field staff within contract budget. |
| Difficulty in access to credit | PROMER will define |
| The assumption that FOs are able to remain sustainable without project support is short-sighted. | PROMER will work closely with district authorities and farmers' unions as well as better train the SPs to guarantee that these institutions are able to support the FOs even without the project's intervention in the future. |
| Development of enterprise-led value chain opportunities have been slow due to low quality of proposals | The project will promote win-win business arrangements between smallholder farmers or associations and private sector operators. The project will finance such investments as necessary to facilitate the participation of smallholder farmers |
| Nutrition education as a standalone activity has limited impact | PROMER will link all other activities closely to nutrition. The budget for the component will be increased, and the procurement process of the Service Provider will be more thorough. |

28. *Good results but necessity to focus on sustainability* – PROMER's relatively good performance with respect to appraisal output targets shows its potential to achieve its outcome objectives. A number of activities have been successfully implemented and during the first phase of its implementation, PROMER was able to reach the bulk of its target population (FOs members, small and bigger traders as well as more than 300,000 people living in the rural areas of the 4 provinces where PROMER is working). However, the number of people reached and activities implemented does not necessarily lead to qualitative and sustainable measures. Thus, the refining of the FOs graduation system and the SWOT analysis made by PROMER demonstrated the need to focus on quality and hence adapt the capacity building interventions on the real needs of each FO. In order to be more effective in developing business skills of FO members, the trainings should focus more on practical issues and give more emphasis on mentoring methods. The participatory methodology allowed FO members to get a better understanding about the role FOs can play to benefit them, the real status of their organizations and what needs to be improved to move forward. This approach also contributes to ownership. An effective exit strategy needs to emphasize the following:

- Promoting horizontal and vertical integration as a strategy to build a more permanent support structure for grassroots associations. The democratic nature of Associations involving periodic changes in leadership and the low levels of literacy among the majority of members of Associations impose a continuous need for capacity and advisory building services. This role can be played by second and third tier organisations (capable of employing skilled staff);
- Increased capacities within the local public extension system to serve as an alternative advisory service in both market linkages and institutional development of Associations.

29. Another example of the need to focus on quality rather than quantity is the rehabilitation of rural infrastructures. After some effective interventions in this domain, PROMER areas suffered from a year of intense rains in 2013-2014, affecting the roads rehabilitated by the Programme as well as the agricultural production and market infrastructure. The experience showed that without a full rehabilitation of the roads, maintenance activities in the rehabilitated roads using a spot improvement methodology are too expensive to enable the districts to support these costs from their annual budgets. Additionally, the heavy rains have negative impact on the roads through damages of the platform and structures thereby increasing the costs of maintenance. It is, therefore, important that PROMER interventions ensure that the quality of the work undertaken contributes to better address the negative effects of heavy rains. The interventions should also adopt a strategy to strengthen the capacities of the districts benefiting from the road rehabilitation equipment under decentralised funds. The districts would, thus, have the capacity to lead the process, from identification to rehabilitation and maintenance of the selected roads.
30. *PROMER Service Providers* – The availability of Service Providers to undertake interventions for some subcomponents (e.g. 1.1) is rather limited both in quantitative and qualitative terms. The experience, thus far, confirms that there are relatively few SPs in the Programme area and some of those contracted demonstrate weak capacity in implementation due to insufficient experience from their field staff. To address this, the PMU systematically leads initial work session with selected SPs to harmonize the approach and methodologies on the activities to be implemented. In addition, the PMU and PMCs assist and monitor closely the inception phase of the new contracts in order to reduce the risks of outputs with poor quality and to allow the evaluation of the SPs' skills. Where needed, PROMER funds capacity building activities for SP field staff within the contracts' budget.
31. *The Model of Implementing through Service Providers is Inherently Expensive* – Implementation experience, thus far, confirms that PROMER's approach to implementing Programme activities through contracted Service Providers is very expensive. It is more so for Mozambique because of the limited availability of Service Providers and the associated capacity limitations for the few that are available. Thus, additional resources are required, sometimes, to improve the capacity of the Service Providers to enable them to implement the required activities satisfactorily. In addition, given the size of the Programme's target area, the implied long distances that have to be travelled during the course of activity implementation and monitoring adds to the high costs.
32. *Rethinking component 2* – Despite the achievement of some outputs, Component 2 has faced implementation issues that were clearly identified during the MTR exercise, mainly attributed to the lack of knowledge from all parties regarding the collaboration between smallholders and private sector actors. Thus, with respect to the identification of VC opportunities: a) the development and processing of concept notes are slow; b) promoting single VCs is not consistent with the reality; c) VC drivers lack capacity and commitment to prepare paperwork to PROMER and; d) the number of potential agribusiness firms for out-grower schemes is limited for competitive bidding. Concerning the matching investment grants facility, it appears that: a) investment requests from agribusiness firms address more of the companies' own general investment requirements than the specific investments needed to address market linkage constraints related to farmers; b) the investment support limit of \$75/producer could only be taken as a reference, as higher figures may be justified under specific circumstances (e.g. where beneficiaries are highly dispersed). Contracted through an IFAD Grant, the NGO SNV is currently working as a facilitator to help PROMER to better promote the access to rural markets for small scale farmers through private sector support.

Facilitating access to rural finance – One of the key constraints to access to rural finance for the PROMER target groups is the lack of collateral, together with a non-repayment culture. ASCAs will induce a new financial culture into the target groups, and can facilitate access to bigger loans, using the accumulated savings as co-participation and/or collaterals, and credit/savings

practices being part of the client evaluation. Linkage between ASCAs and FIs as in PPABAS (a former IFAD-supported project in Mozambique) shows that ASCA participation facilitates access to formal finance and members become welcomed borrowers for MFIs, getting loans under smoothed conditions. Regarding ASCA promotion, the closed IFAD-supported Rural Finance Support Project showed that quality aspects of formed groups matter as much as numbers of groups. The quality of the initial training and follow up is extremely important to insure group cohesion, and should not be sacrificed in the interest of reaching more groups. Access to external counselling⁴ is another factor that contributes to sustainability.

II. What has Remained Somewhat Unchanged

a. Country Background

33. Over the last two decades, Mozambique has been experiencing an average economic annual growth rate of above 7%⁵, sustained by macroeconomic liberalization, market-based reforms, massive public investment in infrastructure and large flows of foreign direct investment. The country had a gross national income (GNI) per capita of USD 590 in 2014, which is up from USD 296 in 2005 while the real gross domestic product (GDP) per capita grew from USD 313 to USD 579.5 from 2005 to 2012. The real GDP is composed of 46% services, 28.7% agriculture and 24.9 % industry⁶.
34. Mozambique's estimated population in 2014 is 25.8 million and is growing at an annual average rate of 2.5%⁷. Rural population annual growth is 1.9% and urban growth 3.1%⁸. Overall, the quality of life in both rural and urban areas has improved, with a reduction of the annual child (under 5-year-old) mortality rate from 3.4% (1990 to 2000) to 5.1% (2000-2012) or the ratio of 4.5% of use of improved sanitation facilities. Consequently, the Human Development index (HDI) increased from 0.217 in 1980 to 0.327 in 2012 though Mozambique still ranks 185 (out of 187 countries).
35. Despite faster economic growth that the country has been recording, as well as progress with respect to human and social development, poverty and its causes remain a persistent challenge to overcome. About 60% of the population lives below the international poverty line of USD 1.25 per day.
36. Although agriculture contributes only 28.7% of GDP and represents 20% of total exports, it is the main source of income for more than 70% of the population, providing employment for 80% of the total workforce, of whom two thirds are subsistence farmers. Agriculture generates 80% of the income of rural households, which account for 94% of the country's agricultural production.
37. With a total surface of 801,590 km², Mozambique has 799,390 km² of highly fertile land – with 10 different agro-climatic regions. With 36 million hectares of arable land, 10% of which is currently farmed, and only 2% of its irrigation potential utilized, the country offers great agricultural opportunities. However, it suffers from very low productivity, limited access to markets, and a very challenging business environment⁹.
38. The agricultural market has been developed in the last years with important increases for both food products and export crops. The number and diversity of market agents are increasing, from farmers' associations, small/medium size traders to larger trading companies and agri-business, some of which providing support to smallholders. Despite these encouraging

⁴ See 10 Years of community based financial services, Teyssier & Carrilho, 2010, FARE

⁵ World Bank, 2014

⁶ UN data, 2013

⁷ UNDP, 2014

⁸ UN data, 2013

⁹ 2014 Doing Business Report, WB.

trends, Mozambique continues to experience food insecurity and under-nutrition at the national and household levels.

b. Policy Environment

39. The Poverty Reduction Action Plan (PARP) 2011-2014 aims to reduce the incidence of poverty from 54.7% to 42% with a deliberate decision that government action must, first of all, promote pro-poor growth. GoM thus set the following objectives: a) to increase output and productivity in the agricultural and fisheries sectors; b) to promote employment; and c) to foster human and social development while maintaining a joint focus on governance and macroeconomic affairs and fiscal management.
40. PARP's first objective is to be achieved by improving access to production factors; facilitating market access; and improving the sustainable management of natural resources (land, water, fisheries and forests).
41. The PASP objectives are aligned with the Rural Development Strategy (2006-2020) which emphasizes the importance of promoting development in the corridors assisting smallholder households into a more market-oriented agriculture. They are also aligned with the Strategic Plan for Agricultural Development (PEDSA, 2011-2020) whose goal is to convert subsistence farming into market-oriented agriculture, ensuring food security and securing farmers' income.
42. PROMER interventions are being implemented in three blocks (Block A: Niassa, Block B: Cabo Delgado, and Block C: Zambézia and Nampula) in the Nacala Corridor. Programme interventions contribute to the development of more efficient market intermediaries, promote partnerships with agribusiness for the transformation of smallholder agriculture, improve economic infrastructure and assist in developing a conducive policy and institutional environment for business investment in agriculture.
43. Considering the above, PROMER is still fully consistent with the main country strategic orientations, such as the PARP, the Rural Development Strategy, the Strategic Plan for the Development of the Agriculture Sector, aiming at productivity enhancement and intensification, market access for inputs and outputs and value-addition of agricultural products; and the Integrated Plan for Agricultural Marketing (PICA).
44. Since the Programme entered into force, many changes in the policy and economic environment have occurred. The major changes in the economic environment are the expansion of investments on exploitation of mineral resources and the increase of demand for land from foreign investors for agricultural exports, tourism and mining purposes.

c. Implementation Arrangements

45. DNPDR is responsible for the implementation of PROMER on behalf of GoM. When PROMER entered into force in 2009, DNPDR was under the Ministry of Planning and Development (MPD). In 2010 and through the Presidential decree no. 1/2010, DNPDR was transferred to the Ministry of State Administration (MAE), which had the mandate of local administration and development. From 2010 to 2014, DNPDR had a turnover of three Directors; Provincial Governors and District Administrators have also changed over the same period.
46. In January 2015, following the general elections of October 2014, a new government took office and the DNDPR was transferred from MAE to the new Ministry of Land, Environment and Rural Development (MITADER). PROMER is undertaking a new cycle of visits to ensure understanding, ownership and commitment from the new leadership. PROMER has a PMU and three PMCs (one PMC in each one of the three blocks). The majority of interventions supported by PROMER are implemented through contracts with SPs.
47. The role of the PMU and PMCs is to facilitate the selection of the most effective Service Providers and to ensure optimum performance from them through a monitoring and

evaluation system. The service providers that are currently working with PROMER are mainly NGOs, such as GAPI, SNV, MD Consultants, OIKOS, SEPPA or Community Radios. These SPs currently work in supporting farmers' organizations and rural traders, developing matching grants for value chain development, promoting community-based financial services and supporting nutrition education.

48. The responsibility for Programme oversight is vested in the PROMER Reference Groups (RG) at national, provincial and district levels under the chairmanship of DNDR, the Provincial Directorate for Planning and Finance (DPPF); and District Administrators, respectively. Membership of the RG comprises of key stakeholders concerned with market linkage issues. These include central and provincial level government, representatives of the agribusinesses, farming and the commercial banking sectors as well as the NGO and donor community.
49. District level Reference Groups represent the local economic interest groups (farmers, traders, agribusiness companies, key public and NGO resource persons) operating in the area. Membership of these groups varies from area to area. These groups are created to assist and provision of advice in matters related to planning and implementation of activities, including the participation on the monitoring of the performance and impact of those activities.

III. Proposed Strategy for the use of the Additional Financing

a. Area and Target Group

50. The Programme is directly targeting two sets of beneficiaries. First,, PROMER is targeting FOs which receive capacity building of various types along the entire value chain in 15 districts of Mozambique's Northern Provinces. The targeted Provinces are divided in three geographical blocks (block A - Niassa, block B - Cabo Delgado, and block C - Nampula and Zambezia). As of May 2015, PROMER was working with about 500 FOs with approximately 13,000 members¹⁰ (59% of the PDR revised target). PROMER aims to reach a target of 22,100 members or households by completion date. With additional Financing, it is intended to consolidate and expand membership of the 500 FOs to 22,100 members by project completion date, thus leading to the fully sustainable and viable FOs. Increased coverage in terms of membership will be achieved through the following strategies: a) intensify support to second-tier organizations – Strengthening the capacity of District and Provincial Unions to provide marketing services will widen the outreach of PROMER to include other members that are not directly working with the contracted service providers; and b) increasing membership in existing associations through emphasizing collective marketing and sustainability of the FOS – An emerging lesson is that Rural Enterprise Groups (undertaking buying and selling) face challenges of accessing credit and thus are unable to attract farmers to work through them. The objective of group expansion should be to pool produce together, negotiate terms with business entities as well as jointly organizing required transport and packaging.
51. Secondly, the Programme is directly targeting about 76,600 households (or 383,000 beneficiaries) from the rehabilitation of the road and market infrastructure. This group is defined as the total population living adjacent and having access to the roads that are being rehabilitated by the Programme (estimated in terms of an acceptable walking distance of 4-5 km). It is estimated that the expected 678 km of road to be rehabilitated will benefit a total population of about 76,600 households¹¹ (out of which 3,250 HHs also benefiting from the rehabilitated roads are also members of 125 FOs supported by the Programme).
52. Due to their disadvantaged socio-economic position, women constitute an important sub-set of the target group. The Programme will continue to devote specific attention to women in

¹⁰Currently each Farmers' Organisation has an average membership of 26 members. This membership number should grow to 42 members per FO during the remaining years of project implementation as part of the new project strategy to develop FOs to sustainability.

¹¹ Average is 113 HHs/km rehabilitated based on the Economic and Financial Analysis undertaken

order to promote their participation and access to the benefits generated by PROMER (i.e. access to financial services, enhancing their participation in ASCA groups (targeting at least 60% composition of these groups to be women) and participation and representation/leadership in FOs (with target of 50%). Details of the targeting approach are presented in Annex I.

b. Development Objective and Justification

53. The PROMER MTR confirmed the Programme's continued relevance to the Government's ongoing poverty reduction efforts but, above all, it confirmed its overall goal, its development objective as well as its outcomes. The overall Programme goal is to improve the livelihoods of the poor rural households. This is to be done through enabling small-scale farmers to increase their incomes from agricultural activities by marketing their surpluses more profitably. PROMER covers 15 districts in the Northern Provinces of Cabo Delgado, Niassa, Nampula and Zambézia.
54. Based on the experience gathered during PROMER's implementation, thus far, it has been established that certain successful processes are beginning to enable smallholder farmers to improve their livelihoods through increased agricultural incomes. This is partly being achieved through: a) reorganisation of Farmers' Organisations (FOs) to improve their ability to better serve their members in linking and dealing with the markets; b) establishment of mutually beneficial partnerships between smallholder farmers and/or their organisations and private sector agribusinesses; and c) rehabilitation of roads thereby improving stakeholders' access to input and output markets. However, more work needs to be done to consolidate the gains made thus far and make the interventions sustainable. FOs still need considerable capacity building in selected areas and the development/strengthening of the necessary support structures for long-term sustainability. Partnerships with the private sector still need to be carefully nurtured and strengthened for trust-building and sustainability. Roads will need to be fully rehabilitated to increase their resilience to adverse climatic conditions and to lower the maintenance costs.
55. Thus, the additional financing will be used to consolidate and scale up the PROMER successful activities. It will enable the Programme to provide more support to FOs and local public institutions, to better take into consideration climate change while rehabilitating roads, and to further promote adequate nutrition knowledge and behaviour. Such approach will put the focus on ownership of activities and their sustainability. In addition, and as part of the Programme's exit strategy, there is the need to increase the ability, through capacity building, of the relevant Government stakeholders to monitor and supervise all Programme activities. This would prepare them for taking over total responsibility when the Programme ends.

c. Outcomes/Components

56. **Component 1: Development of More Dynamic Market Intermediaries (USD 4,674,000) –** This component aims at promoting the development of farmers' organizations and small and medium rural businesses. Interventions will respond to the dual nature of smallholder marketing needs where both small-scale traders and farmers' organisations/associations play parallel, sometimes competitive, but in many ways complementary roles in facilitating the marketing of smallholder surpluses.
57. *Subcomponent 1.1. Support for Rural Traders Development (USD 276,000) –* Based on PROMER's implementation experience, thus far, a different approach is to be adopted by the Programme with regard to establishing/strengthening relationships with the market intermediaries and the Private Sector (sub-component 1.1 and component 2. Additional information is presented under Annex II). The Value Chain development approach to be used – the Public-Private-Producers Partnership (4Ps) – was developed by IFAD and is already being implemented in Mozambique. The 4Ps mechanism is conceived to leverage private resources in order to scale-up development interventions and reach out to a greater number

of poor rural people. The 4Ps approach is a “pull” mechanism to finance business plans jointly submitted by private companies and farmers organizations in which they propose to enter into a partnership agreement where both parties take risks, invest and share the benefits. The approach is consistent with PROMER’s objectives since it works to ensure the long-term sustainability of the Value Chain interventions and is not operating on an opportunistic. Activities under this subcomponent will focus on identifying the real constraints faced by traders in dealing with IFAD target groups and address them with specific training and capacity building interventions. The interventions will have a clear link to tangible benefits, mainly in terms of additional capacity to purchase the target group’s produce. This purchasing capacity will be secured by encouraging traders to engage with PROMER supported producers on a more sustainable basis. Traders will also be encouraged to participate in local markets supported by PROMER; this forum will permit traders and the IFAD target producers to meet and establish structured and mutually beneficial relations.

58. *Subcomponent 1.2. Support to Farmers’ Organisations Development (USD 4,398,000)* – The Programme is targeting to reach a total of 500 FOs and 22,100 members by completion date. The strategy to adopt will include facilitating horizontal and vertical integration of associations into District Unions affiliated to the Provincial Farmers’ Unions of Cabo Delgado, Niassa, Nampula and Zambezia. The Programme will build the capacity of target unions to serve as market intermediaries, facilitating linkages between farmers’ associations and markets. PROMER has already been providing some technical assistance to some 70 fora, 11 Zone Unions and 2 Federations. This support will be intensified and scaled up with a particular focus on establishing farmer service desks within each District Union. The farmer service desks will provide: a) information to farmers on market opportunities for key commodities; b) technical information on the production of new commodities with market opportunities; c) information to buyers on business opportunities among farmers; and d) training of affiliated associations in organisation development and market linkages. A land certification process will also be undertaken for members of the FOs in 15 districts. This will lead to the production of a land register that would reflect ownership of land.
59. At the national level, PROMER will aim at enhancing the capacity of the smallholder farmers union (UNAC) and the smallholder cotton producers association (FONPA) to influence the development of national policies and legislations favourable to the interests of smallholder farmers. At the regional level, the Programme will facilitate each participating Province to develop a policy agenda relevant to the respective region. PROMER will provide support to Provincial Unions to implement participatory procedures that would ensure that issues taken up in the targeted regions truly reflect the concerns and priorities of the generality of its members. Mechanisms will be put in place to allow for ordinary members of these organisations to participate in the identification of the issues as well as in the process of lobbying and advocacy. The Programme will help FONPA to become a credible partner in the annual tripartite cotton price negotiation platform. This requires supporting its research capacity as well as the negotiation capacity of its leaders.
60. PROMER shall also intensify its support to the public extension systems in the target regions. In this regard, the Programme will explore synergies with the Production Support Programme (PSP). Given the overlap of geographical areas, the synergetic relationship will ensure that similar activities get implemented by PSP to avoid duplication. Details of the planned approach for effective implementation and sustainability of interventions under subcomponent 1.2 are presented in Annex III.
61. **Component 2: Enterprise-Led Value Chain Initiative (USD 1,032,000)** – The Component seeks to facilitate the increase of smallholders’ agriculture-related incomes by enabling them to enter into profitable partnerships with agribusinesses for selected commodities. The target is to establish 5 partnerships by the end of Programme implementation. Flexibility will be exercised when implementing the component so as to respond to new opportunities (new commodity value chains, etc.) as and when they arise. PROMER is already in the process of

developing and adopting some minor adjustments to its strategy - consistent with its programme objectives - and to fine tune some instruments in order to make its interventions more effective. The process involves: a) streamlining and simplifying all procedures, processes and guidelines; b) making matching grants more attractive and manageable for the Private Sector; and c) systematize and develop the collaboration with the on-going 4Ps SNV Grant. A summary of approaches is presented hereunder

62. *Identification of Opportunities in Value Chains (USD 203,000)* – The Programme will carry out value chain assessment studies to identify opportunities and constraints faced by target farmers and agribusiness firms. Interventions will seek to establish/strengthen partnerships based on mutually beneficial relationships between producers and the private sector; this will also ensure the sustainability of the established commercial partnerships. An open approach will be adopted whereby possibilities for new value chains will be allowed for. Opportunities for niche market value chains will also be explored (such as organic products) especially if such opportunities complement the work being done by the Private Sector companies already collaborating with PROMER.
63. *Facilitation of Agribusiness Partnerships (USD 80,000)* – Activities under this intervention seeks to simplify the concept note template, reducing the burden for the Private Sector in the formulation phase, through adequate mentoring and support. In addition, the assessment procedures will be simplified to reduce the time for the final approval. This will necessarily shorten the 'back and forth' revision process and may involve re-thinking the role of the Value Chain Advisory Committee.
64. *Matching Investments Grant Facility (USD 749,000)* – This is intended as a risk-reducing mechanism to meet part of the financing needs of agribusiness partners. In order to streamline the process, it is essential to revise and simplify the IFAD guidelines on matching grants. PROMER has already prepared a revised and simplified guidelines for Matching Grants facility in Mozambique (currently available in Portuguese), including clear indications about procedures, responsibilities and timeframe. Those practical indications should result in making the Matching Grant Facility more attractive to the Private Sector. With regard to assessing the companies' ability to meet matching requirements, it is critical that alternative mechanisms, such as using of existing assets, is permitted without insisting only on the monetary outlay; this will increase the competitiveness of the matching grant facility. A transparent eligibility criterion for the selection of qualifying Private Sector companies is being included in the guidelines. For those companies that qualify, clear indicators for monitoring progress are specified based on measurable milestones and binding contracts. The process could also take into consideration IFAD's due-diligence guidelines that give responsibility to the Programme for partnerships brokered at the Country level.
65. **Component 3: Improve the Market Environment (USD 11,582,000)** – The Component seeks to enable market participants to operate more knowledgeably and effectively. Subcomponent-specific interventions are summarised below.
66. *Subcomponent 3.1. Market Infrastructure (USD 10,596,000)* – Under this subcomponent, interventions are to be undertaken on road and market infrastructures. With regard to **Road infrastructure**, the Programme will rehabilitate 678 km roads that were initially targeted, with about 550 to be fully rehabilitated and 128km will have spot improvements carried out. Full rehabilitation costs have been estimated at USD 35,000 per km and spot improvement at USD 20,000 per km. The Programme will be responsible for the design of the roads, ensuring that roads are resilient to major climatic hazards, especially high runoff due to heavy rainfall. An allowance of 3% (or USD 1,050/km) of road investment costs has been budgeted for, to allow the Programme to hire engineers and technicians for the study and design of roads. ANE will continue to be responsible for checking all designs (to ensure they meet Mozambique standards), tendering and construction supervision activities. Follow up missions will be undertaken, jointly, by Programme Engineers, District Engineers and ANE Engineers. District Engineers will also be involved throughout the study, design, and tendering processes

to ensure buy-in and as a training opportunity. Roads that are high priority for ANE (first to fourth, 474km), will be handed over to ANE for maintenance and the rest will be handed over to districts at the end of works. Districts will ensure maintenance of the roads using the new equipment they have received and by employing new road operation techniques, such as using rain barriers. The Programme and ANE will jointly organise to ensure that engineers and other relevant staff in the road sector are trained in: a) climate resilient rural road infrastructure design and construction; b) planning for maintenance of rural roads; and c) use of rain barriers and other alternative techniques to control traffic during the rainy season. In addition, and before work can start on each one of these roads, a sub-project feasibility assessment will be undertaken prior to Detailed Engineering Design (DED) to determine the costs and economic viability of the investment on the road. Only those roads that meet the set criteria (to be developed) will receive project support for upgrade

67. **Markets** – The Programme will reinforce the rehabilitation of 10 markets (out of the targeted 15) with the addition of water supply and sanitation facilities. The Programme and districts will jointly be responsible for the design, procurement and construction for the rehabilitation of markets. All rehabilitated markets will be handed over to districts for maintenance purposes. In addition, the programme will assist five selected village fairs and markets with basic sanitation facilities.
68. Details of the planned approach for effective implementation and sustainability of interventions under subcomponent 3.1 are presented in Annex IV.
69. *Subcomponent 3.2. Facilitating Access to Finance (USD 697,000)* – The Service Provider for ASCAs has already been selected. It is expected that this component will pick up speed rapidly. Service Providers will be advised to strongly promote savings among the target group. PROMER will need to recruit a Rural Finance Expert to oversee implementation of this subcomponent. Finally, PROMER will consider providing institutional support to some Credit Institutions operating in the Programme area.
70. *Sub-component 3.3. Improving the Market Transparency (USD 289,000)* – The subcomponent seeks to put in place a regional market information system by Programme completion. Concurrently, the Programme will strengthen the use of community radios to disseminate market information, as well as increasing the content of the messages by including cross cutting issues. The Programme will also foster increased participation on the part of local Governments in sharing market price information. Use of mobile technology will also be strengthened.
71. **Component 4: Policy/Institutional Support and Management (USD 6,744,000)** – The component seeks to develop the capacity of government to be able take the lead in overseeing market linkage/value chain development in the country. Subcomponent-specific interventions are presented below.
72. *Sub-component 4.1. Knowledge Management and Coordination (USD 462,000)* – Knowledge Management (KM) will play an important role in the planning, monitoring and evaluation function, helping to inform activities, replication and scaling up. KM will serve as a foundation for replication of successes, provide the analytical basis to resolve challenges, and help to adapt activities to changing social and economic circumstances in the target area. The Programme will continue to support the KM strategy of DNDR, which will serve as a good exit strategy upon Programme completion. The Programme will also pay more efforts in sharing the lessons learned, and invest in branding and visibility.
73. *Sub-component 4.2. Policy and Institutional Support (USD 505,000)* – The focus of this subcomponent is to support processes for developing and/or refining policies and procedures for the effective functioning of commodity value chains. It will also coordinate any required studies that may be considered helpful for the proper functioning of value chains. In addition, institutional support will be provided specifically focusing on training staff of partner institutions (DNDR, Road Fund, etc.) and district governments to enhance their ability to assess

Programme interventions in market linkages. DNDR will be supported to undertake digital mapping of land that is currently being used by farmers and that that is not currently being used at all. The latter, once digitally mapped, will be used in establishing of partnerships with the private sector that would, eventually, benefit the smallholder farmers.

74. *Sub-component 4.3. Programme Management (USD 5,777,000)* – The Programme will greatly increase the level of monitoring of activities at provincial and district level. The increased level of monitoring for the relevant GoM institutions will help in preparing those institutions to take over responsibility at Programme completion. The expected increase in workload will require a further expansion of the number of Programme staff, with at least one additional finance assistant and two monitoring and evaluation support staff to be recruited. The M&E system will also be improved, leaning towards a more lessons learned approach.
75. **Component 5: Nutrition Activities (USD 968,000)** – Interventions under this component aim at promoting awareness on the consumption of healthy and balanced diet by ensuring adequate intake of calories, protein, and micro-nutrients. Given the cross-cutting nature of nutrition activities, PROMER will pursue a better integration of the component into other ongoing operations. Training of FOs and radio bulletins will help strengthen the nutrition agenda. Through IFAD additional funds and based on the experience of the pilot undertaken in 5 districts of the Cabo Delgado province, PROMER will be able to scale up nutrition activities in 10 more districts (activities in the original 5 districts will continue). Such extension will contribute to improve not only nutrition knowledge and related methods to preserve and conserve essential nutrients but also practices to manage a vegetable garden as well as knowledge on the preparation of nutritious meals. In addition to the consumption aspects, a more comprehensive understanding of underlying causes of under-nutrition will be promoted.
76. **Targeting, Gender, Youth Employment and HIV** – PROMER's rural outreach and poverty targeting is continuously updated during the course of Programme implementation, and remains relevant. Gender responsiveness has appeared essential as demonstrated by the gender action plan and the trainings conducted by the SPs. There is however need for enhanced awareness focusing on young women and men. A follow-up on the application of knowledge and skills on the ground seems important. The adult literacy programme is noted to be of particular benefit to women as it helps build their confidence and negotiations at market level. The use of quotas for women participation in leadership positions as a criterion for graduation will translate in experience and confidence gained by these women and can be applied in other areas of their lives. They are also more efficient in their leadership roles within the FOs. Based on field interactions with the women, in the post-MTR phase PROMER will focus on the equitable balance in workloads and in the sharing of economic benefits between women and men.

d. Risk Identification and Mitigation

77. A general risk that could negatively impact PROMER and the rest of the country's agricultural sector could emanate from: a) reduced priority by the Government in favour of public works, transportation, mineral resources and tourism sectors, which account for higher shares in the country's economic growth rate; and b) irregular rainfall in the region, given that irrigation is not a common practice.
78. PROMER is a complex Programme and was made even more complex with the addition of new components. In addition, as is the case with most rural development programmes, there are also many other issues and risks that need to be managed:
 - Mozambique, and in particular the geographical area of the Programme, is in a period of rapid change, with the discovery of mineral resources that are beginning to have some labour displacement effect. On the other hand, new and significant interventions in the agricultural sector, such as ProSAVANA, large forestry plantation investments, and support to the development of the small, medium and large scale farmers in some of the

districts of the Programme have been initiated. Some of these projects have approaches similar to PROMER, but do not necessarily have the same procedures, which can create uncertainties and some confusion among the beneficiaries.

- The poor availability and inadequate capacity of SPs continues to be a risk for the Programme, especially as it relies almost completely on them for implementation. The issue is not just whether the SPs will produce the outputs they are contracted to provide, but whether the quality of the outputs is such that the Programme will have a sustainable impact. To mitigate this risk, PROMER will have to continue making extensive efforts to provide SPs with capacity building and technical assistance, and implement a continuing process of review, reflection and refining strategies and approaches. Risk mitigation will also imply a strengthening of the staff dealing with contract management and field monitoring.
79. The Programme will maintain a high level of facilitation, technical and management skills, to be able to provide a degree of analysis, skills and flexibility to successfully address issues and risks. This is essential for effective Programme implementation and sustainability of the different interventions.

IV. PROMER Costs, Financing and Benefits

a. PROMER Costs

80. The total PROMER investment and incremental recurrent costs for PY7-10 (2016 to 2019), including physical and price contingencies, are estimated at USD 27.5 million (MZN 1.12 billion). Table 3 below presents a breakdown of the costs by component. The detailed cost tables and additional summary tables are presented in Annex V.
81. The investment in Component 1: Development of more Dynamic Market Intermediaries, in base costs, totals USD 5.3 million (20.2% of total base costs) while Component 2: Enterprise-Led Value Chain Initiative, accounts for USD 1.3 million (4.8% of total base costs). Component 3: Improving the Market Environment, accounts for USD 11.5 million (43.6% of total base costs) while Component 4: Policy/Institutional Support and Management, accounts for USD 7.2 million (27.2% of base cost). Component 5: Nutrition Promotion, accounts for USD 1.1 million (4.2% of base costs). Physical and price contingencies amount to USD 1.1 million.

Table 3: Programme Cost by Component

Republic of Mozambique
RURAL MARKETS PROMOTION PROGRAMME (PROMER)
Components Project Cost Summary

| | (MT '000) | | | (US\$ '000) | | |
|--|-----------|---------|-----------|-------------|---------|--------|
| | Local | Foreign | Total | Local | Foreign | Total |
| 1. Development of More Dynamic Market Intermediaries | 158,190 | 55,333 | 213,523 | 3,955 | 1,383 | 5,338 |
| 2. Enterprise Led Value Chain Initiative | 28,118 | 22,279 | 50,397 | 703 | 557 | 1,260 |
| 3. Improving the Market Environment | 335,685 | 124,591 | 460,277 | 8,392 | 3,115 | 11,507 |
| 4. Policy/Institutional Support and Management | 284,346 | 3,725 | 288,071 | 7,109 | 93 | 7,202 |
| 5. Nutrition Promotion | 32,726 | 11,619 | 44,344 | 818 | 290 | 1,109 |
| Total BASELINE COSTS | 839,065 | 217,548 | 1,056,612 | 20,977 | 5,439 | 26,415 |
| Physical Contingencies | 17,138 | 5,867 | 23,004 | 428 | 147 | 575 |
| Price Contingencies | 38,896 | 12,881 | 51,777 | 379 | 125 | 505 |
| Total PROJECT COSTS | 895,098 | 236,296 | 1,131,394 | 21,784 | 5,711 | 27,495 |

b. PROMER Financing

82. The remaining three years of the Programme (2016 – 2018) will be financed by: a) Government of Mozambique (USD 2.3 million accounting for about 8.4% of total cost); b) the new IFAD loan to be considered for approval by the December 2015 Executive Board (USD

12.5 million or about 45.5% of total cost) and the DSF Grant (USD 12.5 million or 45.5% of total cost); c) the beneficiaries (USD 0.2 million or 0.7% of total cost).

Table 4: Financing Plan by Components (USD'000)

Republic of Mozambique
RURAL MARKETS PROMOTION PROGRAMME (PROMER)
Components by Financiers
(US\$ '000)

| | GoM | | IFAD New Loan | | DSF | | Beneficiaries | | Total | |
|--|--------------|------------|---------------|-------------|---------------|-------------|---------------|------------|---------------|--------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| 1. Development of More Dynamic Market Intermediaries | 663 | 12.4 | 2,337 | 43.8 | 2,337 | 43.8 | - | - | 5,338 | 19.4 |
| 2. Enterprise Led Value Chain Initiative | 41 | 3.3 | 516 | 40.9 | 516 | 40.9 | 188 | 14.9 | 1,260 | 4.6 |
| 3. Improving the Market Environment | 892 | 7.2 | 5,791 | 46.4 | 5,791 | 46.4 | - | - | 12,474 | 45.4 |
| 4. Policy/Institutional Support and Management | 571 | 7.8 | 3,372 | 46.1 | 3,372 | 46.1 | - | - | 7,315 | 26.6 |
| 5. Nutrition Promotion | 140 | 12.7 | 484 | 43.7 | 484 | 43.7 | - | - | 1,109 | 4.0 |
| Total PROJECT COSTS | 2,308 | 8.4 | 12,500 | 45.5 | 12,500 | 45.5 | 188 | 0.7 | 27,495 | 100.0 |

c. Summary Benefits and Economic Analysis

83. **Profitability indicators.** The Economic and Financial Analysis carried out during design shows that PROMER has the potential of generating an ENPV of MZN 356.5 million (USD 10.2 million), with an EIRR of 19% using a social discount rate of 10%. The crop models used to assess increases in productivity for smallholder farmers within the programme area as well as the road rehabilitation models are all profitable, with EIRR well above the discount rate. Details of the Economic and Financial Analysis process are presented in Annex VI.
84. **Main Assumptions.** The total number of beneficiaries considered under this EFA is 95,450 households (approximately 477,250 people) of which 22,100 belonging to 500 FOs to be supported by the project. 76,600 are households within the catchment area of the rehabilitated road network (5 Km radius), of which 3,250 also benefit from the FOs intervention. For the purposes of the economic models we have considered 22,100 households for the crop models and 85,000 for the road model, with no risk of double-counting for the overlapping 3,250 due to the differences in how benefits accrue from both crop and road models. The crops considered under the analysis for FO members were the typical crops marketed in the area covered by the programme (sesame, soya bean, maize and beans). Cash crops (tobacco, cotton) were not considered in the analysis due to the fact that they are outside of the scope of the FOs. PROMER aims at fully rehabilitating 678 Km of feeder roads by programme completion. The standard conversion factor for the economic analysis is 0.97, while the labour conversion factor is 1. The average incremental yield for all crops is 62%, while household net income increases from USD 41 to USD 131.
85. **Risk Analysis.** In order to complement the EFA a risk analysis was performed on the typical scenarios that might be faced by the project. We tested three different proxies: reduction in farm-based benefits, increase in project costs, and delays in accrual of project benefits. The analysis shows that the lagging of project benefits have the strongest effects on the project, reducing both ENPV and EIRR (a 2 year lag would cause ENPV to drop from USD 10.2 million to USD 3.4 million and EIRR to drop from 19% to 12%). A 30% reduction in farm based benefits would see ENPV drop to USD 5.4 million, and EIRR drop to 15%, while increased project costs of a maximum of 30% would cause ENPV to drop to USD 5.6 million and EIRR to reach 14%.

Table 1: Production models

| FINANCIAL ANALYSIS | PRODUCTION | | | | ROAD REHABILITATION | |
|--------------------|---|-----------|---------|---------|---|----------------------------|
| | Crop models' net incremental benefits (MZN) | | | | Total benefits from road rehabilitation | |
| | Sesame | Soya Bean | Maize | Beans | Km (cumulative) | Net Benefits (MZN million) |
| | PY7 | (1,703) | (1,963) | (1,794) | (2,253) | 130 |
| | PY8 | (741) | (978) | (829) | (1,286) | 350 |
| FINANCIAL ANALYSIS | PY9 | (48) | (328) | 127 | (330) | 570 |
| | PY10 | 559 | 666 | 1,584 | 1,127 | 678 |
| | PY11-36 | 1,557 | 1,196 | 1,900 | 1,442 | 66 |
| | NPV (MZN) | 5,599 | 3,335 | 4,289 | 4,289 | 79 |
| | NPV (USD) | 160.0 | 95.3 | 122.5 | 122.5 | 2.3 |
| | FIRR (@12%) | 33% | 24% | 25% | 25% | 16% |

Table 2: Project costs and logframe indicators

| PROJECT COSTS AND INDICATORS FOR LOGFRAME | | | | | |
|---|--|-------------------------|--|--|---------------|
| TOTAL PROJECT COSTS* (in million USD) | | 27.5 | Base costs | 26.4 | PMU 1 |
| Beneficiaries | | 477,250 people | 95,450 Households | 650 Fos | 0 enterprises |
| Cost per beneficiary | | 58 USD x person | 288 USD x HH | Adoption rates | 84% |
| Components and Cost (USD million) | | Outcomes and Indicators | | | |
| 1 | <u>Development of more dynamic market intermediaries</u> | 5.34 | Increase smallholders access to and participation in agricultural market | Increase HH net income by 220% (baseline/WOP value: USD 41, target: USD 131) | |
| 2 | <u>Enterprise-led value chain initiative</u> | 1.26 | | | |
| 3 | <u>Improving the market environment</u> | 12.47 | A more conducive environment of agricultural market operations | Number of market facilities and infrastructure operating by PY10 (90% of 678 km of roads fully rehabilitated by PY9) | |
| 4 | <u>Policy/Institutional support and Programme Management</u> | 7.32 | | | |
| 5 | <u>Nutrition Promotion</u> | 1.11 | Improved nutritional status of vulnerable groups | Number of people adopt recommended practices to manage a vegetable garden (baseline: 0, target 3,000 people) | |
| *Includes GoM contribution of USD 2.3 million | | | | | |

Table 3: Number of households and adoption rates

| FINANCIAL | MAIN ASSUMPTIONS & SHADOW PRICES | | | | | |
|-----------|----------------------------------|-----|----------------|---|-------------|-------|
| | Outputs | | | Inputs | | |
| | Av. Incremental Yields | | Price (in MZN) | Unit | Price (MZN) | |
| | Sesame | 63% | 35 | Seeds* (sesame) | kg | 100 |
| | Soya Bean | 25% | 14 | Seeds* (soya bean) | kg | 60 |
| FINANCIAL | Maize | 92% | 5 | Seeds* (Maize) | kg | 100 |
| | Beans | 70% | 12 | Seeds* (Beans) | kg | 55 |
| | | | | Fertilizer (NPK) | kg | 27 |
| | | | | Fertilizer (AN) | Kg | 18 |
| | | | | Pesticides | lt | 1,800 |
| | | | | Herbicides | lt | 1,589 |
| | | | | Fungicides | lt | 50 |
| | | | | Bags | nr | 20 |
| | | | | Labour rate (unskilled) | MZN/day | 187 |
| | | | | Labour rate (skilled) | MZN/day | 2,325 |
| ECONOMIC | Official Exchange rate (OER) | | 35 | Discount rate (opportunity cost of capital) | | 12% |
| | Shadow Exchange rate (SER) | | 34 | Social Discount rate | | 10% |
| | Standard Conversion Factor | | 0.97 | Output conversion factor | | 1 |
| | Labour Conversion factor | | 1 | Input Conversion factor | | 1 |

Table 4: Main assumptions

| HOUSEHOLDS**, ADOPTION RATES AND PHASING, | | | | | | | | Adoption rates |
|---|-------------|-------|-------|-------|-------|-----------|--------|----------------|
| | up to PY 6* | PY7 | PY8 | PY9 | PY10 | PY11-PY36 | Total | 84% |
| Sesame | 13,000 | 1,500 | 1,700 | 1,900 | 2,000 | 0 | 20,100 | |
| Adjusted (adoption rate) | 13,000 | 1,050 | 1,190 | 1,330 | 1,400 | 0 | 17,970 | 70% |
| Soya Bean | 13,000 | 1,500 | 1,700 | 1,900 | 2,000 | 0 | 7,100 | |
| Adjusted (adoption rate) | 13,000 | 1,200 | 1,360 | 1,520 | 1,600 | 0 | 18,680 | 80% |
| Maze | 13,000 | 1,500 | 1,700 | 1,900 | 2,000 | 0 | 7,100 | |
| Adjusted (adoption rate) | 13,000 | 1,425 | 1,615 | 1,805 | 1,900 | 0 | 19,745 | 95% |
| Beans | 13,000 | 1,500 | 1,700 | 1,900 | 2,000 | 0 | 7,100 | |
| Adjusted (adoption rate) | 13,000 | 1,350 | 1,530 | 1,710 | 1,800 | 0 | 19,390 | 90% |
| FULL REHABILITATION OF ROADS, PHASING | | | | | | | | |
| Road rehabilitation | 130 | 220 | 220 | 108 | 0 | 678 | | |
| Adjusted | 117 | 198 | 198 | 97 | 0 | 610 | | 90% |

*M&E database, Jul 2015

**households involved in Farmers' Organisations typically cultivate all four crops contemporary

Table 5: Economic analysis and profitability indicators

| ECONOMIC ANALYSIS | NET INCREMENTAL BENEFITS (MZN million) | | | | NET INCREMENTAL COSTS (MZN million) | | | | Cash Flow |
|-------------------|---|----|---------------------|-------------------------|-------------------------------------|--------------------------|--------------------|-------------------------|-----------|
| | Crops models: Sesame, Soya Beans, Maize and Beans | | | Total Net Benefits | Economic Investment Costs | Economic recurrent Costs | Economic O&M Costs | Total Incremental Costs | |
| | | | Road rehabilitation | | | | | | |
| PY7 | (13) | 0 | (13) | 149 | 18 | 0 | 168 | (181) | |
| PY8 | 3 | 16 | 19 | 127 | 58 | 0 | 185 | (166) | |
| PY9 | 22 | 43 | 65 | 120 | 60 | 4 | 184 | (119) | |
| PY10 | 44 | 83 | 127 | 86 | 44 | 10 | 140 | (13) | |
| PY11 | 61 | 83 | 144 | 0 | 0 | 16 | 16 | 129 | |
| PY12 | 69 | 83 | 152 | 0 | 0 | 18 | 18 | 134 | |
| PY13 | 75 | 83 | 158 | 0 | 0 | 18 | 18 | 140 | |
| PY14 | 79 | 83 | 162 | 0 | 0 | 18 | 18 | 144 | |
| PY15 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY16 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY17 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY18 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY19 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY20 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY22 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY23 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY24 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY25 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY26 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| PY27 | 81 | 83 | 164 | 0 | 0 | 18 | 18 | 145 | |
| | | | | ENPV @10% (MZN million) | | 356 | | | |
| | | | | ENPV @10% (USD million) | | 10 | | | |
| | | | | EIRR | | 19% | | | |

Figure 1: Benefits and costs per project year

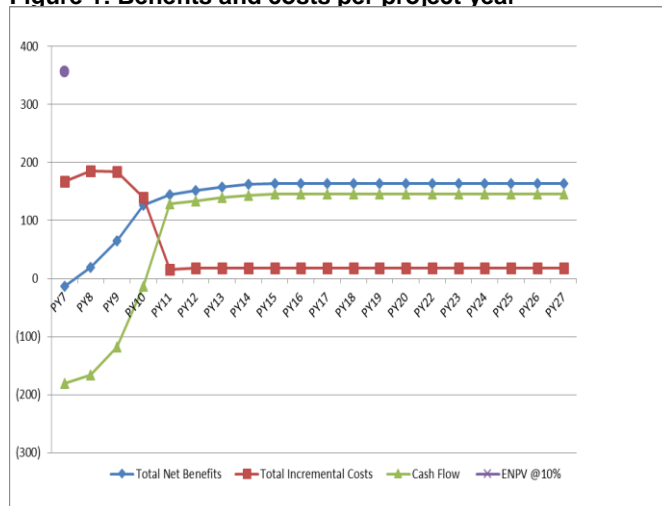


Table 6: Sensitivity analysis

| SENSITIVITY ANALYSIS (SA) | | | | | |
|---------------------------|--|------|---|-------|----------------------|
| | | Δ% | Link with the risk matrix | IRR | NPV (USD million) |
| Base scenario | | | | 19% | 10.2 |
| Project benefits | | -10% | Reduction in farm based benefits due to reduced capacity of Service Providers | 17.6% | 8.6 |
| Project benefits | | -20% | | 16.3% | 7.0 |
| Project benefits | | -30% | | 15.3% | 5.4 |
| Project costs | | 10% | Increase in road constructions costs due to flooding | 17.1% | 8.7 |
| Project costs | | 20% | | 15.5% | 7.2 |
| Project costs | | 30% | | 14.0% | 5.6 |
| 1 year lag in ben. | | | Risks affecting adoption rates and low implementation capacity | 15.1% | 6.6 |
| 2 years lag in ben. | | | | 12.4% | 3.4 |

Annex I: PROMER Beneficiaries and Target Groups

86. **The target group of PROMER consists of:** a) Smallholder farmers (men and women) with the potential and interest to produce for the market; and b) the market intermediaries, consisting of small rural traders and FOs.
87. **Direct beneficiaries of PROMER** – The direct beneficiaries of PROMER are smallholder farmers that are benefiting from the rehabilitation of roads (76,600 HHs) and farmers that are members of FOs and receiving support for market intermediation (22,100). The total population living adjacent and having access to the roads identified for rehabilitation (defined in terms of an acceptable walking distance of 4-5 km) are considered as PROMER direct beneficiaries.
88. **Market Intermediaries (small traders and FOs)** – As of July 2015, PROMER had provided support to about 13,000 households, by giving direct training to farmers that are members of 500 FOs¹². They have received capacity building of various types along the entire value chain.. The 500 FO will be consolidate and expanded to reach the planned 22100 membership over the next four years
89. **Smallholder Farmers benefiting from Road Rehabilitation** –. By PY10 the 678km of rehabilitated roads will benefit a total of 76,600 HHs¹³ enhancing their potential for selling products, increase their production mainly from increased area under production, reduced travel time and increase their income and business opportunities. From data collected by the Programme, one kilometre of rehabilitated road can serve a weighted average of 567 individuals (113 households). This is based on the population in the catchment area and is not including users coming for trading from outside the geographical area covered by the road network. It is nevertheless a proxy-working figure for the purpose of estimating the immediate direct HHs beneficiaries.
90. The table below provides an estimation of the number of beneficiary households receiving services provided by PROMER by PY9:

| | Members of FOs receiving training package support for market intermediation | FOs members accessing to community based financial services ASCAs | Members of FOs receiving training package and accessing to rehabilitated road and market infrastructure of PROMER | Household accessing only rehabilitated road and market infrastructures of PROMER |
|--|---|---|---|--|
| | 12,450 HH | 6,400 HH | 3,250 HH | 76,600 (-3,250) |
| FOs and ASCAs | 22,100 HH | | | 73,350 HH |
| Direct HH beneficiaries of PROMER (roads + FOs) | 95,450 HH | | | |

91. **Literacy Training and Nutrition Education** – The literacy training activities involve members of FOs as well as non-members, since the activities are open to all members of the communities and the access is not necessary based on FOs membership criteria. It is estimated that in addition to FOs members (a total of 5,627 members, 61% being women) that have received the literacy training, there are an additional 2,250 beneficiaries (not belonging to FOs) that have benefited from it.
92. Nutrition education is being implemented in 5 of the 15 districts covered by the Programme. The present number of beneficiaries is 1,300 farmers, 500 students for a total of 1,800 beneficiaries. The additional funding of PROMER will be able to expand to the other districts, covering a total of 3,000 beneficiaries (members and non-members of FOs).

¹² Programme documents as of July 2015.

¹³ Average is 5 individuals in each household.

93. **Women** – the Programme will continue to have a specific focus on women. So far 54%, of FOs members are women and around 77% of the FOs supported by the Programme have women in leadership positions. Women are also part of the credit and savings groups (ASCAs) and PROMER will keep supporting their participation setting 60% as target for their participation to be reached.
94. **Description of the Target Area and Groups: Smallholder Farmers** – The primary target group consists of semi-subsistence smallholder farmers and other poor smallholders. These two categories have similar characteristics, although the former mainly practice subsistence farming with occasional surplus sales, are often food insecure even during normal years and can be classified as extremely poor. The second category practices mixed farming with some purely market-oriented crops. They are generally not food insecure during normal rainfall years, although they are very vulnerable to risks and external shocks and are classified as poor and the vast majority live below the poverty line. They are characterized by small landholdings, low productivity, low and erratic incomes, and weak integration in functioning but inefficient markets.
95. **Market Intermediaries** – This secondary target group consists of: a) small and medium rural traders, not because of their poverty status - most will not be below the poverty line - but because they play a critical role in linking smallholders to markets and facilitating the flow from producers to wholesalers and markets; and b) Farmers' Organisations. These consist of farmers-based organisations that bring benefits to small producers through increased negotiating power of its members.
96. **Women and Youth** – Due to their disadvantaged socio-economic position, women constitute an important sub-set of the target groups. The Programme will continue to devote specific attention to them in order to promote their participation and access to the benefits generated by PROMER (i.e. access to financial services, enhancing their participation in ASCAs groups (credit and savings groups at least 60% women) and participation and representation/leadership in FOs (50%).
97. **Efforts** will continue to be made to encourage the youth to engaging with the agricultural value chain. Value addition is one area that could potentially be attractive to rural youth interested in being part of the agricultural sector. In addition to this, young boys and girls will continue to benefit from nutrition education activities.

Annex II: PROMER's Approach to Market and Value Chain Development

1. Based on PROMER's implementation experience, thus far, a different approach is to be adopted by the Programme with regard to establishing/strengthening relationships with the market intermediaries and the Private Sector (this specifically refers to interventions under Subcomponent 1.1 and Component 2). The Value Chain development approach to be used – the Public-Private-Producers Partnership (4Ps) – was developed by IFAD and is already being implemented in Mozambique by SNV under an IFAD grant. The 4Ps approach is pragmatic, participatory and is hinged on mutually beneficial or win-win partnerships. The approach is consistent with PROMER's objectives since it works to ensure the long-term sustainability of the Value Chain interventions and is not operating on an opportunistic basis.
2. Efforts will be made to harmonise activities under the SNV implemented grant with those of PROMER. This will be beneficial in terms of Knowledge Management and capacity building, facilitating the sharing of experiences between IFAD-supported Programmes focused on Value Chain in Mozambique (e.g. PROSUL) and in other countries. This approach, if appropriately implemented, could ultimately make PROMER to position itself as a leading Programme in the area of Market development. The experience would then inform the design of future Programmes/Projects in Mozambique and in other countries.
3. **Private Sector and Service Providers in the PROMER Context** – In analysing the context in which PROMER is operating, it is important to carefully examine the general characteristics of the Private Sector in Mozambique and differentiate the role and the capacities of Service Providers within the Private Sector. The Private Sector actors in Mozambique are generally competent enough to deal with the objectives of PROMER in terms of Value Chain development. However, it has been difficult for PROMER to raise the interest of the Private Sector and encourage them to establish partnerships and collaborations. This could be attributed to the high competition among the different institutions supporting development activities in attracting the Private Sector in market development initiatives.
4. On the other hand, Service Providers usually dealing with PROMER are largely Non-Governmental Organisations (NGOs) and have demonstrated low capacities in quantitative and qualitative terms to fit with the requirements needed by PROMER. This low capacity was also identified by the MTR as a risk to effective PROMER implementation. The Programme is addressing this issue through capacity building and mentoring activities (such as frequent planning and coordination meetings and trainings) to build up their capacity. PROMER will continue to engage the Service Providers and, when needed, improve their capacities so as to make their interventions more effective. The process of assessing and building the capacity of the Service Providers could benefit from collaboration with the interventions under the 4P Grant by applying a more strategic and targeted approach.
5. **Subcomponent 1.1 Support for Rural Traders Development** – This subcomponent had several difficulties in targeting the 225 traders mainly due to the difficulty to capture the interest and engage with the most qualified traders that were already operating in the market. The implementation strategies and approaches for capacity building and promotion of market linkages were too general and not designed to respond to identify the needs of the various types of small traders operating in each block.
6. **The** new strategy for targeting traders should follow and be fully consistent with the one suggested for Component 2 (see Component 2 below), since the role of traders as market intermediaries is complementing the broader role played by other Private Sector actors along the Value Chain. The objective will be to identify the constraints faced by traders in dealing with IFAD target groups and address them with specific training and capacity building. The interventions should have a clear link to tangible benefits, mainly in terms of additional capacity to purchase the target group's produce.

7. This purchasing capacity will be secured by encouraging traders to engage with PROMER supported producers on a more sustainable basis. Traders will also be encouraged to participate in local markets supported by PROMER; this forum will permit traders and the IFAD target producers to meet and establish structured and mutually beneficial relations.
8. **Component 2 Enterprise-Led Value Chain Initiative** – The target is to establish 5 partnerships by the end of Programme implementation. Flexibility will be exercised when implementing the component so as to respond to new opportunities (new commodity value chains, etc.) as and when they arise. The process will involve: a) streamlining and simplifying all procedures, processes and guidelines; b) making matching grants more attractive and manageable for the Private Sector; and c) explore synergies with the ongoing 4Ps SNV Grant. A summary of approaches is presented hereunder.

a) Identification of opportunities in Value Chain

- Invest in partnerships based on long-term relations between producers and the private sector, avoiding the opportunistic approaches. By adopting the new 4Ps approach, PROMER should be able to identify strategic opportunities that can ensure the sustainability of the commercial partnerships long after the end of the Programme.
- Leave room for new value chains and explore opportunities for “niche markets” value chains (such organic agriculture) that could be complementary with the work done by the Private Sector companies already collaborating with PROMER. Some companies can give guidance to PROMER in exploring and approaching those areas without diverting attention and resources from the main Value Chain already identified, but rather providing additional alternatives to integrate them.

b) Facilitation of Agribusiness Partnerships

- Simplify the concept note template, reducing the burden for the Private Sector in the formulation phase, through adequate mentoring and support. PROMER is already implementing this supportive approach, also taking advantage of the collaboration with SNV that could play a substantial role in mentoring the Private Sector during the formulation phase of the concept note, which appears to be one of the major obstacles for Private Sector willing to apply for PROMER’s matching grant facilities.
- Simplify the assessment procedures and reduce the time for the final approval, limiting the “back and forth” revision process. The internal assessment process should be clarified defining roles and responsibilities in all the steps, avoiding overlapping of competences that could slow down the process, which is incompatible with the process schedule normally used by the Private Sector. It would be particularly helpful re-thinking the role of the Value Chain Advisory Committee, emphasizing its role as it has been originally formulated: a consultative body that could provide an impartial and technical assessment of the proposal, thus drastically reducing the need for additional internal assessment within IFAD.

c) Matching Investment Grant Facility

- Revise and simplify the IFAD guidelines on matching grants. PROMER has already prepared a draft simplified guidelines for Matching Grants facility in Mozambique, including clear indications about procedures, responsibilities and timeframe. It is particularly noteworthy the effort made to clearly identify all the steps of the process, also indicating the time needed to complete each step. This transparency towards the applying Private Sector should facilitate the dialogue and reduce misunderstandings. The guidelines document, which is still in a draft version, could be considered as a good exercise for other IFAD interventions in similar initiatives.
- Allow alternative mechanisms, such as use of existing assets, without insisting only on the monetary side in order not to compete with other institutions that are offering similar grants.
- Adopt transparent eligibility criteria for selection of the Private Sector and clear indicators for monitoring based on measurable milestones and binding contracts. This should take into consideration the due-diligence guidelines of IFAD that give responsibility to the Programmes in undertaking due-diligence for partnerships brokered at the country level.

9. **4Ps brokerage Grant and PROMER** – The collaboration between PROMER and the 4Ps brokerage Grant implemented by SNV has started only recently and will need to be structured and strengthened. A common strategy will need to be harmonized and agreed taking into consideration the PROMER's objectives and the IFAD 4Ps global brokerage grant.
10. The collaboration will be based on clearly defined ToRs and deliverables and should include common activity plan, timetable and monitoring procedures. The implementation of the activities should be managed through a well-structured coordination unit formed by SNV and PROMER staff.
11. In terms of Knowledge Management and sharing, it will be very important to implement activities and adopt methodologies that could facilitate the sharing of information and the comparison with other similar initiatives in other IFAD programmes (within and outside the SNV 4Ps Grant, that is actually operating in five countries). Any possible conflict of interest of SNV in dealing with other components of PROMER as Service Provider should be avoided, considering the incompatibility of being partnership broker and training service provider, simultaneously.

Annex III: Approach for Effective Implementation and Sustainability of Interventions for Farmers' Organisations

A. Background

1. The objective of PROMER's interventions in the area of Farmers' Organisations (FOs) is to facilitate improved access to markets for farmers organized into groups and associations. It is expected that, once organized, farmers will be able to gain economies of scale and negotiate better terms in their interaction with market intermediaries. The Programme was designed to cover 755 FOs (670 with IFAD funding and 85 with EU funding), with a total of 21,700 beneficiaries. The implementation of activities is assigned to contracted service providers. By the time of MTR, the programme was reported to be supporting 465 FOs involving some 12,427 farmers. Coverage to-date has increased to 500 FOs involving some 13,000 farmers. With Additional Financing, no new FO's will be created but these 500 will be developed to sustainability levels including with increased membership.
2. PROMER initiated its farmer association development activities in 2011 by implementing baseline activities that included the classification of existing associations based on the system developed by PAMA. In 2012, a revised system was proposed which was the basis for a reclassification of the association in 2013, an exercise that was carried out by recruited service providers. The classification and graduation system recognizes the following three categories:
 - Category A – Maturing Phase: Associations legally constituted, with adequate level of governance and management, including the capacity to establish market linkages in an independent way, with assets and resources internally generated;
 - Category B – Development Phase: Associations in visible development stage, in the process of legal constitution, with governance and management still requiring some refinement, including in what refers to market linkages and internally generated resources, and building the assets;
 - Category C – Intensive Phase: Associations with a high demand in terms of follow up and capacity building, including training on governance and management methods and on agri-business. During this phase, the members convene to elect their social bodies.
3. The 2011 classification system placed 38 Associations in category A, 102 in category B and 196 in category C. The 2013 reclassification reported 3 FOs in category A, 124 in B and 226 in C. A key conclusion of this classification was that the level of development of the associations previously supported by PAMA and other programmes had regressed and would therefore require the same level of support as newly identified associations. It was also further argued that given the fact that the majority of the associations were still in Category C, it was necessary to reduce programme targets (to 500 associations and 13,000 beneficiaries) in order to concentrate resources on existing association and guarantee increased proportion of associations in Categories A and B by the end of the programme.
4. Programme design envisaged support to local unions, the National Cotton Forum (FONPA) and National Union for Farmers (UNAC). Some capacity building support to Unions and Fora started in 2013 involving some 70 Fora, 11 Zone Unions, and 2 Federations. Support to UNAC was not further pursued given the difficulties encountered in securing its collaboration. Support to FONPA has been on a demand basis and included financing review of its Strategic Plan.

B. Emerging Implementation Issues

a) Classification and Graduation of FO

5. The classification and graduation system was introduced under PAMA as a way to ensure that capacity building efforts are targeted and respond to the circumstances of each association. Capacity building initiatives were to be preceded by an assessment of each target association

with a view to determining its status of development including strengths and weaknesses. On the basis of this assessment, each organization was rated and capacity building initiatives tailored to the specific needs of each association. FOs with similar problems would be classified under the same category and similar intervention strategies and capacity building activities would be administered to all associations falling in the same category.

6. The graduation system is recognized as an important tool to guide capacity building efforts and not necessarily a measure of sustainability. The application of the FO classification and graduation system under PROMER has been given more significance, than the system can presently deliver. First, there are problems in the classification system itself. Recent consultations between PROMER and its service providers have concluded that: a) the criteria has too many considerations (factors); b) no weighting system is being used for the various factors; c) some of the factors under consideration are external to the FOs; d) the system does not adequately take into account both quantitative and qualitative considerations. In practice, a good proportion of FOs classified as B or C are undertaking successful market linkage activities but cannot make the A grade due to factors such as lack of bank accounts, physical warehouse or are not formally registered – all important factors but not critical for sustainability. It is planned that PROMER will carry out an external evaluation to validate the FO classification and, if needed, refine the graduation criteria to be more linked to the capacity of the organization to run their business in a more sustainable way.
7. The graduation of Associations from one level to another could be reversible. An exercise conducted by PROMER in 2013 showed that a large number of FOs assisted by PAMA and other projects that had achieved category A had regressed. Two key factors could explain this. First, the democratic nature of FOs, involving periodic elections, brings in new leadership into associations and therefore imposes continued demand for capacity building services. Second, many of the farmer groups and associations established through NGO support, including PROMER, are neither horizontally nor vertically integrated. The result is that they lack the necessary support structures to survive at the end of NGO supported programmes.

b) Support for the Development of Higher Level Institutions

8. The strategic role to be played by Fora, Unions and Federations does not seem to have been clearly defined under PROMER. No significant resources have also been allocated to this activity. In order for higher level organizations to enhance market linkage activities at Association levels, it will be necessary to clearly define the type of activities that would be assigned to these structures. It is important that higher level structures do not take over functions that can be more effectively delivered by grassroots organizations. Second and third tier FOs can provide multiple services to their members, from facilitating linkages with regional and national marketing institutions, play an advisory/capacity building role, improve representation in policy fora, and train new leaders of associations.
9. There equally continues to be lack of clarity on the role that can be played by provincial and national Commodity Associations/Unions to support a market linkage agenda. PROMER has not adequately capitalized on the opportunity to support farmer organisations to influence marketing policies. It has to-date sought to influence policy through supporting government institutions involved in agricultural marketing issues. This strategy does not appear to have yielded intended results. There continues to exist an opportunity to enhance the capacity of the smallholder farmers union, UNAC, and the smallholder cotton producers association, FONPA, to influence the development of national marketing policies and legislations favourable to the interests of smallholder farmers. At the regional level, PROMER could facilitate each target province to develop a policy agenda relevant to the respective region.

c) Implementation through Service Providers

10. The model being used by PROMER through service providers is not only expensive but is inherently not sustainable. Service providers being recruited by PROMER have been determined to lack the required capacity to provide required services. PROMER is currently providing training and capacity building to such providers. Such providers will generally demobilize at the end of their contracts and, in most cases, move to other geographical areas in

line with emerging business opportunities. Beneficiary associations are therefore unable to continue to take advantage of the improved capacity of service providers beyond the tenure of their contract.

C. Proposed Strategy for the Use of Additional Financing

11. A number of PROMER approaches have been determined to be successful and can be scaled up. These include: a) approaches to capacity building of associations; b) reorganization of farmer organizations to better serve their members; and c) establishment of mutually beneficial partnerships with the private sector.

12. PROMER aims at scaling up its activities to reach a target of 22,100 members by completion date in 500 FO's. Increased coverage in terms of number of associations and membership will be achieved through a number of strategies: a) intensify support to second tier organizations. Strengthening the capacity of District and Provincial Unions to provide marketing services will widen the outreach of PROMER to include other associations that are not directly working with the contracted service providers; and b) increasing membership in existing associations through emphasizing collective marketing. An emerging lesson is that Rural Enterprise Groups (undertaking buying and selling) face challenges of accessing credit and thus are unable to attract farmers to work through them. The objective of group formation should be to pool produce together, negotiate terms with business entities as well as jointly organizing required transport and packaging.

a) Support to District Unions

13. PROMER will provide both technical and financial support to the organizational development and strengthening of District Unions within its focal areas. The Programme will undertake an assessment of Unions that exist within the target geographical areas with a view to determine their level of organisation and capacity building requirements. Target District Unions will be placed into two categories, A and B. Category A District Unions are considered as those with potential for growth and these will receive full package of support. Category B District Unions are those that are determined to lack the minimum conditions for viability and these will continue to receive limited capacity building support through the service providers. Category A District Unions are those that have prospects of growing into viable and sustainable organisations. District Unions to benefit from intensified support shall be selected on the basis of the following considerations:

- Number of associations and members. To become viable, higher level organisations require a high and growing membership
- The existence of a formal District Union structure of active leadership
- Existence of infrastructures that could be taken advantages of, such as warehouse, administrative structure, including office infrastructure
- Affiliation or willingness to affiliate to a provincial union.

14. It is expected that at least 10 of the current 15 District Unions would fall in the A category. For these Districts Unions, technical support will be provided in the organization building process, including strategic planning, development of operational plans, development of democratic structures, registration of new associations, establishment of member register and leadership training. These activities are explained hereunder:

i) Member Mobilisation and Registration

15. All PROMER associations will be encouraged to affiliate to the target District Unions. Each Union will design and operationalise a member registration system that seeks to capture information on affiliated associations and their members. A well-functioning member registration system allows the District Union and associations to better plan activities including collection of member specific information that could be of interest to third parties. The introduction of membership cards could be a useful "add on" especially when accompanied by securing benefits that will be enjoyed by holders of such cards. This could include negotiating

discounts on purchases of goods from major shop outlets within each region. Activities to be financed include consultancy support to develop a digitalised member-based member register, production and printing of member registration forms, production and printing of member registration cards.

ii) District Strategic Planning

16. The Programme will facilitate the development of strategic plans by all participating District Unions. Strategic Plans will seek to define a roadmap for the institutional development of each union including its strength and weaknesses, capacity building requirements as well as the market support services to be delivered by the union. Strategic planning workshops that involve the participation of association leaders will be undertaken in each participating district to determine service requirements of members. The objective will be to consult district members on major problems faced and the type of activities that can be implemented by the union to address selected service needs. These workshops will also be used to define the policy agenda to be pursued at all levels.

iii) District-Level Farmer Services Centres

17. PROMER will support the establishment of Farmer Service Centres in the District Unions. Each service centre will be manned by a suitably qualified District Facilitator who will be recruited through the support of the Programme for a period of three years. The role of the District Facilitator shall be to manage organisation of capacity building training and market linkage support activities to member associations. The focus will be on provision of marketing information services to farmers on market opportunities for key commodities; facilitate linkages between farmers and buyers interested in acquiring commodities from farmers.

iv) Leadership Training (Governance/Association Development)

18. The activity will provide leadership training to district and provincial leaders to enable them to understand their roles and responsibilities and their rights within the framework of agreed statutes. This will be achieved through organization of training seminars targeted at all district committees. Activities to be financed include leadership training workshops for each of the targeted districts. This activity will be undertaken by the District Farmer Organiser.

v) Institutional Grant Support Fund

19. PROMER will support the organisation of activities that guarantee the democratic functioning of the organisations (such as the organisation of District Annual General Meetings and annual planning and review meetings). These platforms will also be used as opportunities for capacity building activities.

b) Support to Regional or National Farmer Organisations

20. At the national level, the Programme will aim at enhancing the capacity of the smallholder farmers union, UNAC, and the smallholder cotton producers association, FONPA, to influence the development of national policies and legislations favourable to the interests of smallholder farmers. To effectively influence policy, both UNAC and FONPA need to have the necessary capacity to undertake policy research and analysis. This needs to include the capacity to propose viable policy options for consideration by Government. Through support from this Programme, short-term consultancy shall be mobilised to provide the required policy research services. Resources under the Programme will allow FONPA to become a credible partner in the annual tripartite cotton price negotiation platform. FONPA also needs to undertake a national study to determine cost of production models for various regions. On the basis of these models, profitability of cotton production and the minimum returns that should be acceptable to producers would be determined. This will also form the basis for determining the appropriate share of income between seed and fibre.

21. At the regional level, the Programme will facilitate each target province to develop a policy agenda relevant to the respective region. Using resources of the Programme, mechanisms will be put in place to allow for ordinary members of these organisations to participate in the identification of the issues as well as in the process of lobbying and advocacy. Specifically, resources will be made available under this initiative to support a bottom up process for:
- **Regional/Local Policy Agenda Development:** The Programme will facilitate participatory procedures that ensure that the issues taken up in the targeted regions truly reflect the concerns and priorities of the generality of its members;
 - **National Policy Agenda development:** Technical assistance will be provided to undertake an inventory of existing national agricultural marketing policies and legislations and determine existing policy and legislative gaps. Analysis will also be made on status of implementation, resource allocation. Recommendations on policy changes will be made and a lobbying strategy will be defined on how each identified policy issue will be addressed, including the steps and resources required to facilitate the process;
 - **Policy Reviews:** Annual general meetings at district and Provincial levels will be used as an important platform to review and approve policy positions. A one day policy workshops will be organised as part of the Programme of each annual general meeting.

c) Support to Public Extension Systems

22. PROMER shall intensify its support to the public extension systems in the target regions. While it is acknowledged that the public extension system is weak in the target regions in terms of coverage and operational resources, it remains another viable alternative long-term farmer support system. The Programme will continue to provide capacity building to identified focal persons in extension departments within the target areas. Extension staff needs to understand the operational implications of a value chain approach. They require in-depth knowledge of the target value chains, including agronomic issues, the various actors and existing marketing opportunities. They, particularly, need to understand how they can play the role of value chain facilitators. The SP could assist in introducing new operational modalities, including effective models for production and market linkage support. A key role that can be played by extension staff is in the provision of marketing information and providing farmers with required advice as they interact with other market intermediaries.
23. **Proposed Budget** – The table below presents an indicative budget that should be used by the PROMER PMT in planning the implementations of the suggested interventions.

| Activity | Budget |
|--|---------------------|
| Support to National/Regional FO: Institutional Capacity for Policy Advocacy | 165,000.00 |
| Policy Studies | 60,000.00 |
| Consultative policy formulation workshops | 60,000.00 |
| leadership training | 45,000.00 |
| Support to District Unions: Service delivery capacity strengthened | 1,105,500.00 |
| District Farmer Organisers | 540,000.00 |
| Strategic Planning Workshops | 75,000.00 |
| Annual General Meetings | 90,000.00 |
| leadership training | 36,000.00 |
| District Farmer Service Centres | 105,000.00 |
| office equipment | 22,500.00 |
| Motorcycle | 75,000.00 |
| Service Centre running costs | 162,000.00 |
| TOTAL COSTS | 1,270,500.00 |

Annex IV: Approach for Effective Implementation and Sustainability of Interventions under Market Infrastructure

1. PROMER aims to improve the livelihoods of rural communities in 15 districts, in the following provinces of Mozambique: a) Cabo Delgado; b) Nampula; c) Niassa; and d) Zambezia. One of the ways that the Programme is impacting on the rural poor is through the improvement of market facilities and infrastructure in selected areas. This is being done through the rehabilitation of district council owned market facilities and the rehabilitation of non-classified roads that serve populations in selected areas with potentially high levels of production.
2. **Improved Road Infrastructures** – To facilitate the rehabilitation of selected rural roads, PROMER entered into a Memorandum of Understanding (MoU) with the Road Sector (ANE and the Road Fund) that provides for ANE to be responsible for the study and design, procurement of contractors, and supervision of construction works. The Road Fund is responsible for managing the funds allocated for the road rehabilitation on behalf of the Programme. The Programme has targeted to rehabilitate 678km of roads.. This target could be exceeded if funds from other sources are made available and there is capacity to do more sustainably.
3. The road sector and PROMER initially agreed to use a spot improvement approach to the rehabilitation of roads, focussing on construction of small bridges, drifts and aqueducts. The main reason for adopting this approach was to enable the opening of roads that would lead to a low level of access to inaccessible production areas. Since the cost per kilometre of spot improvement is smaller than full rehabilitation, more roads would be opened for improved access to more communities.
4. The Programme is undertaking spot improvements to targeted roads in the Programme area, with 476 km completed. Works are currently on-going on a further 202 km. Overall, average cost per kilometre of spot improvements of the completed roads is about USD 16,000. It is estimated that the unit cost for full rehabilitation is about USD 35,000 per km¹⁴.

Table 3: Summary of Completed Roads

| | # of ROADS | Length (Km) | Cost (USD) | Unit Cost (USD/km) |
|--------------------|---------------|-------------|------------------|-----------------------|
| IFAD | 18 | 297 | 4,250,973 | 16,149 |
| CABO DELGADO | 9 | 165 | 2,135,000 | 14,768 |
| NIASSA | 9 | 132 | 2,115,973 | 17,530 |
| EU | 12 | 179 | 2,182,493 | 16,216 |
| NAMPULA | 5 | 54 | 763,338 | 19,538 |
| ZAMBEZIA | 7 | 125 | 1,419,155 | 13,844 |
| Grand Total | 30 | 476 | 6,433,466 | 16,176 |

5. A further 202 km of roads are still under development and due to be completed by end of 2016. The average cost per kilometre of rehabilitating these roads has increased to about USD 20,000/km.

Table 2: Summary of Roads still under Construction¹⁵

| Row Labels | # of ROAD | Length (Km) | Cost (USD) | Unit Cost (USD/km) |
|--------------|--------------|----------------|------------------|-----------------------|
| IFAD | 9 | 108 | 1,677,689 | 16,394 |
| CABO DELGADO | 2 | 26 | 334,752 | 12,967 |
| NIASSA | 7 | 82 | 1,342,936 | 17,374 |
| EU | 7 | 94 | 2,189,885 | 24,004 |

¹⁴ Data from ANE has a range of USD31,000 – USD 41,000.

¹⁵ Includes roads with contracts that will begin in August 2015.

| | | | | |
|--------------------|-----------|------------|------------------|---------------|
| NAMPULA | 3 | 48 | 1,300,952 | 29,638 |
| ZAMBEZIA | 4 | 46 | 888,933 | 19,778 |
| Grand Total | 16 | 202 | 3,867,573 | 19,723 |

6. The increase in unit costs for road rehabilitation will result in the Programme only achieving about 90% of the original target of 755 km. However the remaining 77km will not be covered under the AF budget and is not included in the Financial Analysis

Table3: Achievement by Source of Funds (km)

| | Targets | Achieved | Remaining |
|--------------|----------------|-----------------|------------------|
| IFAD | 415 | 405 | 10 |
| UE – PROPAPA | 120 | 120 | 0 |
| UE – MDG | 220 | 153 | 67 |
| | 755 | 678 | 77 |

7. The average cost of spot road rehabilitation/improvement has been increasing over the years from about USD 10,000/km in 2011 to a projected USD 24,000/km for the works planned for 2015. The average unit cost is different from province to province with Nampula highest at about USD 30,000 per km (Table 4). It is likely that new road rehabilitation will cost over USD 24,000 per kilometre in spot improvements.

Table4: Average cost of spot improvements on roads 2011 - 2015.

| Row Labels | Length of roads (Km) | Unit Cost (Usd/km) |
|--------------------|-----------------------------|---------------------------|
| 2011 | 119.9 | 10,051 |
| 2012 | 224.1 | 16,319 |
| 2013 | 240.2 | 18,109 |
| 2015 | 94.2 | 24,004 |
| Grand Total | 678.4 | 17,410 |

8. The completed roads and those with on-going works serve an estimated 76,600 households in the Programme area.
9. **Full Rehabilitation of Roads** – An assessment carried out in 2014 and the MTR, recommended the need to reinforce and upgrade the work done on all roads to full rehabilitation.
10. Whilst spot improvements mainly consist of structures works (crossings, drainage system, etc.) with occasional earth works, full rehabilitation will include both structures and (heavy) earth works to line the platform of the roads. Full rehabilitation will have the following advantages: a) improved resilience against heavy rainfall along the full length, making the roads passable with high levels of service, throughout the year; b) the average cost of road maintenance will be reduced and will be within reach of the district councils' capacity; c) some of the upgraded roads will be maintained by ANE and will likely be upgraded to regional road classification.
11. PROMER aims to upgrade all roads that it has improved to full rehabilitation. ANE has provided the unit cost of full rehabilitation of rural roads as ranging from about USD 30,000 to USD 40,000. **Using an average of USD 35,000, a total of about USD11.5 million is required to upgrade the 678km of roads to full rehabilitation.**

Table5: Summary of Additional Funds Required for Full Rehabilitation (USD)

| Length (Km) | Est. Cost of Full rehabilitation (USD) | Cost of Spot Improvement (USD) | Additional Financial Requirements (USD) |
|--------------------|---|---------------------------------------|--|
|--------------------|---|---------------------------------------|--|

| | | | | |
|--------------------|------------|-------------------|-------------------|-------------------|
| 2011 | 120 | 4,196,500 | 1,060,556 | 2,299,821 |
| NAMPULA | 46 | 1,606,500 | 532,127 | 238,251 |
| ZAMBEZIA | 74 | 2,590,000 | 528,430 | 2,061,570 |
| 2012 | 224 | 7,843,500 | 3,246,479 | 3,465,095 |
| CABO DELGADO | 102 | 3,563,000 | 1,350,286 | 1,273,260 |
| NIASSA | 122 | 4,280,500 | 1,896,194 | 2,191,835 |
| 2013 | 240 | 8,407,000 | 3,804,119 | 4,602,881 |
| CABO DELGADO | 90 | 3,132,500 | 1,119,467 | 2,013,033 |
| NAMPULA | 8 | 266,000 | 231,212 | 34,788 |
| NIASSA | 91 | 3,206,000 | 1,562,716 | 1,643,284 |
| ZAMBEZIA | 51 | 1,802,500 | 890,725 | 911,775 |
| 2015 | 94 | 3,297,000 | 2,189,885 | 1,107,115 |
| NAMPULA | 48 | 1,687,000 | 1,300,952 | 386,048 |
| ZAMBEZIA | 46 | 1,610,000 | 888,933 | 721,067 |
| Grand Total | 678 | 23,744,000 | 10,301,040 | 11,474,912 |

12. It is expected that USD11.5 million of the Additional Financing of the Programme will be used to fully rehabilitate selected roads from the current 678 km of roads that have been spot improved.
13. **A Change in the Road Rehabilitation Approach** – The switch of implementation approach from spot improvement to full rehabilitation of roads under PROMER is guided by lessons learnt so far in the Programme and from other Programmes/Projects in the country. The key lessons are: a) good engineering designs are of paramount importance in the construction of sustainable roads; b) well organised supervision of construction works helps in ensuring high construction standards; c) there is limited availability of contractors with adequate capacity to work on more than three roads at a time; d) maintenance of low volume, unclassified roads is a burden to district councils if full rehabilitation is not carried out.
14. Below are details of the process to be adopted by the Programme as an approach to implement the targeted activities. The overall timeframe as a guideline to undertake programmed activities is in Table 6.

Table 4: Timeline for the Implementation of Road Infrastructure

| Designations | Year 2015 | | | | Year 2016 | | | | | | | | | | | | Year 2017 | | | | | | | | | | | | Year 2018 | | | | | | | | | | | | | |
|---|-----------|------|------|------|-----------|-----|-----|-----|-----|-----|-----|-----|-----|------|------|------|-----------|-----|-----|-----|-----|-----|-----|-----|-----|------|------|------|-----------|-----|-----|-----|-----|-----|-----|-----|-----|------|------|------|--|--|
| | M 9 | M 10 | M 11 | M 12 | M 1 | M 2 | M 3 | M 4 | M 5 | M 6 | M 7 | M 8 | M 9 | M 10 | M 11 | M 12 | M 1 | M 2 | M 3 | M 4 | M 5 | M 6 | M 7 | M 8 | M 9 | M 10 | M 11 | M 12 | M 1 | M 2 | M 3 | M 4 | M 5 | M 6 | M 7 | M 8 | M 9 | M 10 | M 11 | M 12 | | |
| Identification and selection of new roads | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Surveys | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Design | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Procurement/Tendering process | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Implementation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Supervision and follow up missions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Defect liability | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hand over | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Maintenance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

15. **Planning and Identification** – PROMER will focus on 678 km of roads that underwent spot improvement during the initial phase of the programme and fully rehabilitate selected roads in close collaboration with ANE. The selection process of the roads to be rehabilitated in the districts will follow the original criteria of: a) population density along the road; b) agricultural production potential; c) connection to other feeder, secondary or main roads to facilitate movement of agricultural inputs and outputs; d) full rehabilitation costs within an average of USD 35,000; e) ANE and/or District government commitment to undertaking periodic/routine maintenance.

16. For sustainability purposes, the selected roads from existing list will be fully rehabilitated. Roads identified for potential upgrading to regional classification will be identified by ANE¹⁶ and these roads will be given a higher priority for full rehabilitation over those roads that will remain unclassified.
17. ANE has prioritised the roads (Attachment 1) spot improved by PROMER per province. Roads in the first to the fourth priority (678 km) will be fully rehabilitated. ANE has the responsibility for the maintenance of 474 km classified roads, while the districts will maintain the balance (non-classified roads).
18. **Survey and Designs** – The Programme will hire individual consultants (technicians) to carry out surveys on all targeted roads (over 2-3 months). Programme Engineers will oversee and supervise these surveys and do the design of roads. The design produced will be reviewed by ANE, or a competent Engineer hired by the Programme, to make sure that designs are of standard and optimum quality. As a vital and critical step for the sustainability of all the roads, the survey process will include among others hydrological and topographical investigations, to make sure unexpected hazards that happen as a consequence of overflowing are considered in the designs. This will result in engineering design, dimensioning and locations of structures, including drainage system and other measures that meet the Mozambique road design standards and will contribute to safe road infrastructures. The design phase will also look at and envisage various technological measures that will contribute to reduce the consequence of erosion and other effects of water on the road assets; this particularly important because of the extreme climatic events due to climate change. For roads already spot improved, additional works (both structures and earth) will be identified to ensure initial works are reinforced to obtain all weather and all season roads. For each road, a Bill of Quantities (BoQ) and scope of work including drawings will be produced presenting all the required information.
19. A provision for surveys, study and designs has been budgeted for at 3% of the investment cost for full rehabilitation, under additional funding. Note also that before work can start on each one of these roads, a sub-project feasibility assessment will be undertaken prior to Detailed Engineering Design (DED) to determine the costs and economic viability of the investment on the road. Only those roads that meet the set criteria (to be developed) will receive project support for upgrade
20. **Procurement** – All roads works will be tendered by January 2017, at the latest, to ensure that enough time is given to works to cover unpredicted hazards and delay factors that may occur during the process. The roads will be arranged in lots that facilitate efficient and effective implementation in the available time frame. ANE will remain in charge of the procurement process. However, in order to increase their sense of ownership, district staff will be involved throughout the procurement process. Their involvement will also serve as a learning process that will contribute to building procurement capacities at district level. The process will comply with all national requirements for procurement.
21. **Implementation** – Works will be implemented following technical and technological prescriptions of the BoQ and scope of works, giving that full rehabilitation will involve both structure and earth works (bush clearing, embankment, backfilling, camber formation, compaction, etc.) on the road platform. The implementation approach (labour-based, mechanised or combined) adopted will take into consideration the limited remaining time available to the end of the Programme. The main risk to timely completion of the rehabilitation works is reduced capacity of contractors, mainly due to cash flow constraints. The Programme will work with ANE and the Road Fund

¹⁶ List of prioritized roads in Annex 1

- provincial offices to ensure the timely payment of contractors. Good contract management capacity in PROMER will be critical for the success of the rehabilitation programme.
22. **Supervision and Follow-up Missions** – Good designs without appropriate supervision during implementation of works will not guarantee optimum results. Supervision of ongoing works will be under the mandate of ANE, based on the existing MoU they signed with the Programme. However, the Programme Engineers and district staff in charge of infrastructures will regularly organise follow-up missions as a measure to enforce supervision, to expect better improved quality of works. Hence, the designated engineer should work closely with the district and Programme engineers to ensure their contributions and suggestions are incorporated.
 23. ANE will provide for the costs of supervision and follow up missions as the Government's contribution to the implementation of these activities.
 24. **Defect Liability Period and Handing Over** – The start of implementation of works by March 2017 will allow for the defect liability to run before Programme completion in 2018. A total of 12 months should be contractually granted to contractors for addressing snags highlighted during provisory reception of works. After the defect liability period (during which contractors would have addressed all snags), the roads will be handed over to the district authorities or to ANE (depending on the case) and will therefore be under their mandate for maintenance and management. The fact that district authorities would have been involved during all previous steps of the process will contribute to increase their sense of ownership of the roads (hence sustainability) after the handover.
 25. **Maintenance** – For sustainability, the Programme will mainly focus on roads that ANE has prioritised for possible upgrade to regional classification and ANE will ensure maintenance of these roads. On the other hand, all other roads will be under the responsibility of Districts. It is anticipated that after full rehabilitation, the cost of routine maintenance will be much lower and within the means of districts. The districts in the Programme area, as other districts, have been provided with road maintenance equipment from central government. Guidance on how best to use the equipment using the road maintenance budget is in the process of being approved by the Council of Ministers.
 26. The districts are encouraged to implement, on a trial basis, use of alternative maintenance approaches, such as rain barriers on all rehabilitated roads under the Programme.
 27. **Potential use of Rain Barriers** – Rain barriers are physical barriers set up at identified locations of a spoke (usually one at each starting/entering point). They are part of a maintenance system that contributes, if well-functioning, to sustain and increase the lifetime of an earth road. They are under the responsibility of CBOs/FBOs existing along the targeted road, who manage the roads in conjunction with district or road authorities. Physical barriers aim to select the type of vehicles passing on a road as well as to define periods suitable to passage of vehicles. They are operated during rainy seasons, and restrict heavy vehicles for passing on an earth road during rains and three hours after. However, light/small vehicles can pass at any time. Depending on the level of service determined by the rehabilitation works, the limit of carriage load can be set. As a prerequisite for their optimum operation, a regulatory framework needs to be set as well as training and sensitisation of stakeholders involved.
 28. **Capacity building** – From the experience in implementation process during past activities, the need to enhance capacity of ANE and the Districts in the design of climate change resilient infrastructure and planning and organising for maintenance of rural road assets has become apparent. The Programme will play a catalytic role in arranging for training of Road Fund, ANE and District engineers and other relevant personnel, in the following areas: a) climate resilient rural road design and construction approaches; b) planning for efficient and sustainable maintenance of rural roads; and c) approaches for sustainable operation of rural roads, such as

the need to set up rain barriers as a tool of an overall maintenance system. The Programme will jointly finance, with ANE, training of identified officials.

29. **Impact Assessment** – It is expected that investments put into the rehabilitation all targeted road will end up in positive impacts in the lives and environment of beneficiaries. Higher initial investment costs will lead to lower maintenance costs and longer lasting and more sustainable infrastructures as the most important investment activities of the Programme, it will be useful to gather and catch most aspects linked to the rehabilitation of these roads. The Programme has been collecting traffic data on some of the roads that have been rehabilitated. There is a need to improve on the efforts so far, to undertake comprehensive surveys and investigations to capture the returns and benefits of the investments.
30. **Markets Rehabilitation** – The Programme has completed the rehabilitation of 7 markets facilities, which have been handed over to respective districts. Construction works are in progress for 7 other markets. Work is yet to start for one of the markets.

Table 5: Progress made and Status of Rehabilitation for Market Facilities

| | # of Markets | # handed over to District |
|--------------------|---------------------|----------------------------------|
| Cabo Delgado | 5 | 3 |
| Nampula | 2 | |
| Niassa | 6 | 4 |
| Zambezia | 2 | |
| Grand Total | 15 | 7 |

31. The additional financing will be used to reinforce the rehabilitation works of 10 market facilities that are located away from centres of district towns, through provision of water supply (and sanitation) systems. The rehabilitation process will follow the same steps and approach adopted by the PROMER. Planning and designs will be under the responsibility of Programme Engineers who will also oversee progress of works through supervision and follow up missions carried out in association of district staff in charge of infrastructures. Implementation will be ensured by service providers, following technical and technological specifications mentioned in the BoQ and scope of works. The selection process of these contractors through tender will be overseen by district authorities, and should include Programme Engineers. The process will comply with national procurement requirements and rules. Programme Engineers should make sure they include and consult district staff during designs, to increase their sense of ownership as they are the final recipients of the assets. All rehabilitated market infrastructures will be officially handed over to district authorities.

Attachment 1: ANE Prioritisation of Roads

| | Length (Km) | Cost (Spot improvement) (USD) | Cost (Full rehabilitation) (USD) | Cost (Additional works) (USD) |
|--|-------------|-------------------------------|----------------------------------|-------------------------------|
| First Priority | | | | |
| CABO DELGADO | | | | |
| Mesa-Nacoja | 13 | 317,708 | 455,000 | 137,292 |
| NAMPULA | | | | |
| Lote 1:Crz N13 - Chihulo | 15 | 167,333 | 525,000 | 0 |
| Lote 2 :Crz N13 - Chihulo | 18.9 | 183,045 | 661,500 | 0 |
| NIASSA | | | | |
| R721: Chiúta – Entre Lagos (lote 1) | 18.7 | 229,427 | 654,500 | 425,073 |
| R721: Chiúta – Entre Lagos (lote 2) | 22.2 | 321,071 | 777,000 | 455,929 |
| ZAMBEZIA | | | | |
| Crz.R1102 - Coane | 23 | 241,967 | 805,000 | 563,033 |
| N/C: Crz.N1 – Cololo (Lote 1) | 36 | 136,204 | 1,260,000 | 1,123,796 |
| N/C: Crz.N1 – Cololo (Lote 2) | 15 | 150,259 | 525,000 | 374,741 |
| Second Priority | | | | |
| CABO DELGADO | | | | |
| Lote 2: Machoca - Papai | 18.7 | 243,838 | 654,500 | 410,662 |
| NAMPULA | | | | |
| Crz N13 - Massale | 12 | 181,749 | 420,000 | 238,251 |
| NIASSA | | | | |
| N/C: Chiúta – Ritande (lote 1) | 20.3 | 197,062 | 710,500 | 513,438 |
| N/C: Chiúta – Ritande (lote 2) | 10.7 | 264,813 | 374,500 | 109,687 |
| ZAMBEZIA | | | | |
| N/C: Crz.N362 – Ecole (lote 3) | 10 | 166,280 | 350,000 | 183,720 |
| N/C: Crz.N362 – Ecole (lote 4) | 17.5 | 192,701 | 612,500 | 419,799 |
| N/C: UP12 – Vehiua (Lote 1) | 13 | 242,438 | 455,000 | 212,562 |
| N/C: UP12 – Vehiua (Lote 2) | 11 | 289,307 | 385,000 | 95,693 |
| Third Priority | | | | |
| CABO DELGADO | | | | |
| Crz N14 - Impire | 24.9 | 209,478 | 871,500 | 0 |
| NAMPULA | | | | |
| Crz N13 - Mirrige | 5.3 | 157,760 | 185,500 | 27,740 |
| NIASSA | | | | |
| N/C: Mutaparata – Nrassa (Lote 1) | 13 | 173,583 | 455,000 | 281,417 |
| N/C: Mutaparata – Nrassa (Lote 2) | 10.2 | 142,642 | 357,000 | 214,358 |
| ZAMBEZIA | | | | |
| N/C: Mohiua – Carmano - Inago (Lote 3) | 11.3 | 198,611 | 395,500 | 196,889 |
| N/C: Mohiua – Carmano - Inago (Lote 4) | 12.1 | 154,577 | 423,500 | 268,923 |
| N/C: Mohiua – Carmano - Inago (Lote 5) | 11.9 | 138,878 | 416,500 | 277,622 |
| N/C: Murrece – Mucunha (Lote 1) | 10.7 | 396,866 | 374,500 | -22,366 |
| Fourth Priority | | | | |
| CABO DELGADO | | | | |
| Lote 1: Machoca - Papai | 8.9 | 258,872 | 311,500 | 52,628 |
| NAMPULA | | | | |
| Crz N13-Nachilapa Lot 1 + Lot 2 | 10 | 305,242 | 350,000 | 44,758 |
| Crz N13 - Missão | 2.3 | 73,452 | 80,500 | 7,048 |
| Crz N13 - Namipaka | 27.8 | 620,655 | 973,000 | 352,345 |
| Crz N13-Khurapini Lot 3 + Lot 4 | 10.4 | 375,055 | 364,000 | -11,055 |
| NIASSA | | | | |
| N/C: Crz.N360 - Muhumbwa | 10.5 | 208,729 | 367,500 | 158,771 |
| N/C: Maiaca – Quarea 2 | 8.5 | 160,072 | 297,500 | 137,428 |
| N/C: Mitande - Namicoio | 8.6 | 148,311 | 301,000 | 152,689 |
| Fifth Priority | | | | |

CABO DELGADO

Ancuabe Sede - Metoro

18

235,583

630,000

394,417

| | Length (Km) | Cost (Spot improvement) (USD) | Cost (Full rehabilitation) (USD) | Cost (Additional works) (USD) |
|-------------------------------|--------------|-------------------------------|----------------------------------|-------------------------------|
| NIASSA | | | | |
| N/C: Chanica – Muita (lote 1) | 6 | 157,408 | 210,000 | 52,592 |
| N/C: Chanica – Muita (lote 2) | 15 | 216,814 | 525,000 | 308,186 |
| N/C: Mpoluhio - Matuane | 21 | 276,302 | 735,000 | 458,698 |
| N/C: Nankhari - Muhemela | 17.3 | 272,916 | 605,500 | 332,584 |
| Sixth Priority | | | | |
| CABO DELGADO | | | | |
| Milapane -Nanivige | 16.6 | 273,009 | 581,000 | 307,991 |
| Nicuita - Muhatuca | 28.9 | 276,123 | 1,011,500 | 735,377 |
| Mavala - Sirimula | 13.2 | 92,384 | 462,000 | 369,616 |
| Mahepe-Mirate | 11.6 | 128,568 | 406,000 | 0 |
| Mirate - Nquewene | 12.8 | 242,369 | 448,000 | 205,631 |
| Nacoto - Maningane | 24.7 | 191,822 | 864,500 | 672,678 |
| NIASSA | | | | |
| Crz.R657 - Komane | 10.8 | 256,452 | 378,000 | 121,548 |
| N/C: Chipane - Uaquiua | 9.5 | 219,779 | 332,500 | 112,721 |
| N/C: Mutaparata - Marangira | 11.6 | 213,529 | 406,000 | |
| Grand Total | 678.4 | 10,301,040 | 23,744,000 | 11,474,912 |

Annex V: Costs and Financing

Status of available balances

1. At 30 June 2015 the financial situation of PROMER, considering the appraisal amount for all external financiers, the actual expenditures up to Mission dates and the commitments was the following:

Table 1: status of available balance on existing IFAD loan

| | Appraisal | Actual | Commitments * | Balance | Appraisal | Actual | Commitments * | Balance |
|--|------------|------------|------------------|------------|------------|-----------|------------------|-----------|
| Cat. I- Civil Works | 5,868,000 | 6,342,023 | 1,569,874 | 1,069,403 | 5,152,969 | 921,961 | 3,803,154 | 427,854 |
| Cat. II- Vehicles Equipment & material | 652,000 | 4,888,910 | 175,620 | -4,412,530 | 92,000 | 82,462 | 22,154 | -12,616 |
| Cat. III- Technical Assist, Studies, Training & Workshop | 5,313,800 | 1,763,842 | 987,500 | 2,562,458 | 0 | 0 | 0 | 0 |
| Cat. IV- Service provider Contracts | 7,467,400 | 5,520,076 | 1,732,550 | 214,774 | 3,070,000 | 762,496 | 359,873 | 1,947,631 |
| Cat. V- Matching grants | 2,200,500 | 216,193 | 156,000 | 1,828,307 | 0 | 0 | 0 | 0 |
| Cat. VI- Outreach grants for financial institutions | 1,173,600 | 465,827 | 0 | 707,773 | 0 | 0 | 0 | 0 |
| Cat. VII- salaries & Allowances | 4,808,500 | 4,038,715 | 1,315,000 | -545,215 | 1,674,300 | 427,410 | 221,898 | 1,024,992 |
| Cat VIII- Others operating costs | 537,900 | 1,029,761 | 847,600 | -1,339,461 | 42,500 | 58,307 | 95,697 | -111,504 |
| Cat IX- Credit Lines & Credit Guarantee | 0 | 0 | 0 | 0 | 1,282,775 | 378,907 | - | 903,868 |
| Unallocated | 3,113,300 | | | | | | | |
| Total | 31,135,000 | 24,265,347 | 6,784,144 | 85,509 | 11,314,545 | 2,631,543 | 4,502,776 | 4,180,225 |

*up to Jun 2016

2. In the same period the balance of the IFAD loan was SDR 4.52 million, equivalent to USD 6.28 million (based on the exchange rate of the disbursement of WA 27). The table above clearly shows that PROMER has currently committed the remaining balance of the IFAD loan account. The EU grant on the other is only partially committed and the Mission has reallocated the balance of USD 4.18 million.

3. New financing: IFAD has pledged additional financing of USD 25 million (50% loan and 50% DSF grant) for the remaining lifetime of the programme.

4. Total financing available: Considering all financiers, the total financing available amounts to USD 27.5 million.

Main Assumptions

5. PROMER was originally approved in September 2008 and became effective in April 2009. The programme closing date was 30 June 2016.

6. In May 2013 the financing agreement governing the programme was amended to reflect the addition of EU funds in the form of a grant for a total amount of USD 10.5 million. In order to allow sufficient time to implement the grant activities PROMER completion date was also extended to 31 December 2018. The costing for the post-MTR period has therefore been initially for four years from 2015 to 2018.

7. In May 2014, GoM and IFAD conducted the programme's MTR, and following the results of the consultation, GoM requested additional financing from IFAD in order to enhance the implementation of PROMER and guarantee the completion of the programme's activities for the period 2014 – 2018. However, in order to guarantee programme feasibility, upon approval of the Additional Financing PROMER will be extended by one additional year, bringing programme completion to 30 June 2019, and programme financing closure to 31 December 2019. As such, this paper on costs and financing of the additional financing was built upon an assumption of an implementation period from 2016 to 2019.

8. A physical contingency of 5% has been applied to civil works, service provider contracts and some goods and equipment in recurring costs. Price contingencies have been applied throughout the whole project cost tables with the exception of grants.

9. Inflation. Bank of Mozambique continues to follow a prudent monetary policy, which has helped in keeping inflation within single digits in the past 5 years, despite weather related shocks to the economy. The relative weak valuation of the South African rand (ZAR) in relation to the Mozambican Metical (MZN) has also helped to contain inflation. The Metical has also remained quite stable against the United States dollar (USD) since 2013. The recent decision of the European Bank to cut interest

rates has weakened the steady rise of the exchange rate between the Metical and Euro (EUR). Inflation (average consumer prices) has reached a low value of 2.1% in 2012, and rose to 4.2% in 2013. Inflation reached 5.6% in 2014. The International Monetary Fund forecasts the inflation to average at 5 - 6% for the period 2015 – 2018¹⁷. For the purposes of this project cost calculation inflation was set at 6% for the remaining project life.

10. Exchange Rate. From 2011 to 2014 the Mozambican Metical exchange rate has varied widely, reaching a low point of 23 in late 2012, as high as 32 in February/March 2014 and by February 2015 the exchange rate is 34. In the fourth quarter of 2014 and first quarter of 2015, there was a remarkable increase in the demand for foreign currency in the domestic market, which led to a depreciation of the metical against the US dollar of 14 percent in the interbank market which, together with FX transactions between commercial banks and the public, account for about 85 percent of all FX transactions. Pressures on the metical reflected several factors, including (i) the strengthening of the US dollar in international markets; (ii) a high level of imports (excluding megaprojects); (iii) a lower level of non-megaproject exports, which are one of the most important sources of foreign exchange.

11. The Metical has been depreciating at a steady rate compared to the dollar since then. For the purpose of the analysis, and the cost tables, the exchange rate has been set at 1 USD = 35 MZN at data collection (July 2015), and 1 USD = 40 MZN throughout the life of the project.

12. Taxes and Duties. Import duties (on vehicles, office furniture, equipment, etc) and VAT are applied to costs of transactions were appropriate. This information has been collected from the Mozambique Revenue Authority and consultations with the Project team. Service Providers will be responsible for their national tax liabilities. Salaries and allowances of staff are paid from the IFAD loan, and PROMER Management will be responsible for the payment of their national tax liabilities. Typical VAT for civil works is 6.8%. For the purposes of this exercise, a tax of 7% has been applied for all civil works. An average tax of 14.5% is applicable on all goods and equipment.

Post MTR programme costs

13. The total PROMER investment and incremental recurrent costs for PY7-10 (2016 to 2019), including physical and price contingencies, are estimated at USD 27.5 million (MZN 1.13 billion). Table 2 below presents a breakdown of the costs by components. The detailed cost tables and additional summary tables are presented in Appendices 1 and 2 to this Annex.

14. The investment in Component 1: Development of more dynamic market intermediaries in base costs totals USD 5.3 million (20% of total base costs) while Component 2: Enterprise led value chain initiative, accounts for USD 1.3 million (5% of total base costs). Component 3: Improving the market environment accounts for USD 11.5 million (44% of total base costs) compared to Component 4: Policy/Institutional support and management which accounts for 27 % of base cost or USD 7.2 million and Component 5: Nutrition promotion that accounts for USD 1.1 million (4% of base costs). Price and physical contingencies amount to a total of USD 1 million.

¹⁷ IMF Country Report No 15/12, Jan 15

Table 2: Programme Cost by Component

| Republic of Mozambique RURAL MARKETS PROMOTION PROGRAMME (PROMER) Components Project Cost Summary | | | | | | | | |
|---|-----------|---------|-----------|-------------|---------|--------|----------|------------|
| | (MT '000) | | | (US\$ '000) | | | % | % Total |
| | Local | Foreign | Total | Local | Foreign | Total | Exchange | Base Costs |
| 1. Development of More Dynamic Market Intermediaries | 158,190 | 55,333 | 213,523 | 3,955 | 1,383 | 5,338 | 26 | 20 |
| 2. Enterprise Led Value Chain Initiative | 28,118 | 22,279 | 50,397 | 703 | 557 | 1,260 | 44 | 5 |
| 3. Improving the Market Environment | 335,685 | 124,591 | 460,277 | 8,392 | 3,115 | 11,507 | 27 | 44 |
| 4. Policy/Institutional Support and Management | 284,346 | 3,725 | 288,071 | 7,109 | 93 | 7,202 | 1 | 27 |
| 5. Nutrition Promotion | 32,726 | 11,619 | 44,344 | 818 | 290 | 1,109 | 26 | 4 |
| Total BASELINE COSTS | 839,065 | 217,548 | 1,056,612 | 20,977 | 5,439 | 26,415 | 21 | 100 |
| Physical Contingencies | 17,138 | 5,867 | 23,004 | 428 | 147 | 575 | 26 | 2 |
| Price Contingencies | 38,896 | 12,881 | 51,777 | 379 | 125 | 505 | 25 | 2 |
| Total PROJECT COSTS | 895,098 | 236,296 | 1,131,394 | 21,784 | 5,711 | 27,495 | 21 | 104 |

Financing Plan

15. Financing Plan. The Post-MTR programme will be financed by the Government of Mozambique (USD 2.3 million about 8.4%), the new IFAD loan (USD 12.5 million about 45.5%), DSF (USD 12.5 million about 45.5%), and the beneficiaries (USD 0.2 million about 0.7%). The summary of the financing plan is presented in table 3 below:

Table 3: Financing Plan by Components (USD'000)

| Republic of Mozambique RURAL MARKETS PROMOTION PROGRAMME (PROMER) Components by Financiers (US\$ '000) | | | | | | | | | | |
|---|--------|------|---------------|------|--------|------|---------------|------|--------|-------|
| | GoM | | IFAD New Loan | | DSF | | Beneficiaries | | Total | |
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| 1. Development of More Dynamic Market Intermediaries | 663 | 12.4 | 2,337 | 43.8 | 2,337 | 43.8 | - | - | 5,338 | 19.4 |
| 2. Enterprise Led Value Chain Initiative | 41 | 3.3 | 516 | 40.9 | 516 | 40.9 | 188 | 14.9 | 1,260 | 4.6 |
| 3. Improving the Market Environment | 892 | 7.2 | 5,791 | 46.4 | 5,791 | 46.4 | - | - | 12,474 | 45.4 |
| 4. Policy/Institutional Support and Management | 571 | 7.8 | 3,372 | 46.1 | 3,372 | 46.1 | - | - | 7,315 | 26.6 |
| 5. Nutrition Promotion | 140 | 12.7 | 484 | 43.7 | 484 | 43.7 | - | - | 1,109 | 4.0 |
| Total PROJECT COSTS | 2,308 | 8.4 | 12,500 | 45.5 | 12,500 | 45.5 | 188 | 0.7 | 27,495 | 100.0 |

Attachment 1: Summary Cost Tables

Table 1: Components Project Cost Summary (USD 000)

Republic of Mozambique

RURAL MARKETS PROMOTION PROGRAMME (PROMER)

Components Project Cost Summary

| | (MT '000) | | | (US\$ '000) | | |
|--|-----------|---------|-----------|-------------|---------|--------|
| | Local | Foreign | Total | Local | Foreign | Total |
| 1. Development of More Dynamic Market Intermediaries | 158,190 | 55,333 | 213,523 | 3,955 | 1,383 | 5,338 |
| 2. Enterprise Led Value Chain Initiative | 28,118 | 22,279 | 50,397 | 703 | 557 | 1,260 |
| 3. Improving the Market Environment | 335,685 | 124,591 | 460,277 | 8,392 | 3,115 | 11,507 |
| 4. Policy/Institutional Support and Management | 284,346 | 3,725 | 288,071 | 7,109 | 93 | 7,202 |
| 5. Nutrition Promotion | 32,726 | 11,619 | 44,344 | 818 | 290 | 1,109 |
| Total BASELINE COSTS | 839,065 | 217,548 | 1,056,612 | 20,977 | 5,439 | 26,415 |
| Physical Contingencies | 17,138 | 5,867 | 23,004 | 428 | 147 | 575 |
| Price Contingencies | 38,896 | 12,881 | 51,777 | 379 | 125 | 505 |
| Total PROJECT COSTS | 895,098 | 236,296 | 1,131,394 | 21,784 | 5,711 | 27,495 |

Table 2: Expenditure Accounts Project Cost Summary (USD 000)

Republic of Mozambique

RURAL MARKETS PROMOTION PROGRAMME (PROMER)

Expenditure Accounts Project Cost Summary

| | (MT '000) | | | (US\$ '000) | | |
|---|-----------|---------|-----------|-------------|---------|--------|
| | Local | Foreign | Total | Local | Foreign | Total |
| I. Investment Costs | | | | | | |
| A. Civil Works | | | | | | |
| Roads | 286,928 | 111,790 | 398,718 | 7,173 | 2,795 | 9,968 |
| Market Infrastructure | 6,160 | 1,304 | 7,464 | 154 | 33 | 187 |
| Subtotal Civil Works | 293,088 | 113,094 | 406,182 | 7,327 | 2,827 | 10,155 |
| B. Goods, Vehicles and Equipment | | | | | | |
| Vehicles | 5,280 | 1,440 | 6,720 | 132 | 36 | 168 |
| Goods, Equipment and Materials | 11,123 | 642 | 11,765 | 278 | 16 | 294 |
| Subtotal Goods, Vehicles and Equipment | 16,403 | 2,082 | 18,485 | 410 | 52 | 462 |
| C. Technical Assistance, Studies, Training and Workshops | | | | | | |
| Technical Assistance | 31,062 | 5,594 | 36,656 | 777 | 140 | 916 |
| Training | 45,758 | 10,301 | 56,060 | 1,144 | 258 | 1,401 |
| Studies | 9,596 | 1,950 | 11,546 | 240 | 49 | 289 |
| Workshops and Meetings | 10,809 | - | 10,809 | 270 | - | 270 |
| Publications | - | - | - | - | - | - |
| Subtotal Technical Assistance, Studies, Training and Workshops | 97,226 | 17,845 | 115,071 | 2,431 | 446 | 2,877 |
| D. Service Provider Contracts | | | | | | |
| Service Provider Contracts | 184,274 | 63,797 | 248,071 | 4,607 | 1,595 | 6,202 |
| E. Matching Grants | | | | | | |
| PROMER Matching Grants | 20,729 | 20,729 | 41,459 | 518 | 518 | 1,036 |
| Matching Grants - Counterpart portion | - | - | - | - | - | - |
| Subtotal Matching Grants | 20,729 | 20,729 | 41,459 | 518 | 518 | 1,036 |
| Total Investment Costs | 611,720 | 217,548 | 829,268 | 15,293 | 5,439 | 20,732 |
| II. Recurrent Costs | | | | | | |
| A. Salaries and Allowances /a | | | | | | |
| Salaries | 126,201 | - | 126,201 | 3,155 | - | 3,155 |
| Allowances | 56,877 | - | 56,877 | 1,422 | - | 1,422 |
| Subtotal Salaries and Allowances | 183,078 | - | 183,078 | 4,577 | - | 4,577 |
| B. Incremental Operating Expenses | | | | | | |
| Rent, Building and Equipment O&M | 32,795 | - | 32,795 | 820 | - | 820 |
| Vehicle O&M | 11,471 | - | 11,471 | 287 | - | 287 |
| Subtotal Incremental Operating Expenses | 44,266 | - | 44,266 | 1,107 | - | 1,107 |
| Total Recurrent Costs | 227,344 | - | 227,344 | 5,684 | - | 5,684 |
| Total BASELINE COSTS | 839,065 | 217,548 | 1,056,612 | 20,977 | 5,439 | 26,415 |
| Physical Contingencies | 17,138 | 5,867 | 23,004 | 428 | 147 | 575 |
| Price Contingencies | 38,896 | 12,881 | 51,777 | 379 | 125 | 505 |
| Total PROJECT COSTS | 895,098 | 236,296 | 1,131,394 | 21,784 | 5,711 | 27,495 |

^a Physical contingencies set to 5% of total costs.

Table 3: Project Components by year (USD 000)

Republic of Mozambique

RURAL MARKETS PROMOTION PROGRAMME (PROMER)

Project Components by Year -- Base Costs

(US\$ '000)

| | Base Cost | | | | |
|--|--------------|--------------|--------------|--------------|---------------|
| | 2016 | 2017 | 2018 | 2019 | Total |
| 1. Development of More Dynamic Market Intermediaries | 1,365 | 1,365 | 1,314 | 1,294 | 5,338 |
| 2. Enterprise Led Value Chain Initiative | 325 | 325 | 325 | 285 | 1,260 |
| 3. Improving the Market Environment | 2,905 | 2,926 | 2,848 | 2,827 | 11,507 |
| 4. Policy/Institutional Support and Management | 1,860 | 2,333 | 2,236 | 773 | 7,202 |
| 5. Nutrition Promotion | 277 | 277 | 277 | 277 | 1,109 |
| Total BASELINE COSTS | 6,732 | 7,227 | 7,000 | 5,456 | 26,415 |
| Physical Contingencies | 151 | 145 | 145 | 135 | 575 |
| Price Contingencies | | | | | |
| Inflation | | | | | |
| Local | 59 | 189 | 308 | 402 | 958 |
| Foreign | 8 | 23 | 39 | 55 | 125 |
| Subtotal Inflation | 67 | 212 | 347 | 457 | 1,083 |
| Devaluation | -35 | -113 | -186 | -245 | -579 |
| Subtotal Price Contingencies | 32 | 99 | 161 | 212 | 505 |
| Total PROJECT COSTS | 6,915 | 7,471 | 7,306 | 5,803 | 27,495 |
| Taxes | 590 | 570 | 550 | 472 | 2,181 |
| Foreign Exchange | 1,450 | 1,428 | 1,416 | 1,417 | 5,711 |

Table 4: Components by Financiers (USD 000)

Republic of Mozambique

RURAL MARKETS PROMOTION PROGRAMME (PROMER)

Components by Financiers

(US\$ '000)

| | GoM | | IFAD New Loan | | DSF | | Beneficiaries | | Total | |
|--|--------------|------------|---------------|-------------|---------------|-------------|---------------|------------|---------------|--------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| 1. Development of More Dynamic Market Intermediaries | 663 | 12.4 | 2,337 | 43.8 | 2,337 | 43.8 | - | - | 5,338 | 19.4 |
| 2. Enterprise Led Value Chain Initiative | 41 | 3.3 | 516 | 40.9 | 516 | 40.9 | 188 | 14.9 | 1,260 | 4.6 |
| 3. Improving the Market Environment | 892 | 7.2 | 5,791 | 46.4 | 5,791 | 46.4 | - | - | 12,474 | 45.4 |
| 4. Policy/Institutional Support and Management | 571 | 7.8 | 3,372 | 46.1 | 3,372 | 46.1 | - | - | 7,315 | 26.6 |
| 5. Nutrition Promotion | 140 | 12.7 | 484 | 43.7 | 484 | 43.7 | - | - | 1,109 | 4.0 |
| Total PROJECT COSTS | 2,308 | 8.4 | 12,500 | 45.5 | 12,500 | 45.5 | 188 | 0.7 | 27,495 | 100.0 |

Table 5: Disbursement by semester by Financiers (USD 000)

Republic of

RURAL MA

Disburser

(US\$ '000)

| | Financing Available | | | | Costs to be Financed | | |
|--------------|---------------------|---------------|---------------|---------------|----------------------|---------------|----------------------|
| | IFAD New | | Beneficiaries | Total | Project Costs | GoM | |
| | Loan | DSF | | | | Cash Flow | Cumulative Cash Flow |
| | Amount | Amount | Amount | | | | |
| 1 | 1,538 | 1,538 | 23 | 3,099 | 3,457 | -358 | -358 |
| 2 | 1,538 | 1,538 | 23 | 3,099 | 3,457 | -358 | -716 |
| 3 | 1,714 | 1,714 | 23 | 3,450 | 3,735 | -285 | -1,001 |
| 4 | 1,714 | 1,714 | 23 | 3,450 | 3,735 | -285 | -1,286 |
| 5 | 1,677 | 1,677 | 23 | 3,378 | 3,653 | -275 | -1,561 |
| 6 | 1,677 | 1,677 | 23 | 3,378 | 3,653 | -275 | -1,836 |
| 7 | 1,321 | 1,321 | 23 | 2,666 | 2,902 | -236 | -2,072 |
| 8 | 1,321 | 1,321 | 23 | 2,666 | 2,902 | -236 | -2,308 |
| Total | 12,500 | 12,500 | 188 | 25,187 | 27,495 | -2,308 | -2,308 |

Table 6: Expenditure Accounts by Financiers US\$ 000

Republic of Mozambique
RURAL MARKETS PROMOTION PROGRAMME (PROMER)
Expenditure Accounts by Financiers
(US\$ '000)

| | GoM | | IFAD New Loan | | DSF | | Beneficiaries | | Total | |
|---|--------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|--------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| I. Investment Costs | | | | | | | | | | |
| A. Civil Works | | | | | | | | | | |
| Roads | 713 | 6.5 | 5,090 | 46.7 | 5,090 | 46.7 | - | - | 10,892 | 39.6 |
| Market Infrastructure | 26 | 12.7 | 89 | 43.7 | 89 | 43.7 | - | - | 204 | 0.7 |
| Subtotal Civil Works | 738 | 6.7 | 5,179 | 46.7 | 5,179 | 46.7 | - | - | 11,096 | 40.4 |
| B. Goods, Vehicles and Equipment | | | | | | | | | | |
| Vehicles | 50 | 28.6 | 63 | 35.7 | 63 | 35.7 | - | - | 176 | 0.6 |
| Goods, Equipment and Materials | 40 | 12.7 | 139 | 43.7 | 139 | 43.7 | - | - | 319 | 1.2 |
| Subtotal Goods, Vehicles and Equipment | 91 | 18.3 | 202 | 40.8 | 202 | 40.8 | - | - | 496 | 1.8 |
| C. Technical Assistance, Studies, Training and Workshops | | | | | | | | | | |
| Technical Assistance | 81 | 8.7 | 426 | 45.7 | 426 | 45.7 | - | - | 933 | 3.4 |
| Training | 158 | 11.2 | 627 | 44.4 | 627 | 44.4 | - | - | 1,412 | 5.1 |
| Studies | 29 | 10.0 | 133 | 45.0 | 133 | 45.0 | - | - | 295 | 1.1 |
| Workshops and Meetings | 15 | 5.6 | 129 | 47.2 | 129 | 47.2 | - | - | 273 | 1.0 |
| Publications | - | - | - | - | - | - | - | - | - | - |
| Subtotal Technical Assistance, Studies, Training and Workshops | 284 | 9.7 | 1,314 | 45.1 | 1,314 | 45.1 | - | - | 2,912 | 10.6 |
| D. Service Provider Contracts | | | | | | | | | | |
| Service Provider Contracts | 788 | 12.7 | 2,717 | 43.7 | 2,717 | 43.7 | - | - | 6,221 | 22.6 |
| E. Matching Grants | | | | | | | | | | |
| PROMER Matching Grants | - | - | 424 | 41.0 | 424 | 41.0 | 188 | 18.1 | 1,036 | 3.8 |
| Matching Grants - Counterpart portion | - | - | - | - | - | - | - | - | - | - |
| Subtotal Matching Grants | - | - | 424 | 41.0 | 424 | 41.0 | 188 | 18.1 | 1,036 | 3.8 |
| Total Investment Costs | 1,901 | 8.7 | 9,836 | 45.2 | 9,836 | 45.2 | 188 | 0.9 | 21,761 | 79.1 |
| II. Recurrent Costs | | | | | | | | | | |
| A. Salaries and Allowances /a | | | | | | | | | | |
| Salaries | 119 | 3.8 | 1,518 | 48.1 | 1,518 | 48.1 | - | - | 3,155 | 11.5 |
| Allowances | 137 | 9.5 | 653 | 45.3 | 653 | 45.3 | - | - | 1,443 | 5.2 |
| Subtotal Salaries and Allowances | 256 | 5.6 | 2,171 | 47.2 | 2,171 | 47.2 | - | - | 4,598 | 16.7 |
| B. Incremental Operating Expenses | | | | | | | | | | |
| Rent, Building and Equipment O&M | 107 | 12.7 | 369 | 43.7 | 369 | 43.7 | - | - | 846 | 3.1 |
| Vehicle O&M | 44 | 15.1 | 123 | 42.4 | 123 | 42.4 | - | - | 291 | 1.1 |
| Subtotal Incremental Operating Expenses | 151 | 13.3 | 493 | 43.4 | 493 | 43.4 | - | - | 1,136 | 4.1 |
| Total Recurrent Costs | 407 | 7.1 | 2,663 | 46.4 | 2,663 | 46.4 | - | - | 5,734 | 20.9 |
| Total PROJECT COSTS | 2,308 | 8.4 | 12,500 | 45.5 | 12,500 | 45.5 | 188 | 0.7 | 27,495 | 100.0 |

/a Physical contingencies set to 5% of total costs.

Appendix 2: Detailed Cost Tables

Detailed Table 1: Development of More Dynamic Market Intermediaries

Republic of Mozambique

RURAL MARKETS PROMOTION PROGRAMME (PROMER)

Table 1. Component 1: Development of More Dynamic Market Intermediaries

Detailed Costs

| Detailed Costs | | | | | | | Unit Cost (US\$ '000) | Totals Including Contingencies (US\$ '000) | | | | | | | | | | | |
|---|------------|------|------|------|------|-------|-----------------------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|-------|
| Unit | Quantities | | | | | Total | | Base Cost (US\$ '000) | | | | | Total | | | | | | Total |
| | 2016 | 2017 | 2018 | 2019 | 2016 | | | 2017 | 2018 | 2019 | 2016 | 2017 | | 2018 | 2019 | | | | |
| I. Investment Costs | | | | | | | | | | | | | | | | | | | |
| A. Support for Rural Traders Development | | | | | | | | | | | | | | | | | | | |
| Service Provider Contract in Niassa | Contract | 1 | 1 | 1 | 1 | 4 | 22 | 22 | 22 | 22 | 86 | 25 | 25 | 25 | 25 | 99 | | | |
| Service Provider Contract in Cabo Delgado | Contract | 1 | 1 | 1 | 1 | 4 | 18 | 18 | 18 | 18 | 74 | 21 | 21 | 21 | 21 | 84 | | | |
| Service Provider Contract in Nampula e Zambezia | Contract | 1 | 1 | 1 | 1 | 4 | 17 | 17 | 17 | 17 | 67 | 19 | 19 | 19 | 19 | 76 | | | |
| PROMER matching grants /a | Amount | 1 | 1 | 0.5 | - | 2.5 | 20 | 20 | 20 | 10 | 50 | 20 | 20 | 10 | - | 50 | | | |
| Subtotal Support for Rural Traders Development | | | | | | | | 77 | 77 | 67 | 57 | 276 | 85 | 85 | 75 | 65 | 309 | | |
| B. Support for Farmer Organizations Development | | | | | | | | | | | | | | | | | | | |
| 1. Farmer Association Development | | | | | | | | | | | | | | | | | | | |
| Service provider contracts for Cabo Delgado | Contract | 1 | 1 | 1 | 1 | 4 | 173 | 173 | 173 | 173 | 694 | 199 | 199 | 199 | 199 | 794 | | | |
| Service provider contracts for Niassa | Contract | 1 | 1 | 1 | 1 | 4 | 190 | 190 | 190 | 190 | 760 | 218 | 218 | 218 | 218 | 870 | | | |
| Service provider contracts for Nampula/Zambezia | Contract | 1 | 1 | 1 | 1 | 4 | 185 | 185 | 185 | 185 | 740 | 212 | 212 | 212 | 212 | 847 | | | |
| PROMER matching grants /b | Amount | 1 | 1 | 0.5 | - | 2.5 | 20 | 20 | 20 | 10 | 50 | 20 | 20 | 10 | - | 50 | | | |
| Vertical integration with FAs /c | Amount | 1 | 1 | 1 | 1 | 4 | 275 | 275 | 275 | 275 | 1,100 | 315 | 315 | 315 | 315 | 1,260 | | | |
| Land certification for FAs /d | Contract | 3 | 3 | 3 | 3 | 12 | 83 | 250 | 250 | 250 | 1,000 | 286 | 286 | 286 | 286 | 1,145 | | | |
| Subtotal Farmer Association Development | | | | | | | | 1,093 | 1,093 | 1,083 | 1,073 | 4,344 | 1,249 | 1,249 | 1,239 | 1,229 | 4,966 | | |
| 2. Commodity Association Support | | | | | | | | | | | | | | | | | | | |
| a. Support to FONPA: Strategic plan development | Amount | | | | | | | 31 | 31 | - | - | 62 | 31 | 31 | - | - | 62 | | |
| Subtotal Support for Farmer Organizations Development | | | | | | | | 1,125 | 1,125 | 1,083 | 1,073 | 4,406 | 1,280 | 1,280 | 1,239 | 1,229 | 5,029 | | |
| Total | | | | | | | | 1,201 | 1,201 | 1,150 | 1,130 | 4,683 | 1,365 | 1,365 | 1,314 | 1,294 | 5,338 | | |

\a Small scale value chain activities for rural traders

\b Small scale value chain activities for supported FAs

\c funds to support vertical integration initiatives with FAs

\d Certification for all FAs supported by PROMER in the 15 districts (1 contract per block)

Detailed Table 2: Enterprise led value initiative

Republic of Mozambique

RURAL MARKETS PROMOTION PROGRAMME (PROMER)

Table 2. Component 2: Enterprise Led Value Chain Initiative

Detailed Costs

| | Unit | Quantities | | | | | (US\$ '000) | Base Cost (US\$ '000) | | | | | Total (US\$ '000) | | | | |
|--|----------|------------|------|------|------|-------|-------------|-----------------------|------|------|------|-------|-------------------|------|------|------|-------|
| | | 2016 | 2017 | 2018 | 2019 | Total | | 2016 | 2017 | 2018 | 2019 | Total | 2016 | 2017 | 2018 | 2019 | Total |
| I. Investment Costs | | | | | | | | | | | | | | | | | |
| A. Identifying Value Chain Opportunities | | | | | | | | | | | | | | | | | |
| 1. Value Chain planning | Contract | 1 | 1 | 1 | 1 | 4 | 24 | 24 | 24 | 24 | 24 | 98 | 28 | 28 | 28 | 28 | 112 |
| 2. Stakeholders Value Chain Workshop | Contract | 1 | 1 | 1 | - | 3 | 35 | 35 | 35 | 35 | - | 105 | 40 | 40 | 40 | - | 120 |
| Subtotal Identifying Value Chain Opportunities | | | | | | | | 59 | 59 | 59 | 24 | 203 | 68 | 68 | 68 | 28 | 232 |
| B. Value Chain Investments | | | | | | | | | | | | | | | | | |
| Facilitation of Agribusiness partnerships | Contract | 1 | 1 | 1 | 1 | 4 | 20 | 20 | 20 | 20 | 20 | 80 | 23 | 23 | 23 | 23 | 92 |
| Partner investments /a | Amount | | | | | | | 47 | 47 | 47 | 47 | 188 | 47 | 47 | 47 | 47 | 188 |
| Subtotal Value Chain Investments | | | | | | | | 67 | 67 | 67 | 67 | 268 | 70 | 70 | 70 | 70 | 279 |
| C. PROMER matching grants | Grants | | | | | | | 187 | 187 | 187 | 187 | 749 | 187 | 187 | 187 | 187 | 749 |
| Total | | | | | | | | 313 | 313 | 313 | 278 | 1,219 | 325 | 325 | 325 | 285 | 1,260 |

\a Beneficiaries contribution, budgeted at 25% of PROMER matching grants

REPUBLIC OF MOZAMBIQUE
Rural Markets Promotion Programme (PROMER)
Additional Financing Report

Detailed Table 3: Improving the market environment

Republic of Mozambique
RURAL MARKETS PROMOTION PROGRAMME (PROMER)
Table 3. Component 3: Improving the Market Environment
Detailed Costs

| Table 3. Component 3: Improving the Market Environment | | | | | | | | | | | | | | | | | |
|--|--------------|------|------|------|-------|-----------------------|-----------------------|-------|-------|-------|-------|--|-------|-------|-------|-------|--------|
| Detailed Costs | | | | | | | | | | | | | | | | | |
| Unit | Quantities | | | | | Unit Cost (US\$ '000) | Base Cost (US\$ '000) | | | | | Totals Including Contingencies (US\$ '000) | | | | | |
| | 2016 | 2017 | 2018 | 2019 | Total | | 2016 | 2017 | 2018 | 2019 | Total | 2016 | 2017 | 2018 | 2019 | Total | |
| I. Investment Costs | | | | | | | | | | | | | | | | | |
| A. Market Infrastructure | | | | | | | | | | | | | | | | | |
| 1. Market Facilities | | | | | | | | | | | | | | | | | |
| Construction/rehabilitation of district of market /a | Amount | | | | | | | 47 | 47 | 47 | 47 | 187 | 49 | 50 | 51 | 52 | 204 |
| 2. Road Infrastructure /b | | | | | | | | | | | | | | | | | |
| Road Rehabilitation in Niassa | Amount | 1 | 1 | 1 | 1 | 4 | 754 | 754 | 754 | 754 | 754 | 3,017 | 856 | 873 | 890 | 908 | 3,527 |
| Road Rehabilitation in Cabo Delgado | Amount | 1 | 1 | 1 | 1 | 4 | 798 | 798 | 798 | 798 | 798 | 3,194 | 906 | 924 | 943 | 962 | 3,734 |
| Road Rehabilitation in Nampula/Zambezia | Contract | 1 | 1 | 1 | 1 | 4 | 776 | 776 | 776 | 776 | 776 | 3,105 | 881 | 899 | 917 | 935 | 3,631 |
| Road Engineer (Cuamba office) /c | Person month | 6 | 12 | 12 | 6 | 36 | 4 | 21 | 43 | 43 | 21 | 128 | 22 | 44 | 45 | 23 | 133 |
| Mobility/Fuel/Vehicle and allowance cost /d | Amount | | | | | | | 30 | 30 | 30 | 30 | 120 | 30 | 30 | 30 | 30 | 120 |
| Subtotal Road Infrastructure | | | | | | | | 2,380 | 2,402 | 2,402 | 2,380 | 9,564 | 2,694 | 2,770 | 2,824 | 2,857 | 11,146 |
| Subtotal Market Infrastructure | | | | | | | | 2,427 | 2,448 | 2,448 | 2,427 | 9,751 | 2,744 | 2,820 | 2,876 | 2,910 | 11,350 |
| B. Facilitating Access to Finance | | | | | | | | | | | | | | | | | |
| 1. Support for community-based financial services | | | | | | | | | | | | | | | | | |
| Guarantee fund for large input dealers | Contract | 1 | 1 | 1 | 1 | 4 | 45 | 45 | 45 | 45 | 45 | 180 | 55 | 56 | 57 | 58 | 225 |
| Service Provider contract - ASCAS (IFAD) /e | Contract | 1 | 1 | 1 | 1 | 4 | 98 | 98 | 98 | 98 | 98 | 390 | 112 | 112 | 112 | 112 | 447 |
| Training activities for selected ASCAS and beneficiaries of credit line /f | Number | 1 | 1 | - | - | 2 | 55 | 55 | 55 | - | - | 110 | 63 | 63 | - | - | 126 |
| Subtotal Support for community-based financial services | | | | | | | | 198 | 198 | 143 | 143 | 680 | 229 | 230 | 168 | 170 | 798 |
| C. Improving Market Transparency | | | | | | | | | | | | | | | | | |
| 1. Regional Market Information Support | | | | | | | | | | | | | | | | | |
| Radio bulletins /g | Lump sum | 10 | 10 | 10 | 10 | 40 | 6 | 65 | 65 | 65 | 65 | 258 | 74 | 74 | 74 | 74 | 295 |
| Training on data analysis and information collection /h | Amount | 1 | 1 | - | - | 2 | 15 | 15 | 15 | - | - | 30 | 15 | 16 | - | - | 31 |
| Subtotal Regional Market Information Support | | | | | | | | 80 | 80 | 65 | 65 | 288 | 89 | 89 | 74 | 74 | 326 |
| Total | | | | | | | | 2,704 | 2,725 | 2,655 | 2,634 | 10,719 | 3,062 | 3,140 | 3,118 | 3,153 | 12,474 |

/a 15 district markets in all 3 blocks

/b Road infrastructure financed through National Road Fund (FE). National Road Administration (ANE) responsible for administration of contracts

/c Funded by the EU up to June 2016

/d Mobility expenditures for road engineer

/e To be implemented in Niassa, Cabo Delgado, Nampula and Zambezia.

/f To supplement under-budgeted MDG-funded activities.

/g Allocation for 10 community radios

/h Training for radio staff in years PY7 and PY8

REPUBLIC OF MOZAMBIQUE
Rural Markets Promotion Programme (PROMER)
Additional Financing Report

Detailed Table 4: Policy/Institutional support and management

Republic of Mozambique
RURAL MARKETS PROMOTION PROGRAMME (PROMER)
Table 4. Component 4: Policy/Institutional Support and Management
Detailed Costs

| Table 4. Component 4: Policy/Institutional Support and Management | | | | | | | | | | | | | | | | |
|---|------|------|------|------|-------|-----------------------|--|------|------|------|-------|------|------|------|------|-------|
| Detailed Costs | | | | | | | | | | | | | | | | |
| | | | | | | Unit Cost (US\$ '000) | Totals Including Contingencies (US\$ '000) | | | | | | | | | |
| | | | | | | | Base Cost (US\$ '000) | | | | | | | | | |
| Unit | 2016 | 2017 | 2018 | 2019 | Total | | 2016 | 2017 | 2018 | 2019 | Total | 2016 | 2017 | 2018 | 2019 | Total |
| I. Investment Costs | | | | | | | | | | | | | | | | |
| A. Knowledge Management and Coordination | | | | | | | | | | | | | | | | |
| 1. Knowledge Management in DNPDR | | | | | | | | | | | | | | | | |
| Information, records and library management /a | | | | | | | 10 | 10 | 10 | 10 | 41 | 10 | 11 | 11 | 11 | 43 |
| Training, learning events, know ledge assets, dissemination /b | | | | | | | 9 | 9 | 9 | 9 | 36 | 10 | 10 | 10 | 10 | 41 |
| Subtotal Knowledge Management in DNPDR | | | | | | | 19 | 19 | 19 | 19 | 77 | 21 | 21 | 21 | 21 | 84 |
| 2. Knowledge Management in PROMER | | | | | | | | | | | | | | | | |
| Know ledge Management training for service providers /c | | | | | | | - | 29 | - | 29 | 57 | - | 29 | - | 31 | 60 |
| Thematic studies and other publications /d | | | | | | | 12 | 12 | 12 | 12 | 46 | 13 | 14 | 14 | 14 | 55 |
| Website development and maintenance | | | | | | | 23 | 3 | 3 | - | 29 | 23 | 3 | 3 | - | 29 |
| Lessons Learned events /e | | | | | | | - | 30 | 30 | - | 60 | - | 31 | 32 | - | 62 |
| Subtotal Knowledge Management in PROMER | | | | | | | 34 | 73 | 44 | 40 | 192 | 36 | 77 | 48 | 45 | 207 |
| Subtotal Knowledge Management and Coordination | | | | | | | 54 | 92 | 64 | 59 | 269 | 57 | 98 | 70 | 66 | 291 |
| B. Policy and Institutional Support | | | | | | | | | | | | | | | | |
| 1. Policy Support | | | | | | | | | | | | | | | | |
| Policy assessment /f | | | | | | | - | 23 | - | - | 23 | - | 24 | - | - | 24 |
| Digital mapping of PROMER target area /g | | | | | | | 100 | - | - | - | 100 | 115 | - | - | - | 115 |
| Subtotal Policy Support | | | | | | | 100 | 23 | - | - | 123 | 115 | 24 | - | - | 138 |
| 2. Institutional support for DNPDR and MIC | | | | | | | | | | | | | | | | |
| Updates for provincial marketing strategies /h | | | | | | | - | 46 | - | - | 46 | - | 47 | - | - | 47 |
| Subtotal Policy and Institutional Support | | | | | | | 100 | 69 | - | - | 169 | 115 | 71 | - | - | 185 |
| C. Programme Management | | | | | | | | | | | | | | | | |
| 1. Planning Processes | | | | | | | | | | | | | | | | |
| Short term consultants /i | | | | | | | 18 | 18 | 18 | - | 53 | 18 | 18 | 18 | - | 54 |
| Coordination and planning meetings | | | | | | | 30 | 30 | 30 | - | 90 | 30 | 30 | 30 | - | 90 |
| Subtotal Planning Processes | | | | | | | 48 | 48 | 48 | - | 143 | 48 | 48 | 48 | - | 144 |
| 2. Maputo Office/National Level | | | | | | | | | | | | | | | | |
| a. Goods and Equipment | | | | | | | | | | | | | | | | |
| Vehicles /j | | | | | | | 120 | - | - | - | 120 | 176 | - | - | - | 176 |
| Office Equipment (IT) /k | | | | | | | 31 | 31 | 31 | - | 92 | 32 | 33 | 34 | - | 99 |
| Office furniture /l | | | | | | | 31 | 31 | 31 | - | 92 | 32 | 33 | 34 | - | 99 |
| Subtotal Goods and Equipment | | | | | | | 181 | 61 | 61 | - | 304 | 241 | 66 | 68 | - | 375 |
| b. Short term technical assistance | | | | | | | | | | | | | | | | |
| Rural Finance Specialist /m | | | | | | | 45 | 30 | 15 | - | 90 | 45 | 31 | 16 | - | 92 |
| Short-term experts on M&E | | | | | | | 18 | 18 | 18 | - | 53 | 18 | 18 | 18 | - | 54 |
| Short-term experts on Communication Strategy | | | | | | | 25 | 25 | 25 | - | 75 | 25 | 26 | 26 | - | 77 |
| Short-term expert on Know ledge Management | | | | | | | 5 | 5 | 5 | - | 15 | 5 | 5 | 5 | - | 15 |
| Auditing | | | | | | | 39 | 39 | 39 | 39 | 157 | 40 | 40 | 41 | 42 | 163 |
| Subtotal Short term technical assistance | | | | | | | 132 | 117 | 102 | 39 | 389 | 133 | 120 | 107 | 42 | 402 |
| c. Monitoring and Evaluation | | | | | | | | | | | | | | | | |
| Impact assessment /n | | | | | | | 15 | - | 15 | 30 | 60 | 15 | - | 16 | 32 | 63 |
| Subtotal Maputo Office/National Level | | | | | | | 328 | 178 | 178 | 69 | 753 | 390 | 186 | 190 | 74 | 840 |
| 3. Alto Molocue Office | | | | | | | | | | | | | | | | |
| a. Goods and Equipment | | | | | | | | | | | | | | | | |
| Office Equipment and Furniture | | | | | | | 6 | 6 | 6 | - | 18 | 6 | 7 | 7 | - | 20 |
| 4. Cuamba Office | | | | | | | | | | | | | | | | |
| a. Goods and Equipment | | | | | | | | | | | | | | | | |
| Office Equipment and Furniture | | | | | | | 6 | 6 | 6 | 6 | 23 | 6 | 6 | 6 | 6 | 25 |
| Goods and Equipments | | | | | | | 6 | 6 | 6 | 6 | 23 | 6 | 6 | 6 | 6 | 25 |
| Subtotal Goods and Equipment | | | | | | | 11 | 11 | 11 | 11 | 46 | 12 | 12 | 13 | 13 | 50 |
| 5. Pemba Office | | | | | | | | | | | | | | | | |
| a. Goods and Equipment | | | | | | | | | | | | | | | | |
| Office Equipment and Furniture | | | | | | | 6 | 6 | 6 | 6 | 23 | 6 | 6 | 6 | 6 | 25 |
| Goods and Equipments | | | | | | | 6 | 6 | 6 | 6 | 23 | 6 | 6 | 6 | 6 | 25 |
| Subtotal Goods and Equipment | | | | | | | 11 | 11 | 11 | 11 | 46 | 12 | 12 | 13 | 13 | 50 |
| Subtotal Programme Management | | | | | | | 405 | 255 | 255 | 92 | 1,006 | 468 | 266 | 271 | 100 | 1,105 |
| Total Investment Costs | | | | | | | 558 | 416 | 318 | 152 | 1,444 | 640 | 435 | 340 | 166 | 1,581 |

Detailed Table 4: Policy/Institutional support and management... continued

| | | | | | | | | | | | | | | |
|--|--------------------|-------|------|------|-------|------|----|-----|-----|-----|-----|-------|-----|-----|
| II. Recurrent Costs | | | | | | | | | | | | | | |
| A. Knowledge Management | | | | | | | | | | | | | | |
| Internal travel and exchange visits | Lump sum | | | | | | | | | 37 | 37 | 37 | 37 | 148 |
| Website and internet hosting | Lump sum | | | | | | | | | 17 | 17 | 17 | 17 | 69 |
| Subtotal Knowledge Management | | | | | | | | | | 54 | 54 | 54 | 54 | 216 |
| B. Policy and Institutional Support | | | | | | | | | | | | | | |
| 1. National level | | | | | | | | | | | | | | |
| Other operating costs for DNPDR /o | Lump sum | | | | | | | | | 35 | 35 | 35 | - | 105 |
| Vehicle Insurance /p | Amount | | | | | | | | | 6 | 6 | 6 | 6 | 25 |
| Top-up to DNPDR staff /q | Lump sum | | | | | | | | | 6 | 12 | 12 | 6 | 36 |
| National Reference group field visits /r | Lump sum | | | | | | | | | 3 | 3 | 3 | 3 | 10 |
| Vehicle O&M/s | veh/year | 1 | 1 | 1 | 1 | 4 | 4 | | | 4 | 4 | 4 | 4 | 17 |
| Other misc. operational costs /t | Lump sum | | | | | | | | | 4 | 4 | 4 | - | 12 |
| Subtotal National level | | | | | | | | | | 58 | 64 | 64 | 19 | 205 |
| 2. Local level | | | | | | | | | | | | | | |
| Provincial Reference Group meeting and monitoring costs /u | total per province | | | | | | | | | 13 | 13 | 13 | - | 38 |
| District Reference Group meetings and monitoring costs /v | Lump sum | | | | | | | | | 40 | 40 | 40 | - | 120 |
| Subtotal Local level | | | | | | | | | | 53 | 53 | 53 | - | 158 |
| Subtotal Policy and Institutional Support | | | | | | | | | | 111 | 117 | 117 | 19 | 363 |
| C. Programme Management | | | | | | | | | | | | | | |
| 1. Maputo Office/ National Level | | | | | | | | | | | | | | |
| a. Staff Salaries /w | | | | | | | | | | | | | | |
| Project Coordinator | Person month | 6 | 12 | 12 | 12 | 42 | 9 | 51 | 103 | 103 | 103 | 359 | 51 | 103 |
| Financial Manager | Person month | 6 | 12 | 12 | 12 | 42 | 7 | 43 | 85 | 85 | 85 | 298 | 43 | 85 |
| Agribusiness/Value Chain Officer | Person month | 6 | 12 | 12 | 6 | 36 | 6 | 38 | 75 | 75 | 38 | 225 | 38 | 75 |
| Planning, Monitoring and Evaluation Officer | Person month | 6 | 12 | 12 | 12 | 42 | 6 | 37 | 73 | 73 | 73 | 256 | 37 | 73 |
| Senior Accountant | Person month | 6 | 12 | 12 | 6 | 36 | 3 | 19 | 38 | 38 | 19 | 114 | 19 | 38 |
| Accountant | Person month | 6 | 12 | 12 | 6 | 36 | 2 | 13 | 26 | 26 | 13 | 78 | 13 | 26 |
| Administrative Assistant | Person month | 6 | 12 | 12 | 6 | 36 | 2 | 14 | 28 | 28 | 14 | 84 | 14 | 28 |
| Receptionist/Secretary | Person month | 6 | 12 | 12 | 6 | 36 | 1 | 3 | 6 | 6 | 3 | 19 | 3 | 6 |
| Driver | Person month | 6 | 12 | 12 | 6 | 36 | 1 | 3 | 6 | 6 | 3 | 19 | 3 | 6 |
| Market Intermediaries Officer | Person month | 12 | 12 | 12 | 6 | 42 | 5 | 60 | 60 | 60 | 30 | 210 | 60 | 60 |
| Rural Finance Specialist | Person month | 4 | 4 | 4 | - | 12 | 6 | 24 | 24 | 24 | - | 72 | 24 | 24 |
| Nutrition Specialist | Person month | 4 | 4 | 4 | - | 12 | 5 | 20 | 20 | 20 | - | 60 | 20 | 20 |
| Accountant | Person year | 1 | 1 | 1 | - | 3 | 36 | 36 | 36 | 36 | - | 108 | 36 | 36 |
| Subtotal Staff Salaries | | | | | | | | 360 | 581 | 581 | 381 | 1,903 | 360 | 581 |
| b. Allowances and Travel | | | | | | | | | | | | | | |
| IFAD workshops | Amount | | | | | | | 57 | 57 | 57 | 17 | 189 | 60 | 60 |
| Staff allowances and per diems | Lump sum | | | | | | | 25 | 40 | 40 | 18 | 123 | 25 | 40 |
| Health Insurance (FMIU) | Amount | | | | | | | 21 | 43 | 43 | 23 | 130 | 21 | 43 |
| Staff domestic travel | Trip | 11.75 | 22.5 | 22.5 | 11.75 | 68.5 | 2 | 18 | 35 | 35 | 18 | 107 | 21 | 40 |
| Staff international travel | Amount | 0.5 | 1 | 1 | 0.5 | 3 | 50 | 25 | 50 | 50 | 25 | 149 | 28 | 57 |
| Subtotal Allowances and Travel | | | | | | | | 146 | 225 | 225 | 101 | 697 | 155 | 240 |
| c. Operations and Maintenance | | | | | | | | | | | | | | |
| Office supplies | Amount | | | | | | | 34 | 69 | 69 | 34 | 207 | 36 | 72 |
| Office building and running costs | Amount | | | | | | | 39 | 56 | 56 | - | 151 | 39 | 56 |
| Vehicle operations and maintenance /x | veh/year | 0.5 | 1 | 1 | - | 2.5 | 20 | 10 | 20 | 20 | - | 50 | 11 | 23 |
| Subtotal Operations and Maintenance | | | | | | | | 84 | 145 | 145 | 34 | 408 | 87 | 151 |
| Subtotal Maputo Office/ National Level | | | | | | | | 590 | 950 | 950 | 516 | 3,007 | 603 | 972 |

Detailed Table 4: Policy/Institutional support and management... continued

| | | | | | | | | | | | | | | | | | | | |
|---|--------------|-----|----|----|---|-----|---|-------|-------|-------|-----|-------|-------|-------|-------|-----|-------|--|--|
| 2. Pemba Office | | | | | | | | | | | | | | | | | | | |
| a. Staff Salaries | | | | | | | | | | | | | | | | | | | |
| Planning, Monitoring and Evaluation Officer | Person month | 6 | 12 | 12 | 6 | 36 | 4 | 23 | 45 | 45 | 23 | 135 | 23 | 45 | 45 | 23 | 135 | | |
| Road Engineer (EC funded) /y | Person month | 3 | 12 | 12 | - | 27 | 4 | 13 | 53 | 53 | - | 120 | 13 | 53 | 53 | - | 120 | | |
| Agribusiness Officer /z | Person month | 6 | 12 | 12 | - | 30 | 5 | 29 | 57 | 57 | - | 143 | 29 | 57 | 57 | - | 143 | | |
| Office administrator | Person month | 6 | 12 | 12 | - | 30 | 2 | 10 | 20 | 20 | - | 50 | 10 | 20 | 20 | - | 50 | | |
| Driver | Person month | 6 | 12 | 12 | - | 30 | | 3 | 5 | 5 | - | 13 | 3 | 5 | 5 | - | 13 | | |
| Receptionist | Person month | 6 | 12 | 12 | - | 30 | | 2 | 4 | 4 | - | 10 | 2 | 4 | 4 | - | 10 | | |
| Subtotal Staff Salaries | | | | | | | | 79 | 184 | 184 | 23 | 470 | 79 | 184 | 184 | 23 | 470 | | |
| b. Allowances and Travel | | | | | | | | | | | | | | | | | | | |
| Health Insurance | Amount | | | | | | | 6 | 12 | 12 | - | 31 | 6 | 12 | 12 | - | 31 | | |
| Health Insurance Road Engineer /aa | Amount | | | | | | | 2 | 4 | 4 | - | 10 | 2 | 4 | 4 | - | 10 | | |
| Staff allowances and per diems /bb | Lump sum | | | | | | | 17 | 33 | 33 | - | 83 | 17 | 33 | 33 | - | 83 | | |
| Staff travel | Trip | | | | | | | 9 | 17 | 17 | - | 43 | 9 | 17 | 17 | - | 43 | | |
| Subtotal Allowances and Travel | | | | | | | | 33 | 66 | 66 | - | 166 | 33 | 66 | 66 | - | 166 | | |
| c. Operations and Maintenance | | | | | | | | | | | | | | | | | | | |
| Office supplies | Lump sum | | | | | | | 14 | 29 | 29 | - | 72 | 14 | 29 | 29 | - | 72 | | |
| Office Building and Running Costs | Amount | | | | | | | 13 | 14 | 14 | - | 40 | 13 | 14 | 14 | - | 40 | | |
| Vehicles O&M/cc | Amount | | | | | | | 23 | 46 | 46 | - | 115 | 23 | 46 | 46 | - | 115 | | |
| Subtotal Operations and Maintenance | | | | | | | | 50 | 88 | 88 | - | 226 | 50 | 88 | 88 | - | 226 | | |
| Subtotal Pemba Office | | | | | | | | 162 | 339 | 339 | 23 | 862 | 162 | 339 | 339 | 23 | 862 | | |
| 3. Cuamba Office | | | | | | | | | | | | | | | | | | | |
| a. Staff Salaries | | | | | | | | | | | | | | | | | | | |
| Agribusiness Officer | Person month | 6 | 12 | 12 | - | 30 | 5 | 29 | 57 | 57 | - | 143 | 29 | 57 | 57 | - | 143 | | |
| Monitoring and Evaluation Officer | Person month | 6 | 12 | 12 | - | 30 | 4 | 22 | 45 | 45 | - | 112 | 22 | 45 | 45 | - | 112 | | |
| Administrative Officer | Person month | 6 | 12 | 12 | - | 30 | 1 | 7 | 15 | 15 | - | 37 | 7 | 15 | 15 | - | 37 | | |
| Driver | Person month | 6 | 12 | 12 | - | 30 | | 3 | 5 | 5 | - | 13 | 3 | 5 | 5 | - | 13 | | |
| Subtotal Staff Salaries | | | | | | | | 61 | 122 | 122 | - | 305 | 61 | 122 | 122 | - | 305 | | |
| b. Allowances and Travel | | | | | | | | | | | | | | | | | | | |
| Health Insurance | Amount | | | | | | | 9 | 17 | 17 | - | 44 | 9 | 17 | 17 | - | 44 | | |
| Staff allowances and per diems /dd | Lump sum | | | | | | | 13 | 25 | 25 | - | 63 | 13 | 25 | 25 | - | 63 | | |
| Staff travel | Trip | | | | | | | 9 | 17 | 17 | - | 43 | 9 | 17 | 17 | - | 43 | | |
| Subtotal Allowances and Travel | | | | | | | | 30 | 60 | 60 | - | 149 | 30 | 60 | 60 | - | 149 | | |
| c. Operations and Maintenance | | | | | | | | | | | | | | | | | | | |
| Office supplies | Lump sum | | | | | | | 14 | 29 | 29 | - | 72 | 14 | 29 | 29 | - | 72 | | |
| Office Building and Running Costs | Amount | | | | | | | 13 | 14 | 14 | - | 40 | 13 | 14 | 14 | - | 40 | | |
| Vehicles O&M/ee | veh/year | 1.5 | 3 | 3 | - | 7.5 | 4 | 6 | 13 | 13 | - | 32 | 7 | 15 | 15 | - | 37 | | |
| Subtotal Operations and Maintenance | | | | | | | | 33 | 55 | 55 | - | 143 | 34 | 57 | 57 | - | 148 | | |
| Subtotal Cuamba Office | | | | | | | | 124 | 237 | 237 | - | 597 | 125 | 238 | 238 | - | 602 | | |
| 4. Alto Molocue Office | | | | | | | | | | | | | | | | | | | |
| a. Staff Salaries /ff | | | | | | | | | | | | | | | | | | | |
| Administrative Officer /gg | Person month | 12 | 12 | 12 | - | 36 | 1 | 13 | 13 | 13 | - | 39 | 13 | 13 | 13 | - | 39 | | |
| Agribusiness Officer /hh | Person month | 12 | 12 | 12 | - | 36 | 4 | 50 | 50 | 50 | - | 149 | 50 | 50 | 50 | - | 149 | | |
| Monitoring and Evaluation Officer /ii | Person month | 12 | 12 | 12 | - | 36 | 3 | 39 | 39 | 39 | - | 116 | 39 | 39 | 39 | - | 116 | | |
| Monitoring & Evaluation Officer | Person month | 12 | 12 | 12 | - | 36 | 5 | 58 | 58 | 58 | - | 173 | 58 | 58 | 58 | - | 173 | | |
| Subtotal Staff Salaries | | | | | | | | 159 | 159 | 159 | - | 477 | 159 | 159 | 159 | - | 477 | | |
| b. Allowances and Travel | | | | | | | | | | | | | | | | | | | |
| Health Insurance | Amount | | | | | | | 4 | 9 | 9 | - | 22 | 4 | 9 | 9 | - | 22 | | |
| c. Operations and Maintenance | | | | | | | | | | | | | | | | | | | |
| Vehicle maintenance | Amount | 2 | 2 | 2 | - | 6 | 5 | 10 | 10 | 10 | - | 30 | 11 | 11 | 11 | - | 34 | | |
| Office Building and Running Costs | Amount | | | | | | | 11 | 21 | 21 | - | 54 | 11 | 23 | 23 | - | 56 | | |
| Subtotal Operations and Maintenance | | | | | | | | 21 | 31 | 31 | - | 84 | 23 | 34 | 34 | - | 91 | | |
| Subtotal Alto Molocue Office | | | | | | | | 184 | 199 | 199 | - | 583 | 186 | 202 | 202 | - | 590 | | |
| Subtotal Programme Management | | | | | | | | 1,060 | 1,725 | 1,725 | 539 | 5,049 | 1,076 | 1,751 | 1,751 | 548 | 5,125 | | |
| Total Recurrent Costs | | | | | | | | 1,225 | 1,895 | 1,895 | 612 | 5,628 | 1,245 | 1,929 | 1,932 | 628 | 5,734 | | |
| Total | | | | | | | | 1,783 | 2,311 | 2,214 | 763 | 7,072 | 1,885 | 2,364 | 2,272 | 794 | 7,315 | | |

REPUBLIC OF MOZAMBIQUE
Rural Markets Promotion Programme (PROMER)
Additional Financing Report

\a Training for DNPDR, document center staff, PROMER staff.
\b A number of learning events are planned but not included because they involve little or no cost such as the monthly reference group meetings, quarterly focal group planning meetings, and quarterly learning events within DNPDR and PROMER.
\c Training event is five days with two trainers for around 15 participants each training.
\d Thematic studies on various aspects of component implementation
\e Workshops on lessons learned from PROMER towards phase-out
\f Once in first year and another in mid-term - consultative process at national, province and district level (focal group sessions and workshops). Cost based on policy expert
\g Activity to be implemented by DNPDR
\h Additional funding of USD 40,000.
\i Short term consultants for Management team, legal advice, GIS training and mapping activities. Additional funding of USD 450,000.
\j USD 120,000 for 3 vehicles. For the Maputo, Cuamba and Pemba cells.
\k computer, printer, photocopier
\l sets of office furniture
\m Specialist to work 6 months on a retainer basis until end of project. Retainer contract to include per diem and travel allowances.
\n Impact studies on various aspects of component implementation. USD 62,000 of additional funding. Assessment to be carried out in 2015 and 2017.
\o Petrol, internal travel expenses and per diems for DNPDR
\p Insurance of DNPDR vehicles.
\q top-up for selected DNPDR senior staff
\r Costs for twice yearly visits by reference group (air fare and DSA)
\s Lumpsum of USD 4,000/vehicle/year (10% of investment cost)
\t National and international travel for DNPDR staff
\u Costs for quarterly reference group meetings and field visits. Additional funding of USD 50,000.
\v 8 reference group meeting in year 1, semi-annually thereafter.
\w First six months of 2016 to be paid from IFAD loan 754-MZ
\x Lumpsum of USD 2,500/vehicle/year (10% of investment cost)
\y Partially funded by EC up to Sep 2016
\z Cuamba only
\aa Additional funds to support MDG budget.
\bb Lump sum per office
\cc Lumpsum of USD 4,000/vehicle/year (10% of investment cost)
\dd Lump sum per office
\ee Lumpsum of USD 4,000/vehicle/year
\ff 75% of salary amount covered by EU in 2016.
\gg Partially funded by EC up to Sep 2016
\hh Partially funded by EC up to Sep 2016
\ii Partially funded by EC up to Sep 2016

Detailed Table 5: Nutrition Promotion

Republic of Mozambique
RURAL MARKETS PROMOTION PROGRAMME (PROMER)
Table 5. Component 5: Nutrition Promotion
Detailed Costs

| Table 5. Component 5: Nutrition Promotion | | | | | | | | | | | | | | | | | |
|---|-------------------|------|------|------|-------|-----------------------|-----------------------|------|------|------|-------|--|------|------|------|-------|-------|
| Detailed Costs | | | | | | | | | | | | | | | | | |
| Unit | Quantities | | | | | Unit Cost (US\$ '000) | Base Cost (US\$ '000) | | | | | Totals Including Contingencies (US\$ '000) | | | | | |
| | 2016 | 2017 | 2018 | 2019 | Total | | 2016 | 2017 | 2018 | 2019 | Total | 2016 | 2017 | 2018 | 2019 | Total | |
| I. Investment Costs | | | | | | | | | | | | | | | | | |
| A. Nutrition Education /a | | | | | | | | | | | | | | | | | |
| Service Provider Niassa | Contract lump sum | 1 | 1 | 1 | 1 | 4 | 83 | 83 | 83 | 83 | 83 | 334 | 95 | 95 | 95 | 95 | 382 |
| Service Provider Cabo Delgado | Contract lump sum | 1 | 1 | 1 | 1 | 4 | 75 | 75 | 75 | 75 | 75 | 298 | 85 | 85 | 85 | 85 | 342 |
| Service Provider Zambezia/Nampula | Contract lump sum | 1 | 1 | 1 | 1 | 4 | 84 | 84 | 84 | 84 | 84 | 336 | 96 | 96 | 96 | 96 | 385 |
| Total | | | | | | | | 242 | 242 | 242 | 242 | 968 | 277 | 277 | 277 | 277 | 1,109 |

^a To scale up EC grant allocation of EUR 280,000 for whole project life

Annex VI: Economic and Financial Analysis

Summary of Main Benefits, Assumptions and Risks

1. **Profitability indicators.** The Economic and Financial Analysis carried out during design shows that PROMER has the potential of generating an ENPV of MZN 356.5 million (USD 10.2 million), with an EIRR of 19% using a social discount rate of 10%. The crop models used to assess increases in productivity for smallholder farmers within the programme area as well as the road rehabilitation models are all profitable, with EIRR well above the discount rate. Details of the Economic and Financial Analysis process are presented in the next pages.
2. **Main Assumptions.** The total number of beneficiaries considered under this EFA is 95,450 households (approximately 477,250 people) of which 22,100 households belonging to 500 FOs to be supported by the project. 76,600 are households within the catchment area of the rehabilitated road network (within 5 Km walking distance of the road), of which 3,250 also benefit from the FOs intervention. For the purposes of the economic models we have considered 22,100 households for the crop models and 76,600 for the road model, with no risk of double-counting for the overlapping 3,250 due to the differences in how benefits accrue from both crop and road models. The crops considered under the analysis for FO members were the typical crops marketed in the area covered by the programme (sesame, soya bean, maize and beans). Cash crops (tobacco, cotton) were not considered in the analysis due to the fact that they are outside of the scope of the FOs. PROMER aims at fully rehabilitating 678 Km of feeder roads by programme completion (PY10). The standard conversion factor for the economic analysis is 0.97, while the labour conversion factor was assumed to be CF = 1, considering the extensive survey of labour costs carried out by the programme team during the mission. The average incremental yield for all crops is 62%, while household net income increases from USD 40.6 to USD 130.
3. **Risk Analysis.** In order to complement the EFA a risk analysis was performed on the typical scenarios that might be faced by the project. We tested three different proxies: reduction in farm-based benefits, increase in project costs, and delays in accrual of project benefits. The analysis shows that the lagging of project benefits have the strongest effects on the project, reducing both ENPV and EIRR (a 2 year lag would cause ENPV to drop from USD 10.2 million to USD 3.4 million and EIRR to drop from 19% to 12%). A 30% reduction in farm based benefits would see ENPV drop to USD 5.4 million, and EIRR drop to 15%, while increased project costs of a maximum of 30% would cause ENPV to drop to USD 5.6 million and EIRR to reach a low level of 14%.

Benefits, Assumptions and Risks

Programme Benefits

5. PROMER's quantifiable benefits are attributable to the following programme investments among others:
- a) **Increase in yields (productivity) and production (farm size):** PROMER is providing capacity building to Farmers' Organisations (FOs) and their unions in a broad range of modules including contract negotiation, prices, price broadcasts, matchmaking (linking farmers/traders). The capacity building also targets agro dealers through targeted trainings, to increase availability of agricultural inputs to the farmers. This capacity building along the entire selected value chains will result in better agronomic practices, use of improved inputs and increasing yields. Production will increase from two fronts: increase in productivity and increasing farm size as a result of the inducements and exposures created by the capacity building. Already in the pre-MTR period, beneficiaries reached by the FOs are reporting projected increases in farm size from 1.6 ha to 3.0 ha in the project area compared to national average of 1.0 ha. By project end, it is expected that the project will reach additional beneficiaries, who will expand the average farm size from 1.0 ha to 2.6 ha. This capacity building is complemented by the road and market structure investments as described below.
 - b) **Higher prices due to aggregation/ reduced distance to collection centres:** The market structures being supported under the programme and the road works together with related capacity building are contributing to making bulking possible. This is one of the simplest but very important value addition approaches; it is providing better price negotiation platform for beneficiary farmers.
 - c) **Efficiency gains from road rehabilitation/improvement:** There are efficiency gains arising from the roads and market structures works. The Programme Monitoring and Evaluation (M&E) system has been able to document reduction in transport costs. In the financial and economic analysis, reduction in transport costs has been used as one of the proxies to estimate the road investment benefits. In pre-MTR period, beneficiaries report a reduction in costs in addition to a reduced distance from farm to nearest collection centre. Comparing the without Project (WOP) to With Project (WP) scenarios, on average costs drop from 2.5 MT/Kg/KM to 2.2 MT/Kg/KM and distance to nearest collection dropping from 10-15km to 2-3km has been documented. Combined with the increasing number of district markets rehabilitated by PROMER it is expected that farmers will experience a significant reduction in post-harvest losses. Additionally, recent traffic counts carried out by the programme engineers have also shown a significant increase in vehicle traffic along the roads rehabilitated by the project. In order to account for this factors a specific economic viability model has been created for the rehabilitated road network.

Potential Beneficiaries

6. **Farmer Organisations (FOs).** As a starting point the first group of beneficiaries are members of the FOs, who are receiving capacity building along the entire value chain. Under this area, beneficiaries have, by June 2015 (PY6), reached around 13,000 households and are being supported through 500 FOs. PROMER aims to reach 22,100 households by PY10 (2019), by increasing the member base of the existing FOs from the current 26 member households per FO to 44 participating households per FO. Support from Farmers' Unions and District Authorities will be key in reaching this target.

7. **Road rehabilitation.** From data collected by the Programme during the MTR in 2014, one kilometre of rehabilitated road can serve a weighted average of 568 individuals (113 households). This is based on the population in the catchment area (radius of 5 Km around road) and excludes users coming for trading from outside the geographical area covered by the road network but is nevertheless a proxy working figure for the purpose of estimating the immediate direct beneficiaries.

Table 1: Weighted average number of beneficiaries served by rehabilitated roads

| Province /Block | No. of districts | Total Population of the districts | Total km | No. of direct beneficiaries from road rehabilitation | No of direct beneficiaries/ km rehabilitated | Weighted average number of ben /Km |
|------------------------------|------------------|-----------------------------------|----------|--|--|------------------------------------|
| Niassa Block A | 6 | 515,000 | 213.9 | 75,000 | 350 | 125 |
| Cabo Delgado Block B | 5 | 801,000 | 204.3 | 131,173 | 642 | 220 |
| Nampula and Zambézia Block C | 4 | 776,000 | 179 | 132,909 | 742 | 222 |
| Total | 15 | 2,092,000 | 597.2 | 339,082 | 568 | 567 |
| households | | | | | | 113 |

Source: Programme M & E database, 2014

8. From table 1 above, it is estimated that upon reaching its target of 678 Km of rehabilitated roads around 477,250 people (95,450 households, with an average of 5 people per household) will benefit from the roads. For what concerns the Economic and Financial Analysis there's no risk of double-counting in the models given that the typical benefits from access to roads (increase in marketed produce and reduction of transportation costs) have not been accounted for in the crop models. Reduction in post-harvest losses is accounted in both models, but considering that the effect is due to different causes (in one case access to better techniques in produce conservation post-harvest, and in the other better access to markets) we believe that there no risks of double-counting. As such, for the crop models we have considered a total number of beneficiaries of 22,100 households, and for the access to the rehabilitated road network 76,600 households.

Financial Analysis

9. **Objective:** The financial analysis has been used to assess the financial viability at beneficiary household level of some of the crops that beneficiary households market. Beneficiaries are responding to the inducement for increased production as a result of opening up the hitherto inaccessible areas and also due to increased marketing from the contract and price negotiation skills attained as a result of the capacity building activities.
10. **Crop models:** The summary of the crop budgets used for the financial analysis is presented below based on a one hectare analysis. The detailed crop models are presented in appendix 1.

Table 2: Summary of representative crop models

| Republic of Mozambique Rural Markets Promotions Programme(PROMER) | | | | | | |
|--|------------|-----------|----------|---------------------------------|-----------|----------|
| Crops | Yield (Kg) | | | Income before labor costs (MZN) | | |
| | WOP | WP (full) | Increase | WOP | WP (full) | Increase |
| Sesame | 200.0 | 325.0 | 125.0 | 7,000.0 | 11,375.0 | 4,375.0 |
| Soya Beans | 800.0 | 1,000.0 | 200.0 | 11,200.0 | 14,000.0 | 2,800.0 |
| Maize | 1,200.0 | 2,500.0 | 1,300.0 | 6,000.0 | 12,500.0 | 6,500.0 |
| Beans | 500.0 | 850.0 | 350.0 | 6,000.0 | 10,200.0 | 4,200.0 |

11. **Farm Models:** In response to the production inducement created by the Programme (road improvements leading to opening up hitherto inaccessible places, extension support,

marketing efforts) farmers are responding in two ways: increasing the farm size and also improving on productivity (although the latter is reported to pick slowly but the potential in the remaining years of programme implementation is considered enormous). In the Without Project situation (WOP) farm size in the programme area is reported as 1.6 hectares for all those producers engaged in programme activities (national average is 1.0 hectares). In the With-Project Situation (WP) given the above inducements, farm size is 2.0 hectares. Table 2 above shows an average increase of yields of 500 Kg per farm, and an increase in revenue of MZN 4,500 (USD 127). The calculation does not take into account the labor costs as specified in the table.

12. Two farm models have been created that represent: 1) the smallholder producers already engaged in FO activities (around 13,000), and: 2) those producers that will be reached by the FOs in the period 2016 - 2019 (around 9,100, who will increase the farm size from the national average of 1.0 ha to 1.6 ha by project completion), totalling 22,100, the target set by PROMER for the end of the programme. The model takes into account a mixed cropping pattern based on the data gathered throughout the latest agricultural campaign in 2014 (table 3). Given that the crop models were built only for FO members (showing the impact of the programme intervention on agricultural practices, including a substantial increase in productivity and arable land), and does not include the typical benefits arising from the road network there are no particular risks of double-counting in the final aggregation for the economic analysis.

Table 3: cropping patters for old producers (in ha)

| | | | | | | | | |
|--|-------|-----------|--|-----|-----|-----|-----|---------|
| Republic of Mozambique | | | | | | | | |
| Rural Markets Promotions Programme(PROMER) | | | | | | | | |
| Farm Model | | | | | | | | |
| | | | Farmers already engaged in FA activities as at MTR | | | | | |
| CROPPING PATTERNS | | | | | | | | |
| (in Units) | | | | | | | | |
| | Years | Unit | Without Project | 1 | 2 | 3 | 4 | 5 to 20 |
| Cropping Intensity | | Percent* | 80 | 80 | 85 | 90 | 95 | 100 |
| Cropping Pattern | | | | | | | | |
| Crops | | | | | | | | |
| Sesame | | ha | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.5 |
| Soya Bean | | ha | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Maize | | ha | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Beans | | ha | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Total Area | | ha | 1.6 | 1.6 | 1.7 | 1.8 | 1.9 | 2.0 |

Table 4: cropping patters for new producers (in ha)

| | | | | | | | | |
|--|-------|-----------|--|-----|-----|-----|-----|---------|
| Republic of Mozambique | | | | | | | | |
| Rural Markets Promotions Programme(PROMER) | | | | | | | | |
| Farm Model | | | | | | | | |
| | | | Farmers that will be reached by FA in the post-MTR | | | | | |
| CROPPING PATTERNS | | | | | | | | |
| (in Units) | | | | | | | | |
| | Years | Unit | Without Project | 1 | 2 | 3 | 4 | 5 to 20 |
| Cropping Intensity | | Percent* | 63 | 69 | 81 | 88 | 94 | 100 |
| Cropping Pattern | | | | | | | | |
| Crops | | | | | | | | |
| Sesame | | ha | 0.15 | 0.2 | 0.4 | 0.4 | 0.5 | 0.6 |
| Soya Bean | | ha | 0.2 | 0.2 | 0.2 | 0.4 | 0.4 | 0.4 |
| Maize | | ha | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 |
| Beans | | ha | 0.25 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Total Area | | ha | 1.0 | 1.1 | 1.3 | 1.4 | 1.5 | 1.6 |

13. Based on tables 3 and 4 we can estimate the average yield of the farms and evaluate the relative increase in the WP scenario compared to the WOP scenario (table 5)

Table 5: Average production per farm

| | | | | | | | |
|--|------|---------|--------------|---------|---------|---------|---------|
| Republic of Mozambique | | | | | | | |
| Rural Markets Promotions Programme(PROMER) | | | | | | | |
| Farm Model | | | | | | | |
| Production and Inputs (in Units) | | Without | | | | | |
| | | Project | With project | | | | |
| | Unit | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Main Production | | | | | | | |
| Sesame | kg | 37.5 | 45.0 | 87.5 | 96.3 | 135.0 | 178.8 |
| Soya Bean | kg | 203.8 | 206.3 | 212.5 | 360.0 | 380.0 | 400.0 |
| Maize | kg | 660.0 | 700.0 | 850.0 | 900.0 | 1,035.0 | 1,125.0 |
| Beans | kg | 200.0 | 220.0 | 260.0 | 300.0 | 320.0 | 340.0 |
| Total production | kg | 1,101.3 | 1,171.3 | 1,410.0 | 1,656.3 | 1,870.0 | 2,043.8 |

14. The financial results from the above crop mix and farming area are summarised in table 6 showing the existing potential to increase household incomes. Again, the analysis takes into account both the producers that have been involved in the FOs by June 2015, which are moving from an existing arable land of 1.6 ha to 2.0 ha at programme completion, and the new producers that should join the FOs during the remaining period of programme life, who will increase the area under cultivation from 1.0 ha to 1.6 ha.

Table 6: Potential increase in household incomes based on the representative farm models (MZN)

| | | | | | | |
|--|---------|----------|----------|--------------|----------|----------|
| Republic of Mozambique | | | | | | |
| Rural Markets Promotions Programme(PROMER) | | | | | | |
| Farm Model | | | | | | |
| Financial Benefit per farm (in MZN) | Without | | | | | |
| | Project | | | With project | | |
| | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Main Production | | | | | | |
| Sesame | 1,312.5 | 1,575.0 | 3,062.5 | 3,368.8 | 4,725.0 | 6,256.3 |
| Soya Bean | 2,852.5 | 2,887.5 | 2,975.0 | 5,040.0 | 5,320.0 | 5,600.0 |
| Maize | 3,300.0 | 3,500.0 | 4,250.0 | 4,500.0 | 5,175.0 | 5,625.0 |
| Beans | 2,400.0 | 2,640.0 | 3,120.0 | 3,600.0 | 3,840.0 | 4,080.0 |
| Total production | 9,865.0 | 10,602.5 | 13,407.5 | 16,508.8 | 19,060.0 | 21,561.3 |

15. **Road Model.** PROMER aims at rehabilitating a total of 678 Km of rural roads by the end of 2018 (including roads financed by the EU). As at June 2015, a total of 476 Km (70%) had been completed, with ongoing works in another 202 Km expected to be completed by the end of 2015. As such, PROMER is expected to reach its target on roads by PY10. The works been done so far have been spot improvements. Considering the high cost of road maintenance for district authorities, especially in the case of roads that underwent spot improvements (with considerable focus on structures and earthworks lagging behind), for the remaining programme life PROMER will fully rehabilitate selected district roads (some of which to be considered of strategic importance by the National Road Administration – ANE – and thus subject to ANE's scheduled maintenance) within the total of spot-improved roads covering 678 Km. This approach follows the assessment carried out during the MTR in 2014.
16. Considering the already perceived benefits of the spot improvements (substantial increase in vehicle traffic as per traffic counts performed by the programme engineers in 2012, 2013 and 2014, and reduction of the price of marketed produce), it is expected that the full rehabilitation that is planned will have substantial effect on the livelihoods of the population within the

catchment area of the roads. We have considered as main benefits arising from the rehabilitation programme the decrease in post-harvest loss and increase in marketed produce as well as reduction in transportation costs. Due to lack of data we've estimated that the baseline volume of transported produce by the farmers in this case to be equal to the transported produce marketed by the first farmers joining FOs in 2012 (146 FOs – 3,796 households - marketing 1,375 t). Based on the traffic counts carried out by the programme engineers we've estimated an increase in traffic of 35% (quite conservative considering the fact that in some areas motorized vehicle traffic was virtually absent prior to rehabilitation works carried out in the first 6 years of implementation). The estimate of reduction of post-harvest losses is also based on data made available by the project, based on the work carried out with the FOs.

Table 7: Estimated benefits from road rehabilitation

| Road Model - Basic Assumptions | | |
|---|------------|-------------------|
| Total roads to be rehabilitated | Km | 678 |
| Number of beneficiary households (roads) * | Nr | 76,600 |
| <i>Without Programme</i> | | |
| Total volume of transported produce | ton | 27,746 |
| Average value of products | MZN/ton | 9,044 |
| Transportation costs | MZN/ton | 5,130 |
| Value of products transported | MZN | 250,937,645 |
| <i>With Programme</i> | | |
| Increase in traffic | % | 35 |
| Volume transported by increased traffic | ton | 9,711 |
| Cost of transported produce | ton | 192,157,083 |
| Value of new products transported | MZN | 87,828,176 |
| Value of post-harvest reduction (5%) | MZN | 16,938,291 |
| Value of transport cost reduction (10%) | MZN | 19,215,708 |
| Total incremental benefits at full implementation (I) | MZN | 85,550,758 |
| *Based upon a catchment area with 5Km radius around rehabilitated roads | | |

Economic Analysis

17. The objective of economic analysis is to evaluate the economic benefits and economic costs looking at society (Mozambique) as a whole unlike financial analysis above that has focused on benefits and costs at household level.
18. The real effective exchange rate of the Metical remained overall stable throughout 2014, despite a slight nominal depreciation against the US Dollar and appreciation against the Rand. This stability was due to a greater availability of foreign currency in the market. The Bank of Mozambique (BM) continued to ensure the availability of foreign exchange for essential imports such as fuel, and to smoothen temporary exchange rate volatilities¹⁸. However, in the first semester of 2015, increase in the demand for foreign currency in the domestic market, which led to a depreciation of the metical vis-à-vis the US dollar of 14 percent in the interbank market which, together with foreign exchange transactions between commercial banks and the public, account for about 85 percent of all foreign exchange transactions. Pressures on the metical reflected several factors, including (i) the strengthening of the US dollar in international markets; (ii) a high level of imports (excluding megaprojects); (iii) a lower level of non-megaproject exports, which are one of the most important sources of foreign exchange. During data collection the exchange rate was 1 USD = 35 MZN, but current market trends show that the devaluation of the metical would continue at least until the end of the year.

¹⁸ IMF Country Report No 15/12, Jan 15

19. **Discount rates for financial analysis:** A discount rate of 12% has been used. This is based on interest rates that beneficiaries are in a position to receive on savings/ deposits in local financial institutions. This represents alternative investment/ time value for money. The NPVs for all the crop models is positive, thus indicating their financial viability.
20. **Discount rates for Economic analysis:** For the purposes of the economic analysis a social discount rate of 10% has been used, based on the World Bank typical rates applied in the past decades.
21. **Conversion Factors (CFs) and shadow prices:** For the purposes of the economic analysis, financial prices have been converted to economic prices unless there is justification against SCF=1.
22. **Labor pricing.** The following unemployment rates are reported in the areas in which PROMER is operating. As a simple approximation of the average, rural unemployment rate has been taken as 17.4% and, therefore, the labour shadow price should be $CF = 0.84$. However, considering that all labor costs used under this analysis have been collected from extensive field surveys carried out by the project team during the mission, so that the costs already take into account the distortions caused by the unemployment rate, we will use $CF = 1$ for the purpose of this analysis.

Table 8: Unemployment rate in Programme area

| Province | Unemployment Rate (%) |
|--------------|-----------------------|
| Niassa | 31.7 |
| Cabo Delgado | 10.9 |
| Nampula | 15.7 |
| Zambezia | 11.2 |

Source: National Statistics Institute

23. **Fertilisers and agro inputs shadow pricing.** According to the Economic Sector outlook report- Agribusiness indicators- Mozambique country report (April 2012) by the World Bank Fertilizer subsidy as a percentage of retail cost is 0% (although an EU scheme is reported to have subsidised fertilizer and seed at 69% for less than 25,000 farmers). The number of farmers receiving the subsidy is small and therefore in this regard $CF = 1$ is justified.
24. The absence of subsidies in fertilisers was also confirmed by the International Food Policy Research Institute (IFPRI) in their May 2013 policy note where the following was noted: Relative to its neighbours, Malawi and Tanzania, Mozambique does not have a long history of its government promoting the adoption of inorganic fertilizer by smallholder farmers. However, in the last several years, more attention has been paid to increasing the use of inorganic fertilizers in the country. At policy level, this has involved the formulation of a draft fertilizer strategy and draft regulations for the fertilizer sector. Programmatically, a voucher-based fertilizer and seed subsidy program targeted at 25,000 smallholder farmers was undertaken in central and northern Mozambique in 2010 and 2011. Again as stated above this is not a wide spread subsidy again confirming $CF=1$. In addition, although there is tariffs and taxes on fertilizer 2.5% (duty), which is waived inside Southern Africa Development.
25. **Fuel and other subsidies.** The Government currently subsidizes only diesel prices for general consumption (other than megaprojects, construction, public works and other large consumers), but not other fuels. GoM continues to subsidize the price of bread flour, public transportation, and school feeding programs. Subsidies for public transportation and wheat flour are intended to hold down the cost of living, while the school feeding program increases student attendance and quality of school learning¹⁹. For the purposes of this analysis we've noted that public transportation is concentrated in urban centers. Road rehabilitation works are concentrated in rural areas, with low level traffic counts, as such, for the road model it is justified to consider $CF = 1$.
26. After adjusting the crop and farm models for the labour shadow prices, the economic benefit per household is presented in table 9 below.

¹⁹ IMF Country Report No 15/12, Jan 15

Table 9: Without and with programme financial benefits per household (MZN)

| | | | | | | |
|--|----------------|---------------------|----------|----------|----------|----------------|
| Republic of Mozambique | | | | | | |
| Rural Markets Promotions Programme(PROMER) | | | | | | |
| Farm Model | | | | | | |
| Financial Budget (in MZN) | Without | With project | | | | |
| | Project | | | | | |
| | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Main Production | 9,865.0 | 10,602.5 | 13,407.5 | 16,508.8 | 19,060.0 | 21,561.3 |
| <i>Inputs</i> | 3,315.9 | 4,052.0 | 4,284.5 | 4,868.5 | 5,005.5 | 5,087.5 |
| <i>Labor costs</i> | 5,124.7 | 6,510.2 | 7,878.7 | 9,191.1 | 10,349.9 | 11,892.2 |
| Total Production Costs | 8,440.6 | 10,562.2 | 12,163.2 | 14,059.6 | 15,355.4 | 16,979.7 |
| Cash flow | 1,424.4 | 40.3 | 1,244.3 | 2,449.1 | 3,704.6 | 4,581.5 |
| Incremental cash flows | - | (1,384.0) | (180.1) | 1,024.7 | 2,280.3 | 3,157.2 |

27. The following table sets out expected step-by-step inclusion of households into the programme activities.

Table 10: Phasing in (scaling) of households

| | | | | | | |
|--|--|--------------------------|-----------|-----------|-----------|----------------|
| Republic of Mozambique | | | | | | |
| Rural Markets Promotions Programme(PROMER) | | | | | | |
| | Old producers already engaged in FA | | | | | |
| | Without | With project (PY) | | | | |
| | Project | | | | | |
| | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Cumulative number of farms participating | 13,000.0 | 13,000.00 | 13,000.00 | 13,000.00 | 13,000.00 | 13,000.00 |
| Cropped Area | 19,200 | 20,800 | 22,100 | 23,400 | 24,700 | 26,000 |
| | New Producers entering FA from 2016 | | | | | |
| | Without | With project | | | | |
| | Project | | | | | |
| | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Number of farms participating | - | 1,500.0 | 1,700.0 | 1,900.0 | 2,000.0 | 2,000.0 |
| Cumulative number of farms | 9,100.0 | 1,500.0 | 3,200.0 | 5,100.0 | 7,100.0 | 9,100.0 |
| Cropped Area | 8,000.0 | 1,950.0 | 4,610.0 | 3,800.0 | 4,600.0 | 5,200.0 |

28. The phased in (scaled down) net economic benefit per farmer in Table 9 and the number of adopting farmers allows estimates of the expected economic benefits purely attributable to improved production and productivity (farm based benefits). The number of beneficiaries used to aggregate the farm based benefits has been restricted to 22,100 farmers, i.e. those who are receiving capacity building support under the PROMER supported FAs and Unions.

Table 11: Aggregated farm based benefits

| Republic of Mozambique | | | | | | | | | | |
|--|-----------------|-----|--------------|------|------|------|------|------|-------|---------|
| Rural Markets Promotions Programme(PROMER) | | | | | | | | | | |
| Farm Model | | | | | | | | | | |
| Financial Budget (in MZN million) | | | | | | | | | | |
| Farm Based Cash flows | Without Project | | With project | | | | | | | |
| | 1 to 20 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 to 20 |
| Old producers | 12.8 | 0.2 | 15.8 | 31.5 | 47.8 | 58.1 | 58.1 | 58.1 | 58.1 | 58.1 |
| New Producers | 1.2 | 0.1 | 1.8 | 3.4 | 5.1 | 17.3 | 17.3 | 17.3 | 17.3 | 17.3 |
| | - | - | 0.1 | 2.3 | 4.5 | 6.9 | 8.6 | 8.6 | 8.6 | 8.6 |
| | - | - | - | 0.1 | 1.8 | 3.4 | 5.1 | 6.5 | 6.5 | 6.5 |
| | - | - | - | - | 0.1 | 1.8 | 3.4 | 5.1 | 6.5 | 6.5 |
| | - | - | - | - | - | 0.1 | 1.8 | 3.4 | 5.1 | 6.5 |
| Total Farm-based Cash flow s | 14.1 | 0.3 | 17.7 | 37.3 | 59.3 | 87.5 | 94.3 | 99.1 | 102.1 | 103.5 |

29. **Economic benefits from improved efficiency gains thanks to road and market works:** In addition to the conventional farm benefits described above, PROMER investment in road and market works creates enormous benefits in form of efficiency gains, lower transport costs and lower distances from farm to collection centres. As already stated above, comparing the without Project (WOP) to With Project (WP) scenarios, price drop from 2.5 MT/Kg/KM to 2.2 MT/Kg/KM and distance to nearest collection dropping from 10-15km to 2-3km has been documented.
30. The volume of marketed produce through PROMER supported FAs is steadily increasing as summarised in table 12 below

Table 12: Volume of marketed produce through PROMER supported FAs (Tonnes)

| | 2012 | 2013 | 2014 (up to september) |
|--------|-------|-------|---------------------------|
| Blocks | | | |
| A | 215 | 425 | 1,518 |
| B | 158 | 193 | 399 |
| C | 1,002 | 1,392 | 2,114 |
| Total | 1,375 | 2,010 | 4,031 |

31. For the purposes of this analysis we've used the volume of marketed produce in 2012 as the baseline for all the households that will be reached by the programme intervention in order to calculate the total volume that will be marketed in our road model.

Table 13: Evaluation of volume of marketed produce in the catchment area

| | | | |
|---|--------|--------|-------------------------------|
| Republic of Mozambique | | | |
| Rural Markets Promotions Programme(PROMER) | | | |
| Evaluation of volume of marketed produce in the catchment area | | | |
| in 2012, first FOs* | # FO** | HH | Volume marketed (Metric Tons) |
| volume marketed (Metric Tons) | 146 | 3,796 | 1,375.0 |
| Simple projection of Volume Marketed by 85,000 HH in PY9 | - | 76,600 | 27,746.3 |
| *Programme M&E database, 2014 | | | |
| **Average number of FO members is 26, M&E database | | | |

32. Considering the reduction in transportation costs already reported, and the reduction in post-harvest losses we're now able to calculate the benefits that will rise from fully upgrading the roads covered under the program as shown in table 14 below.

Table 14: Aggregate benefits from road rehabilitation

| Republic of Mozambique Rural Markets Promotions Programme(PROMER) Financial Analysis - full road rehabilitation in MZN million | | | | | | |
|---|------|------|------|------|------|------------|
| | WP | | | | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021- 2026 |
| Road rehabilitataion (Km) | 130 | 220 | 220 | 108 | | |
| Cumulative road rehabilitation (Km) | 130 | 350 | 570 | 678 | 678 | 678 |
| <i>Economic Benefits</i> | | | | | | |
| Traffic increase | 0 | 16.8 | 45.3 | 87.8 | 87.8 | 87.8 |
| Value of post-harvest reduction | 0 | 3.2 | 8.7 | 16.9 | 16.9 | 16.9 |
| Reduction in trasportation costs | 0 | 3.7 | 9.9 | 19.2 | 19.2 | 19.2 |
| Total benefits | 0 | 16.4 | 44.2 | 85.6 | 85.6 | 85.6 |

33. The results in table 11 *aggregated farm based benefits* and table 14 *aggregated benefits from road and market works* enables the computation of the overall PROMER economic benefits going forward. The programme economic costs used in this analysis exclude price contingencies, taxes and duties. To avoid double counting of costs, economic costs included in the estimation of models have been excluded given that these are already accounted for in the net benefit per farmer.
34. From the aggregated programme benefits the programme economic costs are deducted in table 15 to arrive at the net economic benefits that have been used for the computation of the overall economic rate of return.

Table 15: Economic costs of the programme

| Republic of Mozambique Rural Markets Promotions Programme(PROMER) | | | | | |
|--|----------------|------|------|------|-------|
| Economic Costs (MT Million) | Economic Costs | | | | |
| | 2016 | 2017 | 2018 | 2019 | Total |
| 1. Development of More Dynamic Market Intermediaries | 42 | 42 | 40 | 40 | 164 |
| 2. Enterprise Led Value Chain Initiative | 11 | 11 | 11 | 10 | 43 |
| 3. Improving the Market Environment | 99 | 99 | 97 | 96 | 391 |
| 4. Policy/Institutional Support and Management | 60 | 78 | 75 | 26 | 239 |
| 5. Nutrition Promotion | 8 | 8 | 8 | 8 | 34 |
| Total Project Costs as per COSTAB | 220 | 238 | 231 | 180 | 870 |
| Project costs to finance FA and training for farmers* | 53 | 53 | 51 | 49 | 206 |
| Net Project Costs for EFA | 167 | 185 | 180 | 130 | 663 |

*Support for FAs and Matching Grants

35. The results of the economic analysis in table 17 justify the Programme's investments. The analysis shows that the Programme has the capacity to generate an economic rate of return (EIRR) of 19% percent over a 20-year period with a Net Present Value of MZN 356.5 million (USD 10.2 million) at a 10% social discount rate. It is worth noting that, due to estimation-related complications, there are some benefits that would accrue to different stakeholders of the different value chains. It is, nonetheless, prudent to point out that these other additional benefits will make the entire investment that much more viable and beneficial to the nation as a whole through increased employment creation and tax revenues. Thus, the actual ERR will likely be higher than the 19% reported herein.

36. **Sensitivity analysis.** The sensitivity analysis is shown in table 16. The following scenarios have been investigated:

- *Reduction in farm-based benefits due to low quality of service providers.* If the service providers are not able to train the farmers at optimal level, the FOs may not reach the development stage which guarantees sustainability. This has occurred in PAMA, the project that immediately preceded PROMER. This risk would have the impact of reducing drastically the farm based benefits. In testing this scenario it has been assumed that farm-level benefits as a proxy drops to 10%, 20% and 30% but the roads and market structures remaining busy from other users. It can be seen that the ENPV drops to a minimum value of USD 5.4 million and that the EIRR drops to 15%. With ENPV>0, and EIRR above the discount rate the project is still profitable.
- *Increase in project costs due to flooding.* Flooding is a repeated occurrence in many parts of Mozambique. Flooding has the potential of increasing costs of road rehabilitation. The occurrence of such a scenario is assumed every year given recent trends but would normally be once in every 5-10 years. The proxy to test this has been based on the actual cost overruns that have arisen when such scenarios occur. For the sensitivity analysis, project costs have been increased from a minimum of 10% to a maximum of 30%. The analysis shows that the project remains profitable, with EIRR dropping to a minimum of 14% and NPV to USD 5.6 million.
- *Delays in overall project benefits.* The effect of poor institutional capacity in implementing project activities at the local level may result in a delay in the accrual of project benefits, causing a mismatch between the time of commitment of project costs and appearance of objectives. A 2 year delay causes a significant drop of both ENPV and EIRR to USD 3.4 million and 12% respectively. As such, considerable effort must be taken by PROMER in avoiding the occurrence of such delays.

Table 16 – Sensitivity Analysis

| | | | | | | | | | |
|--|-----------|----------------------------------|-------|-------|---------------------------|-------|-------|----------------------------|--------|
| Republic of Mozambique | | | | | | | | | |
| Rural Markets Promotions Programme(PROMER) | | | | | | | | | |
| Sensitivity Analysis (Economic) | | | | | | | | | |
| | Base case | Reduction in farm based benefits | | | Increase in project costs | | | Delays in overall benefits | |
| Indicator | (@10%) | -10% | -20% | -30% | 10% | 20% | 30% | 1 year | 2 year |
| ENPV (MZN million) | 356.5 | 300.2 | 243.9 | 187.6 | 303.5 | 250.5 | 197.6 | 231.7 | 118.3 |
| ENPV (USD million) | 10.2 | 8.6 | 7.0 | 5.4 | 8.7 | 7.2 | 5.6 | 6.6 | 3.4 |
| EIRR | 19% | 18% | 16% | 15% | 17% | 15% | 14% | 15% | 12% |

Table 17: Aggregation of economic benefits, costs and ERR computation

| Republic of Mozambique Rural Markets Promotions Programme(PROMER) Farm Model Economic Budget (in MZN million) | | | | | | | | | | | | | | | | | | | | | |
|---|-----------------|--------------|---------|---------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <i>Farm Based Cash flows</i> | Without Project | With Project | | | | | | | | | | | | | | | | | | | |
| | 1 to 20 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
| Old producers | 12.4 | 0.2 | 15.3 | 30.5 | 46.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 | 56.4 |
| New Producers | 1.2 | 0.1 | 1.7 | 3.3 | 5.0 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 |
| | | - | 0.1 | 1.9 | 3.7 | 5.6 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 |
| | | - | - | 0.1 | 2.2 | 4.2 | 6.3 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| | | - | - | - | 0.1 | 2.3 | 4.4 | 6.6 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 |
| | | - | - | - | - | 0.1 | 2.3 | 4.4 | 6.6 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 |
| 1 Total Farm-based Cash flows | 13.6 | 0.3 | 17.1 | 35.9 | 57.4 | 74.9 | 82.8 | 88.8 | 92.8 | 94.5 | 94.5 | 94.5 | 94.5 | 94.5 | 94.5 | 94.5 | 94.5 | 94.5 | 94.5 | 94.5 | 94.5 |
| 2 Benefits from road network | | - | 15.9 | 42.8 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 |
| 3 Maintenance costs | | - | - | 3.5 | 9.5 | 15.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 |
| 4 Project costs | | 167.5 | 185.4 | 180.0 | 130.4 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 Net Economic Benefits (1+2-3-4) | 13.6 | (167.2) | (152.4) | (104.8) | 0.4 | 142.3 | 147.3 | 153.3 | 157.3 | 159.0 | 159.0 | 159.0 | 159.0 | 159.0 | 159.0 | 159.0 | 159.0 | 159.0 | 159.0 | 159.0 | 159.0 |
| Incremental Economic Benefits | - | (180.8) | (166.0) | (118.4) | (13.2) | 128.7 | 133.6 | 139.6 | 143.6 | 145.4 | 145.4 | 145.4 | 145.4 | 145.4 | 145.4 | 145.4 | 145.4 | 145.4 | 145.4 | 145.4 | 145.4 |
| Social discount rate | 10% | | | | | | | | | | | | | | | | | | | | |
| SCF: | 0.97 | | | | | | | | | | | | | | | | | | | | |
| ENPV(10%, MZN million) | 356.5 | | | | | | | | | | | | | | | | | | | | |
| ENPV(10%, USD million) | 10.2 | | | | | | | | | | | | | | | | | | | | |
| Economic Internal Rate of Return (EIRR) | 19% | | | | | | | | | | | | | | | | | | | | |

Appendix 1: Crop Budgets

Sesame crop model:

Republic of Mozambique
Rural Markets Promotions Programme(PROMER)
Sesame Crop Model
YIELDS AND INPUTS
(Per ha)

| | | Without Project | | | | | |
|------------------------------|----------|-----------------|-------|-------|-------|-------|---------|
| | | With project | | | | | |
| Years | Unit | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Yields | Kg | 200.0 | 225.0 | 250.0 | 275.0 | 300.0 | 325.0 |
| Post-harvest loss | Kg | 40.0 | 45.0 | 42.5 | 41.3 | 36.0 | 32.5 |
| Operating Inputs | | | | | | | |
| Unimproved seeds | Kg | 3.0 | - | - | - | - | - |
| Improved seeds | Kg | - | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| NPK (Basal application) | Kg | - | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| AN (kg) | Kg | - | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Pesticide | lt | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Labor | | | | | | | |
| Land clearing | Man-Days | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Ploughing | Man-Days | 4.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Discing/Harrow ing | Man-Days | 2.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Planting | Man-Days | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| First Pesticide application | Man-Days | - | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Second Pesticide application | Man-Days | - | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| First w eeding | Man-Days | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Second w eeding | Man-Days | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Fertilizing | Man-Days | - | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Harvesting | Man-Days | 2.0 | 3.0 | 3.0 | 4.0 | 5.0 | 5.0 |
| Treshing | Man-Days | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 | 4.0 |
| Transport field to house | Man-Days | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 |
| Total Labor | | | | | | | |
| Unskilled | Man-Days | 25.0 | 22.0 | 22.0 | 24.0 | 26.0 | 27.0 |
| Skilled | Man-Days | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |

REPUBLIC OF MOZAMBIQUE
Rural Markets Promotion Programme (PROMER)
Additional Financing Report

Republic of Mozambique
Rural Markets Promotions Programme(PROMER)
Sesame Crop Model

FINANCIAL BUDGET

(In MZNPer ha)

| | Years | Without | With project | | | | |
|---|-------|---------|--------------|-------|-------|--------|---------|
| | | Project | 1 | 2 | 3 | 4 | 5 to 20 |
| Revenue | | 7,000 | 7,875 | 8,750 | 9,625 | 10,500 | 11,375 |
| Post-harvest loss | | 1,400 | 1,575 | 1,488 | 1,444 | 1,260 | 1,138 |
| Input costs | | | | | | | |
| Unimproved seeds | | 120 | - | - | - | - | - |
| Improved seeds | | | 200 | 200 | 200 | 200 | 200 |
| NPK (Basal application) | | - | 270 | 270 | 270 | 270 | 270 |
| AN (kg) | | - | 180 | 180 | 180 | 180 | 180 |
| Pesticide | | - | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| Sub-total Input costs | | 120 | 650 | 650 | 650 | 650 | 650 |
| Income (Before Labor Costs) | | 5,480 | 5,650 | 6,613 | 7,531 | 8,590 | 9,588 |
| Incremental Benefits | | - | 170 | 1,133 | 2,051 | 3,110 | 4,108 |
| Labor costs | | | | | | | |
| Land clearing | | 904 | 904 | 904 | 904 | 904 | 904 |
| Ploughing* | | 904 | 1,163 | 1,163 | 1,163 | 1,163 | 1,163 |
| Discing/Harrow ing* | | 452 | 1,163 | 1,163 | 1,163 | 1,163 | 1,163 |
| Planting | | 678 | 678 | 678 | 678 | 678 | 678 |
| First Pesticide application | | - | 113 | 113 | 113 | 113 | 113 |
| Second Pesticide application | | - | 113 | 113 | 113 | 113 | 113 |
| First w eeding | | 678 | 678 | 678 | 678 | 678 | 678 |
| Second w eeding | | 678 | 678 | 678 | 678 | 678 | 678 |
| Fertilizing | | - | 452 | 452 | 452 | 452 | 452 |
| Harvesting | | 452 | 678 | 678 | 904 | 1,130 | 1,130 |
| Transport field to house | | 452 | 452 | 452 | 452 | 678 | 678 |
| Sub-total Labor costs | | 5,198 | 7,071 | 7,071 | 7,297 | 7,749 | 7,749 |
| Income (After Labor Costs) | | 282 | (1,421) | (459) | 234 | 841 | 1,839 |
| Incremental Benefits (After Labor Costs) | | - | (1,703) | (741) | (48) | 559 | 1,557 |
| Income After Labor: | | NPV= | 5,599 | | | | |
| IRR | | IRR= | 33% | | | | |

Soya bean crop model:

Republic of Mozambique
Rural Markets Promotions Programme(PROMER)
Soya Crop Model
YIELDS AND INPUTS
(Per ha)

| Years | Unit | Without Project | With project | | | | |
|--------------------------|----------|-----------------|--------------|------|------|------|---------|
| | | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Yields | Kg | 800 | 825 | 850 | 900 | 950 | 1,000 |
| Post-harvest loss | Kg | 160 | 165 | 145 | 135 | 114 | 100 |
| Operating Inputs | | | | | | | |
| Unimproved seeds | Kg | 60.0 | - | - | - | - | - |
| Improved seeds | Kg | - | 55.0 | 55.0 | 55.0 | 55.0 | 55.0 |
| NPK (Basal application) | Kg | - | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| AN | Kg | - | 20.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Herbicides | Litres | - | - | - | - | - | - |
| Packaging | Bags | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Labor | | | | | | | |
| Land clearing | Days | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Ploughing | Days | 4.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Discing/Harrowing | Days | 2.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Planting | Days | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Direct seeding | Days | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| First weeding | Days | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Second weeding | Days | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Fertilizing | Days | - | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Harvesting | Days | 3.0 | 3.0 | 3.0 | 4.0 | 4.0 | 5.0 |
| Threshing/hand | Days | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Drying | Days | - | - | - | - | - | - |
| Transport field to house | Days | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 | 4.0 |
| Total Labor | | | | | | | |
| Unskilled | Man-Days | 24.0 | 20.0 | 21.0 | 22.0 | 22.0 | 24.0 |
| Skilled | Man-Days | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |

Republic of Mozambique
Rural Markets Promotions Programme(PROMER)
Soya Crop Model

FINANCIAL BUDGET

(In MZNPer ha)

| Years | Without Project | With project | | | | |
|---|-----------------|----------------|--------------|--------------|--------------|--------------|
| | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Revenue | 11,200 | 11,550 | 11,900 | 12,600 | 13,300 | 14,000 |
| Post-harvest loss | 2,240 | 2,310 | 2,023 | 1,890 | 1,596 | 1,400 |
| Input costs | | | | | | |
| Unimproved seeds | 3,600 | - | - | - | - | - |
| Improved seeds | - | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 |
| NPK (Basal application) | - | 540 | 540 | 540 | 540 | 540 |
| AN | - | 360 | 900 | 900 | 900 | 900 |
| Herbicides | - | - | - | - | - | - |
| Packaging | 100 | 150 | 150 | 150 | 150 | 150 |
| Sub-total Input costs | 3,700 | 4,350 | 4,890 | 4,890 | 4,890 | 4,890 |
| Income (Before Labor Costs) | 5,260 | 4,890 | 4,987 | 5,820 | 6,814 | 7,710 |
| Cash flows (Before Labor Costs) | - | (370) | (273) | 560 | 1,554 | 2,450 |
| Labor costs | | | | | | |
| Land clearing | 732 | 732 | 732 | 732 | 732 | 732 |
| Ploughing* | 732 | 1,163 | 1,163 | 1,163 | 1,163 | 1,163 |
| Discing/Harrowing* | 366 | 1,163 | 92 | 92 | 92 | 92 |
| Planting | 366 | 183 | 183 | 183 | 183 | 183 |
| Direct seeding | - | 183 | 183 | 183 | 183 | 183 |
| First weeding | 549 | 366 | 366 | 366 | 366 | 366 |
| Second weeding | 366 | 366 | 366 | 366 | 366 | 366 |
| Fertilizing | - | 366 | 366 | 366 | 366 | 366 |
| Harvesting | 549 | 549 | 549 | 732 | 732 | 916 |
| Threshing/hand | 366 | 549 | 549 | 549 | 549 | 549 |
| Drying | - | - | - | - | - | - |
| Transport field to house | 366 | 366 | 549 | 549 | 549 | 732 |
| Sub-total Labor costs | 4,395 | 5,987 | 5,100 | 5,283 | 5,283 | 5,649 |
| Income (After Labor Costs) | 865 | (1,097) | (113) | 537 | 1,531 | 2,061 |
| Incremental Benefits (After Labor Costs) | - | (1,963) | (978) | (328) | 666 | 1,196 |
| Income After Labor | | | | | | |
| NPV = | | 3,335 | | | | |
| IRR = | | 24% | | | | |

Maize crop model:

Republic of Mozambique
Rural Markets Promotions Programme(PROMER)

Maize Crop Model

YIELDS AND INPUTS

(Per ha)

| Years | Unit | Without Project | With project | | | | |
|-------------------------------|----------|-----------------|--------------|-------|-------|-------|---------|
| | | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Yields | Kg | 1,200 | 1,400 | 1,700 | 2,000 | 2,300 | 2,500 |
| Post-harvest loss | Kg | 240 | 280 | 289 | 300 | 276 | 250 |
| Operating Inputs | | | | | | | |
| Hybrid maize seeds | Kg | - | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| Un improved seeds(OPVS)-Maize | Kg | 35.0 | - | - | - | - | - |
| NPK (Basal application) | Kg | - | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| AN | Kg | - | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Herbicides | Litres | - | - | - | - | - | - |
| Packaging | Bags | 5.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Self consumption | Kg | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 |
| Labor | | | | | | | |
| Land clearing | Man-Days | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Ploughing | Man-Days | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Discing/Harrowing | Man-Days | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Planting | Man-Days | 2.0 | 2.0 | 3.0 | 4.0 | 4.0 | 4.0 |
| First weeding | Man-Days | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 |
| Second weeding | Man-Days | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 |
| Fertilizing | Man-Days | - | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 |
| Harvesting | Man-Days | 2.0 | 2.0 | 3.0 | 4.0 | 4.0 | 5.0 |
| Drying | Man-Days | - | - | - | - | - | - |
| Threshing/hand | Man-Days | 2.0 | 3.0 | 4.0 | 5.0 | 5.0 | 6.0 |
| Transport field to house | Man-Days | 2.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 |
| Total Labor | | | | | | | |
| Unskilled | Man-Days | 16.0 | 22.0 | 25.0 | 28.0 | 29.0 | 34.0 |
| Skilled | Man-Days | - | - | - | - | - | - |

Republic of Mozambique
Rural Markets Promotions Programme(PROMER)

Maize Crop Model

FINANCIAL BUDGET

(In MZNPer ha)

| Years | Without Project | With project | | | | |
|---|-----------------|------------------|------------------|----------------|----------------|----------------|
| | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Revenue | 6,000 | 7,000 | 8,500 | 10,000 | 11,500 | 12,500 |
| Post-harvest loss | 1,200 | 1,400 | 1,445 | 1,500 | 1,380 | 1,250 |
| Input costs | | | | | | |
| Hybrid maize seeds | - | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Unimproved seeds(OPVS)-Maize | 1,435 | - | - | - | - | - |
| NPK (Basal application) | - | 544 | 544 | 544 | 544 | 544 |
| AN | - | 365 | 365 | 365 | 365 | 365 |
| Herbicides | - | - | - | - | - | - |
| Packaging | 100 | 200 | 200 | 200 | 200 | 200 |
| Self consumption | 200 | 200 | 200 | 200 | 200 | 200 |
| Sub-total Input costs | 1,735 | 3,810 | 3,810 | 3,810 | 3,810 | 3,810 |
| Income (Before Labor Costs) | 3,065 | 1,790 | 3,245 | 4,690 | 6,310 | 7,440 |
| Labor costs | | | | | | |
| Land clearing | 326 | 489 | 489 | 489 | 489 | 489 |
| Ploughing | 326 | 489 | 489 | 489 | 489 | 489 |
| Discing/Harrowing | 326 | 326 | 326 | 326 | 326 | 326 |
| Planting | 326 | 326 | 489 | 652 | 652 | 652 |
| First weeding | 163 | 326 | 326 | 326 | 326 | 489 |
| Second weeding | 163 | 326 | 326 | 326 | 326 | 489 |
| Fertilizing | - | 326 | 326 | 326 | 326 | 489 |
| Harvesting | 326 | 326 | 489 | 652 | 652 | 815 |
| Drying | - | - | - | - | - | - |
| Threshing/hand | 326 | 489 | 652 | 815 | 815 | 978 |
| Transport field to house | 326 | 163 | 163 | 163 | 326 | 326 |
| Sub-total Labor costs | 2,607 | 3,585 | 4,074 | 4,563 | 4,726 | 5,541 |
| Income (After Labor Costs) | 457.6 | (1,794.9) | (828.8) | 127.3 | 1,584.4 | 1,899.6 |
| Incremental Benefits (After Labor Costs) | - | (2,252.6) | (1,286.4) | (330.3) | 1,126.7 | 1,441.9 |
| Income After Labor | | | | | | |
| | NPV= | 4,289 | | | | |
| | IRR= | 25% | | | | |

Beans crop model:

Republic of Mozambique
Rural Markets Promotions Programme(PROMER)
Beans Crop Model
YIELDS AND INPUTS
(Per ha)

| | Unit | Without Project | With project | | | | |
|--------------------------|----------|-----------------|--------------|------|------|------|---------|
| | | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Yields | Kg | 500 | 550 | 650 | 750 | 800 | 850 |
| Post-harvest loss | Kg | 100 | 110 | 111 | 113 | 96 | 85 |
| Operating Inputs | | | | | | | |
| Unimproved-seeds | Kg | 15.0 | - | - | - | - | - |
| Improved seeds | Kg | - | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| NPK (Basal application) | Kg | - | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| AN | Kg | - | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Fungicides | Litre | - | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Self consumption | Kg | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 |
| Labor | | | | | | | |
| Land clearing | Man-Days | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Ploughing | Man-Days | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Discing/Harrowing | Man-Days | 1.5 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Planting | Man-Days | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 |
| First weeding | Man-Days | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Second weeding | Man-Days | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Fertilizing | Man-Days | - | 2.0 | 3.0 | 4.0 | 4.0 | 4.0 |
| Harvesting | Man-Days | 2.0 | 2.0 | 2.0 | 3.0 | 4.0 | 5.0 |
| Drying | Man-Days | - | - | - | - | - | - |
| Threshing/hand | Man-Days | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 |
| Threshing/Mechanised | Man-Days | - | - | - | - | - | - |
| Transport field to house | Man-Days | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 |
| Total Labor | | | | | | | |
| Unskilled | Man-Days | 18.5 | 22.0 | 23.0 | 25.0 | 28.0 | 30.0 |
| *Skilled | Man-Days | - | - | - | - | - | - |

Republic of Mozambique
Rural Markets Promotions Programme(PROMER)
Beans Crop Model
FINANCIAL BUDGET
(In MZNPer ha)

| Years | Without Project | With project | | | | |
|---|-----------------|--------------|---------|-------|---------|---------|
| | 1 to 20 | 1 | 2 | 3 | 4 | 5 to 20 |
| Revenue | 6,000 | 6,600 | 7,800 | 9,000 | 9,600 | 10,200 |
| Post-harvest loss | 1,200 | 1,320 | 1,326 | 1,350 | 1,152 | 1,020 |
| Input costs | | | | | | |
| Unimproved seeds | 750 | - | - | - | - | - |
| Improved seeds | - | 550 | 550 | 550 | 550 | 550 |
| NPK (Basal application) | - | 810 | 810 | 810 | 810 | 810 |
| AN | - | 540 | 540 | 540 | 540 | 540 |
| Fungicides | - | 13 | 13 | 13 | 13 | 13 |
| Self consumption | 480 | 480 | 480 | 480 | 480 | 480 |
| Sub-total Input costs | 1,230 | 2,393 | 2,393 | 2,393 | 2,393 | 2,393 |
| Income (Before Labor Costs) | 3,570 | 2,888 | 4,082 | 5,258 | 6,056 | 6,788 |
| Cash flows | - | -683 | 512 | 1,688 | 2,486 | 3,218 |
| Labor costs | | | | | | |
| Land clearing | 529 | 529 | 529 | 529 | 529 | 529 |
| Ploughing | 529 | 529 | 529 | 529 | 529 | 529 |
| Discing/Harrowing | 265 | 529 | 529 | 529 | 529 | 529 |
| Planting | 353 | 353 | 353 | 353 | 529 | 529 |
| First weeding | 353 | 353 | 353 | 353 | 353 | 353 |
| Second weeding | 353 | 353 | 353 | 353 | 353 | 353 |
| Fertilizing | - | 353 | 529 | 706 | 706 | 706 |
| Harvesting | 353 | 353 | 353 | 529 | 706 | 882 |
| Drying | - | - | - | - | - | - |
| Threshing/hand | 353 | 353 | 353 | 353 | 353 | 529 |
| Threshing/Mechanised | - | - | - | - | - | - |
| Transport field to house | 176 | 176 | 176 | 176 | 353 | 353 |
| Sub-total Labor costs | 3,263 | 3,881 | 4,057 | 4,410 | 4,939 | 5,292 |
| Income (After Labor Costs) | 306.6 | (993.3) | 24.3 | 847.5 | 1,116.3 | 1,495.5 |
| Incremental Benefits (After Labor Costs) | - | (1,299.9) | (282.3) | 540.9 | 809.7 | 1,188.9 |
| Income After Labor | | | | | | |
| | NPV= | 5,158 | | | | |
| | IRR= | 43% | | | | |

Appendix 2: Road Model budgets

| | | | |
|---|--------|--------|-------------------------------|
| Republic of Mozambique Rural Markets Promotions Programme(PROMER) | | | |
| Evaluation of volume of marketed produce in the catchment area | | | |
| in 2012, first FOs* | # FO** | HH | Volume marketed (Metric Tons) |
| volume marketed (Metric Tons) | 146 | 3,796 | 1,375.0 |
| Simple projection of Volume Marketed by 85,000 HH in PY9 | - | 76,600 | 27,746.3 |
| *Programme M&E database, 2014 **Average number of FO members is 26, M&E database | | | |

Table B: Benefits from road network

| Road Model - Basic Assumptions | | |
|--|------------|-------------------|
| Total roads to be rehabilitated | Km | 678 |
| Number of beneficiary households (roads) * | Nr | 76,600 |
| Without Programme | | |
| Total volume of transported produce | ton | 27,746 |
| Average value of products | MZN/ton | 9,044 |
| Transportation costs | MZN/ton | 5,130 |
| Value of products transported | MZN | 250,937,645 |
| With Programme | | |
| Increase in traffic | % | 35 |
| Volume transported by increased traffic | ton | 9,711 |
| Cost of transported produce | ton | 192,157,083 |
| Value of new products transported | MZN | 87,828,176 |
| Value of post-harvest reduction (5%) | MZN | 16,938,291 |
| Value of transport cost reduction (10%) | MZN | 19,215,708 |
| Total incremental benefits at full implementation (MZN) | MZN | 85,550,758 |
| *Based upon a catchment area with 5Km radius around rehabilitated roads (755 Km) | | |

Table C: Total net incremental Benefits from road rehabilitation

| | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------------|
| Republic of Mozambique Rural Markets Promotions Programme(PROMER) Financial Analysis - full road rehabilitation | | | | | | |
| in MZN million | WP | | | | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021- 2026 |
| Road rehabilitataion (Km) | 130 | 220 | 220 | 108 | | |
| Cumulative road rehabilitation (Km) | 130 | 350 | 570 | 678 | 678 | 678 |
| Economic Benefits | | | | | | |
| Traffic increase | 0 | 16.8 | 45.3 | 87.8 | 87.8 | 87.8 |
| Value of post-harvest reduction | 0 | 3.2 | 8.7 | 16.9 | 16.9 | 16.9 |
| Reduction in trasportation costs | 0 | 3.7 | 9.9 | 19.2 | 19.2 | 19.2 |
| Total benefits | 0 | 16.4 | 44.2 | 85.6 | 85.6 | 85.6 |
| Project costs | | | | | | |
| Road Investment costs | 94 | 99 | 103 | 109 | | - |
| Maintenance costs | - | - | 4 | 10 | 16 | 19 |
| Net Benefits* (incremental) | -94 | -82 | -63 | 70 | 66 | 66 |
| NPV (12%,MZN million) | 78.8 | | | | | |
| NPV (12%,USD million) | 2.3 | | | | | |
| FIRR | 16% | | | | | |

*Net benefits equals incremental net benefits for calculating ERR, against the "do nothing" scenario

Appendix 2: Population served by Market infrastructures

| Province | District | Market | Direct beneficiaries of market rehabilitation | Total District population |
|---------------------|--------------|----------------------------|---|---------------------------|
| CABO DELGADO | Ancuabe | Mercado Central de Ancuabe | 39,598 | 109,000 |
| Block B | Chiúre | Mercado Central de Chiúre | 108,174 | 209,000 |
| | Montepuez | Mercado de Mararanje | 72,279 | 187,000 |
| | Balama | Mercado Central de Balama | 23,976 | 123,000 |
| | Namuno | Mercado Central de Namuno | 82,791 | 173,000 |
| Total | | | 326,818 | 801,000 |
| NIASSA | Mandimba | Central de Mandimba | 84,011 | 114,000 |
| Block A | Cuamba | Rural de Meripo | 73,268 | 162,000 |
| | Metarica | Central de Metarica | 12,272 | 28,000 |
| | Mecanhelas | Central de Insaca | 76,311 | 104,000 |
| | Maúá | Central de Maúá | * | 53,000 |
| | Marrupa | Rural de Iaranca | 23,485 | 54,000 |
| Total | | | 269,347 | 515,000 |
| Block C | Malema | Feira de Muralelo | 128,732 | 150,000 |
| NAMPULA | Ribaue | Mercado de Iapala | 128,209 | 154,000 |
| ZAMBEZIA | Alto Molócue | Central de A. Molocué | 185,224 | 231,000 |
| | Gurúe | Municipal de Gurúe | 125,042 | 241,000 |
| Total | | | 567,207 | 776,000 |
| Grand Total | | | 1,163,372 | 2,092,000 |

Appendix 3: Full list of prices used in Economic Analysis

| | MZN per Kg |
|------------------------|------------|
| sesame | |
| farm gate price | 35 |
| unimproved seed | 40 |
| improved seed | 100 |
| soya bean | |
| farm gate price | 14 |
| unimproved seed | 60 |
| improved seed | 60 |
| Maize | |
| farm gate price | 5 |
| unimproved seed | 41 |
| improved seed | 100 |
| Beans | 5 |
| farm gate price | 12 |
| unimproved seed | 50 |
| improved seed | 55 |
| NPK | 27 |
| AN | 18 |
| Fungicides | 50 |
| Bags | 20 |
| Labor rate (unskilled) | 212 |
| Labor rate (skilled) | 2325 |

Annex VII: Draft Work Plan and Budget up to Programme Completion

| | Description of Activities | Implementing Entity | 201 6 | 201 7 | 201 8 | 201 9 | Costable budget line |
|--|--|-----------------------|----------|----------|----------|----------|-------------------------|
| COMPONENT 1 - DEVELOPMENT OF MORE DYNAMIC MARKET INTERMEDIARIES | | | | | | | |
| | 1.1 Support to Farmers Organizations | | | | | | DT_01_I-A |
| | Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | | |
| 1 | Capacity building of Farmer's Associations (FA) | Service Provider (SP) | x | x | | | |
| 2 | Capacity building of Fora and Unions | SP | x | x | x | x | |
| 3 | Agriculture extension | SP | x | x | x | x | |
| 4 | Literacy Training | SP | x | x | | | |
| 5 | Market linkages | SP | x | x | x | x | |
| 6 | Linkages between FA and financial services | SP | x | x | x | x | |
| 7 | Training of technicians of PS | SP | x | x | | | |
| 8 | Visibility | SP | x | x | x | x | |
| | 1.2. Higher level farmer organization development | | | | | | DT_01_I-B |
| | Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | | |
| 1 | Support to Distric Unions. Capacity building of Union staff for market association activities. | PMT | x | x | x | x | |
| 2 | Support to FONPA. Development of a new strategic plan | PMT | x | x | x | x | |
| | 1.3. Market Intermediary Development: Traders and Agro-dealers | | | | | | DT_01_I-C |
| | Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | | |
| 1 | Identifying priority activities based on baseline study | SP | | | | | |
| 2 | Linkages between agro-dealers and input-dealers | SP | x | x | | x | |
| 3 | Linkages with Financial Institutions | SP | x | x | x | | |
| 4 | Value-addition activities | SP | x | x | x | x | |
| 5 | Management of Guarantee Fund | PMT | x | x | x | x | |
| 6 | Knowledget sharing | PMT | x | x | x | x | |

| 1.4. Suport to small scale value addition | | | | | | DT_01_I-D |
|---|---|---------------------|---|---|---|-----------|
| Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | | |
| 1 | Promotion campaigns of matching grants to FA | PMT | | | | |
| 2 | Training of SP and PMC in elaboration of business plans. | PMT | x | | x | x |
| 3 | Monitoring and Evaluation of matching grant process. | SP/PMC/PMT | x | x | x | x |
| COMPONENT 2 - ENTERPRISE-LED VALUE CHAIN INITIATIVE | | | | | | |
| 2.1. Identifying value-chain opportunities | | | | | | DT_20_I-A |
| Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | | |
| 1 | Approval of guidelines for value-chain facilitation by IFAD | PMT | x | | | |
| 2 | Elaboration of concept notes by interested candidates | Value chain leaders | x | x | | |
| 3 | Submission of concept notes | Value chain leaders | x | | | |
| 4 | Evaluation of potentiality of value chains proposed by the value chain leaders | PMT | x | x | x | |
| 5 | Approval of concept notes | PMT | x | | x | x |
| 2.2. Facilitating Agri-business parternships | | | | | | DT-20_I-B |
| Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | | |
| 1 | Hiring of consultant to support PROMER in implementing activities in component 2 | PMT | | | x | |
| 2 | Hiring consultants to support elaboration of Strategic Implementation Plans (SIPs) of the concept notes approved in the third cycle | PMT | | x | | |
| 3 | Approval of SIPs of the concept notes by CACV and IFAD | PMT | x | x | x | |
| 4 | Training of PROMER team in value chain facilitation and monitoring of production systems | PMT | x | | x | |
| 2.3. Value chain investments | | | | | | DT_20_I-C |
| Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | | |
| 1 | Disbursement of funds according to signed contracts | PMT | x | x | | |
| 2 | Monitoring of activities by PROMER | PMT | x | x | x | x |
| 3 | Selection or producers, signature of contracts, land preparation, seed allocation. | PMT | x | x | | x |
| 4 | Training of farmers in production techniques | SP | x | x | x | |
| 5 | Follow-up on implementation activitie from ALIMA | PMT | | x | | |

| | | | | | | | |
|---|---|-----|---|---|---|---|-------------------|
| | COMPONENT 3. IMPROVING THE MARKET ENVIRONMENT | | | | | | |
| | 3.1 Market infrastructure. | | | | | | DTC_03_I-A |
| | Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | | |
| 1 | Monitoring and rehabilitation of current roads | ANE | x | x | x | | |
| 2 | Technical survey of rehabilitated roads in blocks A, B and C. | ANE | x | x | x | x | |
| 3 | Technical survey for new roads in block C | PMT | x | | x | | |
| 4 | Follow up procurement process for roads in blocks A, B and C | PMT | x | x | | | |
| 5 | Monitoring and supervision of new roads rehabilitated in block C. | PMT | x | x | | x | |
| 6 | Monitoring and supervision of activities to promote prevention against HIV/AIDS along rehabilitated roads | PMT | x | x | x | | |
| 7 | Capacity building of all actors involved in the road rehabilitation network on climate change. | PMT | x | x | x | x | |
| 8 | Traffic counting | ANE | | | | x | |
| 9 | Monitoring and evaluation of market rehabilitation. | PMT | | x | x | | |
| | 3.2 Facilitating access to finance | | | | | | DT_30_I-B |
| | Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | | |
| 1 | Facilitating access to finance | PMT | | | | | |
| 2 | Monitoring activities | SP | x | | x | x | |
| 3 | MoU with FARE | | x | | x | | |
| 4 | Meeting with local communities about ASCAS | SP | x | | | x | |
| 5 | creating ASCAS in local communities. | SP | | x | x | x | |
| 6 | ASCA sensibilization campaign and coordination | SP | | x | | | |
| | 3.3. Improving market infrastructure | | | | | | DT_30_I-C |
| | Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | | |
| 1 | Promote district fairs | MIC | x | x | | x | |
| 2 | Support to participation of FA in district/provincial fairs. | MIC | | | | | |
| 3 | Support in implementation of national strategy of agricultural commerce | MIC | x | x | x | x | |
| 4 | Sign contracts with community radios for spreading out market information. | | x | | | | |
| 5 | Dissiminate market information through community radios. | PMC | x | x | x | x | |

| | | | | | | |
|---|---|-------|---|---|---|-------------------|
| | COMPONENT 4: POLICY AND INSTITUTIONAL SUPPORT | | | | | |
| | 4.1. Knowledge management | | | | | DTC_40_I-A |
| | - | | | | | |
| 1 | KM in DNPDR | DNPDR | x | x | x | |
| 2 | KM in PROMER | PMT | x | x | x | x |
| 3 | Prepare action plan in PROMER manual | PMT | | | | |
| 4 | capacity building of M&E officers in the cells.. | PMT | x | x | x | |
| 5 | prepare impact assessment studies. | PMT | x | | x | x |
| 6 | Hire consultant to create PROMER web page. | PMT | x | | z | |
| | 4.2. Institutional support | | | | | DT_40_I-B |
| | - | | | | | |
| 1 | Support to DNPDR | PMT | x | x | | |
| 2 | Support to DNPDR during PROMER Supervision Missions | DNPDR | x | x | x | x |
| 3 | Support to MIC | PMT | x | | | |
| 4 | training technicians on market linkages. | MIC | x | | | |
| 5 | National Reference group meetings | DPIC | x | x | x | x |
| 6 | Provincial/District Reference group meetings | DNPDR | x | x | x | x |
| | District Reference group meetings | PMC | x | x | x | |
| | 4.3. Programme Management | | | | | DT_40_I-C |
| | - | | | | | |
| 1 | Hire M&E specialist to insert MDG activities in M&e SYSTEM | PMT | | x | | x |
| 2 | Hire Finance Assistant | PMT | x | | x | |
| 3 | Visits to the 3 project implementation blocks | PMT | x | x | x | |
| 4 | Audit | PMT | x | x | x | x |
| 5 | IFAD Mission | PMT | x | x | x | |
| 6 | MTR MDG-1C | PMT | x | | | x |
| 7 | Meetings with Service Providers | PMT | x | x | x | x |
| 8 | Training and participation in relevant events for programme staff | PMT | x | | | |
| 9 | Capacity building of PROMER staff in gender issues and climate change | PMT | x | x | | x |

| | | | | | | |
|---|--|-----|---|---|---|-------------------|
| | COMPONENT 5. NUTRITION PROMOTION | | | | | |
| | 4.1. Knowledge management | | | | | DTC_50_I-A |
| | Geographic area: <u>Niassa/Cabo Delgado/Nampula, Zambezia</u> | | | | | |
| 1 | training of trainers in nutrition education. Preparation of messages in hygiene and complementary foods. | SP | x | x | x | x |
| 2 | training in nutrition, sanitation of the FA. Awareness campaigns in community radios on key issues related to nutrition (especially directed at youngsters, pregnant women and children under 5 years old) | SP | x | x | x | x |
| 3 | Culinary demonstrations of nutrition-rich dishes using local products. Educational sessions in selected schools nutrition, hygiene and health. | SP | x | x | x | x |
| 4 | training of trainers (extension officers) in nutrition issues. Demonstration of production and management of gardens in schools. | SP | x | x | x | x |
| 5 | open debate sessions in community radios on nutrition issues. | SP | x | x | x | x |
| 6 | Acquisition of agricultural inputs (kitchen kits, vegetable-gardens and agro-processing). | SP | x | x | x | x |
| 7 | establishment of partnerships with institutions and relevant organisations (NGO, Universities, etc) | SP | x | x | x | x |
| | COMPONENT 6: INSTITUTIONAL SUPPORT TO SPCU/ DIC | | | | | |
| | DTC_60_I-A | | | | | |
| | - | | | | | |
| 1 | Transfer funds to SPCU/DIC | MEF | x | x | x | x |