



Enabling poor rural people  
to overcome poverty

## Republic of Mozambique

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East and Southern Africa Division  
Programme Management Department

**Rural Markets Promotion Programme (PROMER) - IFAD  
Loan 754-MZ**

**Community Investor Partnership Project (ProParcerias)  
- Grant COFIN-F&S-1-MZ**

**Supervision report**

Main report, appendices and attachments



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## Abbreviations and acronyms

AMODER	<i>Associação Moçambicana para o Desenvolvimento Rural</i> Mozambican Association for Rural Development
AfDB	African Development Bank
AGRA	Alliance for a Green Revolution in Africa
CAL	Corredor Agro Limitada
DNC	National Directorate for Commerce
DNEA	<i>Direcção Nacional de Extensão Agrária</i> National Directorate for Agrarian Extension
DNPDR	National Directorate for the Promotion 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 for Education and Culture
EC	European Commission
FARE	Support Fund for Economic Rehabilitation
FO	Farmer's Organisations
FONPA	National Forum of Cotton Producers
KM	Knowledge Management
MAE	<i>Ministerio da Administração Estatal</i> Ministry of State Administration
MIC	<i>Ministerio da Industria e Comércio</i> Ministry of Industry and Commerce
PAFIR	Rural Finance Support Programme
PIP	Project Implementation Plan
PMT	Programme Management Team
PRONEA	National Agricultural Extension Programme
PROMER	Rural Markets Promotion Programme
PROPAPA	Pro-Poor Production Action Plan
ProParcerias	Community Investor Partnership Project
PROSUL	Pro-Poor Value Chain Development in the Maputo and Limpopo Corridors
PSP	PRONEA Support Project
SIP	Strategic Investment Plan
SOE	Statement of Expenditures
UNAC	<i>União Nacional de Camponeses</i> National Union of Small-scale Farmers)
VCAC	Value Chain Advisory Committee
WA	Withdrawal Application





## Aide memoire

### Republic of Mozambique

### Rural Markets Promotion Programme (PROMER) Loan 754-MZa

Supervision mission: 21 Oct – 1 Nov 2013

## A. Introduction<sup>1</sup>

1. The Rural Markets Promotion Programme (PROMER) has been effective since April 2009. The overall aim of the 9-year programme is to enable small-scale farmers increase their incomes from agriculture by helping them market their surpluses more profitably. It is financed by IFAD (USD 31.1 million); the Government (USD 4.3 million), the European Union (USD 9.9 million) and beneficiaries (USD 3.0 million). The European Union (EU) financed an additional EUR 0.76 million through PRO-PAPA in support of government's Pro-Food Production Action Plan (PAPA), which has been closed.

2. In addition, and related to PROMER, since March 2011 National Directorate for the Promotion of rural Development (DNPDR) is implementing the Community Investor Partnership Project (ProParcerias), promoting the establishment of sustainable community – investor partnerships in rural Mozambique. It is funded through IFAD by Finland (USD 100,000) and Switzerland (USD 150,000), and directly by the Netherlands (EUR 820,000), FAO (EUR 95,000) and Government (EUR 40,000).

3. The current supervision mission, which took place from 21<sup>st</sup> October to 1<sup>st</sup> November 2013 built on the April 2013 follow-up mission to assist DNPDR and the two management teams in the enhanced implementation of PROMER and ProParcerias. It visited programme operations and partners in the districts of Molocue and Gurure in Zambezia Province, Ribaué and Malema, in Nampula Province, and Mandimba, Marrupa and Cuamba in Niassa Province. It held working sessions in Maputo with staff of the PROMER and ProParcerias management teams, the National Road Administration (ANE) and the Road Fund, the Support Fund for Economic Rehabilitation (FARE), Associação Moçambicana para o Desenvolvimento Rural (AMODER), the Netherlands Embassy, UNICEF, the *Ministry of industry and Commerce (MIC)* and other service providers and financial service partners among others. The team members express their sincere appreciation to all for their support to the mission.

4. This Aide Mémoire was discussed and agreed at a wrap-up meeting chaired by DNPDR National Director on 1 November 2013. Its content is subject to confirmation by way of an IFAD Management Letter.

## B. Overall assessment of Programme implementation

5. The on-going activities continue to show positive results, in particular market-linkages and road-rehabilitation demonstrate some evidence of increased economic benefits. However, the EU-funded activities related to rural trader support, nutrition; and community-based financial services have not yet started (depending on funds availability), and support to the selected value chains are moving slowly. With the outstanding activities expected to commence shortly, effective start-up and implementation should put the programme well on-track to achieve the programme outputs and outcome.

6. The April 2013 mission had identified key challenges that needed to be addressed to speed up implementation of the outstanding activities; make the programme fully responsive to market opportunities; adequately integrate the MDG programme; and create a strong foundation for scaling-up and sustainability. Some progress have been made in this regard, in particular the (i) additional

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<sup>1</sup> Mission composition: Ambrosio Barros (IFAD Country Programme Manager) and Espen Berg (IFAD Associated Country Programme Manager), team leaders; Rui Ribeiro, Farmer Organisation, Extension, and Trader development expert; Jelle Tas, Value Chain Expert; Raquel Fernandes, M&E and Knowledge Management Expert; Fion de Vletter, Rural Finance expert; Sonia Ntukanyagwe, Rural Finance support; Alaudio Chingotuane, Financial Management and Procurement Expert; Dominique Magada, Communication Expert; and Steven Jonckheere, Land Tenure Expert.

concept notes received; (ii) internal motivation and communication; (iii) improvement of the monitoring and evaluation system; (iv) the functional literacy training; and, (v) market-linkages. Similarly, ProParcerias has also progressed significantly since the last mission, with several promising linkages developed between the private sector and communities. Going forward, it is important that PROMER maintain momentum gained, and build on the achievements so far to ensure rapid start-up of the outstanding activities, and ensure effective integration of the MDG sub-programme. For ProParcerias, which is closing in December 2013, it is imperative to develop a phasing-out strategy as well as sound documentation in the form of the case studies and toolkit, and a solid plan for sharing this with the Government, private sector, and the development community.

## C. Outputs and outcomes

7. To date, 465 Farmers Organizations (FOs) have been supported by the programme, with more than 11,596 members (46% women) – the objective is to support the total number of 755 FOs (including 85 from MDG funds). This has resulted in 232 FOs selling about 2,000 tonnes of commodities under contract arrangements. 12 market linkages have been developed by ProParcerias. Approximately 400 km of roads have been rehabilitated, both reducing farmer-time to access markets, and increased farm-gate purchases by traders. One strategic investment plan is under implementation, aiming to support some 3,000 contract farmers, and additional 7 concept notes have been received. 5,627 FO members have received functional literacy training, of which 3,422 (60%) are women. These achievements are sound and likely to result in expected impact as per the programme's logical framework, and should be a solid foundation for up-scaling and launch of the additional activities.

## D. Programme implementation progress

### Component 1 – Developing More Dynamic Market Intermediaries

8. **Sub-Component 1.1 – Support for Input and Output Traders.** The technical proposals of the tender for contracting the service providers for the 3 blocks were evaluated. GAPI proposals for Blocks A and B on one side, and SNV for Block C on the other side, were considered the best. The evaluation report of technical proposals was approved by DNPDR and IFAD NO was granted. PMT analysed the financial proposals and considered that both candidates proposed budgets in line with the amount stipulated in the tender documents. However there are discrepancies between the financial and technical proposals. At PMT request, GAPI and SNV are therefore currently revising their financial proposals. It is expected that the negotiations will be completed and the contracts signed by end November. To ensure rapid start-up of this sub-component, *It was agreed that PMT will conduct a working session involving both service providers at the start of the inception phase to discuss and harmonise approaches and methodologies, particularly regarding the initial baseline and needs-assessment study.*

9. **Sub-component 1.2 - Support for Farmer Organisations.** This sub-component is now under full implementation and good progress has been achieved in all blocks, except literacy training activities in block B which has yet to start. There are currently 465 FOs supported by PROMER in total, of which 330 in 2012 (IFAD funding) and 135 in 2013 (85 IFAD, 50 MDG). The harmonisation of approaches and activities agreed in the last SM is underway. Service providers are using uniform terminology and templates for reporting, consistent with the M&E system. However there is a need to improve uniformity and the quality of the data, as well as the analytical depth of the report. Technical assistance contracted by PMT is currently revising the training modules in order to harmonize, improve, and tailor the contents to the needs of the different FO grades. It is expected that this task will be completed by end December. The PMT conducted the first knowledge sharing session in June 2013, and a second session is scheduled for November 2013.

10. Capacity building. The first training cycle has concluded for 330 FOs, including training on association's principles, leadership, and organizational development. All 330 FO started the training on business planning and management and some participated in post-harvest and finance literacy training. In total 8,344 farmers (3,990 women) were trained. The training for the remaining FOs commenced in May, involving 3,262 farmers (1,375 women).

11. Graduation of FO. The process of classification of the FO was completed in the 3 blocks. In total, 3 FOs were classified as grade A, 124 grade B, and 226 grade C. The refining of the graduation criteria and classification based on a participatory SWOT analysis has allowed for a more accurate classification than the baseline. PMT and SPs are currently developing the training and coaching strategy for each block to tailor training according to individual grade-level. To establish concrete targets for the upcoming year, *it was agreed that PMT will establish FO graduation targets in consultations with the SP.*

12. Market-linkages. By end of September 2013, 169 contracts were signed, involving 232 FOs for marketing of more than 4,000 tons of different commodities (so far around 2,000 tons were sold). This represents an impressive growth in relation to 2012 (44 contracts with 146 FOs and around 1,375 tons sold). The majority of the contracts were established with big buyers, which is positive as higher price-points can be achieved. However, some traders are still reluctant to engage in contracting arrangements due to poor production and lack of commitment from small farmers. Additionally, side-selling is still a challenge due to urgent financial needs. The mission noted that some FOs reported direct sales to district based mid-scale traders at better prices. Consequently, there is a need to better understand the market dynamics and players to facilitate more effective market linkages. To this end, *it was agreed the SPs conduct a markets assessment to identify different business opportunities, and map their strengths and weaknesses.* This work should provide the basis for planned market-linkage activities in 2014. Access to financial services is still a major constraint. This year 19 FOs requested loans with SP assistance. So far, only two applications have been approved. A mapping of existing financial opportunities needs to be done, which will provide a more systematic way for SPs to support this activity.

13. Functional adult literacy. The one-year functional literacy training program is ending in November 2013. Preliminary responses indicate that the one-year pilots have been very successful, with 5,627 FO members (60% women) having received training. Literacy activities have not yet started in block B as the Provincial Directorate for Education and Culture (DPEC) of Cabo Delgado is waiting for MINED approval of the one-year system. To more systematically understand the impact of the one-year programme, *it was agreed that UATAF conduct an evaluation of the program at the end of this 1<sup>st</sup> cycle, involving the DPECs of Nampula, Zambézia and Niassa, and support the discussion to start-up one-year programmes in block B.*

14. FO Union support. Officers to assist Farmers Unions were recruited for blocks A in February 2013 and B in August 2013. In block C the Market Linkages Officer plays this role. 70 Zone Unions, 11 District Unions and 2 FO Federations were selected to be assisted by PROMER in the 3 blocks. To date, the SPs have provided training on governance, association principles/leadership and business management. This activity is already showing positive results with some unions starting to provide input and credit to their member associations as a consequence of support received by the SPs.

15. Market-linkage extensionists. The recruitment of 16 market linkage extension officers has been completed and all of them are currently attending the induction training organized by DNEA/PSP, the Provincial Directorates of Agriculture (DPA) with PROMER support. Nine motorcycles have been acquired (7 for Niassa and 2 for Nampula), but administrative and protocol issues are delaying their allocation to the extensionists. Cabo Delgado and Zambézia expect to finalise procurement process by the end of November 2013. It is expected that these matters will be settled and the extensionists will be operational in the field shortly.

16. Value-addition matching grants. The PMT have produced a leaflet containing essential information about the matching grants which is being disseminated to eligible associations. As a consequence, 11 concept notes have been submitted, most of which include investments in small

warehouses. Due to limited opportunities for collective savings, difficulties in accessing financial services, the high costs of conventional buildings in rural areas, the PMT considers that the majority of FOs will have difficulties to raise the required 30% matching contribution. *It was agreed that the PMT will analyse the situation and if applicable, propose a matching grant model reducing the financial contribution required from the beneficiaries.* This proposal should be supported by a strong financial analysis.

Agreed action	Responsibility	Agreed date
Working session with SPa to harmonise activities and baseline	PMT	Dec 2013
FO upgrading targets for 2014	PMT/ SP	Nov 2013
Markets assessment in each block	SP	Mar 2014
Mapping existing financing opportunities	SP	Mar 2014
Evaluation of one-year literacy training	PMT/UATAF	Dec 2013
Feasibility assessment of the 30% Co-investment criteria	PMT/SP	Jan 2014

## Component 2 – Enterprise-led Value Chain Initiative

17. The implementation progress of this component continues despite few visible activities in the field. The recruitment of the Agribusiness Officer officially on 1 July 2013 showed noticeable progress and ownership in implementation. With the Mathária Empreendimentos Lda (MEL) Strategic Implementation Plan (SIP) being finalized by end November and a total of 7 new concept notes (CNs) currently in the process of preparation, it is expected that the first quarter of 2014 will have 3 extra SIPs ready for implementation, bringing the total to five.

18. Concept notes. The mission reviewed the 5 CNs and the status of the two pending ones (OLAM and CISTER). The mission concurs with the following key areas already identified by the PMT: (i) additionality of the proposed investment to the farmers; (ii) planning and targeting; and, (iii) detailed description of the matching investment. The OLAM CN was seriously delayed because of changes in the OLAM management. The Mission met with OLAM and it was discussed and agreed that a new CN will be submitted by 5 November. The Mission regrets that the CISTER CN is still not approved, due to slow response from CISTER to PMT requests. It was therefore agreed that the PMT requests a final revision where the CN addresses the bottlenecks in the bean value chain with solid reasoning, and invites CISTER to reconsider the matching investments while they are outside the PROMER area and may include recurrent cost as agreed.

19. Strategic Investment Plans and lessons learned. The (Corredor Agro Limitado (CAL – a Sesame value chain leader) SIP was complemented and strengthened according to the comments from the Oct 2012 Mission. In the course of SIP development and implementation, the following important lessons have been identified: (i) in practice it is essential that the VC leader matching contribution allows for recurrent costs to cover some of the operational costs of the SIP; (ii) asset investments should not be shared on a matching basis as this would complicate the ownership; (iii) capital goods will be handed over to the partner on condition of fulfilment of the contractual conditions; and (iv) existing assets listed in the matching contribution should be valued independently to market value and new assets should be procured solely from the partners' own means. *It was agreed that recurrent costs will be eligible but not to exceed 35% of the matching contribution. The VC guidelines should be updated to include this and lesson learnt.* Furthermore, the MEL should improve its SIP and include (i) key value chain constraints; (ii) the additionality for the benefiting farmers; and (iii) the interventions and investments foreseen to address the bottleneck in the value chain.

20. SIP implementation. The CAL have started activities and the first progress report has been received by the PMT. The 2013 planning was only made available to the PMT in August this year, after the Sesame season was almost over. The late planning submission was largely attributed to CAL not being familiar with planning and reporting formats. After meeting CAL senior management it was agreed that: (i) CAL revise the progress report to present the number of new FOs with which CAL established commercial linkages, and additionalities for participating farmers by end of February

2014; (iii) the 2014 planning ready by 30 November 2013, including the planning of newly included farmers as well as a 3-year projection.

Agreed action	Responsibility	Agreed date
Provide follow-up on CISTER CN and MEL SIP	Agribusiness Officer	Immediate
OLAM to submit new concept note	OLAM	Nov 2013
Submit the CAL SIP 2012/2013 evaluation report	CAL	Feb 2014
CAL 2014 planning ready	CAL	Nov 2013
Update the VC guidelines with the lessons learned	Agribusiness Officer	Dec 2013

### Component 3 – Improving the Market Environment

21. **Sub-component 3.1 – Market Infrastructure.** The road rehabilitation works continue, albeit with some delay. Of the 12 contracts signed in 2012, 7 are currently completed, and one is cancelled. For three pending roads, works need to accelerate to ensure completion by the end of the year. For 2013, all 20 contracts have started with approximately 57 km completed of the 261 km planned (22%). The 2013 road works are expected to complete by April 2014. Concerning rehabilitation of the 15 selected markets, 7 districts have signed the technical construction supervision agreement and tender has been launched for 9 markets. It is expected that the remaining districts signs the supervision agreement shortly and tenders to be launched by the end of 2013.

22. **Road maintenance.** The mission acknowledges the initiatives for starting maintenance activities in two of the four districts of PROMER area. This output was reached thanks to the PMT efforts, including an official letter to the Provincial Director of Planning and Finance of Nampula and Zambézia, with copies for all the 4 districts where roads have been rehabilitated in 2011. However, maintenance remains a major challenge. The National Road Administration (ANE) has not been able to produce progress report on funded-PROMER roads despite agreements made in previous missions. This is a vital issue, *and the mission strongly recommends: (i) not continuing with rehabilitation in districts where maintenance is neglected; (ii) that PROMER does a close follow up to make sure that maintenance of the roads rehabilitated by PROMER are included in the district annual plans; (iii) That in case the problem persists, PROMER requests assistance of the Ministry of State Administration (MAE) to ensure compliance with the contractual agreements to maintain roads.*

23. **Selection of roads and markets.** The mission regrets that a simple map with rehabilitated roads, participating FOs, and proposed markets for rehabilitation is still not available. To this end, the PMT will follow up with ANE for the latter to develop the map by November 29 for Block B. Reports on selected roads and markets to be rehabilitated is still not available. This should include how the roads and the markets considered feature against key criteria, like size of the communities serviced, number of programme FOs effected, market potential, estimated scope of works required, and length of road. It was agreed that this should be prepared without further delay.

24. **Road Fund.** Due to delay of the 2012 contracted road works, some of the works coincide with the 2013 works, which increase financial constrain. This, combined with the fact that individual road contracts are becoming increasingly larger, the current road fund advance ceiling appears to be too low to accommodate contract advancements. To accommodate this, it was agreed to increase the advance to the Road Fund from USD 350,000 to USD 500,000.

Agreed action	Responsibility	Agreed date
Assist PROMER with mobilizing road maintenance in the districts	MAE	Tbd
To submit a PROMER specific maintenance progress report	ANE	Dec 2013
Produce a integrated roadwork and FO map	PMT	Nov 2013
Provide clear reporting on the selected roads and proposed markets	PMT	Mar 2014
Increase road fund advance ceiling	IFAD	Immediate

25. **Sub-component 3.2 – Facilitating Access to Finance.** GAPI and AMODER Outreach Support. AMODER was unable to fully execute its contractual obligations and returned most of the funds advanced for rehabilitating their Alto Molocuê agency. GAPI has almost completed its new

agency in Ribaué, expected to open early 2014. The building of a new agency in Guruè was abandoned due to land issues and building problems. GAPI took a decision to support a microbank to complement its agency in Montepuez without prior agreement with PROMER. In contention is whether this unilateral decision is in line with PROMER's objectives of expanding outreach. Since 2011, GAPI has disbursed 36 loans (approximately USD 250,000) in PROMER districts but no detailed reporting on these loans has been submitted as previously agreed. The mission has developed a simple reporting template on portfolio quality to be used by GAPI in future reports to PROMER. See recommendation in the table below.

26. Matching grants. Matching grants were provided through FARE to 4 microcredit operators in 3 PROMER districts. All are operating and have received lines of credit from FARE's Rural Finance Support Programme. Supported matching grant start-up institutions tend to charge levels of interest significantly above market rates with low credit volumes and high default rates, while targeting mainly public servants. Some, but very limited volumes of credit, go to FOs. These operators are unlikely to play a significant role in providing credit to either producers or commodity traders.

27. Line of Credit (LoC). In accordance with paragraph 81 of the MDG Design Report of April 2013 and to ensure transparency, the management contract for the LoC will be submitted to a tendering process. The LoC should be earmarked for credits to be applied only for PROMER-approved activities, in particular agricultural marketing and production. Linkages should be explored with the recently launched DANIDA Agro Investe Guarantee Fund (and others) to further encourage financial institutions collaboration with PROMER supported FOs.

28. Risk Mitigation Facility for input advances. Details for the implementation of the risk mitigation activities envisaged for sub-component 1.1 need to be worked out as part of the TOR for the service providers. The risk mitigation contracts do not need the intervention of a financial institution other than maintaining an account from which the 75% loss cover on defaulted input credits would be made to input suppliers (wholesalers). Details of how this arrangement would be implemented will be provided in the Annex on financial services.

29. ASCA Promotion. The selection process for choosing promoters of ASCAs is reaching its final stages with winners to be announced soon. The PMT should liaise with other IFAD programmes with similar initiatives, such as ProPESCA and PAFIR to ensure that lessons learnt are capture from past experience in this area.

30. Financial Access Facilitation for FO. The April 2013 follow-up mission agreed to include access to finance training for FOs in the AWPBs of each service provider. Two of the three SPs complied. The field visits suggest that much more could be done towards obtaining information on relevant financial products and their providers. Issues arising between the Forum Canhunha in Malema District and Banco Terra highlight the potentially important intermediary roles of service providers. It was agreed that each SP collects relevant information on financial services available in each district for dissemination via the community radios.

Agreed action	Responsibility	Agreed date
Reach formal agreement on the selection of second agency to replace the abandoned Guruè initiative ("Plan B")	GAPI & PMT	Nov 2013
Submit quarterly portfolio reports (based on agreed template) on GAPI credits in PROMER districts	GAPI	Dec 2013
Tender Management for Line of Credit	PMT	Jan 2014
Finalize implementation details for the Risk Mitigation Facility for inclusion in service provision contracts	PMT	Nov 2013

31. **Sub-component 3.3 – Improving Market Transparency**. Regional Market Information system (MIS). The discussion on a region MIS with SIMA and INFOCOM has not progressed since the last mission. Therefore the PMT has decided to scale down this activity until a viable alternative emerges, which the mission concurs with.



32. **Community Radios.** The Alto Molocue initiative has been expanded to 10 additional districts, with price information being disseminated on a weekly basis. The radio initiative looks successful and PROMER plans collaboration with PSP to include extension messages to be launched in early 2014. It was agreed that PROMER would also include information on availability of crops and quantity for sale in associations as well as availability of financial services and their terms and conditions. The mission also reiterate the last mission agreement for PROMER to build a case on the importance of agricultural programmes as a possible revenue generator for community radio's to be disseminated to partnering stations.

Agreed action	Responsibility	Agreed date
Develop economic case for radio programmes	PMT	Aug, 2014
Broadcast extension services	PMT & PSP	31 Mar, 2014

#### Component 4 – Nutrition Promotion

33. The tender for nutrition service provider is at an advance stage and expected to conclude by mid-November. To adopt a pragmatic approach and ensure sufficient funds for adequate implementation, it was agreed that the nutrition activities will be piloted in one province to be selected by the PMT, and scaled up to the other provinces following the MTR review. For a holistic nutrition programme throughout the MDG programme, it was agreed that the PMT retain the consultant used by FAO to elaborate the training-content. The PMT should also liaise with the World Bank to explore synergies and avoid duplication with their recently launched health/nutrition programme in the PROMER areas as well as with SETSAN, which is in charge of the overall coordination for the PAMRDC.

Agreed action	Responsibility	Agreed date
Recruit Nutrition Service Provider	PMT	Nov, 2013
Recruit consultant for elaboration of nutrition material	PMT	Dec, 2013

#### Component 5 – Policy/Institutional Support and Management

34. **Sub-component 5.1 – Knowledge Management (KM) and Coordination.** The external consultant to support communication was recruited and the website should be online by end of 2013. The agreement to report on effect of training has not been implemented in a systematic way. Only one of the two people trained submitted a report, but the section on way forward was missing.

35. The recruitment of the KM Officer concluded in October 2013, but he needs an induction to facilitate the shared knowledge, innovations, and lessons learnt among IFAD programmes and with other rural development programmes. *It was agreed that induction will commence immediately, and that the incumbent draft a KM strategy integrating both institutions' needs and priorities for IFAD and DNPDR by December 2013. It was further agreed that for 2014 the incumbent will report to the ProPESCA coordinator for the IFAD related activities.*

Agreed action	Responsibility	Agreed date
Commence induction training	IFAD-funded KM Cell Coordinator	Nov 2013
Draft KM strategy	KM Officer	Dec 2013

36. **Sub-component 5.2 – Policy/Institutional Support.** The Coordination between PROMER and MIC improved since the last mission's visit; several meetings were held and decisions were taken for next year's AWPB. The 2013 planned activities should be implemented at 85%, the remaining activities depend on the approval of National plans, which are suffering from delays (they will be inserted into the 2014 AWPB). The MIC decentralised its activities to the Provinces; now the Districts collaborate directly on the field with PROMER cells, improving the communication flow and activities implementation. The overall performance of most Provinces has reached a satisfactory level; the underperforming ones are hindered by capacity issues and lack of transportation means.

37. **Sub-component 5.3 – Programme Management.** The programme continues with sound management. The Programme Coordinator recently participated in an IFAD learning event on Sharing Practices in Project Leadership Planning and Implementation. All current PMT positions are almost filled, with the new Rural Finance and Nutrition Programme Officer expected to start in November 2013. Furthermore to maintain continuity of activities after the departure of Pemba Cell Coordinator, the PMT and the DNPDR need to agree on temporary management of the Cell, including financial management during the interim period, until the PMT finalizes the recruitment process.

38. Capacity building. To motivate staff and further develop value chain capacity at PMT and cell level, it was agreed that the PMT would integrate a capacity-building plan in the 2014 AWPB to identify capacity needs and appropriate training for all staff. The IFAD financed grant ROUTESA, is planning a learning route on value chains in 2014, which is a learning opportunity for the Agribusiness Officer and the three Cell Coordinators.

39. Planning. The PMT is planning a workshop with all staff for planning and elaboration of the 2014 AWPB. This exercise will include a reassessment of the logframe and plan for MTR preparations. In order to give adequate time for this process, IFAD agreed to postpone the submission of the 2014 AWPB to 15 December 2013.

40. Gender. The foreseen gender training has been carried out by two of the three service providers, with the SNV consortium having the training planned for November 2013. However the planned evaluation on women's empowerment and gender equality has not yet been carried out. The PMT vision is to further strengthen the gender-focus in the programme, and thus consider the assessment to be an important guidance for the upcoming mid-term review. To give adequate time to finalise the prior assessment, it was agreed that exercise will be carried out by February 2014.

41. Mid-term review preparation. As a preparation for the MTR, the PMT plan to carry out a series of internal/external assessment to understand the programme impact. It is also important to ensure availability of accurate data in the M&E database, and a collection of success stories/good practices, and clear/coherent reports. It was agreed that the MTR will be planned for 19 May to 6 June 2014.

42. Component structure. The new component structure moving the original component 4 – Policy/Institutional support and Management – to component 5 has created difficulties with the accounting system. To rectify the matter, it was agreed that government will send to IFAD a request for amendment to the financing agreement to reorder the component structure to be compliant with the system.

43. Planning, Monitoring & Evaluation (PM&E). Following the last supervision mission, the PMT has stressed the importance of the PM&E system and carried out training for SPs and cells in April 2013. Reporting templates were improved and standardized to allow consistent and systemized information to be transmitted from the field. However, the PMC's reports could be improved, especially for the sections on constraints, lessons learnt, and recommendations. Moreover, the RIMS baseline has not yet been updated on the database due to problems with the software. *It was agreed that the M&E officer submit an excel spread sheet with this information to IFAD as an alternative.*

44. The Monitoring & Evaluation database is not used at its fullest potential. The field activities monitoring cannot be done from the database due to vacant M&E posts in two cells. *It was agreed that the two new M&E Officers would be trained and autonomous in the use of the database by early 2014, so that the field data could be synchronized with the central database. The M&E consultant developing the database will be hired to integrate the MDG indicators once finalized.*



Agreed action	Responsibility	Agreed date
Road Engineer will be given temporary authority to sign checks during the interim period	PMT	Nov 2013
Commence recruitment for the Pemba Cell Coordinator	PMT	Nov 2013
Include capacity building plan for all staff in 2014 AWPB	PMT	Dec 2013
Carry out gender equality and women's empowerment assessment	PMT	Feb 2014
Commence internal and external programme assessment to prepare for the MTR	PMT	Feb 2014
PMC reports to be improved with new mandatory part	PMT M&E Officer	Dec 2013
Baseline survey data to be submitted to IFAD using template developed by the mission and shared with the M&E Officer	PMT M&E Officer	Nov 2013
M&E database fully up-to-date with backlog information and MDG indicators	PMU M&E Officer	Mar 2014
Joint IFAD & DNPDR project KM Strategy drafted	KM Officer PMU	Dec. 2014
PMU to request new ideas implementation plans to staff receive training abroad	M&E Officer	Mar 2014

## E. Fiduciary aspects

45. **Financial management.** Financial Management is solid, and the project has two accountants assisting the Financial manager, and a third one being hired to assist in the management of the MDG grant. Bookkeeping and account reconciliation are carried out in timely manner, and the financial statements reviewed captured accurately the current situation of the project. A spot check was conducted and 8 random transactions recorded in the financial reports were reviewed, covering WAs 17, 18 and 19. The revision showed that financial reporting is adequate both at the PMT and at the SPs level.

46. **Disbursement.** Total disbursement stands at SDR 9,185,244.77, which represents 48% of the total IFAD loan. WA 20 was submitted to IFAD during the Mission. This will bring total disbursements from the loan account to 52%. It is noted that due to long process in obtaining signatures evidence and opening specific bank account, the MDG grant has not been disbursed yet. Execution of the 2013 AWPB, as of 30 September is 44%. This is due to implementation delay of the MDG and 2013 Matching grants activities under sub-component 1.1. The cumulative rate of expenditure, as at 30 September 2013, is 25.2%. As outlined above, the PMT considers that the beneficiaries will have difficulties raising their required share of matching contribution. For 2013, the beneficiaries' contribution is non-existent. Given that beneficiaries' contributions can be in goods and services, it was agreed that the PMT would design guidelines in order evaluate and estimate the monetary value of the beneficiaries' contribution. It was agreed that PMT would draw on the knowledge of PSP, which has been experiencing the same issue..

47. **Counterpart funds.** As per the loan agreement, Government contribution is paid as tax refunds and tax exemptions. As of 30 September 2013, total VAT refunded and exempted by GoM stands at USD 374,703, against a yearly budgeted amount of USD 481,008. This corresponds to 78% of the projected refund for 2013 and no outstanding amounts need to be recovered. Globally, since the beginning of the project and up to 30 September 2013, GoM's share of PROMER financing is at 7% of total expenditures, fully compliant with the loan agreement covenants.

48. **MDG grant management.** The MDG Design Report does not specify the regulations on the transfer of funds for DIC. It was agreed that a MOU will be signed between PROMER and DIC with clear guidelines on disbursement and financial reporting, which will be drafted by PROMER's Financial Manager and submitted to IFAD for NO. The PIM should also be updated accordingly, while TOMPRO will need to be upgraded. It was agreed that the funds for these operations will be recovered from the first semester salary of Alto Molocué M&E officer who should commence his/her duties in January 2014.

49. **Evidence of signatures.** The Mission noted the long process for sending the evidence of signatures from the Central Bank to IFAD. It must be stressed that on 22 June 2009, the Central Bank of Mozambique sent the evidence of authority to sign withdrawal applications for PROMER to IFAD, and it was agreed that the same procedure should be followed for the MDG grant accounts.

50. **Compliance with loan covenants.** Section 3.04.b. of the loan agreement, which establishes that the borrower should replenish the counterpart funds annually *in advance* to cover exemptions for

taxes and duties, has not been adhered to. This breach of the covenant is unavoidable due to the fact that tax refunds can only be paid after submission of support documentation. All other loan covenants are being complied with.

51. **Procurement.** Overall, the Mission finds that procurement procedures are adequate and satisfactory. The Contract Management has improved since the last Supervision Mission. The contract register is kept in Excel, and the Contract Monitor Forms (CMF) are correctly used and show the updated invoices processed. Four procurement processes were reviewed, and the Mission noted no issues that would seriously compromise Project implementation..

52. **Audit.** The 2012 Audit of the PROMER financial statements was finalized and found to be 'unqualified'. The PMT respected the 30 June deadline for the submission to IFAD. The financial statements, which should have been sent by 31 March, were sent to IFAD on 12 April 2013. IFAD has given NO for the hiring of KPMG to perform the 2013 Audit of the Financial Statements. The Mission noted that the 2012 Audit Recommendation Letter did not have any outstanding issues for PROMER.

Agreed action	Responsibility	Agreed date
Request Loan amendment	PMT	Dec 2013
Finalize hiring process for MDG accountant	PMT	Dec 2013
Submit 2014 AWPB	PMT	Dec 2013
Update TOMPRO for MDG grant	PMT	Feb 2014
Hire M&E expert to create M&E database for MDG	PMT	March 2014
Sign MOU with DIC and prepare disbursement guidelines	PMT	March 2014

## F. ProParcerias

53. **Overall assessment of project implementation.** In its last year of implementation ProParcerias is starting to show some results. Nevertheless, some serious efforts still need to be carried out to reach the original objective of the Project, namely the development of appropriate policy recommendations and implementation guidelines for the establishment of sustainable partnerships. The Mission appreciates the efforts and the renewed commitment of the Project Management Team (PMT) and DNPDR to ProParcerias. Due to unsatisfactory performance of the service provider responsible for research in the Project, a new one, SOFRECO-NHP, was recruited in August 2013. The Project completion date is 31 December 2013 and the closing date is 30 June 2014.

### Project implementation progress

54. **Research and lesson learning.** Given the absence of the research service provider, university students have been supporting the PMT with the compilation of case studies from existing partnership initiatives in the agricultural sector in Mozambique, and complete at least two thematic studies. So far eight case studies have been identified, of which two are completed. It was agreed that the 15 case studies and two thematic studies on possible key obstacles and challenges for the establishment of community investor partnerships will be completed by 31 December 2013.

55. **Pilot community-investor partnerships in the agriculture sector.** LUPA (Associação para o Desenvolvimento Comunitário) has not been able to set up any partnership yet, but it seems very likely they will do so between Inkomati Investment Ltd. and the community of Chicotane in Gaza. Even though they have experienced limited success in establishing partnerships, the Mission highly appreciates the work LUPA has done with regards to disseminating information on the Project, working together closely with the District Service for Economic Activities (SDAEs) and drawing lessons from various experiences. *It was agreed that LUPA will ensure that the contract is signed by 30 November 2013.*

56. ORAM/MERCAL (a NGO/consulting firm consortium), on the other hand, has been able to set up 12 partnerships between farmers' associations and DADTCO for the purchase of cassava. Nevertheless, the Mission noted that the support provided to the communities by ORAM has been rather limited. For example, IFDC has already missed the agreed deadline for delivery of cassava stakes to the farmers' associations for the setting up of nurseries, which is having a negative impact on the trust between the parties involved. While this was observed and reported by a DNPDR

monitoring mission, so far ORAM/MERCAL has not undertaken any efforts to mediate and solve this issue. Moreover, the nature of the partnership does not completely concur with the one that was originally envisaged, namely, securing group land rights that permit the establishment of partnership arrangements based on the use of that land by private sector entities. On the other hand, ORAM/MERCAL has been very successful in strengthening linkages with PROMER. *It was agreed that ORAM/MERCAL will follow up on the signed contracts and resolve the issue of the cassava stakes by 30 November 2013.*

57. Furthermore, LUPA and ORAM/MERCAL have been compiling community profiles, which are being used to attract the interest of potential investors. The Mission noted that only 18 of the 32 profiles have been prepared and that the existing ones often lack sufficient information on the economic potential of the communities, which is what investors are most interested in. *It was agreed that all the profiles will be completed and shared with the local authorities by 31 December 2013.* These profiles will be also published and disseminated through the database which has been set up by ProPARCERIAS on the website of DNPDR. This should be done in close collaboration with the Knowledge Management Unit of DNPDR.

58. **Toolkit development.** Based on the work done by LUPA, SOFRECO-NHP has developed a first draft of a guideline on the establishment of sustainable community-investor partnerships. It was agreed that the draft version will be improved with the inputs of various stakeholders and will be presented at the Forum de Consulta sobre Terras in Niassa in December. *It was furthermore agreed that, based on the experience of ProParceries, two policy proposals will be developed by 31 December 2013. The Mission noted that LUPA has already prepared a draft policy proposal.*

#### 59. Management and fiduciary aspects

60. A new meeting of the National Reference Group will take place in November 2013 to discuss the draft guidelines and the collected case studies. This will provide the members with opportunity to provide inputs and advice.

61. **Phasing out strategy.** During the Mission, a meeting was held with the PMT, IFAD and a representative of the Dutch Embassy. It was agreed that no project extension is necessary. However, during the period between the completion and closure of the project some of the remaining funds from the Government of the Netherlands can be used for disseminating the results of the project. Furthermore, remaining funds will be used to hire a consultant who will assist the project in consolidating the various lessons learned and ensuring good quality of the expected products. *It was agreed that the PMT would prepare a work plan and budget and present it to the Dutch Embassy by 8 November 2013.* IFAD will continue providing technical assistance. In order to ensure continuity of their activities, both LUPA and ORAM/MERCAL need to continue strengthening the capacities of the local governments and look for synergies with other interventions, such as ITC, PROMER and PROSUL. Furthermore, DNPDR is to consider how these activities can be integrated in their 2015 AWPB.

62. The Mission reminded the PMT that a final report needs to be submitted to IFAD and the Netherlands by 31 March 2014, consisting of a Final Statement of Expenditure, a Completion Report and all the audited financial statements.

Agreed action	Responsibility	Agreed date
Finalise 15 case studies and two thematic studies	PMT	Dec-13
Finalise contract between Inkomati Investment Ltd. and the community of Chicotane	LUPA	Nov-13
Resolve the issue of the cassava stakes for associations which have signed a contract with DADTCO	ORAM/MERCAL	Nov-13
Complete community profiles and share with local authorities	PMT, LUPA, ORAM/MERCAL	Dec-13
Finalise guideline and 2 policy proposals	PMT, SOFRECO-NHP	Dec-13
Submit work plan and budget for closing of project	PMT	Nov-13

63. **Financial management.** Financial Management has improved with the installation of an accounting software (Primavera) in order to automate bookkeeping. The Mission verified that all transactions from 2012 and 2013 that were funded by IFAD have been posted in the system, as agreed in the last Mission. However, the accounting system was designed based on the plan of activities, and not the budget lines of the project design report. The Mission also verified that the system does not follow the four components (Schedule 1, paragraph 1.4) established during the signature of the grant. As such, all Financial Statements requested by IFAD are based upon a reconciliation process done in Excel.

64. Financial reporting of the previous years was reviewed, and the Mission observed that the provisions of the grant agreement on reporting were not followed (progress report in English, description of the project components, budget lines and an attached statement of expenditures). It was agreed that the previous progress report sent to IFAD should be translated into English, and that the outstanding statements of expenditures should be included.. All these procedures will allow the timely closure of the grant.

65. **Disbursement.** Upon grant signature, IFAD disbursed USD 225,000 to the Recipient. A second instalment of USD 25,655 will be disbursed upon receipt by IFAD of the Project Final Report. Financial execution of the IFAD grant currently stands at 86%. Bank reconciliation forms show that only USD 5,688.30 are left in the IFAD account opened at Banco de Moçambique.

66. **Compliance with grant covenants.** The Mission observed that the procedures of the grant have been used to pay for VAT, in violation of the General Conditions Applicable to IFAD Small Grant Agreements with Member States, paragraph 6.14. The total amount of VAT paid through the Service Providers is USD 34,792.28 (MZM 1,012,455.24, as per the UN exchange rate for October 2013). This amount covers solely the IFAD grant. DNPDR has agreed to reimburse the VAT, and it was agreed that the refund, in addition to the balance in the Project Account, be used to pay the outstanding Service Providers' invoices.

67. **Procurement.** According to the records, only one Procurement process was conducted in 2013. The 2013 Procurement plan was followed and a Service Provider was contracted in a regular bidding. All documentation was found to be in order.

68. **Contract Management.** The Mission noted that no register of contracts is in place, and that there's no evidence of a Contract Management Form being used by the PMT. It was agreed that the PMT creates a register of contracts and retroactively creates all the CMFs.

69. **Audit.** It was agreed that the TOR for the 2013 Audit be amended to reflect that financial reporting should be done in accordance with the provisions of the grant agreement. It was agreed that the next audit will start in February 2014, so as to give enough time for the implementation of the last agreement.

Agreed action	Responsibility	Agreed date
Review Financial statements for 2012 and 2013	PMT	Dec 2013
Translate past progress reports into English and submit to IFAD	PMT	Dec 2013
Prepare outstanding SOEs	PMT	Dec 2013
Request VAT refund to DNPDR	PMT	Mid Nov 2013
Prepare register of contracts and CMFs	PMT/IFAD	Dec 2013
Amend TOR for Audit 2013 and request IFAD's NO	PMT/IFAD	Dec 2013

70. **PROMER and ProParcerias linkages.** The Mission appreciates the efforts done by PROMER and ProParcerias to strengthen linkages between both projects, especially at field level. The 12 contracts with DADTCO that have been facilitated by ORAM/MERCAL are very much in line with PROMER's efforts to strengthen the market linkages of farmers' associations. PROMER is already working with the same 12 associations, but has not yet been successful in strengthening the cassava

value chain. PROMER will monitor the implementation of the contracts established by ProParcerias. This will be done as part of the support to farmers' organisations (sub-component 1.2) by the field staff of SNV/OLIPA/UATAF and, if necessary, additional support can be contracted. This experience will allow to draw lessons on how and if this can be replicated with other associations that are being supported. The involvement of DADTCO as a value chain leader should also be considered. It was agreed that a follow-up plan will be worked out jointly by PROMER and ProParcerias by 31 December 2013.

## **G. Sustainability**

71. The main elements for the sustainability of both PROMER and ProParcerias remain to be (i) group dynamics; (ii) infrastructure maintenance; and (iii) duration of promoted commercial linkages. The sound community-based focus, especially on literacy, group dynamics and marketing activities show promise for the sustainability of the first point. The risk of non-maintenance of the roads is very present and mitigating actions needs to be in place. The last element depend on the strength of the market-linkage forged and the capacity-building of groups, where the benefits of establishing long-lasting commercial relationships is well understood.

## **Conclusion**

72. The mission maintains a positive impression of the overall progress of PROMER implementation, and is hopeful that the outputs of ProPARCERIAS will contribute to greater understanding of the different partnership-modalities between the private sector and rural communities. The mission is also pleased to note the continued keen interest by DNPDR management in the two programmes. For PROMER, the upcoming year and adequate integration of the outstanding activities will be a determining factor for the final outcome of the Programme, and will need the PMT's full attention going forward. Furthermore, a supervision mission/MTR has been planned from 19 May to 6 June 2014.

73. IFAD and the Government of Mozambique endorse the findings of the supervision mission.

## Appendix 1: Summary of project status and ratings

### Project 1423 [754] Rural Markets Promotion Programme

#### Basic Facts

Country	Mozambique	Project ID	1423	Loan/DSF Grant No.	754
Project	Rural Markets Promotion Programme			Top-up Loan/DSF Grant	
Date of Update	04-Nov-2013				
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	5	No. of Implementation Support/Follow-up missions	5		
Last Supervision	01-Nov-2013	Last Implementation Support/Follow-up mission	12-Apr-2013		

USD million Disb. rate %						
Approval	11-Sep-2008			Total financing	48.34	
Agreement	17-Sep-2008	Effectiveness lag	7.6	IFAD Total	31.14	
Entry into force	26-Apr-2009	PAR value	-----	IFAD loan	31.14	0
First disbursement	20-Jul-2009			DSF grant		
MTR		Last amendment	26-Mar-2010	IFAD grant		
Original completion	30-Jun-2016	Last audit	15-Jun-2012	Domestic Total	7.31	
Current completion	30-Jun-2016			Beneficiaries	3.05	0
Original closing	31-Dec-2016			Government (National)	4.26	0
Current closing	31-Dec-2016			External Cofinancing Total	9.89	
No. of extensions	0			European Union	9.89	0

#### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	5	5	1. Quality of project management	4	5
2. Acceptable disbursement rate	4	4	2. Performance of M&E	4	4
3. Counterpart funds	3	6	3. Coherence between AWPB & implementation	5	4
4. Compliance with financing covenants	5	5	4. Gender focus	4	4
5. Compliance with procurement	5	5	5. Poverty focus	4	4
6. Quality and timeliness of audits	5	6	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	3	4
			8. Climate and environment focus		4

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. 1.1 Support for Input & Output Traders	3	4	1. Institution building (organizations, etc.)	5	5
2. 1.2 Support for Farmers' Organizations	5	5	2. Empowerment	5	5
3. 2. Enterprise-led Value Chain Initiative	3	3	3. Quality of beneficiary participation	5	4

4. 3.1 Market Infrastructure	4	4	4. Responsiveness of service providers	4	4
5. 3.2 Facilitating Access to Finance	3	3	5. Exit strategy (readiness and quality)	2	3
6. 3.3 Improving Market Transparency	4	4	6. Potential for scaling up and replication	5	5
7. 4.1 Knowledge Management & Coordination	4	4			
8. 4.2 Policy/Institutional Support	3	4			
9. 4.3 Programme Management	4	5			

#### B.5 Justification of ratings

Overall quality of project management (including vision of where the project should go as well as financial and fiduciary aspects) is satisfactory. Audit submitted on time and unqualified. The programme is well managed, with improved communications with the decentralised units, and responsive service providers. Overall implementation has accelerated, in particular component 2 and actions are being taken to better integrate the results achieved by the grant ProPARCERIAS. Programme implementation has been negatively impacted by the delays in disbursing the EU funds. The rating (4) related to climate and environment focus has not been assessed since the programme has not been trained (nor told so) to implement and supervise such topic.

### Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience		4
C.4 Overall <b>implementation progress</b> (Sections B1 and B2)	4	4

#### Rationale for implementation progress rating

Overall implementation has accelerated, in particular component 2 and actions are being taken to better integrate the results achieved by the grant ProPARCERIAS. Programme implementation has however been negatively impacted by the delays in disbursing the EU funds. The rating (4) related to quality of natural asset improvement and climate resilience has not been assessed since the programme has not been trained (nor told so) to implement and supervise such topic.

C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	4
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#### Rationale for development objectives rating

Optimism for future implementation as project management is sound and the work in the field has been going on.

#### C. **Risks** Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	
Project implementation progress	Partnerships with the value chain leaders need more guidance in order to use the resources efficiently, and to develop the Strategic Investment Plans (SIPs) to implementation readiness.
Outputs and outcomes	
Sustainability	The maintenance that needs to follow feeder road rehabilitation receives attention, and requires further follow-up.

### Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Integration of the MDG Programme needs to become effective	IFAD to sign the Cooperation Agreement with the EU, and to advance the amendment of the Loan Agreement.	May 2013	On track

#### Additional observations



## Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

*No changes were made to the LogFrame since the last supervision mission.*

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<b>Goal:</b>			
To improve livelihoods of poor rural households	<ul style="list-style-type: none"> <li>Increased income of poor households</li> <li>Improvement of asset ownership index of rural households (<i>RIMS indicator</i>)</li> <li>Improved social indicators, including reduction in child malnutrition and enrolment in primary education for both girls and boys (<i>RIMS indicator</i>)</li> <li>Literacy rate, by gender (<i>RIMS indicator</i>)</li> </ul>	<ul style="list-style-type: none"> <li>(1-2) Household income and Expenditure Surveys</li> <li>(3) National Nutritional Surveys</li> <li>(3) Poverty assessments</li> <li>(1-4) Programme baseline and impact surveys</li> </ul>	
<b>Project Development Objective:</b>			
<b>Outcome 1:</b> Improved smallholder access to and participation in value chains and agricultural markets	<ol style="list-style-type: none"> <li>Change in the volume of produce sourced from farmers within selected commodity value chains</li> <li>Number of value chains activities or agri-business partnerships operating after 3-years</li> </ol>	<ul style="list-style-type: none"> <li>(1-2) Programme baseline and impact survey</li> <li>(2) Programme progress reports</li> </ul>	The terms of trade for smallholders remain favourable and increase their returns for the crops and other agricultural products
<b>Outcome 2:</b> More efficient market intermediaries and more effective partnerships stimulating increases in agricultural	<ol style="list-style-type: none"> <li>Number of licensed small and medium traders, agro-dealers, and agro-processors and their</li> </ol>	<ul style="list-style-type: none"> <li>(1-3) Programme baseline and impact surveys</li> <li>(1-3) Programme progress</li> </ul>	Traders and agro-processors expand activities in a manner that



Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
production and value addition	<p>volume of trade increases by gender</p> <p>2. Farmers reporting production/yield increases by gender <i>[RIMS indicator]</i></p> <p>3. Increase in the volume of intermediate processing or value addition undertaken by farmer organizations or small traders/agro-processors</p>	reports	<p>benefits smallholders</p> <p>Marketing and value addition activities through farmer organizations result in higher farmgate prices for smallholders and/or shared profits for members</p>
<p><b>Outcome 3:</b></p> <p>A more conducive environment for agricultural market operations</p>	<p>1. Number of market facilities/infrastructure operating after 3 years (by type) <i>[RIMS indicator]</i></p> <p>2. Implementation of policy reforms or initiatives at national and provincial levels</p> <p>3. Reduction in costs of storage, transport, and financial services within programme areas or for programme beneficiaries</p> <p>4. Number of new financial institutions operating in programme area (by type)</p>	<ul style="list-style-type: none"> <li>▪ (1 and 3) Programme baseline and impact surveys</li> <li>▪ (1-3) Programme progress reports</li> </ul>	<p>Larger policy and institutional environment remains favourable</p> <p>Availability of complementary investments in market infrastructure and services (particularly production related advisory services and financial services)</p>

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p><b>Output 1:</b> Developing more dynamic Market Intermediaries</p> <p>1.1 Increased capacity of farmers' associations and traders to effectively market surplus production</p> <p>1.2 Stronger institutions effectively representing farmers' interests at national and local level</p>	<ol style="list-style-type: none"> <li>1. Change in the number of higher level farmer organizations established and type of services provided (at least 10 district farmer unions established by project end)</li> <li>2. # of farmers associations and traders "graduate" or # achieving level A status (at least 50% by project end)</li> <li>3. # of agro-dealers active in input supply by gender [at least 150 by project end]</li> <li>4. People attending literacy classes (disaggregated by gender) (at least 750 participants by project end) <i>[RIMS indicator]</i></li> <li>5. Groups operational/functional, by type (at least 700 groups by project end) and # with women in leadership positions <i>[RIMS indicator]</i></li> <li>6. # of people or groups accessing technical advisory services facilitated by project by gender <i>[RIMS indicator]</i></li> </ol>	<ul style="list-style-type: none"> <li>▪ (1-5) Programme progress reports</li> </ul>	<p>Market intermediaries/institutions are able to increase efficiency, competitiveness and/or bargaining power, which results in higher prices to farmers</p>
<p><b>Output 2:</b> Enterprise-led value chain initiative</p>	<ol style="list-style-type: none"> <li>1. Number of partnerships developed between smallholders</li> </ol>	<ul style="list-style-type: none"> <li>▪ (1-4) Programme progress</li> </ul>	<p>Partnerships developed with agri-business are viable and sustainable</p>

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p>2.1 Profitable partnerships between smallholders and agri-business enterprises</p>	<p>and agri-business enterprises (as least 5 new partnerships established)</p> <p>2. Number of farmers and farmer organizations participating in agri-business partnerships (at least 50 Farmers' Associations participating by project end)</p> <p>3. Positive change in capital investment accumulated and annual profit realized by farmers organizations, traders, processors or buyers within targeted commodity value chains</p> <p>4. # of processing facilities established (at least 5 by project end) <i>[RIMS indicator]</i></p>	<p>reports</p> <ul style="list-style-type: none"> <li>(3) Enterprise or organization financial statements</li> </ul>	<p>in the long term without continued programme support</p>
<p><b>Output 3:</b> Improving the market environment</p> <p>3.1 Improvement in the quantity and quality of market related infrastructure and services</p>	<p>1. # and type of market infrastructure/facilities built (by km of road to closest sale point or size/volume capacity of market infrastructure) <i>[RIMS indicator]</i></p> <p>2. # of market information radio broadcasts, newsletters and publications and level of community awareness of them (as measured by surveys)</p> <p>3. # of participating farmers</p>	<ul style="list-style-type: none"> <li>(1-5) Programme progress reports</li> <li>Government statistics at the provincial and national level</li> <li>(2 -3) Specialized surveys</li> </ul>	<p>Programme investments result in lower transaction costs and increased availability of services which are widespread enough to benefit large numbers of beneficiaries</p>

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
	<p>associations and traders accessing credit for marketing or production activities (by type and volume of credit received)</p> <p>4. # of active borrowers in supported financial institutions, by gender [RIMS indicator]</p> <p>5. # of financial service institutions newly established in 15 programme districts</p>		
<p><b>Output 5:</b> Management and Policy/Institutional Support</p> <p>5.1 Effective planning, M&amp;E, technical support, administrative and programme management systems</p> <p>5.2 Greater dissemination of market intelligence and stakeholder engagement on market linkage initiatives within government, private sector, civil society, and development partners</p> <p>5.3 Increased capacity within government to address market linkage issues</p>	<p>1. Programme disbursement rates</p> <p>2. Timely production of physical and financial reports</p> <p>3. # of seminars, publications or other types of knowledge products produced</p> <p>4. # of people trained [RIMS indicator]</p>	<p>▪ (1-4) Programme progress reports</p>	

### Appendix 3: Summary of key actions to be taken within agreed timeframes

Action Area	Action Agreed	Date	Whom	Progress
<b>Component 1</b>	- Working session with SPa to harmonise activities and baseline	Dec 2013	PMT	
	- FO upgrading targets for 2014	Nov 2013	PMT/ SP	
	- Markets assessment in each block	March 2014	SP	
	- Mapping existing financing opportunities	March 2014	SP	
	- Evaluation of one-year literacy training	Dec 2013	PMT/UTAF	
	- Feasibility assessment of the 30% of Co-investment criteria	Jan 2014	PMT/ SP	
<b>Component 2</b>	- Provide follow-up on CISTER CN and MEL SIP	Immediate	Agribusiness Officer	
	- OLAM to submit new concept note	Nov 2013	OLAM	
	- Submit the CAL SIP 2012/2013	Feb 2014	CAL	
	- evaluation report			
	- CAL 2014 planning ready	Nov 2013	CAL	
	- Update the VC guidelines with the lessons learned	Dec 2013	Agribusiness Officer	
<b>Component 3</b>				
<i>Sub-component 3.1</i>	- Assist PROMER with mobilizing road maintenance in the districts	Feb 2014	MAE	
	- To submit a PROMER specific maintenance progress report	Dec 2013	ANE	
	- Produce an integrated roadwork and FO map	Nov 2013	PMT	
	- Provide clear reporting on the selected roads and proposed markets	March 2014	PMT	
<i>Sub-component 3.2</i>	- Increase road fund advance ceiling	Immediate	IFAD	

<b>Sub-component 3.3</b>	-	- Reach formal agreement on the selection of second agency to replace the abandoned Guruè initiative ("Plan B")	Nov2013	GAPI & PMT
	-	- Submit quarterly portfolio reports (based on agreed template) on GAPI credits in PROMER districts	Dec 2013	GAPI
	-	- Tender Management for Line of Credit	Jan 2014	PMT
	-	- Finalize implementation details for the Risk Mitigation Facility for inclusion in service provision contracts	Nov 2013	PMT
	-	- Develop economic case for radio programmes	Aug 2014	PMT
	-	- Broadcast extension services	Mar 2014	PMT & PSP
	<b>Component 4</b>			
	-	- Recruit Nutrition Service Provider	Nov 2013	PMT
	-	- Recruit consultant for elaboration of nutrition material	Dec 2013	PMT
	<b>Component 5</b>			
	-	- Road Engineer will be given temporary authority to sign checks during the interim period	Nov, 2013	PMT
	-	- Commence recruitment for the Pemba Cell Coordinator	Nov, 2013	PMT
	-	- Include capacity building plan for all staff in 2014 AWPB	Dec, 2013	PMT
	-	- Carry out gender equality and women's empowerment assessment	Feb, 2014	PMT
	-	- Commence internal and external programme assessment to prepare for the MTR	Feb, 2014	PMT
	-	- PMC reports to be improved with new mandatory part	Dec. 2013	PMT M&E Officer
	-	- Baseline survey data to be submitted to IFAD using template developed by the mission and shared with the M&E Officer	Nov. 2013	PMT M&E Officer
	-	- M&E database fully up-to-date with	Mar. 2014	PMT M&E Officer

<b>Fiduciary</b>	backlog information and MDG indicators			
	-	- Joint IFAD & DNPDR project KM	Dec. 2013	KM OfficerPMU
	Strategy drafted			
	-	- PMU to request new ideas	Mar. 2014	M&E Officer
	implementation plans to staff receive training abroad			
	-	- Request Loan amendment	Dec 2013	PMT
	-	- Finalize hiring process for MDG	Dec 2013	PMT
	accountant			
	-	- Submit 2014 AWPB	Dec 2013	PMT
	-	- Update TOMPRO for MDG grant	Feb 2014	PMT
	-	- Hire M&E expert to create M&E	March 2014	PMT
	database for MDG			
	-	- Sign MOU with DIC and prepare	March 2014	PMT
	disbursement guidelines			

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## Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

### PROMER Physical Progress – October 2013

Indicator	Unit	RIMS	Annual target	Annual result	%	Appraisal target	Revised target	Cum. result	%	Comment (general)
<b>Component 1. Developing More Dynamic Market Intermediaries</b>										
<b>Output 1.1 Increased capacity of traders to effectively market surplus production and deliver improved inputs</b>										
Study, survey and strategy reports produced	Number	no	0	0	-	2	2	0	-	Studies on traders
Enterprises accessing non-financial services facilitated by the project	Number	yes	0	0	-	375	375	0	-	Traders being supported
Inputs demonstrations held	Number	no	0	0	-	1,500	1,500	0	-	Inputs promotions on demonstration plots
Value of input supply guarantees	USD	no	0	0	-	300,000	300,000	0	-	
Value of investments and matching grant support	USD	no	0	0	-	870,000	870,000	0	-	Investment support for traders
<b>Output 1.2 Increased capacity of farmers' organizations and their members to effectively market surplus production and conduct profitable transactions</b>										
Study, survey and strategy reports produced	Number	no	3	0	0%	3	3	3	100%	Baseline and inception reports
Marketing groups formed/strengthened	Number	yes	135	135	100%	670	670	465	69.4%	Farmer associations supported
People in marketing groups formed/strengthened	Female	yes	0	1375	1375%	4,700	4,700	6998	149%	Members of farmer associations
People in marketing groups formed/strengthened	Male	yes	0	1887	1887%	15,400	15,400	7534	49%	Members of farmer associations
People trained in Functional Adult Literacy	Female	no	0	1789	1789%	2,650	2,650	3422	129%	Members of farmer associations
People trained in Functional Adult Literacy	Male	no	0	902	902%	8,600	8,600	2205	26%	Members of farmer associations



Value of investments and matching grant support	USD	no	0	0	-	870,000	870,000	0		Investment support for associations
<b>Output 1.3 Institutions that can more effectively represent farmers' interests and deliver relevant support services</b>										
Study, survey and strategy reports produced	Number	no	0	0	-	15	15	1	6.7%	UNAC/district unions and commodity associations. There are a total of 10 but currently only 1 strategy for FONPA
Apex organisations formed/strengthened	Number	yes	0	0	-	12	12	10	83%	District Unions, farmers federations, commodity associations supported
Workshops/seminars conducted	Number	no	0	0	-	54	54	0	-	Consultative fora, policy workshops
Value of investments and matching grant support	USD	no	0	0	-	400,000	400,000	0	-	Institutional support to higher level institutions
<b>Component 2. Enterprise-led Value Chain Initiative</b>										
<b>Output 2.1 Improved value chain operations and partnerships between smallholders and agri-business enterprises</b>										
2Study, survey and strategy reports produced	Number	no	0	0	-	9	9	1	11%	Market opportunities, VCAs
Enterprises accessing financial services facilitated by the project	Number	yes	0	0	-	5	5	0	-	Enterprises getting matching grants
Enterprises accessing non-financial services facilitated by the project	Number	yes	0	0	-	5	5	1	20%	Enterprises accessing technical assistance
Enterprise-producer partnerships established	Number	no	0	169	169%	5	5	213	4260%	Enterprise-association partnerships including contracts

## Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

**Table 5A: Financial performance by financier**

Financier	Appraisal '000)	(USD Disbursements (USD '000)	Per cent disburse d
IFAD loan	31,135,000	14,150,986	45.5
EC grant	9,890,000	0.00	0.00
Agra	3,517,000	0.00	0.00
Government	2,861,000	951,440	33.3
Beneficiaries	3,050,000	0.00	0.00
<b>Total</b>	<b>40,563,000</b>	<b>14,592,867</b>	<b>40%</b>

**Table 5B: Financial performance by financier by component (USD '000)**

Component	IFAD loan			EC grant			Government <sup>2</sup>			Beneficiaries			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Comp.1 Development of More Dynamic Market Intermediaries	7,712	3,076	39.9	1,826	0.0	0.0	1,026	NA	NA	800	0.0	0.0	10,917	3,076	28.1
Comp.2 Enterprise Led Value Chain Initiative	4,724	277.3	5.9	0.0	0.0	0.0	279.5	NA	NA	2,250	0.0	0.0	7,252	277.4	3.8
Comp.3 Improving the Market Environment	9,817	3,958	40.3	6,048	0.0	0.0	1,192	NA	NA	0.0	0.0	0.0	14,529	3,958	27.2
Comp.4 Policy/Institutional Support and Management	8,883	4,511	50.7	1,210	0.0	0.0	365	NA	NA	0.0	0.0	0.0	9,916	4,511	45.5
Comp.5 Nutrition Promotion	0.0	0.0	0.0	213	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	213	0.0	0.0
Comp.6 Implementation Support (DIC)	0.0	0.0	0.0	593	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	593	0.0	0.0
<b>Total</b>	<b>31,135</b>	<b>11,822</b>	<b>38.0</b>	<b>9,890</b>	<b>0.0</b>	<b>0.0</b>	<b>2,861</b>	<b>951.4</b>	<b>33.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>45,512</b>	<b>11,822</b>	<b>25.9</b>

<sup>2</sup> GOM contribution is in aggregate due to tax refund being processed with no discrimination between components

**Table 5C: IFAD loan disbursements (SDR, as at 30 September 2013)**

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Civil Works	3,600,000	3,600,000	1,690,682	NA	1,909,318	44%
II	Vehicles, Equipment & Material	400,000	400,000	293,681	NA	106,319	73%
III	Technical Assist., Studies, Training & Workshops	3,260,000	3,260,000	661,100	NA	2,598,900	21%
IV	Service Provider Contracts	4,580,000	4,580,000	1,864,960	NA	2,715,040	47%
V	Matching Grants	1,350,000	1,350,000	142,499	NA	1,207,501	11%
VI	Outreach Grants for Financ. Institutions	720,000	720,000	303,474	NA	416,526	42%
VII	Salaries & Allowances	2,950,000	2,950,000	1,609,358	NA	1,340,642	55%
VIII	Other Operating Costs	330,000	1,110,000	387,778	NA	722,222	35%
	Unallocated	1,910,000	1,130,000	NA	NA	NA	NA
	Initial deposit	NA	NA	2,232,664	NA	0.00	100%
	Total	19,100,000		9,185,245			

**Figure 1: IFAD loan/grant disbursement, comparisons between original and revised allocations and actual disbursement**

## Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>Section 4.02</b>	PCU to open and maintain a Project Account USD.		Yes	
<b>Section 4.02</b>	GOM to replenish Project Account yearly in advance	1 January 2013	No	GOM only refunds tax exemptions upon submission of support documentation
<b>Section 4.03</b>	Procurement of goods, works and services carried out in accordance with the procedures laid down in Schedule 3	NA	Partially	Some Procurement Processes have deviated from IFAD guidelines
<b>Section 4.04</b>	Insurance of vehicles, equipment and civil works financed from the loan proceeds to be consistent with sound commercial practice.	NA	Yes	Highly depreciable assets (computers and furniture) were not insured. IFAD has agreed with this course of action.
<b>Section 4.05, section 11.10(b)</b>	Audit report submitted to IFAD.	31 March 2013	Yes	
<b>Section 4.06</b>	Progress reports to be submitted to IFAD on a quarterly basis.	NA	NA	
<b>Schedule 4, para 7</b>	AWPB to be submitted to the Fund, for its review and comments	NA	Yes	
<b>Schedule 4, para 8(a)</b>	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.	NA	NA	MTR to be carried in 2014
<b>Schedule 4, para 16</b>	Project to be exempted from all import duties, excise taxes and value added tax (VAT) on investment expenditures	NA	Yes	

## Appendix 7: Knowledge management: Learning and Innovation

### Learning

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- There has been some learning emerging from the Strategic Investment Plans, especially in terms of the type of investments to focus on and the due diligence that needs to be in place as an integral part of the process.
  - PROMER is also encouraging more harmonization in terms of methodology and cooperation between service providers for component 1.2 following experience during implementation.
  - Following experience in previous years, the PMT is also taking action to improve planning in attempt to ensure a more cohesive relationship between the AWPB and execution.
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### Innovation: Describe any interesting innovation noted during supervision

- The reduction of the functional literacy programme from 3 to 1 year is an interesting innovation brought by the programme. Preliminary findings indicate that the 1 year training cycle has been very successful with positive results, both in terms of reducing cheating and improving negotiation skills.
- Disseminating price-information using rural radio's has also emerged as an innovation, which is now emerging into the provision of additional services such as extension. Plans to make radio more effective by encouraging more interactivity and bottom-up approach are also very interesting.
- Peer-to-peer women groups as support to nutrition is a relatively new methodology with positive preliminary findings, and an innovative approach to both support late-adopters and sustainability of the nutrition activities post-PROMER.

## **Attachment 1: Support to input and Output Traders& Extension and support to Farmers Organizations:**

### **74. Introdução.**

75. Esta nota técnica destina-se a apoiar a Unidade de Gestão do Projecto na implementação da Componente 1 do PROMER – Desenvolvendo Intermediários de Mercado Mais Dinâmicos. A nota contém considerações e recomendações adicionais que complementam as constatações e questões já acordadas sobre esta componente, referidas no Aide Mémoire (AM). As opiniões e recomendações expressas não reflectem necessariamente a posição do IFAD, DNPDR e Unidade de Gestão do PROMER (UGP) sobre as questões abordadas nesta nota técnica.

### **76. Comentário geral.**

77. Esta componente está até agora incompleta, pois a subcomponente 1.2 – Apoio a Organizações de Produtores está em plena implementação e a subcomponente 1.1: Apoio a Comerciantes de Insumos e Produtos Agrícolas só deverá arrancar em finais deste ano. Esta situação não permitiu que o projecto desenvolvesse uma estratégia integrada e complementar de apoio aos dois principais grupos alvo de intermediários de mercado – as organizações de pequenos produtores agrários (OP) e os comerciantes rurais (CR), com o objectivo de melhorar a eficiência no funcionamento dos mercados locais, em particular no que concerne a ligação dos pequenos produtores (PP) com os mercados.

78. O objectivo principal do diverso tipo de OP que têm sido criadas nos distritos cobertos pelo PROMER é o de melhorar os rendimentos da actividade agrária dos seus membros, através do estabelecimento de ligações directas com compradores agrícolas de maior escala, por forma a reduzir os custos de transacção e aumentar a venda de produtos dos PP a melhores preços. No entanto, actualmente menos de 10% dos PP estão envolvidos em actividades de mercado através das OP. A larga maioria dos PP vendem os seus produtos directamente a CR, sobretudo aos pequenos comerciantes formais e informais que garantem a ligação com os comerciantes de maior escala.

79. Considerando que o grupo alvo do PROMER são todos os PP (e não só aqueles que são membros das OP), é essencial que o projecto tenha um bom conhecimento sobre o diverso tipo de operadores de mercado em cada distrito e sobre as relações de negócio que estabelecem com os PP e entre eles, a fim de definir as estratégias de ligação de mercados que tragam mais benefícios aos PP. Por este motivo, *recomendamos que a UGP estabeleça mecanismos que garantam a coordenação efectiva e um bom intercâmbio de informação entre as equipas dos Provedores de Serviço (PS) de cada uma das subcomponentes em cada um dos blocos do PROMER*. A coordenação deve ser estabelecida já na fase inicial da subcomponente 1.1, por forma a facilitar: (i) a transmissão às equipas dos PS da subcomponente 1.1 do conhecimento já adquirido pelas equipas dos PS da subcomponente 1.2 sobre o funcionamento dos mercados em cada bloco e distrito; (ii) a colaboração operacional e logística entre as equipas dos PS durante o estudo de base da subcomponente 1.1 em cada bolco; (iii) concertação de estratégias de intervenção das 2 subcomponentes em cada bloco.

### **80. Comentários específicos**

81. **3.1 Subcomponente 1.1: Apoio a Comerciantes de Insumos e Produtos Agrícolas.** Foi acordado no AM que a UGP realize uma sessão de trabalho inicial com os PS contratados para harmonizar a abordagem e metodologias na implementação desta subcomponente, sobretudo para o estudo inicial sobre a situação de partida. Consideramos que este encontro deveria também ser uma oportunidade para começar a construir uma visão comum sobre o que se espera desta

subcomponente no quadro das intervenções do PROMER. Para este efeito, apresentamos algumas sugestões para a agenda do encontro:

- (a) Como estão a funcionar os mercados: Que tipo de comerciantes estão a intervir nos mercados agrícolas (de produtos e de insumos), qual a relação que têm com os PP e que relações estabelecem entre eles?<sup>3</sup>
- (b) Quais foram as principais lições emergentes da experiência do PAMA de apoio a CR?<sup>4</sup>
- (c) O que se espera desta subcomponente?<sup>5</sup>
  - (i) Quais são os seus objectivos e escopo?
  - (ii) Que tipos de comerciantes deverão ser abrangidos?
  - (iii) Quais são as estratégias e metodologias de intervenção preconizadas no AR e o que pensamos delas?
  - (iv) Que resultados se esperam?
  - (v) Que relações devem ser estabelecidas entre esta e a subcomponente 1.2, e as outras componentes do PROMER, e com que objectivos?
- (d) Estudo inicial (fase de "inception")<sup>6</sup>
  - (i) Quais são os objectivos e componentes do estudo? Quais os produtos que se esperam deste estudo?
  - (ii) Quais são os principais indicadores de resultados e de impacto, sobre os quais é necessário recolher dados da situação de partida?
  - (iii) Que metodologia adoptar para garantir eficácia e eficiência na colheita e análise de dados?
  - (iv) Questões organizativas / logísticas: Responsabilidades do PS. Coordenação/apoio das Células do PROMER e das equipas da subcomponente 1.2.

82. **3.2. Subcomponente 1.2: Apoio a Organizações de Produtores<sup>7</sup>.** Esta subcomponente está em franco progresso, tendo sido realizadas até agora actividades essenciais que permitem prever um maior dinamismo no desenvolvimento das OP apoiadas pelo PROMER nos 3 blocos

83. Estratégias de assistência às OP. A UGT/Células e os PS do PROMER têm um bom conhecimento sobre o estágio de desenvolvimento das OP incluídas no programa em cada um dos blocos. O estudo sobre a situação das OP no início da subcomponente forneceu informação que permitiu definir as estratégias iniciais de intervenção do programa em cada um dos blocos. Este ano foi completado o processo de reclassificação das OP utilizando critérios de graduação mais precisos e uniformes. Este foi um processo participativo que envolveu as OP que fizeram a sua

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3 Este ponto poderia ser introduzido pelos Coordenadores das Células com o apoio dos Chefes das Equipas dos PS da subcomponente 1.2

4 Há documentação do PAMA sobre isto (Ver seguintes relatórios: "Avaliação do PDCR"; "PAMA stocktaking workshop"; "PAMA Completion Report"). Este ponto poderia ser apresentado pela GAPI que foi o PS desta actividade do PAMA ou por um dos membros da UG do PAMA caso esteja disponível

5 Estes pontos deveriam ser apresentados pela UGP para facilitar a discussão

6 Estes pontos deveriam ser discutidos na base de TdR preliminares preparados pela UGP

7 As conclusões mais relevantes sobre as actividades de formação, graduação das OP, alfabetização funcional, extensionistas de mercado e investimentos para adição de valor foram registadas no AM, pelo que estas questões não são abordadas nesta Nota Técnica

autoavaliação utilizando a metodologia de análise FOFA. Isto permitiu que cada OP tenha agora uma melhor percepção da situação em que está e em que aspectos terão que ser concentrados os esforços dos membros e da liderança para melhorar o seu funcionamento, as suas ligações com o mercado e os seus rendimentos. Permitiu também que as OP tenham mais clareza sobre o que podem esperar do PROMER, reduzindo o risco de expectativas por apoios incompatíveis com o tipo e metodologia de assistência do PROMER. As visitas de campo permitiram confirmar estes desenvolvimentos, mas também verificamos que algumas OP esperam donativos de sementes e outros meios de produção do PROMER. *Os PS deverão continuar a gerir cuidadosamente as expectativas das OP, sobretudo daquelas que estão a iniciar, bem como das que num passado recente receberam apoios de outros parceiros que utilizaram abordagens de sustentabilidade duvidosa*

84. Os PS estão agora a aprofundar a sua estratégia de assistência às OP, com base nos dados colhidos e na análise feita no processo de reclassificação. Isto é muito importante pois vai permitir definir quer estratégias de assistência adequadas a cada uma das 3 classes das OP, quer actividades específicas de apoio a cada OP em função das suas necessidades. Os PS informaram que estão a definir planos de acção por OP que serão implementados pelos seu pessoal de campo. Em relação isto, sugerimos o seguinte:

- (a) A uniformização dos módulos de formação deveria ser estruturada de forma a incluir acções de formação complementadas por actividades de aconselhamento (coaching) para responder às fraquezas de conhecimento/funcionamento comuns a cada classe de OP. Isto é, *para cada classe deveria haver um pacote tipo de acções de formação e aconselhamento, que poderão ser adaptados em cada bolco em função das necessidades de cada OP.*<sup>8</sup>
- (b) Para cada módulo deveria ser *estimado o tempo de trabalho do formador e o custo de formação*. Isto poderá aumentar a eficácia da planificação/orçamentação e da implementação das actividades de formação e aconselhamento. Também poderá melhorar a eficácia da monitorização dos resultados e facilitar a avaliação do custo/benefício.
- (c) Grande parte das OP está na classe C (64% do total das OP dos 3 bolcos<sup>9</sup>). Estas são as OP que vão precisar de maior assistência em 2013 e 2014. Os PS terão inevitavelmente que dedicar mais recursos para melhorarem a sua organização interna e a sua capacidade de gestão e ligação com os mercados. Por este motivo, poderá haver o risco dos PS dedicarem menos recursos e atenção que o necessário às OP das classes B (35%) e A (agora são só 3, todas no Bloco A, mas espera-se que este número aumente significativamente nos próximos 2 anos). *A planificação das actividades e recursos a dedicar por classe de OP pode mitigar este risco.*
- (d) Somo de opinião que, a partir de agora e até ao final dos contractos nos 3 blocos, a estratégia de assistência às OP deveria ser a seguinte:
  - (i) Os PS deveriam concentrar os seus esforços no suporte à organização interna, na legalização, na elevação da capacidade de gestão de negócios e na facilitação de ligações de mercado das OP das classes C e B, bem como na formação complementar/aconselhamento das OP da classe A para que se tornem sustentáveis a curto prazo.

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8 Não foi possível analisarmos a uniformização dos módulos de formação porque este trabalho está ainda em curso. Por isso, pode ser que as sugestões que aqui fazemos já estejam a ser consideradas.

9 Fonte: Relatório Semestral de Progresso Jan-Junho 2013 do PROMER



- (ii) Deve evitar-se agregar novas OP que não tenham realizado qualquer operação de comercialização, que não tenham clareza sobre os seus objectivos e que estejam num estágio de organização e coesão interna demasiado frágil.
  - (iii) A entrada de novas OP deveria ser feita na base de 4 critérios: (i) A OP foi criada por iniciativa dos membros explicitamente para melhorar a sua ligação com os mercados; (ii) A OP já se está a organizar para iniciar ligações de mercado (iii) Os membros da OP têm excedentes suficientes para o mercado que, se forem agregados, podem atrair compradores; (iv) A OP tem líderes alfabetizados eleitos pelos membros.
  - (e) O desenvolvimento de ligações de mercado parece ser a parte mais frágil da actividade das OPs em todos os blocos. *Consideramos que é necessário que cada PS reveja a estratégia de suporte às ligações de mercado das OP em cada bloco* (esta questão é abordada no capítulo seguinte)
85. Ligações de Mercado. As OP apoiadas pelo PROMER têm vindo a aumentar as suas vendas de produtos agrícolas directamente a compradores de maior escala na base de contractos o que, em princípio, pode trazer benefícios de preço e condições de pagamento. Até final de Setembro de 2013 e em relação a 2012, o número de OP (232) que comercializaram os produtos dos seus membros aumentou 59%, tendo o número de contractos (169) quase quadruplicado e a quantidade contratada (4,000 tons) quase triplicou.
86. Apesar deste crescimento, a leitura dos relatórios do PROMER e PS e as visitas de terreno permitiram constatar o seguinte:
- (a) Em geral os contractos com os grandes compradores não têm sido cumpridos, nuns casos devido à insuficiente oferta dos PP (por fraca produção e/ou por falta de cometimento contratual) e noutros devido a falhas dos compradores.
  - (b) Alguns grandes compradores mostram reservas em negociar com as OP devido à pequena dimensão da sua oferta de produtos e à incerteza de respeitarem os compromissos.
  - (c) Há indicações que as OP e os seus membros têm vendido mais de 50% dos seus excedentes a pequenos comerciantes no início da época de comercialização a preços mais baixos, devido à necessidade imediata que os PP tem de dinheiro para assegurar o consumo da família.
  - (d) Há médios comerciantes baseados nos distritos que têm adquirido produtos a OP de forma esporádica pagando melhores preços que os pequenos comerciantes. A ligação directa dos PP através das suas OP com este tipo de comerciantes é uma oportunidade de negócio que pode trazer vantagens para ambas as partes no que respeita o preço a pagar ao produtor e condições de entrega e pagamento dos produtos. Contudo, as OP e estes comerciantes não têm relações directas estruturadas e têm fraco conhecimento sobre o potencial de negócio entre eles. Ficamos com a percepção que os PS não estão a explorar suficientemente esta oportunidade.
  - (e) Talvez devido à estratégia de ligação de mercados promovida por projectos anteriores, há uma tendência da comercialização dos produtos das associações ser feita através de uniões locais e de uniões ou federações distritais. A estruturação da comercialização desta forma pode trazer vantagens de preço e condições de pagamento devido à maior escala da oferta de produtos dos PP e à redução dos custos de transacção dos compradores, o que favorece a relação directa com os grandes compradores. Contudo, este modelo implica a intervenção de vários intermediários entre o PP e o comprador, cada um dos quais tem que receber a

sua margem pelo serviço prestado para que o negócio seja financeiramente sustentável. Por este motivo, e porque a elasticidade dos preços dos principais produtos agrícolas comercializados é reduzida, este modelo tem o risco de penalizar o preço ao PP<sup>10</sup>. Além disto, os problemas surgidos com alguns contractos com grandes compradores acabam por reduzir a aderência dos PP a este modelo (casos dos contractos entre o PMA e as Federações do Alto Molocué e do Gurué, com a CIMPAM nestes Distritos e com a CAL em Ribaué).

87. Tendo em conta estas constatações, sugerimos o seguinte:

- (a) Foi acordado no AM que os PS farão a avaliação das oportunidades de mercado para as OP do seu bloco. Recomendamos que a avaliação seja feita em cada distrito e na região do corredor de Nacala, através de consulta directa aos compradores de média e grande escala para saber que produtos estão a comercializar, como estão a comercializar, qual a sua política de preços e condições da transacção (pontos de entrega e modalidade de pagamentos) e do seu interesse em lidar com a OP<sup>11</sup>. Estes contactos permitirão informar os comerciantes sobre a oferta das OP. Deverá haver coordenação entre os PS para evitar duplicação de entrevistas com os grandes compradores que operam em distritos dos 3 blocos, bem como troca de informação entre eles sobre os resultados da pesquisa. Com base nesta avaliação, cada PS deveria elaborar uma estratégia de ligação das OP com os mercados em cada Distrito para a época de comercialização de 2014, para discussão com as OP. É importante assegurar o envolvimento dos SDAE nesta actividade. Para este feito, sugere-se que os extensionistas de mercado contratados participem efectivamente em todo o processo.
- (b) Dadas as dificuldades de acesso das OP ao crédito, sobretudo devido ao facto de não serem ainda "bancáveis" para a maior parte das instituições financeiras, é provável que só uma pequena parte das OP obtenha empréstimos para comercialização agrícola<sup>12</sup>. Ou seja, a maioria das OP não estará em condições de adquirir os produtos dos PP, pagando de imediato o preço de mercado e oferecendo uma margem adicional caso o preço de venda aos comerciantes de média/grande escala o permita. O estabelecimento de contractos com grandes comerciantes que aceitem fazer adiantamentos às OP é uma opção a considerar, mas é de esperar que só um pequeno número de comerciantes aceite operar desta forma e a uma escala reduzida, dada a sua inexperience neste modelo e os riscos associados.
- (c) Esta realidade leva-nos a concluir que, nesta fase, a ligação das Associações como os mercados não tem que passar necessariamente pelas Uniões e Federações Distritais. Este modelo só deve ser promovido caso traga vantagens evidentes de preço e condições de pagamento para os PP membros das Associações. *Os PS devem concentrar mais esforços na promoção de ligações directas das Associações e Uniões locais com os médios e grandes compradores. As Associações e Uniões locais devem funcionar como facilitadores dessas ligações, procurando os compradores e negociando com eles o preço e condições*

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10 Não obtivemos dados precisos que nos permitissem analisar esta questão. Contudo, em anos anteriores, foram noticiadas reclamações dos PP pelos preços pagos pelos produtos comercializados através de Uniões e da IKURU. Nesta campanha a Federação dos Produtores do Gurué (FEDPROG) pagou o milho às Uniões a 8,0 MZM/Kg, tendo as Associações recebido 7,5 MZM/Kg. O preço acordado para venda ao PMA foi 11,9 MZM/Kg à porta do armazém. Um comerciante distrital comprou o milho à Associação de Tamala, que é membro da FEDPROG, por 9 MZM/Kg. Este preço foi pago numa fase mais adiantada da campanha, mas o facto é que o sentimento dos PP é que a FEDPROG pagou um preço muito baixo.

11 O Consórcio PS do bloco C fez este ano um levantamento das oportunidades de mercado em Nampula e Nacala, envolvendo líderes das Federações e Uniões Distritais. Esta informação deveria ser disponibilizada aos outros PS.

12 Foi concordado no AM que, sob a liderança da UGP, os PS farão um estudo rápido para mapear os produtos financeiros para PMEs rurais actualmente fornecidos por diversas iniciativas financeiras em curso e identificar quais deles podem ser acedidos pelas OP e em que condições. Este levantamento pode trazer novos dados sobre as oportunidades de financiamento para as OP.

*de pagamento, agregando a produção em locais mais acessíveis e organizando as entregas.* As Associações e Uniões devem acordar com os seus membros uma comissão mínima fixa a cobrar pelos seus serviços (margem por kg de produto comercializado). Cada OP deverá negociar com o comprador a comissão mínima fixa e uma margem adicional crescente a partir de uma determinada quantidade de produto entregue. Os valores acordados com o comprador devem ser do conhecimento dos membros da OP que decidirão sobre o destino a dar, caso a margem obtida pela OP seja superior ao previsto.

88. *Apoio a Federações e Uniões Distritais.* Durante a Missão não tivemos oportunidade de entrevistar Uniões Distritais, nem tivemos acesso a informação específica sobre o seu funcionamento. Mas tivemos encontros com as Federações de Produtores do Gurué (FEDPROG) e de Alto Molocué (FEDAMOZA). As nossas principais constatações sobre estas Federações são:

- (a) As duas Federações foram criadas há mais de 6 anos e integram a maior parte das Uniões locais (fórum) e Associações de cada um dos distritos<sup>13</sup>
- (b) A comercialização dos produtos agrícolas dos membros tem sido a sua actividade principal. Ambas funcionam no sistema de compra e venda. Os produtos são adquiridos aos membros a preços estabelecidos antes da época de comercialização e são vendidos a grandes compradores mediante preços e condições definidos em contractos celebrados antes ou no início da época de comercialização.
- (c) Ambas Federações têm uma situação financeira precária, devido a problemas de atrasos no levantamento e pagamento de milho por parte do PMA, que é o principal comprador. Devido a isto ambas estão em risco de incumprimento do reembolso do crédito concedido pelo BOM para estas operações.
- (d) A FEDAMOZA está em melhor situação para negociar o reescalonamento dos pagamentos do crédito e prosseguir as suas actividades, pois diversificou as suas relações comerciais, tendo celebrado contractos com outros grandes compradores. Contudo também está a enfrentar problemas com alguns destes contractos. Por este motivo, a FEDAMOZA com assistência do PROMER e CNFA elaborou um plano de negócios para viabilizar a sua actividade. Este plano prevê a diversificação dos produtos e compradores e o processamento de milho para venda de farinha nos mercados locais.
- (e) A FEDPROG está em pior situação pois está completamente dependente do negócio com o PMA, que é actualmente o seu único comprador. Além da dívida ao BOM que, provavelmente não poderá pagar nos prazos estabelecidos, tem uma dívida avultada com a GAPI por crédito concedido em 2012 que não foi paga porque o dinheiro foi desviado pelo anterior Presidente. A FEDPROG parece não ter qualquer estratégia alternativa de negócio para poder liquidar as dívidas e viabilizar a sua actividade.
- (f) Não obtivemos dados precisos sobre o pagamento de quotas dos membros. Mas a resposta que obtivemos das duas Federações foi que "alguns pagam", o que nos leva a pressupor que a maioria não paga. Os encontros que tivemos com as Uniões e Associações destes distritos confirmaram que o pagamento de quotas às duas Federações não é efectivo. Confirmaram também que as OP e os membros comercializam a maior parte dos seus excedentes directamente e não através destas Federações. Estes dois aspectos demonstram o fraco interesse dos membros nas actividades das Federações.

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13 A FEDAMOZA foi fundada em 2005, legalizada em 2008 e integra 8 Uniões e 55 Associações com um total de 1288 membros; a FEDPROG foi fundada em 2007, legalizada em 2010, integrando 11 Uniões e 127 Associações, com um total de 5273 membros envolvendo

89. Tendo em conta esta situação, sugerimos uma abordagem prudente de assistência do PROMER a estas Federações. O enfoque deverá ser na assistência às Federações para desenhar estratégias de negócio alternativas que permitam viabilizar a sua actividade (tal como feito para a FEDAMOZA). *Mas tais estratégias devem ter uma visão ampla (e não só focalizada na viabilização da Federação), garantindo maiores rendimentos e vantagens de negócio para os membros das Federações.* O PROMER poderá alocar recursos para o aconselhamento (coaching) das Federações na implementação dos planos de negócio. Mas não deve desviar recursos destinados à assistência às associações e uniões locais (fórum) para responder a necessidades das Federações. O PROMER não deve promover a ideia de que, em 2014, a comercialização dos produtos das OP membros tem que ser feito através das Federações. Pelo contrário, dadas as actuais circunstâncias, o PROMER deve facilitar ligações directas das OP com médios e grandes compradores. Recomendamos que cada PS faça uma análise da situação das Uniões Distritais dos seus blocos, a fim de definir a melhor abordagem de assistência.
90. Preparação para a Revisão de Meio-Termo. Por solicitação da UGP apresentamos algumas ideias no Anexo 1 desta Nota Técnica sobre a avaliação do desempenho desta subcomponente em preparação da Revisão de Meio-Termo do PROMER prevista para meados de 2014.

## **I. ANEXO 1. Sugestões sobre a avaliação de desempenho da Subcomponente de Apoio às OP**

- 1 O objectivo da avaliação** deve ser fornecer informação quantitativa e qualitativa sobre o desempenho desta subcomponente do PROMER útil para a Revisão de Meio-Termo
- 2 A avaliação** deve produzir um **Relatório** que contenha:
  - (i) A avaliação do desempenho por Bloco / Contrato (podem ser relatórios separados).
  - (ii) Um resumo consolidado sumarizando de forma agregada as conclusões e recomendações da avaliação da subcomponente no conjunto dos 3 blocos
- 3 Sugestões sobre o conteúdo da avaliação por bloco:**
  - i Revisão do progresso na implementação
    - a Rever o progresso alcançado nas actividades/outputs (com base no Quadro Lógico de cada contrato),
    - b Analisar a relevância e eficácia dos processos seguidos pelo PS na implementação das actividades, identificando as razões dos sucessos e de eventuais incumprimentos.
  - ii Avaliação das mudanças e desenvolvimentos (outcomes) registados nas OP beneficiárias, nomeadamente nos seguintes aspectos: (i) organização interna, qualidade da liderança e funcionamento dos órgãos sociais das OP; (ii) Gestão de negócios e relação com os mercados; (iii) Benefícios alcançados pelos membros das OP; (iv) Sustentabilidade das OP. Sugere-se algumas questões para orientar a avaliação:
    - a Que melhorias se registaram na organização interna, na qualidade da liderança e no funcionamento dos órgãos sociais das OP?
      - Aumentou a % de OP com corpos sociais democraticamente eleitos?
      - Aumentou a % OP c/ funcionamento regular das AG, da Direcção e do CF?
      - Aumentou % de OP com rotatividade efectiva das lideranças?
      - Aumentou a % de mulheres participando em lugares de liderança e nos órgãos sociais?
    - b As OP estão capazes de gerir os seus negócios de forma mais eficaz e eficiente?
      - As OP tomaram as melhores opções na relação com os mercados?
      - Conseguiram celebrar melhores contractos com os médios e grandes compradores?
      - Esses contractos permitiram aumentar o volume de negócios e as receitas das OP?
      - As OP tiveram um resultado financeiro positivo das operações comerciais que fizeram?
    - c A ligação com os mercados através das OP trouxeram vantagens para os membros?
      - Os membros conseguiram obter melhores preços pelos seus produtos?

- Os pagamentos aos membros foram feitos sem atrasos?
    - Os membros conseguiram aumentar as suas receitas da venda dos produtos agrícolas?
    - A venda através das OP reduziu o tempo e custos gastos por cada membro nas actividades de comercialização?
    - Os membros aumentaram as suas vendas através das OP e reduziram as suas vendas directas a pequenos comerciantes locais?
    - Os resultados obtidos incentivam os membros a continuar a comercializar através das OP?
    - Os resultados obtidos incentivam os membros a aumentar a produção?
  - d Em que medida o apoio do PROMER está a contribuir para a sustentabilidade das OP?
    - Aumentou a % de OP da classe A?
    - As OP da classe A não dependem do apoio do projecto para gerir os seus negócios e para desenvolverem as suas ligações com o mercado de forma eficaz e eficiente?
    - As OP da classe A são financeiramente sustentáveis?
    - Qual a % de OP da classe B que estão em condições de gerir os seus negócios e ligar com os mercados com um mínimo de assistência do projecto?
    - Aumentou a % de membros que pagam as suas quotas regularmente?
- iii Avaliação da qualidade da gestão e coordenação do PS
  - a Equipe do PS
    - A equipe está completa? Desde quando?
    - A composição da equipe é a mais adequada?
    - Os membros da equipe têm demonstrado possuir qualificação / experiência adequada?
  - b Instrumentos de gestão (PM&E, Gestão financeira, procurement, ...)
    - Quais são os principais instrumentos de gestão do PS?
    - Estão operacionais?
    - Estão harmonizados com os do PROMER?
    - Têm-se revelado adequados?
  - c Desempenho financeiro
    - Comparação das despesas versus orçamento
    - Análise da qualidade da despesa
- iv Lições emergentes da experiência da 1a fase. É importante analisar sobretudo se os processos seguidos na implementação foram relevantes e adequados e identificar as lições que sejam úteis para a 2a fase desta subcomponente, particularmente sobre as seguintes questões.

- a Abordagem e estratégia global de implementação
  - b Conteúdos e metodologias de capacitação
  - c Estratégias e opções de ligação de mercados
  - d Actividades de adição de valor
  - e Alfabetização
- v Recomendações para a 2a fase da subcomponente. As recomendações devem ser focalizadas nos aspectos mais relevantes para a planificação da 2a fase da subcomponente, tais como:
- a Continuidade, ajustamentos ou mudanças significativas das abordagens e estratégias de implementação
  - b Continuidade, ajustamentos ou mudanças significativas das actividades principais de suporte à OP (desenvolvimento organizacional e capacitação, ligações com os mercados de produtos e de insumos, alfabetização, adição de valor, ligação com os serviços de extensão, ligação com serviços financeiros)
  - c Coordenação e sinergias com outras componentes do PROMER e com outros projectos
  - d Extensão da subcomponente
  - e Fecho ou extensão dos contractos com os PS (em caso de extensão, devem ser apresentadas recomendações sobre os aspectos a rever)

**4 Quanto à metodologia, vemos duas opções**

- a A avaliação poderá ser feita por uma equipe de consultores externos, na base de: (i) Entrevistas às lideranças das OP e aos seus membros (individuais e grupos focais) e consulta dos seus registos; (ii) Entrevistas aos PS e consulta dos seus dados; (iii) Entrevistas aos principais parceiros (comerciantes, instituições financeiras, governos locais,...); (iv) Entrevistas e consulta de informação ao nível da UGP e Células; (v) sessões de debate das conclusões da avaliação (podem ser por bloco e/ou em conjunto). Para a ser uma avaliação com maior grau de confiança, a escolha das OP e membros a entrevistar deverá ser feita por amostragem estatística
- b A outra opção é a UGP conduzir o processo, com apoio de um consultor externo, sendo a avaliação feita através de: (i) Relatórios de avaliação de meio-termo de cada PS; (ii) Grupos focais com as OPs (lideranças e membros); (iii) Entrevistas a parceiros relevantes; (iv) Seminários de avaliação por bloco e/ou conjuntas. Esta opção tem menos rigor estatístico, mas provavelmente pode ser feita de forma mais expedita e com menos custos.

## Attachment 2: Value Chain Development

### 91. Introduction

92. The purpose of this **technical note** is to assist the Project Management Team (PMT) in implementing PROMER's component 2 – Enterprise-led Value Chain Initiatives. It provides details to the findings and agreed actions of the Aide Memoire, as well as some additional considerations and recommendations by the Mission.

### 93. Implementation progress

94. The implementation progress of this component continues to accelerate in a gradual manner, although with still few visible activities in the field. Since the contracting of the Agribusiness Officer, who officially started on 01 July 2013, there is noticeable progress and ownership in implementing the component. The Mathária Empreendimentos Limitada (MEL) Strategic Investment Plan (SIP) is expected to be finalized by end November and a total of seven new concept notes are currently being prepared. It is expected that by the first quarter of 2014, 3 extra SIPs will be ready for implementation, bringing the total to five. Commendable is the prepared progress handout for the Mission members, clearly stating the actions taken to date and the challenges being faced.

### 95. Performance

96. Value chain promotion and training. The mission was pleased with the work initiated to promote the value chain initiative and the matching grant opportunity, including a new round of -call for proposals. Furthermore, the Programme launched a value chain seminar for the Project Management Cells (PMC) and the Programme Service Providers(SP) to provide updates on and explain the component objectives, the matching grant guideline and concept note (CN), and the SIP development process. These promotion and training efforts have resulted in better understanding and involvement of the PMCs and have led to the development of seven new concept notes, which is encouraging.
97. Concept Note Development. The process of concept note (CN) development with all supporting documents remains lengthy and intense. The Agribusiness Officer is required to track the process for each concept note, including the key dates, especially those of CN submission, CN acceptance, SIP submission and SIP acceptance to assure timely follow-up in each of the steps. In order to speed up the process of turning project ideas into viable concept notes the Agribusiness Officer should conduct an initial screening of the project idea and conduct face-to-face meetings with company representatives and prioritize the CNs accordingly.
98. The new CNs. The mission reviewed five new concept notes (EKARIKHO, ZAC, Najamabano, Oruwera and JNB) and the status of two pending ones (OLAM and CISTER). Two new CNs (Contabil and MBT) were not reviewed as these are still in the early stages and the PMC is gathering more information on the applying companies. The Mission concurred with the PMT that all of the five new draft CNs were particularly weak in describing the following key areas: (i) the additionality of the proposed investment to the beneficiary farmers; (ii) the planning and targets to be achieved; and (iii) detailed description of the matching investment in line with the value chain guidelines. These uniform weaknesses, reiterate the importance of continuous communication on the value chain development overall goal and the specific CN requirements to potential partners.
- 99.



100. The pending CNs. The OLAM CN was seriously delayed because of changes in the OLAM management team. The Mission met with OLAM in Nampula and agreed that a new CN will be submitted not later than 5 November 2013. The initial project idea will be focused on sesame value chain development in Cabo Delgado with OLAM taking the responsibility of the sales and distribution network, while PROMER and its service providers will take the responsibility of working with small scale farmers, as OLAM has little expertise in this field.
101. The Mission regrets that the CISTER CN is still not approved. The delay is mostly due to slow response from CISTER to recommended improvements by the PMT, including presenting supporting documents. CISTER provided detailed reports and supporting documents but the following key issues remain to be addressed before CN approval:
- (a) improve the strategic focus of the project by describing the bottleneck in the bean value chain the project idea will address and why. This conceptual question was also raised in the 2012 Supervision Mission and appears not yet sufficiently addressed;
  - (b) the matching investment is proposed outside the PROMER area which preferably should be avoided at all times. Because PROMER tries to promote investments close to its beneficiary farmers to ensure maximum impact. Investments outside the Programme area require solid rationale, additional guaranties and reporting are to ensure and monitor impact in the PROMER area. Furthermore, the Mission reiterates that investments should be an "additional" investment – e.g. the partner uses this grant to take a business risk that they wouldn't have in the course of normal operations.
102. These key issues need to be addressed and discussed with CISTER to bring the CN closer to the PROMER objectives. Moreover, the updates in the Value Chain Guideline and its implications (indicated in paragraph 7) need to be shared with CISTER.
103. More general areas for improvement or clarification on the CISTER CN are:
- (a) the planning of the number of farmers and the up scaling from 1728 currently to 4780 farmers is steep and challenging, as is the 60 percent improvement of kg/ha farmer output. These challenging targets will entail many activities and investments. For the PMT it is important to have a good understanding of the present capacity, experience and track record to assess whether or not these targets are realistic (i.e. current farmer base, number of contracts, production improvement activities, etc);
  - (b) much of the farmer inputs will be on credit how will CISTER recover this? what is their experience in this field?;
  - (c) with CISTER being a fairly new player in Mozambique it is important to ensure it is not a "one man" company. To demonstrate this CISTER can for example present salary slips of its staff as supporting document;
  - (d) an updated banking letter from the principal bank should be included in the supporting documents.
  - (e) Preferably, these general improvements should be addressed in the SIP development stage, it might otherwise delay the CN even more.
104. CN supporting documents. The mission reviewed the supporting documents required for a CN and found them extensive but necessary. The Mission acknowledges the importance of a thorough assessment but stresses that over consultation at a detailed level (like detailed farm model

calculations or full accountant reports as in the CISTER CN) in the concept development stage should be avoided, as these will be addressed in the SIP stage. In order to assess the financial status of the applying company it was agreed to include a bank statement from the applicants principal bank indicating that there are no outstanding debts and bank transactions are normal. The banking letter is part of the supporting documents needed for approval of a SIP.

105. **Strategic Investment Plans and lessons learned.** The Corredor Agro Limitada. (CAL) SIP was complemented and strengthened in the areas suggested in the 2012 supervision mission. In the course of SIP development and implementation the following important lessons learned have been identified:
- (a) it is essential that the SIP partner matching contribution allows for recurrent cost, this to cover some of the operational cost of the SIP. It was discussed and agreed for recurrent cost not to exceed 35 percent of the matching contribution;
  - (b) asset investments should not be shared on a matching basis as this would complicate the asset ownership;
  - (c) capital goods will be handed over to the partner upon fulfilment of the contractual conditions;
  - (d) existing assets listed in the matching contribution should be valued independently to market value and new assets should be procured solely from the partners' own means.
106. It was discussed and agreed that the VC guidelines will be updated with these lessons learned and shared with the potential partners in the CN and SIP development stages.
107. Furthermore, the Mission red the latest version of the MEL SIP and found it weak in the areas of: (i) describing the key value chain constraint to be addressed, (ii) the additionality for the benefiting farmers, and (iii) how, with what investment it could be achieved. The MEL SIP is now a 99 page document covering a description and analysis of four different value chains. This indicates that the service provider(SP) contracted for assisting MEL with SIP development did not fully understand what is required for a SIP and what not. The Agribusiness Officer will discuss this with the involved SP as soon as possible in order to meet the deadline of 30 November.
108. **SIP implementation.** The CAL SIP has started activities in the field and the first semesteral progress report and the 2013 planning was shared with the Mission. The 2013 planning was only made available to the PMT in August this year after the sesame season was almost over. The late submission of the planning was largely attributed to CAL not being familiar with the planning and reporting formats. The PMT has worked extensively with the CAL team to explain these formats. The 2013 sesame season was disappointing with low production, mainly caused by absence of rain in the critical seed germination phase. CAL procured only 17 tons of sesame from their contract farmers in lapala district till end September. This volume as compared to their total procurement of 1018 tons (including other areas) is very low. The low production led to disappointing input credit recovery. Because of substantial outstanding input credits, CAL wants to consolidate the current number of contracted farmers with little expansion in 2014. It was discussed and agreed that CAL can strengthen the current farmer base in 2014 to accelerate the growth in the years to follow. CAL will provide PROMER a detailed multiyear projection on how and when to achieve the final target. This projection will be included in the 2014 planning. Commendable, are the efforts of CAL to include woman farmer organisations in their contract farming scheme, the Programme should support these efforts as much as possible.

109.

110. The Mission met with CAL senior management to discuss the 2014 planning, progress reports and the additionality of the CIP to the beneficiary farmers. It was agreed that: (i) CAL will present the number of new FOs included and other additionalities for the beneficiary farmers effected by the SIP 2012/2013 season. The evaluation report will be finalized by end of February 2014; (ii) the 2014 planning will be ready by 30 November 2013, including the planning of newly included farmers and a three year projection. To this end the Agribusiness Officer will send a letter stating above agreements and dates, also referring to the previous meetings and communication conducted on this topic, before 7 November 2013.

111. **Link with ProParceries.** The ProParcerias project under PROMER is in its final months and will close by the end of this year. This project has identified some potential VC leaders. It has been able to set up 12 partnerships between farmers' associations and DADTCO for the purchase of cassava. These are valuable entry points for the PROMER value chain development component to make use of and should be explored further by the Agribusiness Officer.

112. **SIP partners and other development initiatives.** It is important for the Programme to acknowledge the involvement of its (potential) partners with other development initiatives. Like CAL with USAID|Agrifuturo. And for the potential SIP candidates MEL and Oruweru who are participating in ProSavana. PROMER can align its efforts with some of these initiatives and can exchange experiences working with the mentioned private sector companies. The Fund for ProSavana's Development Initiative (Fundo para a Iniciativa de Desenvolvimento ProSavana) was set up in September 2012 in Nampula, as a bilateral initiative between Mozambique and Japan, to support different pilot models for the integration of smallholders into selected value chains. An initial budget of USD 750,000 (Savana 2012) and a first credit package of MZN 11.5 million (about USD 390,000) have already been approved to fund the activities of several companies operating in the Nacala corridor: Lozane Farms (in Alto-Molócuê district), IKURU (in Monapo and Mogovolas), Oruweru Seed Company (in Mogovolas and Murrupula), Matharia Empreendimentos Limitada (MEL, in Ribaué) and Santos Agricola (in Meconta). Loans to these companies will be offered at an interest rate of no more than 10 percent and they have to commit to integrate smallholders through contract farming and not as waged labourers. Besides the loan, these companies will benefit from technical assistance from MINAG, JICA and GAPI.

## Attachment 3: Market Infrastructure

113. **Introduction and background.** The purpose of this technical note is to assist the Project Management Unit (PMT) in implementing PROMER's sub-component 3.1 – Market Infrastructure. It provides further detail on the findings and agreed actions contained in the Aide Memoire related to this sub-component, and some additional considerations and recommendations by the Mission.
114. **Implementation progress.** Road rehabilitation under this sub-component continues to progress well. Approximately 400 km has been rehabilitated since 2011. Of the 12 contracts signed in 2012, seven are currently being completed and one has been cancelled. For the four pending works, acceleration is needed to finish it before end of this year. The completion of the road works procured in 2013 is more timely, of the 20 road contracts signed, all have started between July and August this year and are expected to be completed no later than April 2014. The PROMER rehabilitation works are completed in 2014 and will continue only in block C with MDG funds. This sub-component is well know and popular at all four PROMER districts, in some areas economic activity has visibly increased along the rehabilitated roads. Market infrastructure rehabilitation has selected 15 markets (one for each district), seven districts have signed the technical construction supervision agreement and for nine markets the tender was launched. It is expected that the remaining districts will sign the supervision agreement shortly so that all tenders can be launched before end of 2013. In table 1 below the annual physical progress is presented.

Table 1: Annual road work physical progress

Year	Planned (km)	Completed (km)
2011	120	100%
2012	223	80%
2013	261	22%

Source: PROMER progress reports

115. **Performance.** With 57km completed of the total 261km planned, the 2013 road works are behind schedule by approximately 3 to 4 months. The 2013 physical progress of the roadwork by province is presented in table 2 below.

Table 2: Physical 2013 roadwork progress by province.

Province	Physical progress 2013		
	Planned (km)	Completed (km)	Progress (%)
Zambézia	51.5	8.8	17.1
Nampula	15.0	13.7	91.3
Cabo Delgado	102.5	22.6	22.0
Niassa	91.6	11.9	13.0
TOTAL	260.6	57.0	22.0

Source: National Road Fund(ANE), 28 November 2013.

116. **Road maintenance** Road maintenance continues to be a major challenge despite government's commitment in the Loan Agreement to fund and execute it. To date, no visible maintenance on the PROMER roads was conducted and agreed reporting on this has not started yet. The Mission acknowledges the initiatives to start maintenance in two of the four districts of the PROMER area. The inclusion of maintenance in the district annual plan was the result of the continuous efforts of the PMT and IFAD supervision missions. In particular, the PMT official letter sent in August this year

to the Provincial Director of Planning and Finance in Nampula and Quelimane copying all the four PROMER districts, emphasizing the possible suspension of further road works if and when road maintenance will not commence. Furthermore, the National Road Administration (ANE) has not been able to produce a single PROMER specific road maintenance progress report as was agreed in the previous Missions (October 2012 and April 2013). The absence of road maintenance is a fundamental issue, and the Mission strongly recommends: (i) discontinuation of rehabilitation works in districts where maintenance is neglected; (ii) that PROMER does a close follow up to make sure that maintenance of the PROMER roads are included in the district annual work plan and budget;

117. The Mission met with the ANE to discuss road maintenance, quarterly progress reports and the road work completion maps. It was agreed that the first PROMER specific maintenance report would be submitted by-16 December 2013, even if there is no or hardly any maintenance work conducted. The quarterly progress reports are send regularly to PROMER as agreed. In future, ANE will add more detail by describing the type of work involved when reporting physical progress.
118. Selection of roads and markets. The mission regrets that a simple map with rehabilitated roads, participating FOs, and proposed markets for rehabilitation is still not available. To this end, the PMT will follow up with the ANE to develop the map by 29 November 2013 for Block B. The ANE offered to include the Programme maps in their physical progress maps, as they have the software and the resources. If the PMT sends a electronic version of the PROMER maps soon, ANE will be able to integrate the two maps before end of November. If for whatever reason ANE is not able to integrate the maps. The PMT should go ahead with contracting a short term consultancy to have this work completed as was suggested by the PMT.
119. Moreover, the mission noted that clear reporting on the selected roads and proposed markets to be rehabilitated as agreed in the October 2012 Mission is not available. A simple table showing how the roads included and the markets to be considered feature against key criteria, like: size of the communities serviced, number of (Programme) FOs serviced, market potential, estimated volume of works required and length of road should be prepared without further delay.
120. The markets selected for rehabilitation are all existing and operational lively markets. In Niassa (block A) one district will relocate the existing market to a new location and structure. It was discussed and agreed that the Programme will wait until the new market is in full and successful operation before any works funded by PROMER will be identified or initiated.
121. The Road Fund. Due to delay in the 2012 contracted road works, some of the works coincide with the works that started in 2013. The latter, combined with the fact that individual road contracts are becoming increasingly larger, it was found that the current road fund advance ceiling is too low to accommodate contract advancements. It was agreed to increase the advance to the Road Fund from USD 350,000 to USD 500,000.

### PROMER road rehabilitation 2013

New bridge for roadwork 2013 Nampula	Bridge including water catchment for dry season, connecting two valleys with multiple villages
	
	



## Attachment 4: Facilitating Access to Financial Services

122. **Introduction.** This paper is written with the objective helping PROMER staff to better understand the context of the Financial Services Provision Sub-component. It briefly reviews the strategy of the sub-component and the progress achieved to date as observed during the October 2013 Supervision Mission. More importantly, this paper reviews the current situation relating to access to finance and the challenges faced by PROMER's target groups – farmer producer groups and agricultural commodity traders. Much of the information presented has been the result of research undertaken by the consultant during August/September 2013.
123. **Review of Promer's Financial Service Strategy.** When the *Facilitating Access to Finance* Working Paper was produced for the PROMER Appraisal Report there was considerable optimism that: i) the reduction in the Bank of Mozambique's (BoM) lending reference rates would lead to significant decreases in commercial bank lending rates; ii) the rapid expansion of the commercial banks into rural areas through the BoM's strategy of *bancarização* and the substantial microfinance rural outreach intervention of the AfDB/IFAD funded Rural Finance Support Programme (RFSP) (implemented by FARE) would have positive implications – in particular for farmer producer groups and traders. Furthermore, the arrival of Banco Terra – purportedly targeting agricultural SMEs, accompanied by Banco Oportunidade de Moçambique's (BOM) and ProCredit's greater focus on agricultural lending also generated hope. seen as promising developments (see annex 1). Additionally, the financial institutes GAPI and AMODER, lending from the FAMA Fund established in conjunction with the IFAD funded PAMA project, were seen as important partners for promoting PROMER's objectives of expanding agricultural commercialization through farmer groups and traders.
124. The original design contemplated the following interventions : i) technical assistance to improve bankability of value chain participants, involving a rural finance expert working in collaboration with value chain specialists; ii) rural finance training to farmers associations and traders to be contracted out to local service providers; iii) short-term institutional support to help GAPI and AMODER expand their outreach from PAMA districts into the extended PROMER area; and iv) matching grants to assist start-up MFIs through the Innovation and Outreach Facility of the RFSP. All but the first intervention were eventually implemented.
125. With the additional EU MDG funds, two important new interventions have been introduced: notably the promotion of community based savings and credit groups, commonly known and henceforth referred to as PCRs (*Poupanças e Crédito Rotativo*); the establishment of a line of credit (LoC) to be used as wholesale lending funds for MFIs operating in PROMER districts and a risk mitigating fund for input advance contracts.
126. **Progress to date by the Facilitating Access to Finance Sub-Component (as of October 2013)**
127. Gapi and Amoder Outreach Support . AMODER was unable to fully execute its contractual obligations and returned most of the funds advanced for rehabilitating their Alto Molocuê agency. Gapi has almost completed its new agency in Ribaué, expected to open early 2014. The building of a new agency in Guruê was abandoned due to land issues and building problems. Gapi took a decision to support a microbank to complement its agency in Montepuez without previous agreement with PROMER (see point 70, Annex 2 Supervision Report , April 2013). In contention is whether this unilateral decision is in line with PROMER's objectives of expanding outreach. Since 2011, Gapi has disbursed 36 loans (approximately USD 250,000) in PROMER districts but no reporting on these loans has been submitted as agreed (see point 71, Annex 2 Supervision Report , April 2013).

128. Matching Grants. Matching grants were provided through FARE to 4 microcredit operators in 3 PROMER districts. All are operating and have received lines of credit from FARE's Rural Finance Support Programme. Matching grant start-up institutions tend to charge levels of interest significantly above market rates with low credit volumes and high default rates, while targeting mainly public servants. Some, but very limited volumes of credit, go to farmer organizations. These operators are unlikely to play a significant role in providing credit to either producers or commodity traders.
129. Line of Credit (LoC). In accordance with paragraph 81 of the MDG Design Report of April 2013 and, in compliance with IFAD transparency requirements, it was decided that the management contract for the LoC would be submitted to a tendering process. The LoC should be earmarked for credits to be applied only for PROMER approved activities, in particular agricultural marketing and production. Linkages should also be explored between the recently launched DANIDA Agro Investe Guarantee Fund (and others) which could bring institutions such as Banco Terra closer to PROMER- supported Fos (see annex 1 for recommendations relating to the LoC)
130. Risk Mitigation Contracts for Component 1.1 (Support for Input and Output Traders). Details for the implementation of what has been confusingly referred to as a "Risk Mitigation/Management Fund" need to be worked out as part of the TOR for service providers. The risk mitigation contracts do not need the intervention of a financial institution other than maintaining an account from which the 75% loss cover on defaulted input credits would be made to input suppliers (wholesalers) (see annex 2 for recommendations relating to the risk mitigation contracts).
131. PCR (ASCA) Promotion. The selection process for choosing promoters of PCRs is reaching its final stages with winners to be announced soon.
132. Financial Access Facilitation for Farmer Organizations. It was agreed during the April 2013 follow-up mission "to include access to finance training for FOs in the AWPBs of each service provider" The necessary contractual changes for at least some of the providers have not been made and observations in the field suggest that much more could be done towards obtaining information on relevant financial products and their providers. Problems arising between the Forum Canhunha in Malema District and Banco Terra highlight the potentially important intermediary roles of service providers. It is recommended that each block provider collects relevant information on financial services available in each district for dissemination via the community radios.
133. Indirect Financial Service Interventions. Farmer organizations have managed to obtain loans mainly outside of the PROMER supported initiatives, either via the Government's District Development Funds (FDD); through offtaker arrangements with Banco Oportunidade de Moçambique (mainly through the WFP P4P contracts); Banco Terra (which has provided a limited number of farmer forum loans); and through low interest funds provided by the Ministry of Commerce (funded by the Italian Cooperation). In Cabo Delgado, the long established MFI CCOM, specializing in smallholder agricultural credit, has worked with some PROMER -supported FOs. Only Corridor Agro was found to provide input credits which has worked reasonably well but problems have been encountered with side selling to avoid loan repayments.
134. **Current Rural Financial Access Environment**
135. **General**. Mozambique has a very low penetration of formal financial services, being particularly weak in rural areas. The 2009 Finscope Study<sup>14</sup> on access to financial services found that only 22.2% of Mozambicans have access to any form of financial services (formal or informal), the

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14 De Vletter, F., E. Infante and C. Lauschande, Austral Cowi/FinMark Trust 2009. Finscope Mozambique Survey 2009, prepared for the Ministry of Finance/FSTAP.



lowest of 11 African countries studied up to then. 11.9% of the adult population was found to be formally banked (mainly in terms of holding accounts); 3.6% used other formal service providers while 14.7% used informal schemes.

136. Bank credit is now channelled to three main client groups, all characterized by low risk: large companies, short term commercial loans (working capital) and salaried employees (consumer loans). Not only do small businesses continue to be marginalized, but the sectorial flow of credit volumes demonstrate that the growth and relative shares of the two most important sectors in terms of potential for economic growth – agriculture (including fishing) and industry – have lagged considerably behind other sectors; the larger banks have only about 5% of their portfolio devoted to agriculture – almost exclusively to larger low risk companies. With the entry of Banco Terra - a commercial bank focusing on agricultural and small and medium enterprise loans - the situation was expected to improve for SME farmers and producer associations but disappointing performance with these clients has pushed Banco Terra to focus on larger agricultural enterprises, especially in the sugar industry (see annex 3).
137. The rate of interest of microfinance institutions (MFIs) has effectively not changed since microfinance was first introduced to the country in 1994. At that stage interest microfinance rates hovered between 50-60% while commercial banks were charging just below 50%. Since then, commercial rates have fallen to less than half (averaging about 20%) while the main MFIs have more or less maintained their rates while many smaller operators are charging much higher rates. Until now, the MFIs have vigorously defended their position, citing higher transactions and monitoring costs as the main reasons. However, Banco ProCredit has admitted that high rates are being maintained largely because there is no pressure yet to reduce the rates as demand for SME and microfinance remains strong and supply is still relatively low. Procredit feels that increased efficiency and higher levels of competition will put pressure on reducing interest rates.
138. Interviews with technicians working for the Institute for the Development of Small Scale Fishing (IDPPE) have indicated that MFIs that have been supported by the IFAD-funded RFSP are charging usurious rates of 12-25% *per month*<sup>15</sup> while recent interviews with small MFIs operating in PROMER areas also exposed high rates of interest (around 7-10% per month).
139. The 2012 microfinance mapping study<sup>16</sup> demonstrates that, since about 2009, the microfinance industry has not only stagnated but decreased in terms of both borrowers and depositors. This is partly due to the shift upwards to SME lending by banks such as ProCredit and Socremo but it could well reflect the fact that many clients are not benefiting from their loans, especially with high rates of interest. A study of clients belonging to 3 largest operators in Maputo found that only about 30% of clients continued borrowing after 2 years, suggesting a high drop-out rate largely explained by the fact that the majority of borrowers were not expanding their businesses fast enough to justify their borrowing<sup>17</sup>. The first major victim of the ailing microfinance industry is one of the first microfinance commercial banks - Tchuma - which is expected to close soon following an order to stop disbursing due to a high level of non-performing loans.
140. The 2012 microfinance study found:

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15 The Chairman of FARE (which managed the RFSP), Mohamed Rafik, denounced the high rates of interest applied by MFIs that obtain wholesale credit from the RFSP at rates of 6-12% p.a. but charge annual retail credit at up to 60% (in fact this is normal for most MFIs) referred to as “unacceptable loansharking” and “absolutely obscene” (Noticias 17.09.12)

16 National Directorate of Rural Development (DNPDR), ICC, 2012. *Microfinance Sector: Mapping and Analysis*

17 Athmer, G. and F. de Vletter, 2006. *Poverty Outreach and Impact Assessment Study of Three MFIs in Maputo, Mozambique* Netherlands Platform for Microfinance.

- (a) microfinance services had attained a greater degree of penetration than the commercial banks (71% vs. 45%) with 91 of the 128 of the districts served (excluding CBSCGs).
  - (b) the number of active borrowers and savers have stagnated over the past few years, in part influenced by ProCredit's decision to shift from microfinance to SME finance
  - (c) the loan portfolio and volume of deposits have increased steadily since 2006 with loan volume in the region of USD 80m and deposits about USD 60m with the gap increasing over the past few years, forcing MFIs to find loan capital from other institutions
  - (d) the 4 largest microfinance commercial banks (including ProCredit) account for 75% of the loan portfolio and 42% of the clients
141. A rough calculation, based on the 2012 study and other available data, suggests that there are some 100,000 borrowers and about 250,000 depositors linked to formal MFIs and about 170,000 members of PCR groups (see below), implying that there are almost 400,000 adults who are accessing microfinance services either formally or informally. At this stage, those served by formal institutions significantly outweigh those belonging to PCR groups and there is a growing trend by MFIs to serve a growing rural base. However, given the exponential growth of PCR membership and the growing number of promoters linking PCR groups with community development initiatives, one can predict that the situation will be soon reversed.
142. Despite the policy of *bancarização*, impact has, so far been limited: a recent World Bank study on agri-business indicators<sup>18</sup> draws attention to the extremely low level of banking services in the country in general, with only 4.2 bank branches per 100,000 adults and only 1.6 branches per 100,000 adults in rural areas. The objective of the government through its Rural Finance Strategy, is to increase the commercial bank presence to 80% of the districts by 2017 (vs. the 45% served by commercial banks now). The recently launched Strategy the Development of the Financial Sector for the period 2013-2022 aims to provide formal financial services to 35% of population of an economically active age.
143. **Agricultural Finance.** With the exception of the larger export-oriented agri-businesses and BOM credits to "off-taker" linked small-holder loans, agricultural finance has so far not made any significant inroads with SMEs or farmer organizations. For some time the initiatives of providing microfinance to about 10,000 remote rural smallholders by the MFIs CCOM and RCRN (see annex 3) were lauded as breakthroughs in small farmer credit provision but management problems in the Cabo Delgado operations of CCOM (headquartered in Maputo) and institutional sustainability issues with RCRN (now FIDES Bank) have resulted in significant scaling down. Banco Terra, following bad experiences with producer associations has now decided to focus on safer larger scale agro enterprises, especially in the sugar industry. Standard Bank's AGRA programme to provide credit to small holders (through special service vehicles) has been disappointing with only a fraction of the projected loan volumes attained. ProCredit invested considerable energy in developing micro agricultural loans for smallholders but then abandoned this initiative, turning to SME farmers and agro-enterprises but without showing significant results to date.
144. Towards the end of 2012 Ibraimo Ibraimo, the then CEO of the commercial bank BCI stated that agricultural smallholders don't have the minimum conditions to approach commercial banks for loans but that the commercial banks could work through MFIs to reach the smallholders<sup>19</sup>.

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<sup>18</sup> World Bank, 2012 *Agriculture and Rural Development. Agribusiness Indicators, Mozambique*.

<sup>19</sup> Presentation made at the *Agricultura para Desenvolvimento* conference (23-25 October, 2012) organized by Grupo Soico and the Ministry of Planning and Development.

145. For a good review of agricultural finance initiatives see the World Bank report *Agriculture and Rural Development. Agribusiness Indicators, Mozambique* (see footnote 5). For details of the individual approaches to agricultural lending by financial service providers see annex 3.
146. **Rural Microfinance.** Rural finance MFIs can be split up roughly into three types: the first comprises of those that were set up NGOs (e.g. Hluvuku (Helvetas), FDM (Save), AKSM (Foss); the second are those that were established by donor agencies (e.g. CCOM (AFD), RCRN (SDC), FMB (Aga Khan Foundation); and the third were created with the subsidized assistance of the RFSP with IFAD/AfDB funding. Of these three types, the first two appear to be the most sustainable and durable, having been carefully conceived and well managed (with the notable exception of FMB). The takeover of the RCRN by the Swiss holding group FIDES (with rural finance experience in Senegal and Namibia) is the first serious investment by an international MF group in a rural finance MFI. The other such as Hluvuku, FDM, AKSM are struggling to attain a reasonable scale and could conceivably be merged into the larger operators.
147. The rapid growth of the RCRN (complementing CCOM in Cabo Delgado) in the remoter parts of Nampula providing loans to smallholders via associations of solidarity groups gave hope for the rapid growth of rural MF outreach. This hope has dwindled as the takeover of RCRN by FIDES will centralize lending around the Nacala-Nampula Corridor due to sustainability concerns (CCOM is also having problems with its rural portfolio due to management problems). Microfinance for agricultural activities has subsequently remained limited. Through heavy subsidization from the RFSP programme, a large number of MFIs have been established in small towns throughout the country to serve rural populations. Promising partnerships have been established with some of them to serve project needs such as for ProPESCA (and to a much lesser extent PROMER) while a few others have found viable niches with commodity processing companies (such as cotton gins), lending to contract farmers. On the whole however, the majority of RFSP supported MFIs are likely to fail. Some, due to small volumes are charging monthly interest rates well above those charged by mainstream MFIs.
148. **Apex (wholesale) Credit Arrangements.** Wholesale (apex) lending to microfinance operators and other financial service providers operating in rural areas are provided by four institutions, including one bank (Banco Terra), a development finance institution (GAPI) and three government funds (FARE, the Agricultural Promotion Center (CEPAGRI) and the Fund for Fisheries Development (FFP). Banco Terra and GAPI provide wholesale loans at commercial rates at around 18% (update) per annum with relatively small amounts relative to total portfolio as loans are usually resorted to for short term capital smoothing considerations. The government funds have been available at highly subsidized rates (2-6% in the case of the FFP, 10% CEPAGRI and 12% for FARE) for specific objectives (promoting fishing (FFP), agriculture (CEPAGRI) and rural finance (FARE).
149. **District Development Funds (FDD).** The government introduced the FDD in 2006 ostensibly to promote district-level economic development and employment promotion. The FDD is presented as a revolving credit fund but less than 3% of the beneficiaries repay the interest free “loans” which are widely regarded as electioneering grants. The government claims that more than 300,000 jobs have been generated through 31,000 supported activities. Critics claim that most of the activities have failed (typically farmer associations are provided with tractors that break down due to absence of, or inability to buy, spare parts). The FDD has also been seen to have a negative impact on rural credit mentality and commercial institutions often complain about the effects of the FDD. The government has also used other funds to support farmers and fishermen, usually with very low rates of interest and little pressure on clients to repay.
150. **Community-Based Savings and Credit Groups (PCRs).** The number of members belonging to informal community-based savings and credit groups, variously known as ASCAs, PCRs, VSLGs,

SBSGs and varying slightly in methodology between the estimated 30 or so promoters in the country, have increased from about 70,000 in 2009 to an estimated current 170,000 members (of which about two-thirds are women) belonging to some 10,000 groups (about half being located in Nampula province). PCR groups have been recognized as perhaps the most important mechanism for the rural poor (and not so poor) to save with the objective of accumulating funds for a target expenditure (typically for agricultural labour, housing, consumer durables, etc) or providing credit for economic or social activities. Many rural development projects such as IFAD's ProPESCA and PROMER projects have significant PCR promoting components. A forum of the PCR promoter organizations has, since met annually for the past 6 years (this year (2013) the meeting was cancelled due to insufficient funds from FARE.

151. With the success of PCRs and the growing maturity of earlier groups, much attention has been paid to facilitating linkages between either PCR groups or their more entrepreneurial members to formal financial service providers (MFIs, commercial banks, credit lines). Some progress has been made with the microfinance banks BOM and ProCredit and the semi-autonomous government Fund for the Promotion of Small Industry (FFPI). Considerable attention is currently being paid to this issue by donors (e.g. GIZ is conducting a 3 province initiative while ProPESCA and Promer are requiring ASCA promoters to develop these linkage mechanisms). Gapi has played a leading role in creating second tier institutions (savings and credit operators – OPEs) with PCR groups while ADEM has been pioneering the establishment of savings and credit cooperatives - so far with limited success.
152. **Formal Financial Sector Innovations**
153. **Mobile (Cell phone) Banking.** Perhaps the most significant potential impact on access to finance has been the introduction of the mobile banking service mKesh by mCell and, more recently, M-pesa by Vodacom. Mobile banking usually takes some time to build up a critical mass as the agents (currently concentrated in urban areas) is established and then later taking off exponentially especially in rural areas as has been the case in countries such as Kenya, Tanzania, Uganda and more recently Madagascar. In Mozambique a pilot programme involving the main PCR promoter Ophavela and mKesh involves 10 ASCA groups in Nampula Province. Ophavela would also like to legally register an entity that would be allowed to work with other mobile banking providers such as MPesa (Vodacom). The MFI Africa Works is using mobile banking for its clients to pay their loan installments. An agreement exists between mKesh and BCI which allows mKesh clients to use icons on BCI ATMs to make transfers but so far there is no partnership for savings and credit products.
154. **Mobile (transportable) Banking.** Another important innovation that was still relatively new in 2009 has been the introduction of mobile (transportable) banking on wheels by BOM (now having a fleet of 6) and Banco Terra (with 1 vehicle serving tobacco farmers in Tete). Mobile banking and the construction of prefabricated transportable bank agencies have had considerable support from the GIZ's Access to Finance Challenge Fund which supports innovative approaches to increasing rural outreach.
155. **Microinsurance.** Micro insurance in the form of credit life has been introduced a number of years ago but other forms of micro insurance is still in its incipient stages. Legislation for microinsurance was promulgated in 2010 but several issues are still holding up a pilot programme that was supposed to be launched by the UNCDF project BIFSMO in collaboration with the National Directorate of Rural Development. Microinsurance products have been introduced by Ophavela to its ASCA groups in Nampula but high costs are an issue and have inhibited outreach. A comprehensive study on microinsurance was recently commissioned by the DNPDR. Preliminary results and an action plan were presented at a workshop in early June 2012<sup>20</sup>. Of note is that

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20 CENFRI, February 2012. *Executive Summary Access to Insurance in Mozambique* (Handout)

regulations are being developed for the introduction of micro-insurance in collaboration with the consultancy company CENFRI and that the action plan includes an experimental launching of microinsurance products (including credit-life and funeral insurance) with three selected MFIs. The possibility of working with PCR groups was not originally considered but when raised during the workshop, this possibility will now be re-examined.

156. **Weather-indexed insurance.** The AfDB undertook a mission in 2010 to explore the possibility of introducing weather-indexed insurance for farmers. BOM attempted to introduce it in Manica Province but desisted due to unreliable climate data collection facilities. Weather indexed insurance provided for Standard Bank AGRA credits with Santam and Global Alliance. In 2012 the Permanent Secretary of Agricultural announced that a weather indexed insurance system would be introduced.
157. **Using DUATs as Loan Guarantees.** A USAID-financed report (2011) and a subsequent IMF mission (2013) have proposed that DUATs (licenses for the exploration of land which is technically state-owned) could be used as guarantees for loans. This could have significant implications for the more than 100,000 rural smallholders who have to date, with the assistance of the Millenium Challenge Account and the Communal Land Initiative (iTC), been provided with DUATs in Zambézia, Nampula and Cabo Delgado.
158. **PCR Related Innovations**
159. **Improved PCR Methodologies.** VSL Associates, a consultancy company operated by Hugh Allan, formerly of CARE International and the developer of the Village Savings and Lending (VSL) methodology currently being applied by the Aga Khan's CRSPM project, Care and World Vision. VSL Associates has been hired the RFSP/FARE to train PCR promoters to adopt a management information system (MIS) specially developed for savings and lending groups (a 2 week workshop having been held in May 2012). VSL Associates is attempting to promote the VSL methodology to other promoters but say there is resistance by some of the more established promoters to adopting a new methodology. Ophavela is testing the methodology in 5 districts with about 100 groups and say there are distinct advantages for groups without any literate or numerate members using the share system but are reluctant to adopt the method across the board because of the advantages of flexibility imbedded in their original methodology.
160. Other innovations observed by the consultant include the introduction by AKSM in Manica Province of payments to facilitators by visit (USD 1 per group visit) which is acceptable to both groups and facilitators and has greatly reduced the cost of group creation. AKSM is also introducing groups with no cycles following requests by some women's groups to abolish cycles because they wanted to continue savings indefinitely, pulling out their savings when they needed them (it is not known how interest income is determined).
161. In a similar vein, the consultant observed a special case among GAPI's groups in Zambézia. The ASCA observed did not apply cycles but is continues to accumulate savings and interest for indeterminate periods. Furthermore, the group managed to lend all accumulated savings at twice the standard rate of 10% interest per month. The group was found to have USD 660 in its kitty which it was lending to 3 trader members and earning a monthly interest income of USD 130. During the severe hunger months a drought year members stopped depositing savings but took a collective decision not to withdraw money from savings.
162. **Development of Linkages to Formal Financial Service Providers.** A recent publication by CARE<sup>21</sup> looks at linkage initiatives in Kenya, Uganda, Tanzania, Rwanda and Malawi, including linkages to MFIs and commercial banks, mobile banking for PCRs and funeral insurance.

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21 Connecting the World's Poorest People to the Global Economy: New models for linking informal savings groups to formal financial Systems (2013)

Mozambique has also experimented with all these products but on a much smaller scale and, in some cases, with failure (at least initially). As indicated above, the more entrepreneurial members PCRs established by PPABAS have been successfully linked to the FFPI, with similar experiences having occurred between Banco Oportunidade and Project Hope and between ADEM-promoted PCRs and MFIs in Manica Province. An attempt to link CARE promoted PCRs and the commercial bank Barclays has, however, failed for the time being, demonstrating that what works in some countries (Kenya and Uganda) may not work in others.

163. Special efforts, especially by BOM and the FFPI, have been made to graduate CBSCGs and/or their members to formal loans. BOM has attempted to negotiate such an arrangement with Ophavela but discussions came to an end when Ophavela insisted on their groups/members being given lower interest rates. BOM has agreed to pilot a scheme with Project Hope to work with their groups in Nhamatanda (Sofala). FFPI has worked with CBSCGs promoted by ADEM along the Sofala coast and has often exempted members from guarantees because of their tendency to be good clients.
164. GIZ in collaboration with IESE is mounting a big study June-December 2013 on ASCAs in Manica, Sofala and Inhambane focusing on the potential for linkages to the formal financial sector.
165. **The Challenges Facing PROMER in Helping its Target Groups Access Credit**
166. Accessing finance for PROMER's two main target groups – farmer organizations and rural agricultural commodity traders – is an enormous challenge, perhaps even more so than a few years ago as banks such as Banco Terra and ProCredit chase safer clients and BOM now generally demands low risk intermediation (off-taker) arrangements. AMODER appears to be encountering problems and probably cannot be counted upon to provide the loans to rural traders as it has in the past. GAPI, despite having almost completed a new branch in Ribaué, appears to be afflicted by loan capital limitations and will probably not have the funds originally foreseen to lend to PROMER's potential clients.
167. Although the challenges are great, PROMER staff and partners need to take a much more proactive role in the facilitating process of accessing finance. Suggested interventions include:
168. **Improving the awareness of existing and potential financial service providers.** It is essential that PROMER staff and partners familiarize themselves with the financial landscape of their intervention areas. So far, outside of discussions with AMODER, GAPI and MFIs receiving outreach matching grants, little effort has been made to identify and approach financial institutions serving PROMER areas; to know what their conditions of lending are; or to identify their target groups and eligibility requirements. It is recommended that discussions be held with each of the financial operators and that template forms be filled in to build up a data base for each of the three blocks covered by PROMER with updates being made on a half-yearly basis.
169. **Familiarization with existing programmes to facilitate access to rural credit.** In addition to the identification of financial operators and their relevant services, PROMER staff and partners should explore existing programmes that offer special financial service packages. A variety of agricultural credit guarantee schemes exist (such as the Danida supported Agro Investe or the Kuwait Fund with Banco Terra) which significantly reduce the risk for participating banks. Moreover, there have been a variety of special funds established by donors such as USAID and Italian Cooperation that provide subsidized rates of interest and preferential terms (such as the MIC/Italian Cooperation Funds which have been accessed by two PROMER forums in Zambezia). On the basis of PROMER's capacity- building support for farmer organizations and rural traders, PROMER could take an active role in promoting its target groups as eligible loan candidates for these special programmes.

170. **Disseminating potential sources and conditions of finance.** PROMER should explore how to best disseminate the information that it collects in relation to financial service providers, their products, terms and conditions and target clients as well as relevant information relating to special credit programmes. One obvious form of communicating this information would be to have a regular slot on community radio stations as is currently done with market information. Another way would be to present options through the financial literacy courses (see next). The information disseminated would assume a certain level of understanding on the part of listeners such as interest rates, terms, fees, guarantees, etc.
171. **Improving the level of financial literacy of PROMER target groups.** Interviews with farmer organizations and even with some credit officers of MFIs demonstrated low levels of understanding of basic credit principles and contracts. Problems existing between farmer organizations and credit providers such as Banco Terra and BOM have largely arisen from misunderstandings relating to contracts such as floating interest rates, guarantee conditions, grace periods, etc. It is essential that PROMER target groups are made aware of basic financial concepts in order to understand the financial options open to them (for example as presented over the community radio programmes) as well as in their contracts.
172. **Improving the bankability of PROMER target groups.** The biggest challenge facing PROMER is to make its target groups potentially bankable entities in the eyes of the financial service providers. "Bankability" would be seen differently by different financial service providers. In general all providers would demand clients with good management of good governance capacities. Financial service providers such as GAPI, Banco Terra and BOM have had bad experiences with farmer organizations in the PROMER districts due to embezzlement, poor financial controls, poor storage, inadequate quality control, etc. And would be wary of engaging with them again. Most service providers would also need well-prepared credit applications which usually imply a convincing business plan which few farmer organizations, at this stage, are capable of preparing. Some financial institutions such as Banco Terra, in particular, are stringent in their requirements for guarantees, mainly in the form of warehouses for farmer organizations. In the case of BOM, PROMER should explore more the possibilities of establishing off-taker arrangements<sup>22</sup> as occurred between the forums and WFP for maize. Such arrangements would appear to be possible between DADTCO (purchasing cassava for beer production) and farmer associations. Another possibility would appear to be possible with Corridor Agro which currently provides input credits for its farmers but might be willing to work with BOM.

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22 An "off-taker" arrangement arises when a borrower's debt can be deducted off an owing payment. In the case of the P4P, the WFP paid farmer organizations for a contracted amount after delivery of maize. At the request of BOM, WFP deducts the loan amount owing from the total payment due to the farmer organization and reimburses BOM for the outstanding loan amount.

## **Annex 1: Considerations for establishing a line of credit<sup>23</sup>**

173. The October 2013 Supervision Mission took the decision that the management of the PROMER Line of Credit will be submitted for tender. Issues that need to be considered for establishing this LoC would include the following:
- (a)** Borrower eligibility criteria
  - (b)** Maximum and minimum amounts to be loaned
  - (c)** Relationship of wholesale rate to FPC (BoM reference rate)
  - (d)** Eligible collateral guarantees
  - (e)** Terms (number of years, grace period, repayment intervals,
  - (f)** Eligible activities for retail loans (e.g. agricultural commodity trading, production, input sales, transport, agricultural processing, agricultural services (ploughing, composting, spraying, etc)
  - (g)** Geographic area of application
  - (h)** Considerations for choosing appropriate interest rate
  - (i)** Interest rate cap (suggestion 6% per month)
  - (j)** Late repayment penalties (definition of “late”; penalty application)
  - (k)** Expiry of active loan and conditions for seizing collateral guarantees.

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<sup>23</sup> The consultant will be working with the Fundo Fomento Pesqueira soon to develop the processes and regulations for managing the Line of Credit for ProPesca. This process should assist PROMER in developing the TOR for potential bidders for the management of the PROMER LoC.



## **Annex 2: Risk mitigating contracts for input suppliers**

174. In order to stimulate the use of agricultural inputs by farmer organizations, PROMER will establish a fund in order to mitigate the risk of supplying inputs. Through this arrangement, PROMER would assume some of the risk incurred both by wholesale input suppliers and retailers. Risk mitigating contracts would encourage a greater use of input credits with the risk of default being shared on a 50/50 basis between wholesaler and retailer or retailer and farmer organization. A proportion (buffer) of the allocated risk mitigation fund will be managed by the same entity as will be selected to manage the Line of Credit (see below). Management of the risk mitigation fund will simply consist of transferring compensation payments to participating suppliers whose claims have been endorsed by approved PROMER partners (such as block service providers). The risk mitigation fund manager only transfers money and is not involved in the process of determining the legitimacy of claims. The mechanism for approving a risk mitigation payment still needs to be worked out.
175. Issues to be considered in creating this facility would include the following:
- (a)** Eligibility conditions for wholesale and retail input suppliers
  - (b)** Entities authorized to buy from participating suppliers (e.g. associations and forums, downstream suppliers (local shops), input service provider (sprayers),
  - (c)** Types of inputs covered
  - (d)** Maximum and minimum amounts to be covered in one contract
  - (e)** Guarantee requirements on input buyers (eligible collateral, time period for determining seizure)
  - (f)** Standardization of contracts both for participating supplier but also for buyers.

## Attachment 5: Programme Management and Market Transparency

176. The programme continues with sound management. The Programme Coordinator recently participated in an IFAD learning event on "Sharing Practices in Project Leadership Planning and Implementation". The event was based around two thematic areas, (i) *Project Leadership and management*, including strategy development and planning, performance feedback and evaluation linked to results; and (ii) *Results based planning and implementation*. The training was useful and has displayed direct impact in-terms of planning for 2014. As the Monitoring and Evaluation (M&E) system is now more used as more activities are gaining speed, it is important that the M&E system is increasingly used as a management tool both in terms of monitoring (i) efficiency (output indicators): is implementation progressing as planned?; and (ii) effectiveness (impact indicators): are we doing the right things? .

177. All current PMT positions are almost filled, with the new Rural Finance and Nutrition Programme Officer expected to start in November 2013. To maintain continuity of activities after the departure of the Pemba Cell Coordinator, the PMT and DNPDR need to agree on temporary management of the Cell, including financial management, until the PMT finalizes the recruitment process.

178. Capacity building. In attempt to incentivise staff and further develop value chain capacity at PMT and cell level, it was agreed that the PMT would integrate a capacity-building plan in the 2014 AWPB which identify capacity needs and appropriate training for all staff. Capacity building serves two purposes, (i) it strengthens the capacity of the staff and the quality of their work, and (ii) serve as a motivational element outside of financial remuneration, and can thus be seen as a strategy to alleviate the negative consequence of perceived low remuneration comparative to the private sector. Thus, capacity building should be considered as an important investment that may improve efficiency and effectiveness of the programme whilst also reduce staff turnover.

179. As Programme implementation is catching on, and PROMER is in a critical period for the successful implementation of the programme, it is understandable that PMT want to limit the time staff is away from their regular day-to-day responsibilities. In some instances, leave of absence is justified due to the importance of the training, but there are also alternative options that require less away-time from work, such as on-the-job-training, mentoring, or short office-based training sessions. This can also be in the form of encouraging high performing staff to conduct the training on areas of their expertise.

180. Massive Open Online Courses (MOOC) is a new educational model where classes from some of the top universities in the world is available online free of charge. The PMT can encourage enrolment in these classes and make available certain time a week (for example the last hour at work every Monday) when staff can study MOOC classes for professional development. Some providers of MOOC are: Coursera, , Khan Academy, Udacity, edX, and Academic Earth

181. The IFAD financed grant ROUTESA, is planning a learning route on value chains in 2014, which could be a possible opportunity for the Agribusiness Officer and the three Cell Coordinators. The learning route approach is based around identifying common knowledge gaps, learning needs, best practices and innovations in specific areas (in this case Value chains), and develop a structured approach where learning route participants get exposed to these learning items. At the end of each learning route, participants develop innovation plans which detail how the learning will be applied in their specific programmes. These routes are very practical and take place in the field, while also offer opportunity for meeting staff from other value chain programmes for further knowledge exchange.

182. Planning. The PMT is planning a workshop with all staff for planning and elaboration of the 2014 AWPB. This exercise will include a re-assessment of the logframe and plan for MTR preparations. In order to give adequate time for this process, IFAD agreed to postpone the submission of the 2014 AWPB to 15 December 2013. When reviewing the logframe, it is important to ensure that indicators are kept RIMS compliant to the extent possible. , in this regard, quality is more important than quantity where a

selected few RIMS indicators should suffice. The new logframe should be included in the request for no objection to the 2014 AWPB.

183. Gender. The foreseen gender training has been carried out by two of the three service providers, with the SNV consortium having the training planned for November 2013. However the planned evaluation on women's' empowerment and gender equality has not yet been carried out. The PMT vision is to further strengthen the gender-focus in the programme, and thus consider the assessment to be an important guidance for the upcoming mid-term review. To give adequate time to finalise the assessment prior, it was agreed that exercise will be carried out by February 2014.

184. Mid-term review preparation. As a preparation for the MTR, the PMT plan to carry out a series of internal and external assessment to understand the impact of the programme. It is also important to ensure the availability of accurate data in the M&E database, and a collection of success stories and good practices, and clear and coherent reports. It was agreed that the MTR will be planned for 19 May to 6 June 2014.

185. **Community Radio**. In order to start the dissemination of market information to farmers, a pilot on the use of community radio as a market information channel was started in Alto Molocué. The innovative initiative appears more successful for spreading market information than for agricultural extension messages, but the evaluation is not yet finalised. The PMT has plans to scale-up the initiative, which the mission supports. The mission stress the importance of building a sustainable approach when scaling up the radio pilots.

186. There are often limited local revenue generating capacity for smaller rural radio stations, primarily due to restricted local businesses with advertising budgets large enough for purchasing radio ads. Consequently, the primary challenge of small rural radios are budgeting and planning for continued operations, ensuring sufficient equipment base and technical expertise to keep the radio station going and producing quality shows after donor funding ends<sup>24</sup>. This creates an uncertainty, not only in regards to the ability of community-based radio stations to exist, but also in terms of which programmes that low-resourced stations spend time and money on. By promoting the economic-case, i.e the ability of a radio show to increase listeners and thus attract advertisement, radio stations would be more aware of their importance and less likely to prioritise the use of resources on shows with comparatively weaker economic-case. This would in turn reduce the dependency on subsidies for the continuation of the shows after PROMER closes, and could even assist more mature stations to fully finance the production of these shows through advertising.

187. Developing the economic case does not necessarily need to be a very complex process. Information collected from the pilot-assessment should be sufficient to make some estimates, possibly supported by some secondary resources available online. This could be made into a half-a-page and would assist the cells when talking to the radio stations. In addition, it could be used by the radio stations as a negotiation tool when approaching potential advertisers. In order to distinguish the added value of the different services the case should clearly separate between (i) market information, i.e. price, supply, demand and quality aspects; (ii) agricultural extension services; and (iii) information sessions on PROMER.

188. The dissemination of extension messages were not very successful during the pilot, but nonetheless is regarded important. Unfortunately, many extension approaches using radio is very top-down and not always responding to the needs of the farmers. The PRONEA Support Project (PSP) is exploring the use of interactive radio and cost effective means of using local knowledge. In this regard, the PMT should liaise with PSP to explore any possible linkages. In the meantime, there is a wealth of resources available on how to improve radio messages, for example by Farm Radio International

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<sup>24</sup> Quarmyne, A. T. (2006). From Homa Bay to Ada - Lessons on Community Radio, Access and Participation. Media, Development and Poverty Eradication, Colombo, Sri Lanka, United Nations Educational, Scientific and Cultural Organization (UNESCO).

(<http://www.farmradio.org/publications/our-research/>), which can be used when scaling up the radio initiative.

## **Attachment 6: Monitoring & Evaluation, Knowledge Management & Coordination Policy/Institutional Support**

189. **Introduction.** This annex covers the Monitoring & Evaluation (M&E) and Knowledge Management (KM) & Coordination aspects of the PROMER & ProParcerias mission, reviews the implementations of last mission's recommendations and proposes a set of improvements in both systems. The new recommendations shall i) support the creation of a solid M&E database that will allow future evaluations to be performed in a smooth manner and on the basis of concrete and objectively verifiable information, ii) improve the use of results in daily management decisions, iii) support the project preparation for its Mid-Term Review that will take place by mid-2014. They shall also contribute to the improvement of the communication flows, as part of an effective KM system, which should be closely managed with the M&E one. The Policy/Institutional Support component is reviewed at the end of the report.
190. **Planning, Monitoring & Evaluation**
191. **Last mission's recommendations.** Based on the recommendations of the last supervision mission (April 2013), the Project Management Unit - PMU has stressed the importance of the Monitoring and reporting system during a training session for the Service Providers - SP, which took place in April 2013. The SPs' reporting templates (data sheets) were improved and standardized, to allow consistent and systemized information to be transmitted from the field. All SPs now show a higher-level of understanding of the overall monitoring system requirements through their reports. The information flow has also been improved; the PMU M&E Officer is now giving regular feedback to the Cells after each report submission. Still, the quality of the reports' content should continue to be closely monitored during the coming quarters, so that eventual additional training needs can be spotted and consequent action taken in due time.
192. The PROMER baseline indicators still haven't been uploaded into the RIMS database, due to internal capacity issues. Guidance was received from the IFAD headquarters and *it was agreed that the indicators would be uploaded into the database by the end of 2013, with the support of the IFAD MDG Sub-program Coordinator* based in Maputo.
193. The PMU is preparing data for the Mid-Term Review, which will take place by mid-2014. In the first quarter of 2014, at least three assessments on the impact of PROMER interventions are planned to take place, in collaboration with a local University. The impacts that will be evaluated are of the capacity building activities with the FO's, including the specific impact on women; of the roads rehabilitation; and of the activities under Component 2.
194. **M&E Database.** The M&E database is unfortunately still not being used at its fullest potential. The monitoring of field activities, as well as the AWPB completion rate, cannot be done from the database due to vacant posts in two of the Blocks (M&E Officers). The M&E Officers are responsible for uploading data into their database on a monthly basis; missing data from one Cell disables the update of the central database at PMU. Both Officers are being recruited at the moment and should be in place by January 2014 latest. *It was agreed that both M&E Officers would be trained (by the PMU M&E Officer) and autonomous in the use of the database by early 2014, so that full data synchronization can be done with the central one. On top of this, it was also agreed that the backlog of data from past quarter's activities would also be uploaded by then, in order for the database to be fully up-to-date and operational for the Mid-Term Review.*
195. **Planning and Reporting.** The Planning system is being implemented in a thorough manner. The three Project Monitoring Cells – PMC submit to the PMU monthly activity plans containing the planned activities and related costs for disbursement purposes. The templates used facilitate the

planning process as well as the analysis of the activities' completion. For example, activities that are not completed can be easily inserted into the following month' plan, with new deadlines; this helps to improve the PMCs planning and monitoring skills. On top of this, the PMU M&E Officer monitors the whole planning process and assists the Cells in improving it. Such good practices should be highlighted and shared with other teams, within the Knowledge Management information flow.

196. On the reporting side, as referred to in paragraph 2, the quality of the service provider's reports has improved since last mission, although there is still room for improvement. Some SPs still show weaknesses, which may be due to the vacant M&E Officers posts in two of the Cells. Once the new M&E Officers are incorporated, it is recommended for the PMU M&E Officer to continue monitoring the content of the submitted datasheets and propose capacity building measures if/when needed.
197. On the other hand, the PMC's quarterly reports still need to be aligned on the SPs reports' improvements that were made upon the last supervision mission's recommendations. The PMCs' reporting templates should include a mandatory section that presents the Constraints faced, Lessons Learnt and Recommendations. Reporting on these areas in a separate section is critical for easy data aggregation and consequent eventual action to be taken. For example, one constraint presented repeatedly in successive quarterly reports can easily be spotted and tackled in a more rapid and efficient manner, especially if different Cells report the same constraint. The presentation of this information in a more systemized way will enable the PMU to take strategic decisions, as part of an effective Results Based Management system. *It was agreed that the PMU M&E Officer would include a new mandatory section into the PMC report template presenting the Constraints faced, Lessons learnt and Recommendations, starting with the Sept-Dec 2013 reports. It was also agreed that significant information collected would be integrated in the information flow of the KM strategy and shared with stakeholders on a regular basis. This responsibility would be of the newly recruited KM Officer.*
198. **MDG1c Project integration.** The MDG project finances additional activities within the PROMER's framework, since the month of June 2013. Additional indicators are being defined at the moment, by a consultant hired by the EU in collaboration with the PMU M&E Officer, and will be added to the overall project's LogFrame to allow monitoring the MDG activities as part of an integrated system. *It was agreed that once indicators are agreed on and the 2014 AWPB process is complete (including the new MDG activities), PROMER would hire the consultant that originally designed the M&E database to integrate the new MDG indicators into it.*
199. On the other hand, the M&E database is locked by the consultant's editing codes, which forbids any other party to update it. It is a strong recommendation that the consultant's ToRs should require either the submission of the edition codes to the PROMER or training on the editing of the database, so that local specialists could edit it if/when needed. This would give more autonomy to the project.
200. The Baseline indicators relative to the MDG project will be gathered through a baseline survey organized by the SetSAN, which is planned to take place as of November of 2013. Part of the output indicators of the MDG PROMER logframe doesn't show a project target yet; this is due to the fact that the baseline information isn't available yet and realistic targets can't therefore be set. *It was agreed that once available, the indicators relative to the PROMER activities will be inserted into the database by the PMU M&E Officer and missing targets will be set.*
201. **PROPARCERIAS Monitoring & Evaluation.** The project has integrated the last mission's comments into their reporting templates. As another improvement, provincial technical teams are doing field-monitoring visits every quarter in order to check on the activities reported by the Service Providers. These goods practices are encouraged to continue.

## 202. **Knowledge Management and Coordination**

203. **Recommendations.** The last supervision mission recommended the DNPDR to hire an external consultant for the creation of a website that would host all the information related to the DNPDR projects, including PROMER; a password protected section would also be created for internal documents sharing. The recruitment was done; however, the website isn't operational yet. As a consequence, PROMER couldn't comply with the recommendation of uploading its documents onto it. The PMU is planning to start using it as soon as it functions, for documentation centralizing but also knowledge sharing purposes (expected date is end of 2013).
204. The consultant will complete the 2<sup>nd</sup> part of his responsibilities in the first quarter of 2014: the project's key audiences will be mapped and a strategy on how to reach of them will be defined; key messages will be determined; most effective channels assessed; and communication material will be developed to promote the project's activities.
205. In regards to training activities, it was agreed that all staff sent abroad for trainings should demonstrate the training's utility for the organization upon their return. This recommendation was not implemented in a systematic way; only one of the two people trained submitted a report, which didn't contain clear proposal for improvements. *It was agreed that the PMU would continue enforcing this recommendation and would request new ideas implementation plans to each of the trained staff.*
206. The PMU has implemented a good KM practice: the quarterly workplans and reports are being shared with all SPs upon receipt, for information sharing purpose. The M&E Officer should monitor the impact of this practice on the SPs daily work and decision-making process, to evaluate its effect. *Nevertheless, it was agreed that this practice should be incorporated into the KM strategy for other IFAD and non-IFAD projects to learn lessons from.*
207. **DNPDR's KM Unit.** The DNPDR's Director has made KM one of his priorities. He has a clear vision of the DNPDR's KM priorities (physical and e-library expansion) and how the KM strategy should be implemented. There was little progress made on the concretization of his vision since the last supervision mission, apart from the recruitment of the new KM Officer that was done by PROMER. He started working in October of 2013 and is part of the DNPDR KM Cell. He is expected to support to the DNPDR KM strategy, led by the Director, as well as the related activities implementation. On the IFAD side, he will become the KM focal point of all IFAD Projects, reporting directly to the IFAD KM Cell's team leader, who is elected once a year between all IFAD projects M&E Officers (Paulo Muchave - ProPESCA is the new team leader since August of 2013). The new KM Officer will responsible for the creation and implementation of a KM Strategy for all the IFAD projects activities in Mozambique.
208. Due to his very recent incorporation in the project, at the time of the mission the KM Officer wasn't yet familiar with any of the IFAD projects but PROMER, not with the purpose of his role within the IFAD projects. *It was agreed that by January 2014, on top of understanding the DNPDR needs and priorities, he would i) contact with the IFAD KM Cell, ii) become familiar with the IFAD projects in Mozambique and their needs at KM level and iii) submit a draft KM strategy integrating both institutions needs and priorities (IFAD & DNPDR) and containing procedures on all KM-related topics (reports submissions and sharing, results dissemination, good and bad practices sharing, internal & external communication, etc.). It was also agreed that the KM Officer would take into consideration including free e-supports into his strategy for the dissemination of information (such as Facebook for example), because of the project's financial limitations.*
209. **Documentation of stories from the field.** Part of the KM strategy should focus on showing the impacts of the DNPDR projects at different levels and through different means, such as before and

after pictures, testimonials, reports, success stories, etc. As per the last mission's recommendations, and after the KM FIDAFRIQUE training that took place in August 2013, the M&E Officer has started gathering field success stories through the SPs requesting each one to submit a success story per quarter to their Cells. However, all SPs have shown great difficulties in finding evidence to be documented as well as in the writing style. This is why the M&E Officer has been working with them, through a collaborative capacitating process and has managed to obtain one first draft, which was already shared with FIDAAFRIQUE. The latter is at the moment giving feedback for improvement.

210. *It was agreed that the M&E Officer would continue leading this process, in collaboration with the KM Officer. He will identify thematic storylines for each SP and request from them at least one strong success story per year, instead of per quarter, in the aim of improving quality. It was also recommended for the M&E Officer to analyze the format of the success stories featured in the 2011 IFAD Rural Poverty Report, as an example of good practices.*
211. Some of the project components' results have a very impressive visual impact on the field, such as Component 3.1 (Construction of infrastructures). For example, in Niassa Province, the rehabilitation of roads has attracted populations: new villages and trading centres are now growing along them. Although this impact is not part of project's indicators, it should still be documented and disseminated as part of the KM strategy. *It was agreed that the M&E Officer would be responsible for regularly requesting projects pictures to the Cells showing the project's impact on the field, to document the KM database, as an effective monitoring and communication tool. Pictures should ideally be taken in the same location on a regular basis (every six month for example) to show the location's evolution in time.*
212. On the training side, some of the Cells' staff having been requesting more capacity building activities, in order to improve their skills in project management, monitoring & evaluation, etc. It was proposed that exchange visits could be organized with other Cells, with the objective of sharing of experience and best practices, learning and innovation. *It is recommended for such activities to be integrated into the KM strategy, for implementation on a regular basis (once a year for instance).*
213. **PROPARGERIAS Knowledge Management.** The project is in the process of developing a website that will be also integrated into the DNDPR one. It aims at promoting partnerships and investment opportunities, as well as the project's success stories. On top of this, several types of partnerships/investments promotion brochures were developed for most of the Districts; they will be presented in points visited by investors. However, the communication material shows some room for improvement. It seems like the project is lacking capacity to determine the type of information that presented, both on the website and in the communication material to raise the investors' interest. *It was agreed that an external consultant specialized in Communication for Development would be recruited before the end of the year, to support the project in its communication strategy, the promotion of value chains and presentation of investing opportunities.*
214. **Policy/Institutional Support**
215. The Coordination between PROMER and MIC was improved since the last mission's visit; several meetings were held and decisions were taken for next year's AWPB. The 2013 AWPB is planned to be implemented at 85% by the end of the year, the remaining activities depend on the approval of National plans, which are suffering from delays (they will be inserted into the 2014 AWPB). The MIC has decentralised its activities to the Provinces; now the Districts collaborate directly on the field with Promer Cells, This improved the communication flow and activities implementation. The overall performance of most Provinces has reached a satisfying level; the ones that still underperform suffer from capacity or physical issues, such as the lack of transportation.



216. PROMER is actively participating in the implementation of the SIRPP – Sistema de Recolha de Preços de Productos (price information system) that started in June of 2013 and is disseminating prices of 34 products by SMS, at national level. Prices are updated on a central database twice a week, with information sent by the districts. This project is showing to be successful, despite the current lack of precise information of the users' volume. Some users already are even contacting the project management cell and requesting to be put in contact with producers. The MIC is planning to broaden the project's scope in the future but is missing the capacity, network and resources to choose the best strategy to do so. *It was agreed that a consultant would be hired to perform a study on the sustainability of the current project and upgrading possibilities, on the basis on successful similar projects that were done in other countries/regions.*

217. **Conclusion**

218. An effective M&E system can contribute to identifying problems at early stages and taking appropriate action. However, it requires a strong data collection system as well as links to project management. The project impact can be improved if results are regularly used in the decision-making process as well as shared with all the projects' stakeholders. This is why the results, as well as lessons learnt, should be diffused throughout all implementing actors on a regular basis, to ensure that good practices are replicated and bad ones avoided. Shared knowledge gained from implementation can also improve program effectiveness.

219. The PROMER overall M&E system is being used at a satisfying level, despite the improvements that are recommended. It is recommended for the next supervision mission to focus on the most important priorities: the availability of the full data in the M&E database (to ensure the MTR to be performed in a smooth manner) as well as the creation of the IFAD KM strategy and use of the results.

## Attachment 7: Communication within the PROMER programme

220. **Proposed communication actions.** Re-assess the material already gathered to see whether it could be used for communication and information purposes. Often the material and the examples are there, but if they are not reworked and repackaged as communication material, it all stays on a desk in the office.
221. Entrust the new KM officer with the task of assessing and taking stock of the existing material as well as identifying the various communication channels and the way the information flows (or not). Look for bottlenecks and try to improve. Basically, PROMER needs to know what it has at every single point in time.
222. Regularly examine the material gathered from the Project Cells and select what can be used for communication purposes. For instance, if there are interesting examples, see what can be done with them: a story, a compilation of interesting case studies and best practices, a group of stories based on a thematic approach (market linkages, value-chains, farmers organisations, rural finance, gender or youth). If it is found that there are a number of examples on the same theme, then a more general story can be written about it, taking the example of several farmers and not just one. It is better to be pro-active and target potential audiences rather than wait to be asked.
223. More use should be made of new technologies such as low cost cameras and video recorders (even a mobile phone), as they provide an efficient and cheap way to communicate to farmers in remote areas, but also to record successes and best practices.
224. A Facebook page is a very good tool to communicate progress on PROMER; it is easily accessible from all partners and farmers in the field (on a basic call phone) and it is free to start up. All it requires is regular update which can be done once a week or every ten days. People can also use it as a notice board.
225. Update existing stories on a regular basis, say once a year: "now four years into the project what has been achieved is...."..."Now five years into the project, what has been achieved is...." and try to describe the progress made or the challenges encountered during that time. Doing it as a regular exercise is a good way to record progress and communicate it outside of the project. It is also a good way to take stock of what has been achieved.
226. Select the best farmers' association in each block and follow its progress. That is a very effective way to document achievements and make it interesting. If the project cells could help in identifying strong personalities, it would be great. It is not a bad thing to focus only on the most dynamic farmers and on individual personalities as they can become a source of inspiration for the group.
227. For the radio programme, it may be a good idea for PROMER to give specific guidelines on its 30 minutes slot as it may help the community radios to be more structured. Professional radio programmes are extremely structured down to the minute if not second. PROMER could maximise its message by structuring the programme rather than letting radio stations doing it themselves and wasting airtime (see example of programme below).
228. **Where to communicate to?**
- (a) **The local press.** Press releases and short stories are a good way to communicate to the press. They should be sent to regional and national papers on a regular basis (provided there is something new to say) as sometimes they will pick up a story from them. Of course, the press release should be as positive as possible as we don't want journalists to turn the story around.

- (b) **To IFAD regional bureau in Nairobi.** For dispatch to various specialists. A communication structure is under reviewed and once put in place, will be more helpful to KM officers in Country Offices.
- (c) **To other donors and partners in Mozambique.** Including potential Private Partners as they are a target for IFAD partnerships.

229. **General tools for communication**

- (a) Gathering material and farmers testimonies:
  - (i) Always get a chronology of their own story
  - (ii) Describe the context
  - (iii) Their personal situation (married, children, assets)
  - (iv) Precise figures on income and outgoings as it helps understand how their situation is improving
  - (v) Details on crops, assets and livelihood
  - (vi) Problems encountered and challenges with details to illustrate
  - (vii) Future plans
  - (viii) Also, try to set a time frame to do the documentation, such as a season for crops, or the time span from seasonal contract to seasonal contract. We need to document a progression over a period of time.
- (b) **Note 1.** It is a good idea to select a number of farmers or farmers associations which seem dynamic and follow them throughout the duration of the project. It is more effective than mentioning each time a different farmer or farmers' organisation and easier for the audience to follow.
- (c) **Note 2.** The material cannot be used as it is, it needs to be transformed and repackaged in a more professional way, using professional tools.

230. **Writing a story: the basic principles.** writing a story is a specific skill and there are techniques to do so. The guiding principle to any story, be it a magazine feature or a short story describing farmers, is the 5W principle. In other words, the first couple of paragraphs of a story should answer the five basic questions: *What, Where, When, Who* and *Why*. This is a technique all professional journalists use, which should be used by other communication professionals. Some journalists use the 6W, by adding *How* to the list. By reading this first paragraph, the reader should have sufficient information to decide whether to continue reading the story or not.

231. Once these basic questions are answered, there should be a *quote* from the main protagonist to support what has been stated. The full name, profession and location of the person quoted must be mentioned.

232. Once this is done, the facts must be replaced into their own context to give some prospective to the reader. For instance, some context on Mozambique and the type of crops traditionally grown, or how markets function there. This is an important point to mention, as there is always a specific context that readers need to understand.

233. In the following paragraphs we can go *into details on the issues* mentioned in order to explain them well to the readers. If a story is well structured following these guiding principles it can be used in different communication channels (articles, brochures, leaflet, case studies, etc...).

234. As an indication, a general article should be no longer than 1,000 words, as the reader loses concentration passed that point (best is 750/800 words). If there is a lot of material, it is better to break it into two separate stories. That way, they become easier and simpler to understand as the main issues are not mixed up.
235. The language must be simple and approachable. For a story to be read by a wide audience, it must avoid technical words as well as professional jargon. When journalists write a story, they always have in mind their grandmother or the man in the street as a target audience. If they can understand it, most people can. Writing is communication. That is also true for a story, so when writing, it is useful to have someone in mind one is writing for.
236. **Best practices: points to include.** Best practices are not communicated to a wider audience but to other specialists of the same field. Therefore, they can be briefer and go straight to the point without having to explain the context too much. However, more technical details should be given and the text should answer the following questions:
- (a) What is exactly the best practice?
  - (b) How was it developed?
  - (c) Why is it working?
  - (d) Why did it become a best practice?
  - (e) What were the determinant factors to make it a best practice?
  - (f) Is it closely related to the context where it developed?
  - (g) Can it be replicated in another region?
  - (h) If so, under what conditions?
237. Pictures with a brief commentary are useful to document and illustrate a best practice step by step.
238. **Technical tools to use.** Many ICT tools are now available cheaply, and should be used widely when documenting projects. They include photos of course, but also video (doing short clips even with a mobile phone), voice interviews which can be used for documentaries. Some of the public channels such as YouTube can also be used (if permitted by the Ministry) to release homemade documentaries on beneficiaries. When they are in the local language or even in Portuguese, it is better to add English subtitles to target a wider audience outside of Mozambique. A wide range of tools should be used, but that is not enough. The material gathered needs to be transformed to create a professional communication package, bearing in mind that the information should always be cross-checked and correct. Once released, it is out there and can no longer be edited.
239. **Use of IFAD's communication Division in Rome.** The Communication Division is also there to provide support in using communication tools. When needed, it can also be used by the Country Offices. Having said that, the new decentralised office in Nairobi will also be able to provide communication and Knowledge management support.
240. Links to regularly consult:
- (a) [www.ifad.org](http://www.ifad.org)
  - (b) [www.ruralpovertyportal.org/country/voice/tags/mozambique](http://www.ruralpovertyportal.org/country/voice/tags/mozambique)
  - (c) [www.ifad.org/operations/projects/regions/pf/resources.htm](http://www.ifad.org/operations/projects/regions/pf/resources.htm)
  - (d) ifad social reporting blog (one click on IFAD home page)

**241. Example of a 30 mns radio script starting at 13.30 hours**

- (a) 13.30 Introduction:** 1 minute maximum including music and presentation.
- (b) 13.31 Eco bulletin:** 5 to 7 mns should be allocated to the bulletin and no more, as it is sufficient to read the prices, repeat them and make an analysis (prices up or down and why).
- (c) 13.38 Market Interview:** 3 mns for a market interview with a farmer, a representative of an association or federation or a small trader. The interview should be topical and focus on the current situation in a given week. Maybe it would be good to give local radio stations an example of questions to ask.
- (d) 13.41 PROMER information..2-3 mns.** new people, change in the cell, info from Maputo, example of a best practice and so on. If nothing is going on, something has to be found. That's what journalists do when there is no specific news, as it is very important to keep the regularity of the programme.
- (e) 13.44 Advertising break—1 mns.** Maybe if included in the programme, would encourage radio stations to find new sources of income.
- (f) 13.45 Nutrition slot -10 mns** ..it would be good to present it as a play with protagonist talking like a mother to another mother, kids...wife to husband and vice versa, mother to daughter....etc.....that requires a bit of creativity which is not easy, also the message would have to be controlled by PROMER and EU to be effective.
- (g) 13.55 Wrap-up---**"You have just listened to the PROMER programme about markets and nutrition?? PROMER is a programme to....(repeat what PROMER is so people remember). On the radio, we shouldn't be concerned about repetition, they are good, they help listeners remember what was said.
- (h) 13.57—Music.** Would be better to have the same tune played in all the radio stations so people remember the "PROMER music". It is a good way to instantly recognise the project.

## Attachment 8: Fiduciary Aspects

### A. PROMER

242. PROMER was originally approved on 11 September 2008 and became effective on 26 April 2009. IFAD's total commitments are SDR 19,010,000. On 29 May 2013 the Loan Agreement was amended to reflect the addition of an EC grant of EUR 8,340,000 as part of the Millennium Development Goal (MDG) Programme. The amended agreement is effective as of 12 June 2013. Accounting for all financiers, total project funds currently stand at USD 46.94 million.
243. **Loan amendment.** The PMT and the Mission have agreed that the Loan Agreement will be amended, in order to address the discrepancies in the Project Components section between the amended version, dated 29 May 2013 and the original one, dated 17 September 2008 (Schedule 1, paragraph 5.4 and 5.5). The proposed Component disposition is presented in appendix 1.
244. **Financial Management and Liquidity.** Financial Management is solid, and the project now counts with two accountants assisting the Financial Director and a third one being hired through a competitive process to assist in the management of the MDG grant. Bookkeeping and account reconciliation are carried out in timely order, and the financial statements reviewed captured accurately the current situation of the project. It was noted that in order to increase internal controls, the PMT keeps records both in the accounting software TOMPRO and excel, so as to crosscheck every operation during account reconciliation. This is especially useful in inventory management.
245. As noted on the April 2013 Supervision Mission, Withdrawal Applications (WA) continue to be submitted and processed by FAD with an average frequency of 30 days. However, road rehabilitation programmes are increasing their output, and the PMT is currently processing reimbursement requests from both 2012 and 2013 civil works, as well as projects started under the MDG Programme in July 2013, which still needs to disburse the first installment. This pressure leaves project liquidity at a medium risk. In order to speed up the reimbursement process for services provided, and accelerate WA submission, it was agreed to increase the road fund ceiling from USD 350,000 to USD 500,000, to accelerate payment procedures (which require a long bureaucratic process).
246. **Disbursement and financial progress.** Total disbursement stands at SDR 9,185,244.77, which is 48.1% of the total amount of the IFAD loan agreement. During the Mission, PROMER submitted WA number 20, which will bring total disbursements from the loan account to around 52.1%. It was noted that due to the long process of obtaining the evidence of signatures for operating the MDG account, the grant has not disbursed the first installment. Execution of the 2013 AWPB, as of 30 September is 43.9%. This is due to the delay of the implementation of the MDG Programme (effectiveness date being 12 June 2013, but activities already budgeted in AWPB 2013), and the fact that 2013 activities under sub-component 1.1 have not started yet. More details on this subject can be found on paragraph 8 of the Aide Memoire.
247. The cumulative rate of expenditure, as at 30 September 2013 is 25.2%, with 40% of IFAD's commitment already spent. Detailed cost tables are presented in appendix 2.
248. **AWPB 2014.** It was agreed that, to allow for a more detailed analysis of local project costs, the 2014 AWPB would be submitted by 15 December 2014.
249. **5. Review of PROMER payments support documentation.** In total eight (8) random transactions recorded in the financial reports were reviewed, covering WAs 17, 18 and 19. Given that some transactions consisted of reimbursements to Service Providers, that presented their own financial

reports, a randomized process was used to check individual items in the SPs reports. The revision showed that financial reporting is adequate both at the PMT and at the SPs level. Financial reporting for the local cells is performed centrally at the Maputo PMU, and a small sample of the documentation sent by the provinces was reviewed, finding no problems.

250. **MDG grant management**

(a) **Accountant and expert for M&E database.** PROMER has started the hiring process of the new accountant that will be assisting in the management MDG grant. The long list has been prepared and is now currently being reviewed by the PMT. Due to time constraints, the PMT informed that the MDG accountant will start his/her functions in January 2014. While this new position is envisioned on the budget adopted on the April 2013 Design Report, the office recurrent costs, which should cover the accounting software update (license, installation and training for TOMPRO) are not included (budgeted at around USD 6,000). Another issue is the need for an M&E short term consultant to update the database for the MDG Programme. Projected costs of this service stand at USD 12,000, but the MDG budget has no allocation for this service. It was agreed that this amount of USD 18,000 will be budgeted against the first semester salary costs of the M&E officer of the Alto Molocué cell (budgeted at USD 48,000 per year), who should start his functions in January 2014, six months after the start of the MDG Programme.

(b) **Evidence of signatures.** The Mission noted the long process for sending the evidence of signatures to operate the MDG account from the Central Bank of Mozambique to IFAD. It was stressed that on 22 June 2009, the Central Bank sent the evidence of authority to sign withdrawal applications for PROMER to IFAD, and it was agreed that the PMT would request the Bank to follow the same procedure for the MDG grant accounts.

(c) **Disbursement to DIC.** The MDG Design Report does not specify the regulations on the transfer of funds for DIC. It was agreed that an MOU will be signed between PROMER and DIC with clear guidelines on disbursement and financial reporting, which will be drafted by PROMER's Financial Manager and submitted to IFAD for NO. The PIM should also be updated accordingly.

251. **Government counterpart funds and beneficiaries contribution.** As per the loan agreement, Government contribution is paid as tax refunds and tax exemptions. As of 30 September 2013, total VAT refunded and exempted by GOM stands at USD 374,703, against a yearly budgeted amount of USD 481,008. This corresponds to 77.9% of the projected refund for 2013 and no outstanding amounts need to be recovered. Globally, since the beginning of the project and up to 30 September 2013, GOM's share of the financing is at 7% of total expenditures, fully compliant with the loan agreement covenants.

252. It is also noteworthy that the contribution of the beneficiaries is currently non-existent. The PMT considers that the beneficiaries will have difficulties raising their required share of matching contribution. Given that the contributions can be in goods and services, it was agreed that the PMT would design guidelines in order to evaluate and estimate the monetary value of the beneficiaries' contribution. It was agreed that the PMT would draw on the knowledge of PSP, which has been experiencing the same issue.

253. **Compliance with Loan Covenants.** Section 3.04.b) of the loan agreement, which establishes that the borrower should replenish the counterpart funds annually *in advance* to cover exemptions for taxes and duties, has not been respected. Government funds are channeled to the Project account only upon submission of a request for VAT refund. However, the PMT have document support that the Government does allocate the foreseen amount in eSISTAFE, but no amounts can be

transferred from the system to the Project accounts without support documentation (receipts and invoices), which only happens upon the request for VAT refund. All other loan covenants are being satisfactorily complied with.

254. **Audit.** The 2012 Audit of the PROMER financial statements was finalized and found to be 'unqualified'. The PMT sent the hardcopy report to IFAD on 20 June, respecting the established deadline. The financial statements, which should have been sent by 31 March, were sent to IFAD on 12 April 2013. IFAD has given NO for the hiring of KPMG to perform the 2013 Audit of the Financial Statements for one more year (a third year will not be approved by IFAD and a new bidding process will need to be undertaken. The Mission noted that the 2012 Recommendation Letter did not have any outstanding issues for PROMER.

255. **Summary of agreed actions**

Agreed action	Responsibility	Agreed date
Request Loan amendment	PMT	Dec 2013
Finalize hiring process for MDG accountant	PMT	Dec 2013
Submit 2014 AWPB	PMT	Dec 2013
Update TOMPRO for MDG grant	PMT	Feb 2014
Hire M&E expert to create M&E database for MDG	PMT	Mar 2014
Sign MOU with DIC and prepare disbursement guidelines	PMT	Mar 2014

## B. Proparcerias

256. Proparcerias became effective on 27 August 2010, with an IFAD contribution of USD 250,655, of which USD 181,855 from the Swiss Agency for Development and Cooperation (SDC) and USD 68,800 from the Ministry for Foreign Affairs of Finland (MFAF). The project is part of a Programme with the following additional financiers: the Netherlands (USD 810,000), FAO-Netherlands (USD 134,408) and the DNPDR (USD 56,600).
257. **Financial Management and Liquidity.** Financial Management has improved from the Supervision Mission held in April 2013 with the installation of an accounting software (Primavera) to automate bookkeeping. The Mission verified that all transactions from 2012 and 2013 that were funded by IFAD have been posted in the system, as recommended by the last Supervision Mission. However, the accounting system accounts were designed based on the plan of activities, and not the budget lines of the project design report. Another issue that was verified was that the system does not follow the four components (Schedule 1, paragraph 1.4) established during the signature of the project. As such, all Financial Statements requested by IFAD are based upon a manual reconciliation process done in Excel. Before the end of the Mission, the PMT has stated that Primavera was being upgraded to reflect IFAD reporting guidelines.
258. Financial reporting of the previous years was reviewed, and the Mission observed that all reports are made following the standards established by the agreement with the Netherlands. The provisions of the grant agreement on reporting were not followed (progress report in English,



description of the project components, budget lines and an attached statement of expenditures). It was agreed that the previous progress report sent to IFAD should be translated into English, and that the outstanding statements of expenditures should be included.

259. It was observed that some Bank reconciliation forms were only signed by the Financial Manager and there was no evidence of signature by the Project Coordinator. While this issue was solved during the Mission, it was agreed that the PMT will ensure that all bank reconciliation forms are signed by the Project Coordinator prior to filing, to increase the quality of internal control.
260. **Disbursement, financial progress and Project liquidity.** Upon grant signature, IFAD disbursed USD 225,000. A second installment of USD 25,655 will be disbursed upon receipt by IFAD of the Project Final Report. Financial execution of the IFAD grant currently stands at 86%. Bank reconciliation forms show that only USD 5,688.30 are left in the IFAD account open at the Central Bank of Mozambique. However, the Mission observed that the procedures of the grant have been used to pay for VAT, in violation of the General Conditions Applicable to IFAD Small Grant Agreements with Member States, paragraph 6.14. The total amount of VAT paid through the Service Providers is MZM 1,091,728.19, equivalent to USD<sup>25</sup> 34,792.28. GoM's central financial and accounting system eSISTAFE does not allow for payments to be performed within the DNPDR (being a part of the DNPDR, Proparcierias shares the same Identification Number in eSISTAFE, so internal transactions are impossible). The DNPDR has agreed to reimburse the VAT, and it was agreed that the refund, in addition to the balance in the Project account, should be used to pay the outstanding Service Providers' invoices.
261. **Contract Management.** The Mission noted that no register of contracts is in place, and that there's no evidence of a Contract Management Form being used by the Project staff. The Mission recommends that the PMT creates a register of contracts and retroactively prepares all the CMFs as an important step towards grant closure.
262. The Mission also observed that the project staff is not insured, as per paragraph 6.17 of the General Conditions for Small Grants. Given the eminent closure of the project, no action will be taken on this regard.
263. **Audit.** It was agreed that the TOR should be amended to reflect the recommendations of the Mission stated on paragraphs 1, 2 and 3, prior to the closure of the grant. It was agreed that the next audit will start in February 2014, so as to give enough time for the recommendations to be put in place.

#### 264. Summary of agreed actions

Agreed action	Responsibility	Agreed date
Improve Primavera database	PMT	Nov 2013
Review Financial statements for 2012 and 2013	PMT	Dec 2013
Translate past progress reports into English and submit to IFAD	PMT	Dec 2013
Prepare outstanding SOEs	PMT	Dec 2013
Request VAT refund to DNPDR	PMT	Nov 2013
Prepare register of contracts and CMFs	PMT	Dec 2013
Amend TOR for Audit 2013 and request IFAD's NO	PMT	Dec 2013

<sup>25</sup> UN exchange rate, October 2013

Appendix 1. PROMER - Proposed Amendment to Project Component Table

	Loan 754-MZ, 17 Sep 2008	Amended Loan 754-MZ & Grant 2000000057, 25 May 2013	Proposed amendment
Comp. 1	Development of More Dynamic Market Intermediaries	Development of More Dynamic Market Intermediaries	Development of More Dynamic Market Intermediaries
Comp. 2	Enterprise Led Value Chain Initiative	Enterprise Led Value Chain Initiative	Enterprise Led Value Chain Initiative
Comp. 3	Improving the Market Environment	Improving the Market Environment	Improving the Market Environment
Comp. 4	Policy/Institutional Support and Management	Nutrition Promotion	Policy/Institutional Support and Management
Comp. 5		Policy/Institutional Support and Management	Nutrition Promotion
Comp. 6		Implementation Support (DIC)	Implementation Support (DIC)

## Appendix 2. PROMER - Financial progress by category and component against 2013 AWPB

Financiers		IFAD		European Union		Beneficiaries		GoM		Total		
Comp		Budget 2013	Actual 2013	Budget 2013	Actual 2013	Budget 2013	Actual 2013	Budget 2013	Actual 2013	Budget 2013	Actual 2013	%
Comp. 1	Development of More Dynamic Market Intermediaries	1,680,313	1,305,400	363,300	-	20,000	-	-	-	2,063,613	1,305,400	63.3
Comp. 2	Enterprise Led Value Chain Initiative	335,000	3,850	-	-	250,000	-	-	-	585,000	3,850	0.7
Comp.3	Improving the Market Environment	4,171,000	1,825,479	1,035,000	-	-	-	-	-	5,206,000	1,825,479	35.1
Comp. 4	Policy/Institutional Support and Management	955,865	862,946	301,875	-	-	-	-	-	1,257,740	862,946	68.6
	<b>Total</b>	<b>7,142,178</b>	<b>3,997,675</b>	<b>1,700,175</b>	<b>-</b>	<b>270,000</b>	<b>-</b>	<b>481,008</b>	<b>374,703</b>	<b>9,112,353</b>	<b>3,997,675</b>	<b>43.9</b>

**Table 2: 2013 AWPB Expenditure by category, as of 30 Settembre 2013 (USD)**

	Financiers	IFAD		European Union		Beneficiaries		GoM		Total		
Categ.		Budget 2013	Actual 2013	Budget 2013	Actual 2013	Budget 2013	Actual 2013	Budget 2013	Actual 2013	Budget 2013	Actual 2013	%
Cat I	Civil Works	3,942,250	1,626,527	840,000	-	-	-	-	-	4,782,250	1,626,527	34.0
Cat II	Vehicles Equipment & Material	58,000	5,454	92,920	-	-	-	-	-	150,920	5,454	3.6
cat III	Technical Assistance, Studies, Training & Workshops	704,800	217,636	29,000	-	-	-	-	-	733,800	217,636	29.7
cat IV	Service Provider Contracts	1,552,313	1,302,273	504,300	-	-	-	-	-	2,056,613	1,302,273	63.3
Cat V	Matching Grants	290,000	-	-	-	270,000	-	-	-	560,000	-	-
Cat VI	Outreach Grants for Financial Institutions	-	63,834	-	-	-	-	-	-	-	63,834	#DIV/0!
Cat VII	Salaries & Allowances	455,865	602,017	199,845	-	-	-	-	-	655,710	602,017	91.8
Cat VIII	Other Operating Costs	138,950	179,934	34,110	-	-	-	-	-	173,060	179,934	104.0
	<b>Total</b>	<b>7,142,178</b>	<b>3,997,675</b>	<b>1,700,175</b>	<b>-</b>	<b>270,000</b>	<b>-</b>	<b>481,008</b>	<b>374,703</b>	<b>9,112,353</b>	<b>3,997,675</b>	<b>43.9</b>

N.B: Up to end-2013, the expenses and the contribution of the Government on VAT is posted in the accounts jointly and not per component or category.



Table 3: Cumulative Expenditure by component, as of 30 September 2013 (USD)											
Comp	Financiers	IFAD		European Union		Beneficiaries		GoM PROMER		GoM EU	
		Budget (Appraisal)	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Comp. 1	Development of More Dynamic Market Intermediaries	7,711,500	3,075,820	1,826,211	-	800,000	-	1,026,000	-	446,000	-
Comp. 2	Enterprise Led Value Chain Initiative	4,723,500	277,360	-	-	2,250,000	-	278,500	-	-	-
Comp. 3	Improving the Market Environment	9,817,000	3,957,783	6,047,842	-	-	-	1,191,500	-	437,000	-
Comp. 4	Policy/Institutional Support and Management	8,883,000	4,511,094	1,209,568	-	-	-	365,000	-	541,000	-
Comp. 5	Nutrition Promotion			213,453	-	-	-	-	-	-	-
Comp. 6	Implementation Support (DIO)			592,926	-	-	-	-	-	-	-
	<b>Total</b>	<b>31,135,000</b>	<b>11,822,057</b>	<b>9,890,000</b>	<b>-</b>	<b>3,050,000</b>	<b>-</b>	<b>2,861,000</b>	<b>951,440</b>	<b>1,424,000</b>	<b>-</b>
Table 4: Cumulative Expenditure by category, as of 30 September 2013 (USD)											
Categ.	Financiers	IFAD		European Union (2)		Beneficiaries		GoM PROMER		GoM EU	
		Budget (Appraisal)	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Cat I	Civil Works	5,868,000	2,998,883	4,043,753	-	-	-	1,106,000	-	-	-
Cat II	Vehicles Equipment & Material	652,000	461,127	71,151	-	-	-	246,000	-	-	-
cat III	Technical Assistance, Studies, Training & Workshops	5,313,800	1,081,992	-	-	-	-	-	-	-	-
cat IV	Service Provider Contracts	7,465,400	3,262,942	2,158,249	-	-	-	1,410,000	-	-	-
Cat V	Matching Grants	2,200,500	216,192	-	-	3,050,000	-	-	-	-	-
Cat VI	Outreach Grants for Financial Institutions	1,173,600	465,827	-	-	-	-	-	-	-	-
Cat VII	Salaries & Allowances	4,808,500	2,683,756	1,055,408	-	-	-	-	-	-	-
Cat VIII	Other Operating Costs	537,900	651,338	486,199	-	-	-	99,000	-	-	-
Cat IX	Credit line & Credit Guarantee	-	-	1,090,983	-	-	-	-	-	-	-
	Unallocated	3,113,300	-	984,257	-	-	-	-	-	-	-
	<b>Total</b>	<b>31,133,000</b>	<b>11,822,057</b>	<b>9,890,000</b>	<b>-</b>	<b>3,050,000</b>	<b>-</b>	<b>2,861,000</b>	<b>951,440</b>	<b>1,424,000</b>	<b>-</b>

N.B. Up to June-2013, the expenses and the contribution of the Government on VAT is posted in the accounts jointly and not per component or category, and includes the VAT.

## Attachment 9: Procurement

### A. PROMER

265. Overall, the Mission finds that procurement procedures are adequate and satisfactory for the effective implementation of project activities. No issues that would seriously compromise project implementation were found.
266. **Procurement Plan.** The Procurement plan was scrutinized, and the following situation was observed:
- (a) **Procurement of Works:** All road rehabilitation works have started. The MDG component is online, with funding covered by the IFAD loan. IFAD has issued a NO for the PMT to advance the funds from the loan to be recovered once the grant account is opened. As noted by the previous mission, all the bidding processes have adhered to IFAD's Procurement guidelines.
  - (b) **Procurement of Goods:** The Mission noted that no item listed on the Procurement has been acquired yet. This is due in part to the delay in the first disbursement of the MDG grant. It was noted though, that some goods (office equipment) acquired were not part of the 2013 Procurement Plan. While the Procurement Plan does not have a contingency allocation, the

PMT noted that the 2013 AWPB does have a budget line dedicated to *other office equipment* that covers exceptional expenses throughout the year. Specific items checked are discussed in paragraph 3.

- (c) **Procurement of Services:** The Mission observed that most services had already been contracted before the latest Supervision Mission, and the outstanding ones are ongoing, but not finalized. The Mission did not find evidence of services contracts awarded outside of the Procurement Plan. The hiring process for the new MDG accountant is ongoing and should be finalized by the end of the year. Specific items checked are discussed in paragraph 3.
267. **Contract Management.** The Contract Management has improved since the last Supervision Mission. The contract register is kept in Excel, and the Contract Monitor Forms (CMF) are correctly used and show the updated invoices processed. The Mission performed a random check of WA number 19 for the payments of services and concluded that the invoices and CMF were filed correctly. It was noted that the Finance Officer responsible for the Mozambique portfolio had concluded that PROMER was correctly using the CMF.
268. The issue raised regarding CAL's SIP delayed delivery of goods and services was clarified, and no other similar cases were found in the reviewed sample support documentation.
269. **Review of bidding records and supporting documentation.** The Mission reviewed the assets register and noted that it is kept updated. It was noted that a quarterly inspection of the assets, as recommended in the previous Supervision Mission is not performed. The PMT has stated that while a specific inspection is not done, all assets are reviewed continuously during field visits and road inspection missions.
270. Four items on the register of contracts of goods and services were randomly selected and reviewed. The Mission compiled the following observations:
- (a) Procurement of goods.
- (i) **Contract Nr. 69/PROMER/12** for the acquisition of a printer for the PMU. While not part of the Procurement Plan, this is a justified purchase, due to the breakdown of the previous one. Local Shopping was used as method of Procurement. All the procedures were followed correctly, except the final technical opinion: the highest bidder, with the highest quality product, won the tender, but the specifications that justified the award of the contract were not part of the request for proposals. It is therefore recommended that for future purchases using Local Shopping, the technical specifications are as comprehensive as possible, and that final purchases are in line with the minimum requirements set on the quotations.
- (ii) **Contract Nr. 73/PROMER/E/13** for the purchase of office equipment and furniture. The method of procurement employed was Local Shopping. All procedures were followed correctly, but the Mission found that the final Evaluation Table that awarded the contract was signed by only one member of the PMT (out of the three required signatures, as per internal procedures). While this issue was solved during the mission, it was agreed that all Evaluation tables be signed in all its parts prior to contract award, to maintain acceptable internal control standards.
- (b) Procurement of Services:
- (i) **Contract Nr. 43/PROMER/SP/13** a consultant for the training in the M&E system for PROMER. The procurement method employed was direct calling. The PMT informed the Mission that IFAD has authorized the direct call of the consultant, due to his

renowned expertise among IFAD projects in Mozambique. However, it was noted that no communication from IFAD was found in the contract documentation. As per IFAD's Project Procurement Guidelines, direct contracting can only be used under express agreement of IFAD. As such, the Mission recommends that the PMT file any correspondence with IFAD that authorizes a course of action together with the contract documentation.

- (ii) **Contract Nr. 47/PROMER/PS/13** for a consultant to work on Market Rehabilitation. The consultant services were procured through National Competitive Bidding. All procedures reviewed were adequate.

## **B. Proparcerias**

- 271. The Mission noted that of the 2013 Procurement plan only one service provider was contracted. The first issue that the Mission noted was that the contract documentation is not filed in order and in cabinets. It was agreed that, to increase records management, the PMT should improve the filing system used.
- 272. **Contract Management.** The Mission noted that no register of contracts is in place, and that there's no evidence of a Contract Management Form being used by the Project staff. The Mission recommends that the PMT creates a register of contracts and retroactively prepares all the CMFs as an important step towards grant closure.
- 273. **Review of bidding records and supporting documentation.** The Mission reviewed three procurement contracts and noted the following:
  - (a) **Contract Nr.03/DNPDR/PRO-PARCERIAS/2013.** 4 entities submitted their technical proposals, which carry a weight of 75% in the final evaluation. SOFRECO – NHP won the bid and the Mission noted that the NBC was followed. IFAD granted a NO to proceed and the entire process was deemed appropriate.
  - (b) **Contract Nr. 02/DNPDR/PRO-PARCERIAS/2011.** 4 entities participated in the bidding. All documentation was found to be in order.
  - (c) **Contract Nr. 01/DNPDR/PRO-PARCERIAS/2011.** The Mission noted that only two candidates were considered against the National Bidding Competition rules established under Mozambican law. It is recommended that biddings for purchases of services be accepted only with a minimum of 3 candidates.