



Enabling poor rural people
to overcome poverty

Republic of Mozambique

Rural Markets Promotion Programme (PROMER)
Loan 754-MZ
Community Investor Partnership Project (ProParcerias)
Grant COFIN-F&S-1-MZ

Supervision Report



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IFAD

SUPERVISION REPORT

of the

International Fund for Agricultural Development

Country:	Republic of Mozambique
Project:	Rural Markets Promotion Programme (PROMER) Loan 754-MZ Community Investor Partnership Project (ProParcerias) Grant COFIN-F&S-1-MZ
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Front cover: Smallholder farmers bring their cassava to the mobile processing unit operated by DADTCO in Ribaué district, Nampula. Here it is boxed, weighed and checked for quality before processing. DADTCO also provides high-quality planting material. This outgrower operation has good potential for growth, possibly with PROMER support. Photo by Jelle Tas.

Back cover: The President of the Milela farmers' associations shows the association's warehouse in Ribaué district, Nampula, built from local materials, in which the association's partner Corredor Agro Limitada (CAL) stores products bought from associations nearby. The members of the Milela farmers' associations had contracts with CAL in 2012 under which the agribusiness provided soya and sesame seeds, and bought the product. Photo by Claus Reiner

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Currency Equivalents, Weights and Measures, Fiscal Year

1 USD = 30 MZM

Metric system

Fiscal Year: 1 January – 31 December

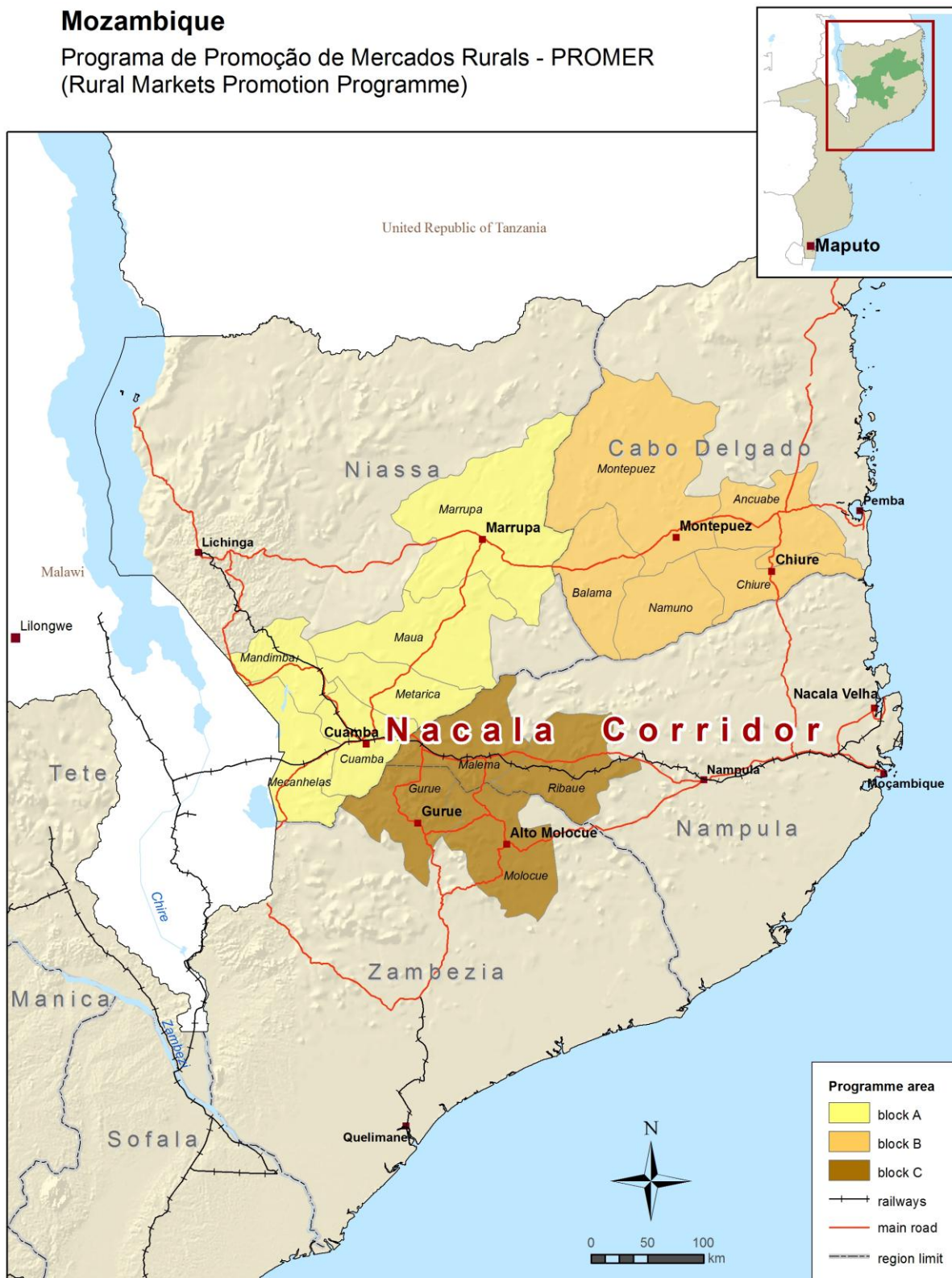
ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AGRA	Alliance for a Green Revolution in Africa
CAL	<i>Corredor Agro Limitada</i>
DNC	National Directorate for Commerce
DNPDR	National Directorate for the Promotion of Rural Development
EC	European Commission
FARE	Support Fund for Economic Rehabilitation
FONPA	National Forum of Cotton Producers
KM	Knowledge Management
MAE	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
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

MAP OF THE PROGRAMME AREA

Mozambique

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



REPUBLIC OF MOZAMBIQUE

Supervision Mission for PROMER and ProParcerias

October 2012

Aide Mémoire of the Mission, signed on 26 October 2012

I. Introduction and Background

1. The Rural Markets Promotion Programme (PROMER) has been effective since April 2009. The overall aim of the 7-year programme is to enable small-scale farmers increase their incomes from agriculture by helping them market their surpluses more profitably. Its total cost of USD 40.6 million is financed by IFAD (USD 31.1 million; 77%); AGRA (USD 3.5 million, 9%); the Government (USD 2.9 million; 7%) and beneficiaries (USD 3.0 million; 8%). The European Union (EU) financed an additional EUR 0.76 million through PRO-PAPA in support of the government's Pro-Food Production Action Plan (PAPA). In addition, it is foreseen that the EU-financed MDG Programme "Accelerating progress towards MDG1c in Mozambique" will provide an additional USD 11.2 million equivalent to support further outreach of programme activities.

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

3. The supervision mission¹ of September 2012 built on the March 2012 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 Cuamba and Metarica (Niassa Province), Ancuabe, Montepuez and Pemba (Cabo Delgado), Malema and Ribaué (Nampula) and Alto Molocué (Zambezia). 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), UNAC, FONPA, the Netherlands Embassy, FAO, WFP, *Centro Terra Viva* (CTV), *Confederação das Associações Económicas de Moçambique* (CTA), *Iniciativa para Terras Comunitárias* (iTC) and all service providers and financial service partners. 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 National Director, DNPDR, on 26 October 2012. Its content is subject to confirmation by way of an IFAD Management Letter.

II. PROMER

A. General

5. The programme is already showing some first tangible results in the field, in particular with the farmer group strengthening and literacy training, and road improvement. Support to the selected value chains is also moving forward, albeit slow. However, the trader outreach, infrastructure, rural finance and market information support activities are not yet visible in the field, although preparations for many of these areas have started.

¹ The mission comprised of Claus Reiner (IFAD Country Programme Manager), team leader; Damien Ngendahayo, Agricultural Extension Expert; Jelle Tas, Value Chain Expert; Oscar Damen, M&E and Knowledge Management Expert; Ana Zandamela (IFAD Country Programme Assistant), M&E and Knowledge Management Assistant; Espen Berg (IFAD Associate Country Programme Manager), Market Intermediaries and Programme Management Expert; Ambra Gallina, Gender and Targeting Expert; and Steven Jonckheere, Land Tenure Expert.

6. Despite the visible progress, which was achieved in a difficult staffing environment, the mission has identified a number of key challenges that need to be addressed in order to make the programme fully responsive to market opportunities, to give it wide outreach and to build a solid foundation of sustainability. By virtue of its decentralised implementation, the programme also stands to benefit from greater flexibility in responding to local market developments and opportunities. Moreover, the shaping of each public-private partnership (PPP) requires clear analysis of the constraints to pro-poor development of the specific value chain, and careful customisation of the programme support with appropriate safeguards to ensure smallholder impact. In order to move in this direction, the programme needs to become more dynamic, communicative and focused on results. *It was agreed that these principles be applied rigorously in the development of programme relationships, both within the PMT (especially between the Maputo office and the cells) and with the programme partners (especially local government, service providers and the private sector).*

B. Component 1 – Developing More Dynamic Market Intermediaries

Sub-component 1.1 - Support for Input and Output Traders

7. Implementation of this sub-component has not progressed along the agreement of March 2012 as the integration of AGRA's contract with a service provider in PROMER was not feasible. As such, the partnership with AGRA was formally terminated in May 2012. The sub-component has now been included in the upcoming MDG Programme activities. The mission will provide feedback to the PMT on the draft TOR for their finalization, and *it was agreed that the tender for the service provider/s be launched by end-November 2012.* As there are already similar initiatives in the region, including by IFDC, the PMT should explore the possibilities for collaboration and avoid an overlap of activities with initiatives that target similar traders.

Sub-component 1.2 - Support for Farmer Organizations

8. This sub-component is the furthest advanced, including FO training, market linkage building and functional literacy training, which is already showing some early results. For example, farmers' improved reading and writing skills have enabled them to read scales, resulting in less cheating on weight. Another major achievement since March 2012 is the facilitation of market linkages between FOs and traders. Some 96 FOs (of 330 participating FOs) were linked to markets and managed to negotiate a farm gate price above the spot market price, and in some cases obtained future contracts. In addition, most FOs prepared production plans for the current agricultural season based on market expectations, which can be improved with more realistic yield assumptions. Furthermore, significant progress was made in training FOs in governance, leadership and business management. At the moment, the curricula are the same regardless of the level of development reached by FOs. The graduation system of FOs is currently under review, based on clear criteria and indicators that were agreed upon by stakeholders. The expected outcome of this process, to be finalized by end-November 2012, is the reclassification of FOs by category. This will also allow PROMER to provide specific support tailored to the FOs' level of development. *It was agreed that each service provider elaborate by 31 January 2013 a plan to emphasise market linkage facilitation, to reduce the intensity of support for FOs having completed the training modules and include new FOs to increase the outreach of the programme.* The design target of 670 FOs should be aimed at for completing the support activities by mid-2016.

9. The agreed 3-month advance for OIKOS has not yet materialised due to difficulties in obtaining a bank guarantee by the NGO. To resolve this impasse, *it was agreed that a 20% annual rolling advance payment be allowed to OIKOS based on a personal commitment letter signed by the OIKOS representative and monthly justifications.*

10. **FO union support.** The implementation of most of the activities under the MOU with FONPA of April 2012 is ongoing. The evaluation of the current FONPA strategic plan (2008-2013) is about to start with PROMER support, the conclusions of which will determine the future of the partnership. By contrast, UNAC did not progress in forging an MOU despite previous agreed actions, and *it was agreed that the UNAC MOU would not be developed further.* Instead, it was agreed to

establish a direct partnership between the service providers and district unions. To this end, *it was agreed that the service providers in Blocks A and B recruit a Union Advisor to build the capacities of FO unions that are sufficiently proactive to build a viable institution.* The expected result of this partnership is that district and zonal unions provide marketing and other services to FOs without external assistance, particularly for FOs in category A and B.

11. **Functional adult literacy.** Training in adult literacy has progressed well in Blocks A and C in the last 6 months, while in Block B it will start in March 2013. Current plans are for the literacy training cycle to take three years, in line with government policy. However, with this approach, only a single training cycle can be organized over the implementing period of the programme, thus reaching less than 40% of the PROMER target of training 10,000 illiterates. At design, it was planned to offer functional literacy training for one year, after which beneficiaries would join government literacy programmes on a voluntary basis. *It was agreed that the PMT develop a programme to increase the number of beneficiaries, including the possibility of limiting the free functional literacy training courses to one year, and offering beneficiaries interested in continuing the possibility to do so by paying the trainer salary.*

12. **Market-linkage Extensionists.** The draft MOU to contract 16 Market-linkage Extension Officers was approved by the Provincial Directorates of Agriculture (DPAs). They will provide agronomic support to participating FOs. PROMER will fund the salary of the extensionists for two years, after which the financing will be taken over by the government. To sustain the positions, the extensionists will be fully integrated into the SDAEs. The mission reviewed the draft terms of reference (TOR) of these extensionists, suggested adjustments to avoid any overlapping of their tasks with those of the service providers, and shared the revised TOR with the PMT. To ensure that the 16 extensionists are operational in the current agricultural season, *it was agreed that the recruitment process for the first extensionists be completed by 15 November 2012.*

13. **Value-addition matching grants.** There is much demand for FO warehouses and small-scale processing equipment. However, the VC guidelines are not yet well known to the service providers that will promote and accompany the facilities. Moreover, about 70% of the FOs still lack legal registration, which constrains their access to the value-addition matching grants. In order to initiate implementation, *it was agreed that: (i) the PMT will provide the service providers with guidance notes on communicating the facility to FOs, including an open eligibility process rather than pre-selection of FOs and without fixed quota by district, and promoting women-dominated FOs; (ii) the service providers will assist the FOs in preparing applications; (iii) the PMT will review the proposals following a process that will involve a first review by the cells and final approval by the Maputo office.*

C. Component 2 – Enterprise-led Value Chain Initiative

14. The progress of this component continues to be gradual and no activities in the field have started yet. This is largely attributed to: (i) the laborious recruitment of the new Agribusiness Expert; (ii) the protracted development of the value chain facilitation guidelines (VC guidelines) finalized in April 2012; and (iii) time-consuming consultations for the development of Strategic Investment Plans (SIPs). With the Agribusiness Expert in place part-time as of 1 September 2012 and full-time as of 3 December 2012, the proactive and time-bound development of SIPs will undoubtedly speed up. Currently, one SIP is under implementation and two concept notes are in the PMT's review process.

15. **SIP development, feedback and approval process.** The mission discussed the current process and recommends that it should be faster, more structured, well-known, formalized and with clear response times in each step. *It was agreed that the total process lead-time should not exceed ten weeks.* Detailed recommendations were discussed with the PMT for inclusion in the supervision report.

16. **Strategic Investment Plans.** The mission discussed and reviewed the Sesame SIP by Corredor Agro Limitada (CAL) and the Sesame Concept Note by OLAM. It found satisfactory improvements to the SIP, as agreed with the March 2012 mission, in the areas of: (i) describing the value chain structure; (ii) the analysis of market opportunities; (iii) the number of participating

farmers; (iv) information on inputs, business targets and expected results; and (v) the expected impact on the participating farmers. The mission notes, however, that the SIP's poor quality in terms of additionality, company commitment and the weak link between the investments and smallholder commercialisation needs has only been accepted by IFAD in order not to block the first SIP to go forward as a learning ground from which valuable lessons can and must be derived. *Nonetheless, three unsatisfactory areas still need to be addressed:* (i) highlighting the key constraint to be addressed by the new investments. While most constraints are identified in production and post-harvest activities, PROMER is requested to fund input delivery and crop collection activities instead. Additional rationale should be provided to validate maximum development impact to PROMER's target groups; (ii) the SIP is not sufficiently clear if CAL's contribution is existing collateral or new investment; and (iii) the detailed contract arrangements on price, price premium, minimum quantities and possible value addition resulting in higher returns for the farmers is not stipulated clearly. Without losing more time *it was agreed that the Agribusiness Expert will request these areas to be clarified by CAL at short notice.*

17. The mission discussed the OLAM concept note with the PMT and agrees it serves the PROMER development objectives and is addressing a key constraint in the sesame value chain. Its key shortfall relative to the VC guidelines is that it requests PROMER funding for recurrent costs and credit rather than for investments.

18. Characteristics of the selected value chains, its beneficiaries and the companies presenting investment proposals vary significantly. It should therefore be unlikely to see uniform applications, on the contrary the amount of matching grants should vary widely and often be far below the maximum. With the first two investment proposals applying for the maximum ceiling, attention should be paid that the interested parties understand the grant mechanism as a development tool to reduce risk in new investments, to be applied in proportion to its development impact. Furthermore, grant allocation should normally be phased over the implementation period and not fully allocated in the first year.

19. The PROMER cells are predominantly busy coordinating activities, while they should also be involved in identifying and assessing investment opportunities and establishing private sector partnerships. *It was agreed that the cells and the service providers receive general training and team building by the Agribusiness Expert on the content of the VC guidelines, the agribusiness promotion process, and their roles and responsibilities before end-November 2012.*

20. For matching grants for SIP investments, the mission reviewed the contract framework, annexes and financial procedures and suggested improvements in: (i) procurement procedures; (ii) ownership of goods, data and information; and (iii) suspension and cancellation of grant contracts. *It was agreed that the PMT strengthen the VC guidelines in these areas.*

D. Component 3 – Improving the Market Environment

Sub-component 3.1 - Market Infrastructure

21. Road rehabilitation continues to progress well with about 120 km rehabilitated in 2011, 223 km in 2012 and a planned rehabilitation of two roads per district for 2013. Road maintenance continues to be a major challenge despite government's commitment in the Loan Agreement to fund and execute it. The roads rehabilitated in 2011 are thus already showing signs of disrepair. Moreover, while district administrations would often prefer full rehabilitation, *it was agreed that the programme approach of spot improvements will continue* as it is a focus area in the government road sector strategy, resulting in lower costs and more roads to be improved.

22. The mission met with Road Fund and National Road Administration (ANE) discussing: payment processes, maintenance and road engineer supervision. ANE acknowledge that road maintenance is a challenge and despite district staff training, implementation remains weak. In Cabo Delgado, ANE has given PROMER road works first priority for the three supervisors. Furthermore, *it was agreed that:* (i) the PMT will present cases of payment delay to the Road Fund for follow-up and clarification; (ii) ANE will send the PMT a monthly report on the payments processed; (iii) ANE will send a quarterly progress report on road maintenance; (iv) pressure for district road maintenance

will be increased through the reference groups and by the PMT sending quarterly progress reports to DNPDR; and (v) as of 2014, districts eligibility for further road investments will depend on the sufficient maintenance of PROMER and PAMA supported roads, as monitored by the cells.

23. **Selection of roads and markets.** While the final road selection is done by the district authorities, it is important to assure that the roads selected will improve the accessibility of the participating FOs. For operational planning purposes, *it was agreed that ANE will include the location of the participating FOs in its maps.* Using the baseline study, the District Reference Groups have proposed one market each to be rehabilitated. *It was agreed to widen the scope of market rehabilitation to include innovations that serve the programme objectives, such as crop collection points.*

Sub-component 3.2 - Facilitating Access to Finance

24. Rural financial service support remains weak. While technical assistance to improve bankability of value chain participants needs to await further maturity of the SIPs, the programme-supported farmer associations have now reached the point of requiring rural finance training so that this should start by about March 2013. Training for traders is premature given the delays of component 1.1. For an efficient programme implementation, *it was agreed that the service providers start introducing this technical assistance and training packages for FOs in 2013, while the technical assistance and training for traders will be included in the service provider contracts under component 1.1.*

25. The direct strengthening of GAPI and AMODER outreach in programme districts continues to progress very slowly despite PMT follow-up, with AMODER office refurbishments uncompleted, its loan tracking software still unidentified and GAPI starting construction in one of two locations. Both contracts will require extensions, and have not yet led to better access to finance for the programme target group. Nonetheless, AMODER identified an opportunity to introduce an agricultural loan product in conjunction with training provided to smallholders producing cash crops, and will consider introducing this product at its Alto Molocué branch. This would be congruent with the MOUs with GAPI and AMODER, that require that the PAMA Support Project credit lines are applied to serve the PROMER target group. *In addition, it was agreed that the PMT will start monitoring the application and quality of the PAMA credit lines based on GAPI and AMODER reporting.*

26. The collaboration with FARE has progressed well in that four financial institutions have received matching grants from PROMER to expand their rural outreach, with FARE providing credit funds to them in line with their borrowing capacity. However, while FARE's availability of credit funds is improving, the interest in matching grant support in the PROMER area is low, reflecting the still low level of commercial activity. *As such, it was agreed that the MOU be reduced to the current level of collaboration, and that the remaining matching grant funds by PROMER be reallocated to other activities.* By contrast, the credit funds of the PROMER component of the upcoming MDG Programme are still required for the reinforcement of the lending capacity of FARE's clients in the programme area.

Sub-component 3.3 - Improving Market Transparency

27. So far, PROMER initiatives to establish a regional market information system (MIS) platform in Nampula in partnership with stakeholders involved in MIS were not successful. The process of obtaining and disseminating data is very time consuming, making the price information costly, outdated and obsolete at the time of dissemination. In trying to resolve the matter, PROMER recently started piloting the broadcast of price information through local radio in Alto Molocué district in consultation with DPAs and other partners. The farmers visited during the mission were not aware of this service, which may be a timing issue. *It was agreed that the cell representatives will continue to negotiate with the local radio for times when farmers can listen to the radio, while also promoting the service through radio ads, SDAEs, and service providers.* It is also foreseen to evaluate the effects of this initiative by January 2013. *Based on this evaluation, it was agreed to develop by March 2013*

detailed plans to support market information initiatives at district, provincial, and regional levels. District requests to establish new radio transmitter stations, such as from Malema District, need to be reviewed for their investment cost and supported by a full commitment by the district to fund the operating costs.

28. In addition, there remains a need for a regional MIS which can provide market information on request. This system should ideally also have provide a push-SMS function through which extension messages and other information can be delivered to farmers, for example by value chain leaders. It was agreed that PROMER continue the dialogue with public and private MIS operators to assess the scope for obtaining price information from key markets and farm gates in PROMER areas. The cost of providing such services and training farmers could be subsidised by PROMER for a certain period with a view for these services to be delivered by the MIS-provider post-programme on a financially sustainable basis.

E. Component 4 – Policy/Institutional Support and Management

Sub-Component 4.1 – Knowledge Management and Coordination

29. **Knowledge Management Support to DNPDR.** Operational support for knowledge management (KM) in DNPDR is showing some results and will continue, although promoting sharing among the Ministry's programmes has not been successful. The DNPDR proposal to further strengthen the KM unit and culture has been discussed. Key elements include library expansion (civil works) and equipment, operating costs of KM activities, and technical assistance. It was agreed that practical support from medium-term technical assistance is a priority, while it was questioned whether financing the library expansion under PROMER is appropriate. Before a final decision can be made about the suggested investments, the proposal needs to be further elaborated in terms of quantities and costs, and linked to results in the KM logical framework (in preparation). *It was agreed that DNPDR will prepare these detailed modalities with help from the PMT.* The possibility of combining the proposed technical assistance with the planned position of inter-project KM Officer for the IFAD country programme should also be looked at.

30. **Support for PROMER in Knowledge Management.** Under PROMER, 2013 will present opportunities to put the created KM capacity to the test. Key thematic areas that require investigation, analysis, documentation and sharing are emerging, including different contract modalities in farmer organisation (FO) and District Union contracts and their effectiveness; the effectiveness of FO training by service providers; lessons learned from the process of SIP preparation; and operationalization of the 'spot improvement' concept for roads. The next AWPB will propose priority themes, how these will be tackled and any external support that may be required. The AWPB preparation process itself should be used to share experiences and lessons learned, including among service providers, and propose improvements.

Sub-Component 4.2 – Policy/Institutional Support

31. So far, no clear policy issues have emerged from implementation experience where PROMER should try to have an impact. Until this is the case, or until the new agricultural marketing strategy provides guidance, policy issues/development will not be a priority to be pursued under the programme.

32. Based on the May 2011 MOU with the Ministry of Industry and Trade (MIC), activities under this sub-component have focused on planning and monitoring of agricultural marketing in programme districts by staff of the DPIC and the District Services for Economic Activities (SDAEs), and assessing market dynamics and issues. Progress has been good in Cabo Delgado, reasonable in Nampula and Niassa, but below expectation in Zambezia. These activities, including training of district staff in aspects of agricultural marketing by a consultant recruited by MIC, will continue next year. The PMT will follow up with MIC to ensure that data are presented in a useful manner in reports, and to see how performance can be further improved with the help of the consultant.

Sub-Component 4.3 – Programme Management

33. **General.** The mission confirmed the high level of planning in the programme, at central and cell levels. However, it finds that the equal distribution of activities among districts does often not reflect market dynamics, thus calling for a more flexible approach in which the interactions between programme support and market opportunities can be strengthened. It is especially at cell level that the complementarities between the various programme activities can be strengthened in both planning and oversight, together with a fortified communication approach. For this, the development of ideas and initiatives at cell level should be promoted further, together with a focus on results-based management together with increase space for flexible activity planning to allow adapting to the evolving market environment.

34. Staff turnover remains high. Reportedly, one of the reasons are the rising salary levels in Mozambique, and particularly in the cells due recently started large-scale mining. The housing benefits of some staff in Pemba and Cuamba have recently been adjusted. Nonetheless, the PMT regards the situation as still critical, and requested a revision of the salary levels. It was agreed that the PMT juxtapose the current salary levels of comparable projects in Mozambique to illustrate the situation, and in case this information is unavailable it will elaborate a scenario based on inflation data. The proposal will be submitted to IFAD for no-objection and eventually to DNPDR for approval.

35. **Gender and Targeting.** The FO support activities (functional literacy, organizational development and market linkages) successfully reach out to poor smallholder farmers, including women. Outreach to women is high, as they generally comprise around 40-50% of the beneficiaries (even 65% in literacy training). The mission was also pleased to note that service providers include food security messages in the FO training curricula, in particular in production planning.

36. Training activities have promoted women's participation in FO leadership and decision-making. A quota of 40% for women participation in leadership positions has been established as a graduation criterion and it appears that progress in this area is monitored. Despite this, women's capacity to participate in marketing activities and to access benefits from improved market linkages is generally weak. It was thus agreed to address gender issues in the forthcoming evaluation of FO training by: (i) conducting a qualitative assessment of women's participation in decision-making and marketing, including their access to the income generated from the sale of products; (ii) distinguishing between impact of training activities on women and men. In case this assessment points at weaknesses in gender equality and women's empowerment, *it was agreed to train field staff in this area. Furthermore, it was agreed that women's ability to participate in marketing and to access income will be systematically monitored in the course of implementation.*

37. Service-providers have included exchange programmes between FOs in the draft work plans for 2013, which is laudable. In the target provinces, women's participation in trade is limited as poor illiterate women have generally weak business and marketing skills. Therefore *it was agreed that women's specific capacity-development needs will be addressed in the exchange programme.* This may include supporting successful women's groups as models for mobilisation and enterprise motivation.

38. **Road and market construction.** It is commendable that the programme is striving for 25% women's participation in road works. In order to enable farmers, particularly women, to be hired by contractors, *it was agreed that ANE will ensure that road works do not take place during the agricultural season. In relation to markets, it was agreed to ensure the provision of basic facilities such as toilets, drinking water and store room, which will facilitate women's access.*

39. **Value-chain development.** As a strategy to build direct linkages between women producers and buyers in contract farming schemes, *it was agreed that the PMT and service providers will advocate that contracts are issued in the woman's and man's names.* In addition, the socio-economic characteristics of farmers entering contract farming schemes will be carefully assessed and monitored.

40. **Partnership-building.** In order to counter the increase of group members' risk of exposure to HIV/AIDS from trade activities, *it was agreed to invite other organizations that conduct sensitization activities in the programme area to work with the participating FOs.* Moreover, in order to strengthen

women in FOs, *it was agreed that the PMT proactively explore new partnership opportunities with programmes supporting women's economic empowerment, girls' education (i.e. the programa de educação de rapariga) and legal support.*

41. **Planning, M&E and Knowledge Management.** Elaborate baselines studies were conducted during 2011. The exercise was very costly yet the reports are generally of good quality and contain data, including socio-economic and RIMS-indicator data, that can be used for future comparisons. The reports are not widely available, and KM activities should include distribution of and reflection on the findings in these reports, which include important qualitative analyses on the market, socio-economic and gender situation.

42. The PM&E system is not yet operational as envisaged: data has been entered mainly at activity level (planned activities for the AWPB and activity progress data, with scope for improvement of the latter). A good effort has been made to systematize FO classification, and to provide provincial service providers with data collection formats, for outputs and outcome-level results, and report formats for consistent reporting. However, more work is needed and the use of formats and quality of data must be well supervised by programme staff in the cells. *Data entry on output indicators is lagging behind, and it was agreed that specific efforts will be made in this respect once the new PM&E/KM Officer is in place.* Formal monthly reports, as produced by the cells, are a considerable burden and alternatives should be considered.

43. Lack of staff capacity in PM&E is a key issue, primarily caused by staff movement. The current PM&E/KM Officer has for a long time had multiple other responsibilities due to staff constraints in the PMU. A replacement PM&E/KM Officer will join in December 2012. Two M&E staff in the Cuamba and Pemba cells have been in place only one year and two months, respectively, while the new Alto Molocué cell only has one person for all the work – this is inadequate. The understanding of the PROMER approach and practical skills to use its systems need to be enhanced for these staff members. *It was agreed that the PMT will look at options to strengthen the Alto Molocué cell, and will include capacity building, training and potentially also a backstopping arrangement with the Eduardo Mondlane University or similar institution in the 2013 AWPB.*

44. At project design, a Mid-term Review (MTR) was foreseen for programme year 3. However, given the need to have partnership experiences with the private sector to be able to determine the effectiveness of project interventions, it was agreed to delay the MTR until 2014, immediately following the first impact assessment.

45. **Document Management.** The PMT operates a central registry (p-drive) for key documents, which is, however not accessible by the cells. This would be important for allowing staff to work efficiently and prevent information gaps due to staff turnover. The newly developed DNPDR intranet and library are excellent tools for managing documents and making them easily accessible, eventually with the intranet even allowing access by cell staff. For effective file management, *it was agreed that the PMT initiate a simple central depository of key files related to PROMER accessible by the cells, including contracts and Contract Monitoring Forms (CMFs), and also value chain documents from other projects and initiatives.* In order to allow finding files easily, the folders should be defined and a common file name structure should be agreed and communicated to staff. It may also be useful to distinguish an internal and a public area of access..

46. **Financial Management** in the programme is strong, with sound systems and capacities. All original documents and receipts are being stored centrally. The PMT is currently replacing the Accountant assisting the Finance Manager, after the departure of the previous incumbent. The PMT is following the systems and procedures detailed in the PIM, including separate sections for the cells, service providers and partners (FARE and Road Fund). The mission found the books and accounts up to date and the financial reports and reconciliation statements adequate. It also reviewed the details of withdrawal application (WA) 11 by randomly checking the supporting documentation for the statements of expenditures (SOEs) and verifying the special account reconciliation and financial records, and found all documents fully satisfactory. Paid vouchers are now stamped, thus reducing the risk of double payments.

47. Generally liquidity in the PMT is high. WAs are now submitted more frequently. IFAD's average processing time of WAs has drastically reduced from about 49 days to 20 days. However, at the Road Fund and PROMER cells, liquidity can sometimes be a constraint to implementation. *To address this, it was agreed that the advance to the Road Fund be increased to USD 350,000. Furthermore, it was agreed that the PMT develop an incentive-based system that allows higher advances to cells that demonstrate adequate financial management.*

48. As of 30 of September 2012, programme accounts stood at about USD 1.8 million. The initial deposit of USD 3.5 million is fully accounted for. The PMT had advances of USD 464,000 outstanding from the Road Fund, FARE and the Support Programme to the Food Production Action Plan (PRO-PAPA) for the implementation of the Food Facility. The long-outstanding reimbursement of the PRO-PAPA advance was clarified during the mission. The outstanding government tax contribution stood at about USD 12,000.

49. As of 30 September 2012, total IFAD loan disbursement stood at 28%. Apart from categories II (vehicles, equipment and materials, 67%), and VIII (other operating costs, 75%), IFAD disbursement is lower than expected at this stage of the programme.

50. The execution of the 2012 AWPB is low at 50%. Nonetheless, with some large outstanding expenses coming up, total year-end execution is expected at around 70%. Despite total cumulative expenditures having almost doubled since March 2012, they are still low at USD 5.9 million, or 20%. This illustrates the extent of the implementation delays and the need for catching up. Building upon the current momentum, the mission emphasises the importance of timely implementation.

51. **Procurement and Contract Management.** The mission reviewed the procurement processes. An update of the programme's standard bidding documents is required to follow international best practice of basing selection on the lowest evaluated bid that is substantially responsive. In addition, it was agreed that the current IFAD contract monitoring form (CMF) be utilised.

52. **Audit.** The 2011 audit is unqualified and was submitted in time. Progress was made on the two outstanding audit recommendations during the mission in agreeing that a request for no-objection to the current insurance status be sought from IFAD, and in IFAD accepting that the programme Special Account does not have to follow IPSAS standards and can continue to apply FIFO criteria. PROMER will decide on the overall accounting standards it will apply.

53. **Insurance of assets.** The audit report mentioned the lack of insurance on programme assets. It was agreed that PROMER will assess the financial viability of insuring low cost assets such as computers and will submit a proposal to IFAD for review by December 2012.

54. **Counterpart contribution and Loan Covenants.** In 2012, a total of about USD 32 000 has been paid as VAT reimbursement of USD 39 000 requested by the PMT (82%). In spite of this low rate, there are currently no tax arrears to be reimbursed to the Special Account. *The mission notes that this may indicate an over-estimation of tax commitments at design, and reiterates that the low contribution rate risks a serious breach of the loan covenants at the end of the programme.* Otherwise, PROMER was found to be compliant with the Loan Covenants.

III. ProParcerias

General

55. Up to this moment, ProParcerias has not been able to set up any inclusive business partnerships between local communities and external investors. The Project is therefore still far from achieving its goal. Nevertheless, the contracted service providers have just concluded their inception phase and are ready to start operations at field level. The Government still has high expectations for ProParcerias, especially with regards to the guidelines on setting up community-investor partnerships. The mission is appalled that despite its dates being announced with 6 months' lead time, the Project

Coordinator went on a one-month training abroad and none of the ProParcerias team joined the Mission's field visit.

56. The IFAD completion date of the two-year project was on 30 September 2012. As both progress and disbursement rates are still low, DNPDR is considering asking for a 15-month extension, which is considered reasonable given the time required to identify private partners. A similar request has been made to the Dutch Government. *It was agreed that a request with full justification be submitted to IFAD by 5 November 2012, including a revised 2012 AWPB and a proposal for the 2013 AWPB.* Given the low project execution and disbursement rates, a request for an IFAD top-up cannot be considered at this time. The mission noted the project management team's concern regarding the need for a full-time coordinator, an administrative assistant and technical consultants to run the project effectively. As IFAD funding is reserved for service provider contracts, the issue will be discussed with the Dutch Embassy.

Technical Aspects

57. **Research and lesson learning.** Two studies have been identified to analyse national and international experiences: one by SNV (2011) and another by CFJJ, FAO and IFAD (2008). As various new partnerships have been set up over the past years, it was agreed that the project will document existing experiences, with a specific focus on agriculture.

58. **Pilot community-investor partnerships in the agriculture sector.** In April 2012, contracts were signed with two service providers. However, the late approval of these contracts by the Administrative Court caused some delay in starting their implementation. *It was therefore agreed that the service providers submit clear and realistic action plans for the piloting of partnerships.*

59. The service providers have now finalised their inception phase, which included their introduction to identified communities and local authorities and the collection of basic data on the communities. The mission noted that the community profiles included in the inception report still lack additional information, and *it was agreed that the community profiles will be completed by 15 December 2012.* The PROSPECTUS inception report does not meet the agreed standards, and the company has thus yet not received its first payment. *The project management team recommended that PROSPECTUS submit a revised version of the inception report to ProParcerias by 30 October 2012, including a realistic workplan based on the analysis.* As part of the second phase, the service providers now have to give priority to consultations with potential investors.

60. The mission noted that the Administrator of Malema district was not aware of the existence of ProParcerias, although the Project team reported having had two meetings with him, as documented in a report. To avoid such recurrences, *it was agreed that all inception and progress reports by the service providers and all project progress reports be shared with the district and provincial authorities.*

61. **Toolkit development.** PROSPECTUS is responsible for the development of guidelines on the establishment of sustainable community-investor partnerships. As ProParcerias has been asked by the government to produce these guidelines by September 2013, *it was agreed that PROSPECTUS prepare a draft version by 15 December 2012.*

Management and Fiduciary Aspects

62. Although a multi-stakeholder Reference Group has been set up, it does not appear to carry out its main role of overseeing the implementation of ProParcerias. *It was agreed that the Reference Group will be revived in order for it to play the role that was foreseen: (i) to strengthen coordination with other initiatives; and (ii) to provide advice.* All project reports need to be shared with the Reference Group members.

63. Project management reported persistent communication difficulties with IFAD. The mission, by contrast, found IFAD highly responsive in the few instances it was contacted in the last six months. It reiterated that IFAD's focal person for ProParcerias is the Country Programme Manager (CPM),

who may delegate certain tasks to other IFAD staff. *It was agreed that if the Project requires assistance, a specific request will be made to the CPM.*

64. **Project management.** With field activities about to start, measuring results will be critical for ProParcerias. A monitoring plan has been prepared, but it is limited to activity/output monitoring. In addition, the project must measure the achievement of its purpose and goal as per the result-based logical framework of the project document. It has been agreed that a revised M&E plan be prepared, which clearly link the project outputs, outcomes, purpose and goal. This will include qualitative analysis, for example on *Number of households benefiting from partnership arrangement*, not only how many but also how they benefit. The supervision report will include an example of a possible format for this.

65. **Disbursements.** The execution of the 2012 AWPB as of 30 September is MZM 7.5 million against MZM 21.6 million planned, or 35%. Cumulative expenditures is MZM 12.9 million against MZM 34.7 million, or 37%. The project expects to disburse an additional MZM 10.4 million by end 2012, thus aiming at 67% execution by year-end. Currently, USD 100,000 of the USD 224,995 disbursed by IFAD (90% of the total grant amount) have been used, yet with the envisaged expenditures, the IFAD funds should be 100% utilized by year-end.

66. **Financial Management.** Although still not optimal, the financial management has improved since the previous mission. It is carried out by an accountant who doubles as administrative assistant. Vouchers are now being stamped, signed, and adequately filed. However, transactions are still recorded in Excel and financial progress could be monitored using simpler reporting formats. The accounts seem to be consolidated, but an appropriate and clear reconciliation statement could not be produced for the mission, making it difficult to assess the status of funds. The mission reviewed the accounts, during which amount of about MZM 45,000 was correctly accounted for. The mission raised its concern about the workload of the accountant and stressed the importance of ensuring adequate financial management.

67. The hiring of the financial management consultant and utilization of TOMPRO has been delayed due to the lack of availability of funds. In order to progress with the matter, *it was agreed the project will request a funds reallocation from the Netherlands Embassy to cover these important items for the 2013 AWPB.*

68. **Procurement.** The project has purchased a great deal more office equipment than planned in its AWPB, including items purchased by non-project staff of DNPDR with no day-to-day involvement in the project. An asset registry has been developed but due to the lack of referencing and tracking the inventory, the management unit has some difficulty identifying the location of each item and the person responsible for it. It was agreed that the asset registry would be improved and submitted to IFAD by 1 November 2012 to address these issues, and that items used outside the project be returned by the same date in order for the expenditure not to be declared ineligible.

69. **Audit.** The 2011 audit report has been completed and a Portuguese version has been submitted electronically to IFAD. The audit was qualified with seven issues to be addressed. The mission was pleased to see that, according to the project management team, appropriate actions have been taken to address these and urge the management unit to complete the remaining issues, namely, the use of a bank account of a previous FAO project and the acquisition of an adequate accounting software, by 15 November 2012.

IV. PROMER - ProParcerias Linkages

70. Given the similarities between PROMER and ProParcerias, during the March 2012 mission recommendations were made for strengthening the collaboration between the two projects. Although some progress has been made, mainly with regards to IFAD administrative issues, *it was agreed that the collaboration be strengthened in the following areas:*

- a) In the overlapping project district of Malema, ProParcerias stands to benefit a lot from PROMER investment activities, such as the provision FO matching grants, storage and agro-processing facilities and the support in the development of market access. In order to promote

this, it was agreed that meetings will be held between the service providers of the two projects to exchange information and experiences.

- b) *Similarly, it was agreed to continue strengthening the exchange of knowledge and experiences between PROMER and ProParcerias at national level during regular meetings between the respective coordinators.*
- c) *It was agreed that PROMER will monitor the incidence of land conflicts and liaise with the partners of ProParcerias to help communities in finding a solution.*

71. Moreover, as a much smaller project, ProParcerias does not have an equivalent of the human resources and PM&E system available to PROMER. When this issue was raised during the discussion with DNPDR on knowledge management, DNPDR confirmed that it will provide technical support to ProParcerias, if necessary, in preparing its M&E plan.

V. Next Steps

72. A joint follow-up mission for both projects is planned for 8-12 April 2013. IFAD will invite the other project financiers to participate in the mission.

José Eliza Guambe
National Director
DNPDR

Claus Reiner
Country Programme Manager
IFAD

Annex 1: Agreed Actions of the Mission

Part 1: PROMER

AGREED ACTIONS 3rd Mission, Feb. 2012 (with responsibility & deadlines)	STATUS OF ACTIONS end-Sep. 2012 (with mission comments)	AGREED ACTIONS 4th Mission, Oct. 2012 (with responsibility & deadlines)
Support for Input & Output Traders		
2. Pending outcome of compatibility assessment: sign the contract with the agro-dealer service provider, as endorsed by PMT. (AGRA, 31-May-12)	MoU with AGRA canceled in June	OK
40. Respond to AGRA on compatibility of the project proposal approved by the AGRA board with PROMER (DNPDR, 31-Mar-12)	MoU with AGRA canceled in June	OK
		45. Launch tender for the service provider for input/output trader support. (PMT, 30 Nov 2012)
Support for Farmer Organizations		
5. Complement baseline reports with FO market linkage situation analysis (service providers, 1-Oct-12)	On going. Results of the analysis to be reflected in the next AWPB	OK
6. Obtain approval of SP contracts from Administrative Tribunal (PMT, 31-May-12)	Concluded. Approval from Administrative Tribunal granted on the 24 July	OK
7. Sign MoU with UNAC (PMT, 30-Apr-12)	Pending updated proposal from UNAC	OK (the proposal from UNAC is no longer required)
		46. Include district union support in the service providers' AWPB for 2013. (Service providers, 31 December 2012)
		47. Expand support to new FOs. (Service providers, 30 April 2013)
		48. Expand support for functional literacy training to more beneficiaries. (Service providers, 31 March 2013)
		49. Recruit the first market linkage extensionists. (DPAs, 30 Nov. 2012)
		50. Start monitoring the impact of FO training activities on women's ability to participate in decision-making and marketing. (PMT, June 2013)
		51. Train service provider field staff in gender-sensitive approaches to value-chain development. (Service providers, 31 March 2013)
		52. Address women-specific capacity development needs in the 2013 exchange programme between FOs. (Service providers, 30 Sep 2013)

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AGREED ACTIONS 3rd Mission, Feb. 2012 (with responsibility & deadlines)	STATUS OF ACTIONS end-Sep. 2012 (with mission comments)	AGREED ACTIONS 4th Mission, Oct. 2012 (with responsibility & deadlines)
Enterprise-led Value Chain Initiative		
10. Share with IFAD and VCAC the value chain guidelines finalised based on the agreements reached with the mission and IFAD comments. (PMT, 15-Mar-12)	VC Guidelines approved by IFAD on the 23 March	OK
12. Conclude face-to-face meetings with all selected potential VC drivers to solicit SIPs.(PMT, 31-Mar-12)	Seminar with all potential VC leaders held in September	12. Conclude face-to-face meetings with at least 5 additional potential VC drivers to solicit SIPs. (PMT, 30-Nov-12)
19. Submit SIPs received from value chain leaders with a recommendation to VCAC for approval (PMT, 1 month after final receipt)	Besides CAL, no other SIP's were submitted yet.	OK
41. Request CAL to revise the sesame and cassava SIPs. (PMT, 6-Mar-12)	Concluded. Sesame SIP approved by IFAD in July	OK
		53. Clarify the key areas of the Sesame SIP with CAL (Agribusiness Expert, 30-Nov-12)
		54. Strengthen the VC guidelines and the model grant contract in the suggested areas. (PMT, 30-Nov-12)
Market Infrastructure		
21. Launch tenders for road works in 11 districts. (ANE, 15-Apr-12)	Concluded. Tenders launched between November 2011 and February 2012	OK
23. Sign contracts for road works in 11 districts. (ANE, 31-May-12)	Concluded. Contracts signed between April and June	OK
Facilitating Access to Finance		
42. Obtain authorization from AfDB and the FARE board to refinance three matching grants with PROMER grants. (FARE; 31-May-12)	Concluded. Disbursements by PROMER to FARE, to refinance 3 matching grants made in August	OK
Market Transparency		
		55. Develop detailed plans to support market information initiatives (PMT, 30 November 2012)
Policy/Institutional Support		
43. Prepare an action plan to operationalize the DNPDR knowledge management unit. (DNPDR, 30-Apr-12)	On going. DNPDR prepared a document to be analysed during the supervision mission.	43. Elaborate the concept note for the DNPDR knowledge management unit (with quantities, costs, and linked to the KM logical framework). (DNPDR/PMT, 30 November 2012)
44. Prepare an action plan for the PMT to adopt a KM facilitator role, including a quick mapping of institutions and projects with which to establish a KM relationship. (PMT, 30-Apr-12)	It was decided that this role would be taken by the KM Country management Team sub-group. Terms of Reference and budget produced and discussions on the way forward on going.	44. Modify the draft TOR to combine the proposed technical assistance for KM in DNPDR with the planned position of inter-project KM Officer. (CMT/DNPDR, 31 December 2012)
		56. Select specific KM themes for 2013, and plan for analyses, documenting and sharing. (PMT, 30 Nov 2012)

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AGREED ACTIONS 3rd Mission, Feb. 2012 (with responsibility & deadlines)	STATUS OF ACTIONS end-Sep. 2012 (with mission comments)	AGREED ACTIONS 4th Mission, Oct. 2012 (with responsibility & deadlines)
Programme Management		
28. Request IFAD no-objection to split the Agribusiness Specialist position into FO Officer and VC Officer, outlining the financial implications. (PMT, 15-Mar-12)	Concluded	OK
30. Recruit the Civil Engineer for Cabo Delgado. (PMT, 30-Apr-12)	Concluded. Civil Engineer contracted from August	OK
31. Restructure PMC of Cuamba and establish PMC Nampula-Zambézia. (PMT, 30-Apr-12)	Concluded in April	OK
32. Retain ProPAPA accountant in PMT. (PMT, 31-Mar-12)	Not applicable, same as activity 33 below	OK
33. Recruit new accountant in PMT (PMT, 31-Mar-12)	Tender was launched and a new accountant contracted from July.	OK
M&E		
34. Finalize system for monitoring business graduation of marketing groups. (PMT, 30-Sep-12)	Proposal finalized and to be discussed with the Supervision mission	34. Test the system for monitoring business graduation of marketing groups in one project block. (PMT, 30 November 2012)
35. Identify a malnutrition impact indicator consistent with RIMS (PMT, 30-Apr-12)	Concluded (data source: UNICEF)	OK
		57. Address the big backlog in collecting and entering monitoring data. (PM&E Officer, 31 December 2012)
		58. Include further training in the 2013 AWPB to address the lack of staff skills in PM&E. (PMT, 30 Nov 2012)
Fiduciary aspects		
36. Submit WAs more frequently. (PMT, as of 30-Apr-12)	On going. Since February 3 WA made (1 in April and 2 in September)	OK
		59. Fully utilize the IFAD contract management form. (Financial Manager, 1 November 2012)
Update of the implementation status of last Audit Exercise		
Include the payment of Social Security tax in the contracts of PROMER staff	On going. IFAD NO granted in July and first payment (retroactive from 2009 made in October)	OK
Organize Insurance for PROMER premises and Equipment	On going. Selection of Insurance Company concluded. Contract to be signed in October	60. Assess the financial viability of insuring low cost assets and submit proposal to IFAD. (PMT, 31 Dec 2012)

Part 2: ProParcerias

AGREED ACTIONS 3rd Mission, Feb. 2012 (with responsibility & deadlines)	STATUS OF ACTIONS end-Sep. 2012 (with mission comments)	AGREED ACTIONS 4th Mission, Oct. 2012 (with responsibility & deadlines)
Technical aspects		
1. Finalise selection of the communities (LUPA, ORAM, PMT, 15-Oct-12)	So far 17 potential communities have been identified. This is an on-going activity and will feed into a database.	1. Finalise selection of participating communities with full details. (LUPA, ORAM & PMT, 15-Oct-12)
2. Sign contracts with service providers (PMT, 7-Apr-12)	Completed	OK
		6. Prepare draft guidelines on community-investor partnerships. (PMT & PROSPECTUS, 15-Dec-12)
Project Management		
3. Develop a simple yet effective M&E system (PMT, 15-Oct-12)	A monitoring plan has been developed by the Project, but it is limited to activity/output monitoring.	3. Prepare a revised M&E plan which clearly links the project outputs, outcomes, purpose and goal (PMT, 30-Nov-12)
		7. Request the Netherlands Embassy and IFAD to extend the project implementation period (PMT, 5 November 2012)
		8. Engage financial management consultant (PMT, 1 March 2013)
		9. Utilise TOMPRO accounting software (Accountant, as of 1 January 2013)
		10. Utilise reconciliation status according to the format used by PROMER. (Accountant, 1 December 2012)
		11. Improve the asset registry with adequate referencing to the equipment and submit to IFAD and Netherlands (PMT, 1 Nov 2012)
		12. Provide management update on issues raised in the 2012 audit report to the Netherlands Embassy and IFAD. (PMT, 15-Nov-2012)
Financial Management		
4. Recruit a short-term financial management consultant to help with Financial Management and Procurement (PMT, 30-Jun-12)	The hiring of the financial management consultant has been delayed due to the lack of availability of funds	4. Request the Netherlands Embassy to cover staff and TA costs (PMT, 30-Nov-12)
PROMER - ProParcerias Linkages		
5. Hold regular meetings between PROMER and ProParcerias to follow up on agreed areas of collaboration, (PMTs, as of 31-Mar-12)	Meetings have not been regular.	5. Hold regular meetings between PROMER and ProParcerias to follow up on agreed areas of collaboration. (PMTs, as of 26-Oct-12)

Annex 2: PROMER Financial Status

Table 1: 2012 AWPB Expenditure by component, as of 30 September 2012 (USD)

	Financiers	IFAD		AGRA		BENEF		GoM		Total		
Comp		Budget 2012	Actual2012	Budget 2012	Actual2012	Budget 2012	Actual2012	Budget 2012	Actual2012	Budget 2012	Actual2012	%
Comp. 1	Development of More Dynamic Market Intermediaries	1 335 750	991 186	-	-	-	-	-	-	1 335 750	991 186	74.2
Comp. 2	Enterprise Led Value Chain Initiative	240 000	5 876	-	-	-	-	-	-	240 000	5 876	2.4
Comp.3	Improving the Market Enviroment	2 645 387	967 743	-	-	-	-	-	-	2 645 387	967 743	36.6
Comp. 4	Policy/Institutional Suport and Management	1 067 770	696 105	-	-	-	-	-	-	1 067 770	696 105	65.2
	The expenditure Duties and customers and VAT							263 000	60 531	263 000	60 531	23.0
	Total	5 288 907	2 660 910	-	-	-	-	263 000	60 531	5 551 907	2 721 441	49.0

Table 2: 2012 AWPB Expenditure by category, as of 30 September 2012 (USD)

	Financiers	IFAD		AGRA		BEN		GoM		Total		
Categ.		Budget	Actual	Budget	Actual	Buget	Actual	Budget	Actual	Buget	Actual	%
Cat I	Civil Works	2 309 497	415 782	-	-	-	-	-	-	2 309 497	415 782	18.0
Cat II	Vehicles Equipment & Material	90 700	29 975	-	-	-	-	-	-	90 700	29 975	33.0
cat III	Technical Assistance, Studies, Training & Workshops	439 390	151 116	-	-	-	-	-	-	439 390	151 116	34.4
cat IV	Service Provider Contracts	1 409 750	1 058 560	-	-	-	-	-	-	1 409 750	1 058 560	75.1
Cat V	Matching Grants	224 000	-	-	-			-	-	224 000	-	-
Cat VI	Outreach Grants for Financial Institutions	-	401 994	-	-	-	-	-	-	-	401 994	-
Cat VII	Salaries & Allowances	668 770	479 085	-	-	-	-	-	-	668 770	479 085	71.6
Cat VIII	Other Operating Costs	146 800	124 398	-	-	-	-	-	-	146 800	124 398	84.7
	The expenditure on VAT			-	-	-	-	263 000	60 531	263 000	60 531	23.0
	Total	5 288 907	2 660 910	-	-	-	-	263 000	60 531	5 551 907	2 721 441	49.0

N.B- Up to end-2012, 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 2012 (USD)

Financiers		IFAD		AGRA		BEN		GoM		Total		
Comp		Budget (Appraisal)	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	%
Comp. 1	Development of More Dynamic Market Intermediaries	7 711 500	1 470 482	3 517 000	-	3 050 000	-	1 026 000	-	15 304 500	1 470 482	9.6
Comp. 2	Enterprise Led Value Chain Initiative	4 723 400	57 321	-	-	-	-	278 500	-	5 001 900	57 321	1.1
Comp.3	Improving the Market Environment	9 817 300	1 179 773	-	-	-	-	1 191 500	-	11 008 800	1 179 773	10.7
Comp. 4	Policy/Institutional Support and Management	8 882 500	3 240 095	-	-	-	-	365 000	-	9 247 500	3 240 095	35.0
	The expenditure on VAT							-	128 694	-	128 694	-
	Total	31 134 700	5 947 671	3 517 000	-	3 050 000	-	2 861 000	128 694	40 562 700	6 076 365	15.0

Table 4: Cumulative Expenditure by category, as of 30 September 2012 (USD)

Financiers		IFAD		AGRA		BEN		GoM		Total		
Categ.		Budget (Appraisal)	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	%
Cat I	Civil Works	6 521 000	496 801	-	-	-	-	1 106 000	-	7 627 000	496 801	6.5
Cat II	Vehicles Equipment & Material	722 600	424 429	-	-	-	-	246 000	-	968 600	424 429	43.8
cat III	Technical Assistance, Studies, Training & Workshops	5 906 800	750 364	107 000	-	-	-	-	-	6 013 800	750 364	12.5
cat IV	Service Provider Contracts	8 312 000	1 666 618	3 410 000	-	-	-	1 410 000	-	13 132 000	1 666 618	12.7
Cat V	Matching Grants	2 440 000	-	-	-	3 050 000	-	-	-	5 490 000	-	-
Cat VI	Outreach Grants for Financial Institutions	1 304 000	401 994	-	-	-	-	-	-	1 304 000	401 994	30.8
Cat VII	Salaries & Allowances	5 341 700	1 793 955	-	-	-	-	-	-	5 341 700	1 793 955	33.6
Cat VIII	Other Operating Costs	586 600	413 510	-	-	-	-	99 000	-	685 600	413 510	60.3
	The expenditure on VAT							-	128 694	-	128 694	-
	Total	31 134 700	5 947 671	3 517 000	-	3 050 000	-	2 861 000	128 694	40 562 700	6 076 365	15.0

N.B- Up to end-2012, the expenses and the contribution of the Government on VAT is posted in the accounts jointly and not per component or category.

Annex 3: PROMER Physical Status

1. The physical progress indicators in Table 1 are from the PM&E System of the programme, which contains a series of programme-specific and IFAD RIMS indicators. Data entry in the system is incomplete, and the physical status information for 2012 is therefore not fully generated from the database as envisaged, but compiled manually from different sources including service provider reports. Table 1 shows the physical progress status by the end of September 2012. Cumulative targets are from the Final Design Report. Results are provided by the PMT but are not entirely complete² – it is expected that this situation will improve during 2013 once the new M&E/KM Officer is in place, staff in the cells have been trained and the backlog in data entry has been dealt with.

Table 1: PROMER Physical Progress

Indicator	Unit	RIMS	Annual target	Annual result	Appraisal target	Revised target	Cumulative result	Comment (general)
Component 1. Developing More Dynamic Market Intermediaries								
Output 1.1 Increased capacity of traders to effectively market surplus production and deliver improved inputs								
Study, survey and strategy reports produced	Number	no	0	0	2	2	2	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
Output 1.2 Increased capacity of farmers' organizations and their members to effectively market surplus production and conduct profitable transactions								
Study, survey and strategy reports produced	Number	no	3	3	3	3	3	Baseline and inception reports
Marketing groups formed/strengthened	Number	yes	330	330	670	670	330	Farmer associations supported
People in marketing groups formed/strengthened	Female	yes	3,973	3,973	4,700	4,700	3,973	Members of farmer associations
People in marketing groups formed/strengthened	Male	yes	9,274	9,274	15,400	15,400	9,274	Members of farmer associations
People trained in Functional Adult Literacy	Female	no	0	1,633	2,650	2,650	1,633	Members of farmer associations
People trained in Functional Adult Literacy	Male	no	0	2,114	8,600	8,600	2,114	Members of farmer associations
Value of investments and matching grant support	USD	no	0	0	870,000	870,000	0	Investment support for associations

² For example, no data is provided for the indicators *Study, survey and strategy reports produced* under Output 3.1 and *Disbursement rates as proportion of AR targets*, while it is known that there are results for these indicators.

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Indicator	Unit	RIMS	Annual target	Annual result	Appraisal target	Revised target	Cumulative result	Comment (general)
Output 1.3 Institutions that can more effectively represent farmers' interests and deliver relevant support services								
Study, survey and strategy reports produced	Number	no	0	1	15	15	1	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	10	12	12	10	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
Component 2. Enterprise-led Value Chain Initiative								
Output 2.1 Improved value chain operations and partnerships between smallholders and agri-business enterprises								
Study, survey and strategy reports produced	Number	no	0	0	9	9	0	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	0	Enterprises accessing technical assistance
Enterprise-producer partnerships established	Number	no	0	0	5	5	0	Enterprise-association partnerships
Workshops/seminars conducted	Number	no	0	1	30	30	1	Value chain workshops, exposure visits
Value of investments and matching grant support	USD	no	0	0	3,750,000	3,750,000	0	PROMER/enterprises joint finance
Component 3. Improving the Market Environment								
Output 3.1 Improvements in the quantity and quality of market related infrastructure and services								
Study, survey and strategy reports produced	Number	no	0	0	3	3	0	Roads, markets, financial services
Financial institutions participating in the project	Number	yes	0	6	17	17	6	Existing and new institutions/outlets
Workshops/seminars conducted	Number	no	0	0	72	72	0	Marketing, networking
Market-related radio broadcasts	Number	no	0	2	468	468	2	Radio Mozambique, local stations
People trained in business and entrepreneurship skills	Female	yes	0	0	260	260	0	Accessing finance
People trained in business and entrepreneurship skills	Male	yes	0	0	740	740	0	Accessing finance
Value of investments and matching grant support	USD	no	0	0	1,304,000	1,304,000	0	Institutional support to financial institutions
Marketing facilities constructed/rehabilitated	Number	yes	0	0	19	19	0	Public markets (district, provincial)
Roads constructed	KM	yes	0	224	415	415	344	Market access road improvement

Republic of Mozambique – Rural Markets Promotion Programme (PROMER)
Community Investor Partnership Project (ProParcerias)
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Indicator	Unit	RIMS	Annual target	Annual result	Appraisal target	Revised target	Cumulative result	Comment (general)
4. Policy & Institutional Support and Management								
4.1 Effective technical support, administrative, knowledge and programme management systems								
Study, survey and strategy reports produced	Number	no	0	2	33	33	2	KM, gender, focal areas, baseline/impact
Management systems established	Number	no	0	0	5	5	0	
AWPBs, progress and audit reports submitted on time	Number	no	4	3	28	28	9	Semester and annual reports and audit reports
Disbursement rates as proportion of AR targets	USD	no	0	0	40,563,000	40,563,000	0	Out of total programme budget
4.2 Increased capacity of government and other stakeholders to address market linkage issues and collect and disseminate market intelligence								
Study, survey and strategy reports produced	Number	no	0	1	12	12	1	Policy studies/briefs, marketing strategies, with MIC
Workshops/seminars conducted	Number	no	0	0	18	18	0	Market linkage, KM
Knowledge management and advocacy products created	Number	no	4	3	32	32	3	rural magazine, market linkage, policy, impact
Government officials and staff trained	Male	yes	0	83	0	0	83	DNPDR, SDAE's Extensionists, Education sector in the district,

Source: PROMER PMT

2. The following paragraphs provide some elaboration on selected indicators. PROMER is conducting many studies and surveys, which significantly influence the strategic direction and activities under the programme. These are captured under the indicator study, survey and strategy reports produced. The following list of studies and surveys is based on the Final Design Report:

- identification of interested and potential traders (component 1);
- investigation of possible risk mitigation mechanisms to promote agricultural inputs distribution (component 1);
- training needs assessment and planning exercise for farmer organizations in new districts (component 1);
- commodity-based market opportunities study (component 2);
- value chain analysis studies (component 2);
- market opportunities re-assessment studies (component 2);
- identify priority feeder roads in districts (component 3);
- demand assessment for rehabilitation of market infrastructure (component 3);
- analysis of activities for which financial intermediation is needed (action plan, component 3);
- development of a knowledge management strategy (component 4);
- prepare/upgrade provincial agricultural market strategies (component 4);
- baseline and impact surveys (component 4), mid-term and completion reviews (component 4);
- preparation of a gender strategy (component 4);
- district-by-district focal area planning process (component 4).

3. Institutional capacity building is a key element of PROMER, and data on institutions is kept for various purposes: (i) to have an overview of important institutions and service providers involved in implementing the programme readily available; (ii) to be able to quickly access contact details for

selected institutions, for example to prepare for field visits; (iii) to create an overview with basic facts on key beneficiaries, farmer organisations and small traders, that will be useful for the agricultural sector in general; (iv) to generate information for related programme indicators: marketing groups formed/strengthened (Farmer Association, Farmer Forum); marketing groups with women in leadership position; people in marketing groups formed/strengthened; enterprises accessing non-financial services facilitated by the project (Trader, Production/ Trading Enterprise); financial institutions participating in the project; and apex organisations formed/strengthened (District Unions, Provincial Unions, National Unions, Commodity Organisations).

4. Three indicators are included for matching grants: value of input supply guarantees; value of investments and matching grant support; and value of take-up incentives disbursed. The PROMER design describes provision of different types of financial support for investments in enhanced operations of value chain actors and some support institutions, including:

- matching grants for farmer organizations (investment / working capital);
- matching grants for small traders (investment / working capital);
- matching grants for larger agri-businesses (investment / working capital);
- take-up incentives for improved inputs (vouchers, starter kits);
- inputs supply guarantee funds;
- institutional support for higher level support institutions (expansion / operations);
- institutional support for farmers' organizations (expansion / operations);
- institutional support for existing finance institutions in the programme area (expansion / operations);
- matching grant support for new financial institutions entering the programme area (setup costs).

5. Four infrastructure-related indicators are included: storage facilities constructed/ rehabilitated; processing facilities constructed/rehabilitated; marketing facilities constructed/ rehabilitated; and roads constructed. PROMER is spending considerable resources on market-related infrastructure and facilities, in particular on feeder roads that will make it easier for farmer organisations to deliver produce to market centres or collection points, and that will encourage traders to venture further into rural areas. These indicators are used to monitor the progress made with public infrastructure development, including roads and market-related structure, as well as privately owned facilities, including processing facilities (e.g. packing equipment bought by a medium-sized enterprise), storage facilities (e.g. a grain store jointly built and owned by a farmer association) and marketing facilities (e.g. a collection centre built by a local trader). Already at this early stage of the project, it becomes clear that sustainability of these investments is an important issue, which should thus be monitored. As such, maintenance and the condition of roads, and utilization of market-related structures also need to be monitored. Some of this is qualitative analysis, and comments fields in monitoring registers can be used to record such information. It is also suggested that the PMT also collect and manage data on whether roads have been maintained and whether markets are fully used, and update this data on an annual basis.

Annex 4: PROMER No-objection Tracking Sheet

Overall 1.3 working days average turn-around time						1.0				
STAGE ONE (Review of Bidding Documents)						STAGE TWO (Review of Evaluation Reports)				
Description of Goods/ Works or Services	DATE OF FIRST RECEPTION	DATE OF COMPLETE RECEPTION	Date No-Objection Provided By CPM	REMARKS	WORKING DAYS in ESA	DATE OF FIRST RECEPTION	DATE OF COMPLETE RECEPTION	Date No-Objection Provided by CPM	REMARKS	WORKING DAYS in ESA
000 VC guidelines	23-Dec-12			denied 22 Feb 12	n/a	15-Mar-12	21-Mar-12	23-Mar-12		2
001 Agribusiness Off & Civil Eng Posts	12-Jan-12		13-Jan-12		1	13-Mar-12		13-Mar-12	Agribusiness off. only	0
001c Contract, Civil Engineer at Pemba	20-Jul-12		20-Jul-12		0					n/a
002 AWPB 2012	27-Dec-12			denied 19 Jan 12	n/a					n/a
002b revised AWPB 2012	27-Jan-12		03-Feb-12		5					n/a
003 AWPB service prov. Comp 1	16-Mar-12		21-Mar-12		3					n/a
004 Addendum contract OIKOS	18-Apr-12		19-Apr-12		1					n/a
005 Revised TOR for three PMU posts	24-Apr-12		27-Apr-12		3					n/a
005b Recruitment Market Interm. Officer	16-May-12		21-May-12		3					n/a
005c PROMER Contract VC Officer PMU	16-Jul-12	23-Jul-12	24-Jul-12		1					n/a
005d Evaluation & Contract M&E for PMU	26-Sep-12		27-Sep-12		1					n/a
006 Recruitment of Accountant	17-May-12		21-May-12		2					n/a
007 KPMG Engagement for 2011 Audit	18-May-12		21-May-12		1					n/a
008 CAL SIP for Cassava and Sesame	25-May-12			denied 31-May-12	n/a					n/a
008b CAL SIP for Cassava and Sesame	22-Jun-12			denied 27-Jun-12	n/a					n/a
008c CAL SIP for Cassava and Sesame	04-Jul-12		04-Jul-12		0					n/a
008d CAL SIP draft contract of Sesame SIP	19-Jul-12		20-Jul-12		1					n/a
009 Participation to TOMPRO Training	05-Jun-12		06-Jun-12		1					n/a
010 Recruitment M&E officer, Pemba cell	15-Jun-12	02-Jul-12		denied 19-Jun-12	n/a					n/a
011 - numbering error					n/a					n/a
012 Addenda to PROMER staff contracts	25-Jul-12		26-Jul-12		1					n/a
013 Revised AWPB 2012	27-Jul-12		28-Jul-12		0					n/a
014 Revised MOU with PRONEA	27-Jul-12			denied 1-Aug-12	n/a					n/a
014b Revised MOU with PRONEA (PSP)	10-Aug-12			denied 15-Aug-12	n/a					n/a
015 Revising the housing benefits	17-Sep-12	17-Sep-12	17-Sep-12		0					n/a
016 updated Contract CAL and S&E SIP	26-Sep-12	02-Oct-12	03-Oct-12		1					n/a
017 MOU with DPA's and Extensionists TOR	09-Nov-12	14-Nov-12	14-Nov-12		0					n/a

Annex 5: Compliance with Legal Covenants for PROMER

Section	Covenant	Status	Remarks
2.04	The borrower and each programme party shall use the proceeds of the loan exclusively to finance eligible expenditures in accordance with the loan agreement and general conditions.	Compliant	
3.02	Plan and maintain an AWPB and procurement plan annually, submitted 60 days prior to the new year and use funds according to the AWPB	Mostly-Compliant	AWPB submitted late, AWPB for 2013 should be submitted timely
3.03	Maintain one account in MZM at central level and one in MZM for each cell with the senior Value Chain/Marketing Expert and the Office Manager for the cells as the ordinary authorized signatories. If needed a USD account can also be opened.	Compliant	
3.03 (c)	Each programme party shall account separately for all expenditures they incur in support of Project operations and shall, where appropriate, open and maintain current accounts in MZN for implementation of programme activities	Compliant	
3.06	All procurement financed from the proceeds should be carried out according to schedule 4	Compliant	
4.01	Maintain an appropriate information management system in accordance with IFADs	Compliant	System maintained but not always up to date
4.02	Progress reports on programme implementation to be submitted semi-annually no later than 90 days after the end of each reporting period.	Compliant	
5.01	Prepare the consolidated financial statements for each fiscal year and report this to IFAD within three months of the end of each Fiscal Year.	Compliant	
5.02	No later than thirty days after the beginning of each fiscal year shall, with the prior approval of IFAD, confirm the appointment auditor (continued or new)	Compliant	
5.02 (b)	Financial statements relating to the programme should be in accordance with the International Standards on Auditing. In addition to the audit report on financial statements, the auditor should provide: (i) an opinion on the certified statements of expenditure and the operation of the special account; (ii) a separate management letter, addressing the adequacy of the accounting and internal control systems. This should be delivered within six months of the end of each fiscal year. DNPDR shall submit to IFAD the reply to the management letter of the auditors within one month of receipt thereof.	Compliant	
I.A.2.2	The Programme Reference Group (PRG) shall be composed of representatives from government agencies, civil society, and the private sector.	Compliant	
I.A.2.3	At national level, the PRG shall include Director of DNPDR, National Director for PRONEA, National Director for Commerce, Deputy National Director of Treasury, representative of FARE, MOPH/ANE, CTA, UNAC and others from Private Sector, academic institutions and civil society. At provincial and district level the PRG composition shall mirror the national and include local representatives of the above government institutions and relevant representatives from private sector and civil	Compliant	

Section	Covenant	Status	Remarks
I.C.2.3	society. The Value chain advisory committee shall be chaired by the Director of the DNPDR and include four representatives from the private sector.	Compliant	
II.1	DNPDR shall ensure that women beneficiaries shall be represented in all programme activities.	Compliant	
II.3	DNPDR shall insure programme personnel against health and accident risks to the extent consistent with its customary practice in respect of its national civil service	Compliant	
II.4.c	All vehicles and other equipment procured under the programme are dedicated solely to programme use	Compliant	
II.6	The borrower shall provide counterpart funds in terms of payment of tax	Mostly Compliant	Need to pay attention to this to ensure no breach at the end of the programme
II.7	The borrower shall ensure maintenance of market infrastructure is carried out during and after the project and provide financing accordingly	Not Compliant	Deterioration of some roads, expect maintenance scheduled in early 2013
7.07	Each project party shall at all times operate, maintain, repair and replace all facilities and civil works used in connection with the project with due diligence as required to carry out the project	Compliant	
7.08 a	The borrower or the lead project agency shall insure all goods and buildings used in the project	Mostly Compliant	Insurance options being assessed
8.01	Project parties shall maintain records and documents adequate to reflect their operations in implementing the project (including but not limited to, copies or originals of all correspondence, minutes of meetings and all documents relating to procurement).	Compliant	
8.02 a	Gather all data and other relevant information (including any and all information specified in the Loan Documents or requested by the Fund from time to time) necessary to monitor the progress of the implementation of the Project and the achievement of its objectives	Compliant	Some data not up-to date and need more timely input

Annex 6: ProParcerias Financial Status

Figure 1.1 Expenditure according to AWPB 2012 in EUR

	IFAD		Dutch		FAO		DNPDR		Total		
	Budget 2012	Actual Expenditure	Budget 2012	Actual Expenditure	Budget 2012	Actual Expenditure	Budget 2012	Actual Expenditure	Budget 2012	Actual Expenditure	%
Project Personnel	0	0	40 446	27 091	0	0	0	0	40 446	27 091	67%
Out-sourced service providers	174 097	82 522	102 177	0	0	0	0	0	276 275	82 522	30%
Equity share capital									0	0	na
Workshops & Meetings			48 595	7 961	0	0	0	0	48 595	7 961	16%
Equipment	0	0	0	0	0	0	0	0	0	0	na
Expendable materials	0	0	21 425	16 636	0	0	0	0	21 425	16 636	78%
Total	174 097	82 522	212 643	51 688	0	0	0	0	386 741	134 210	35%

Figure 1.2 Expenditure according to total cumulative in EUR

	IFAD		Dutch		FAO		DNPDR		Total		
	Estimate as per Design Report	Actual Expenditure	Estimate as per Design Report	Actual Expenditure	Estimate as per Design Report	Actual Expenditure	Estimate as per Design Report	Actual Expenditure	Estimate as per Design Report	Actual Expenditure	%
Project Personnel	31 500	0	108 360	27 091	76 160	0	18 900	0	234 920	27 091	12%
Out-sourced service providers	174 993	82 522	374 360	0	0	0	0	0	549 353	82 522	15%
Equity share capital	0	0	283 080	0	0	0	0	0	283 080	0	0%
Workshops & Meetings	0	0	38 500	51 588	18 840	0	18 950	0	76 290	51 588	68%
Equipment	0	0	12 000	27 444	0	0	0	0	12 000	27 444	229%
Expendable materials	0	0	3 700	36 526	0	0	2 150	0	5 850	36 526	624%
Total	206 493	82 522	820 000	142 649	95 000	0	40 000	0	1 161 493	225 171	19%

Annex 7: ProParcerias Physical Status

1. The Project Design Document of November 2009 provides a basis for physical progress monitoring under the Community – Investor Partnerships Project (ProParcerias): it contains a results-based logical framework with one project goal, one project purpose, three outputs and a practical set of quantitative and qualitative indicators. The status of quantitative indicators by the end of September 2012 is shown in Table 1. Cumulative targets are from the Project Design Document.

Table 1: ProParcerias Physical Progress

Indicator	Unit	Annual target 2012	Annual result 2012	%	Cumulative target	Cumulative result	%
1. Proposals for rural investment projects which include a partnership component with local communities	number	10	0	0%	10	0	0%
2. Pilot experiences implemented in rural areas (initiated/ongoing)	number	5	0	0%	5	0	0%
3. Equity fund used in initial investment activities	percent	60%	0	0%	100%	0	0%
4. Households benefiting from partnership arrangement	household	1,000	0	0%	1,000	0	0%
5. Thematic studies from national, regional and international experiences	number	2	2	100%	4	2	50%
6. Services providers involved in thematic research	number	3	1	33%	3	1	33%
7. Workshops convened to discuss policy and implementation aspects of partnership formation	number	3	2	67%	9	4	44%
8. Case studies from existing partnership initiatives in Mozambique	number	2	2	100%	4	2	50%
9. Service providers involved in case study research	number	1	1	100%	1	1	100%
10. Guidelines, research papers and policy recommendations published	number	1	1	100%	3	1	33%
11. Policy proposals regarding incentives for investment in rural areas through partnerships	number	1	0	0%	1	0	0%

Source: ProParcerias management team

Annex 8: ProParcerias No-objection Tracking Sheet

Overall 0.0 working days average turn-around time					0.0	#DIV/0!				
STAGEONE (Review of Bidding Documents)						STAGETWO (Review of Evaluation Reports)				
Description of Goods/ Works or Services	DATE OF FIRST RECEPTION	DATE OF COMPLETE RECEPTION	Date No-Objection Provided By CPM	REMARKS	WORKING DAYS in ESA	DATE OF FIRST RECEPTION	DATE OF COMPLETE RECEPTION	Date No-Objection Provided by CPM	REMARKS	WORKING DAYS in ESA
001 TA Contracts	01-Feb-12	02-Mar-12	02-Mar-12		0					n/a
002 TOR for External Audit	27-Mar-12			31-Mar-12	n/a					n/a
002b Revised Ext. Audit TOR	20-Apr-12		22-Apr-12		0					n/a
					n/a					n/a
					n/a					n/a
					n/a					n/a
					n/a					n/a
					n/a					n/a

Annex 9: Key Persons Met

Provincial Government in Nampula: 17 October 2012

Name	Institution	Function
Antonio Maquina	Provincial Government	Provincial Permanent Secretary
Berdino José Pires	DNPDR	Head of Department
Roberto Chipembere	Consortium SNV, OLIPA UATAF	Team Leader
Edson Mathe	Promer Cell	Coordinator Alto-Molocué

Ribaué District: 17 October 2012

Name	Institution	Function
Isabel Masive	DADTCO	Project Director
João Neves,	GAPI	Civil Engineer
Juma Taratibo	District Government	District Administrator
Milela Association	Milela Association	Farmers Association

Malema District: 17 October 2012

Name	Institution	Function
Daude Mussa	District Government	District Administrator
Afonso Briate	District Government	Community leader
1º May Association	1º May Association	1º May Association
NEF	NEF – Comercialization Company	NEF – Comercialization Company

Matarica District: 18 October 2012

Name	Institution	Function
Sansao Honwana	GAPI	Service Provider
Miguel Luís Rampira	Stange Company	Roads Supervisor
Álvaro Carvalho	AC Construções	Roads Company
Virgilio Lucas Manjate	DSDE - Economic Activities	Director
Macula Association	Macula Association	Macula Association
UDACAM Federation	UDACAM Federation	UDACAM Federation
Sérgio Rui Meza	Planning and Infrastructure	Director

Cuamba District: 19 October 2012

Name	Institution	Function
Manuel Cabral	District Government	District Administrator
Sérgio Nembo	PROMER Cell	Coordenador
Pio Gabriel	GAPI	Director, District Office
João Chalengue	ALIME	Director

Alto Molocué District: 19 October 2012

Name	Institution	Function
Entre-Rio Association	Entre-Rio Association	Entre-Rio Association
Community Radio and SDAE	Community Radio and SDAE	Community Radio and SDAE
AMODER	AMODER	AMODER
District Government	District Government	District Government

Ancuabe District: 17 October 2012

Name	Institution	Function
Eusébia Maria Celestino	District Government	District Administrator
Elias Manuel	SDEJT (Education)	Adult Literacy Office
Daniel Tauia	SDEJT (Education)	Planning Officer
Ussino Bartolomeu	SDPI (Infrastructure)	Director
Risso Benito Fernando	SDAE (Economic Activities)	Extension Officer

Montepuez District: 18 October 2012

Nome	Institution	Function
Arcanjo Cassia	District Government	District Administrator
Jacinto Loanica	SDEJT (Education)	Director
Ramalho Lourenço Manuel	SDAE (Economic Activities)	Director
Santos Pinto	SDPI (Infrastructure)	Director

Provincial Government in Pemba: 19 October 2012

Name	Institution	Function
Lina Portugal	Provincial Government	Provincial Permanent Secretary
Paulo Risco	DPPF (Planning and Finance)	Director
Dino Coutinho	DPOPH (Public Works)	Director
Florêncio Chavango	DPIC (Industry and Commerce)	Director
António Tepulo	DPEC (Education)	Deputy Director
Feliciano Abibo	DPA (Agriculture)	Activities Coordinator
Atanasio Majimoto	DPANE (Provincial Roads Administration)	Civil Engineer Focal point for PROMER

Macula Association, Metarica District. Three members of the association informed the mission that their life changed as a result of the project, the association benefited with the training (literacy, start your business and others). GAPI is a welcome service provider in the district. With the marketing of their products the group members bought a bicycle to help sell their products.

Maria Manuel

Daniel Balde

Afonsia Leitor



Appendix 1: Support for Input and Output Traders

A. Introduction and background

1. The main objective of sub-component 1.1 is to provide market-based, sustainable solutions to two primary challenges faced by smallholder farmers: (i) limited marketing opportunities for their agricultural surpluses; and (ii) the lack of access to, and use of, improved agricultural inputs. In response to these challenges, the sub component aims to enable participating traders to expand into agricultural commodities and extend their agricultural marketing business activities from urban-based to rural-based; while on the input side it will promote the establishment of open and competitive agri-dealer networks. The aim is to target both newly emerging and more experienced traders, including traders having participated in PAMA training and provide support through training, coaching, and creating linkages.

B. Implementation progress

2. Implementation of this sub-component has not progressed along the agreement of March 2012 (as documented in the Aide Memoire) as the integration of AGRA's contract with a service provider in PROMER failed to progress in a feasible manner. As such, the partnership with AGRA was formally terminated by DNPDR in May 2012. The sub-component has now been included in the upcoming MDG Programme activities. As there are already similar initiatives in the region, including by IFDC, the PMT should explore the possibilities for collaboration and avoid an overlap of activities with initiatives that target similar traders. *It was agreed that the tender for the service provider/s be launched by end-November 2012.* The mission reviewed the TOR for this assignment and has the following observations:

3. Currently, the TOR for the trader strengthening initiative read more like an expression of interest than a set of TOR. The structure of the TOR is a little confusing and can probably be improved. In addition, the TOR make specific mention to IFDC which seem to be a leftover from the TOR prepared with AGRA, which should be corrected.

4. The main purpose of the TOR is to provide an adequate overview of the scope and responsibilities of the assignment. As such, a potential structure of the TOR could be based on the following elements:

- a. Introduction (including introduction about PROMER)
- b. Context (introduction of Sub-component 1.1 and challenges faced)
- c. Description of the assignment (Objectives and expected results)
- d. Workplan and timetable
- e. Expertise required
- f. Reporting requirements

5. Detailed information provided in the TOR such as the classification system in PAMA is not necessary to include as it makes the document very lengthy and is too detailed as this point. For the purpose of the TOR, it is adequate to merely mention key tasks envisaged in the assignment. These could include:

- a. Identify potential traders and agri-dealers, both new and those previously involved in PAMA

- b. Review through consultation with all stakeholders the capacity building requirements and weaknesses with the current environment that may prevent traders and agri-dealers to engage with the target audience
- c. Develop a classification system and training curriculum based on that used by PAMA, curriculum developed by the ILO such as “start and improve your business”, “expand your business” should also be reviewed. The curriculum should respond to overarching capacity gaps specific to traders within each individual classification. The training curriculum should contain the following modules:
 - i. Business skills (start and grow your business)
 - ii. Marketing
 - iii. Financial planning and management
 - iv. Access to finance (How to access external funding - MFIs/Banks)
 - v. Networking and relationship building
 - vi. Identifying and capitalizing upon emerging opportunities
- d. Provide a series of short courses addressing key capacity constraints to be delivered on a demand basis.
- e. Provide coaching to trained input and agri-dealers on day-to-day business management
- f. Research and pilot various business models such as leasing of equipment, alternative financing approaches, outsourcing, co-partnerships, etc.
- g. Facilitate viable linkages between traders graduating from the training programme and relevant service institutions (credit institutions for working capital) or large-scale commodity buyers (for agency buying).
- h. Facilitate relationship building with different partners, such as input supply companies; established agri-dealers for franchising or other forms of strategic affiliation; large market intermediaries and niche market developers; institutional buyers such as WFP; and financial institutions.
- i. Promote demand for inputs through farm level demonstrations on the benefits of using improved inputs, and organizing field days and study tours as necessary.
- j. Pilot the use of different incentive models such as seed vouchers and scale up successful initiatives.
- k. Promote the use of improved seeds and other inputs through various dissemination methods such as posters and pamphlets.
- l. Manage a Supplier Credit Risk Mitigation Fund employing a guarantee mechanism to minimise business risk to input supply companies, thus enabling agri-dealers to acquire stocks from suppliers on credit. Other forms of risk mitigation will also be investigated and piloted during programme implementation.

- m. Identify additional constraints and solutions that financial institutions may have regarding the provision of financial services to agri-dealers.

6. If the interested service provider is not also a financial institution, it should opt for the possibility of contracting the management of the Supplier Credit Risk Mitigation Fund out to a financial institution. However, the TOR must clearly state that the institution managing the fund is ineligible from also using the fund for guaranteeing any credit it provides itself.
7. The TOR should clearly mention that the service provider needs to develop an exit strategy ensuring the sustainability of the intervention post-project.
8. Regarding institutional arrangements, paragraph 11.c should rather read something like “The possibility of coordinating with public, private, and social sector (NGO) extension staff”.
9. The tender document should provide an overview of the structure of the project based on the three blocks A, B and C, and also clearly state that there are three lots (equivalent to the blocks) for which the service provider can bid. Bids may be received and contracts may be awarded for several lots for the same service provider.
10. Activities supporting value addition, such as cleaning, grading, packing or blanching, is outside of the scope of activities under component 1.1. Should any of the participating traders require support for these, they should be encouraged to submit a proposal under and would be better situated under component 2.

Appendix 2: Farmer Organisation and Extension Support

I. Introduction

1. This Appendix reviews the progress made by PROMER under the Support for Farmer Organization sub-component. It complements the Aide Mémoire by providing more details on Farmer Organization (FO) and Extension Support. In carrying out its tasks, the mission worked in close consultation with the PMT, PROMER cells and the service providers.

2. Most of the activities planned in 2012 Annual work plan and budget (AWPB) were implemented. These include FOs trainings and graduation, FO union support, Functional adult literacy, Market-linkage building, and Extension support. Activities planned but not yet started include Functional literacy in Block B and the signature of MOU with UNAC. Actions agreed during the March 2012 Follow-up mission were also implemented with the exception of the agreed 3-month advance for OIKOS, which has not yet materialised due to difficulties in obtaining a bank guarantee by the NGO. To resolve this impasse, *it was agreed that a 20% annual rolling advance payment be allowed to OIKOS based on a personal commitment letter signed by the OIKOS representative and monthly justifications.*

II. Implementation Progress

3. **FOs trainings and graduation.** Significant progress was made in training FOs in governance, leadership and business management. In total, 13,250 members of 330 FOs were trained. The approach adopted by the SP is to train farm leaders (3 farmers per FO) who train other farmers with the support of the SP technicians. The staff of each service provider comprises of one supervisor per block who coordinates service provider technicians (1 technician per district). The mission found that no target was defined in the AWPB with regard to the number of beneficiaries to be trained. To enable the project to compare the training activities achieved against activities planned, the number of beneficiaries to be trained should be systematically indicated in the AWPB. It should be noted that the training effectiveness is not yet assessed. This should be part of service provider activities in order to verify if trained farmers are able to apply what they have learnt.

4. A baseline done in Blocks A and B classifies FOs in three categories, using the former IFAD project (PAMA) criteria (table 1). The classification below shows that 10% of FOs are in category A, 38% in category B and 52% in category C. At the moment, the curricula are the same regardless of the level of development reached by FOs. PROMER and its partners found out that criteria selected to establish the FOs classification were not sound and needed improvement. It was then decided to define a new system of FOs graduation.

Table 1: Classification of FOs by category

	Block A	Block B	Block C	Total	%
FO Category A	11	27	no data	38	10
FO Category B	21	122	no data	143	38
FO Category C	84	110	no data	194	52
Total	116	259	no data	375	100

Source: PROMER, baseline study in Blocks A and B. No data in Block C as PAMA did not operate there.

5. The new graduation system of FOs is currently under review, based on clear criteria and indicators that were agreed upon by stakeholders in August 2012. Six components were taken into consideration to define these criteria and indicators. They include the vision, strategies, level of

organisation, entrepreneurial culture, competencies, and resources of FOs. The system also defines the process to graduate from a category to another. It is foreseen to reclassify FOs into four categories:

- (i) Category A: legalized FOs with sound governance and adequate management capacities. Such FOs establish by themselves linkages with the market, have their own physical assets and internal resources to operate without external support;
- (ii) Category B: FOs already or in the process of being legalized. The governance and management of such FOs need improvement. Linkages with the market are not yet well developed. FOs don't have enough internal resources and assets to operate independently;
- (iii) Category C: Most of FOs in this category are not yet legalized. Trainings in governance, leadership and management are much needed for this category. Linkages with the market are still very weak;
- (iv) Category D: New FOs with a low level of organisation. FOs need intensive support (mainly trainings) to become well-structured FOs with a potential to be legalized and provide services to their members.

6. The expected outcome of this process, to be finalized by end-November 2012, is the reclassification of FOs by category. This will also allow PROMER to provide specific support tailored to the FOs' level of development. *It was agreed that each service provider elaborate by 31 January 2013 a plan to emphasise market linkage facilitation, to reduce the intensity of support for FOs having completed the training modules and include new FOs to increase the outreach of the programme.* The design target of 670 FOs should be aimed at for completing the support activities by mid-2016.

7. **FO union support.** The implementation of most of the activities under the MOU with FONPA of April 2012 is ongoing. At central level, 25 representatives of FONPA were trained in advocacy, organizational development, business management, negotiation skills and leadership. Trainings which have not yet started include monitoring and evaluation, and agri-business. Trainings of FONPA representatives at provincial level are set to start in November 2012. The evaluation of the current FONPA strategic plan (2008-2013) is about to start with PROMER support, the conclusions of which will determine the future of the partnership.

8. By contrast, UNAC did not progress in forging an MOU despite previous agreed actions, and *it was agreed that the UNAC MOU would not be developed further.* Instead, it was agreed to establish a direct partnership between the service providers and district unions. To this end, *it was agreed that the service providers in Blocks A and B recruit a Union Advisor to build the capacities of FO unions that are sufficiently proactive to build a viable institution.* In Block C, appropriate capacities are already part of the consortium team and a Union Advisor can thus be appointed internally. Tasks of the Union Advisor should include, among others, support for the District Unions to develop and implement business plans in coordination with the zonal unions and FOs. A draft of the TOR to be discussed and finalized with the service provider is in Attachment 1. The expected result of this partnership is that district and zonal unions provide marketing and other services to FOs without external assistance, particularly for FOs in category A and B.

9. Through discussions with the Provincial Union of farmers in Cabo Delgado, the mission found that some services provided by the Union to district unions and FOs are similar to those offered by the service provider. These services include training on leadership and management, marketing, agriculture conservation, land issues, HIV and other cross-cutting issues. The provincial union is operational in 10 districts (of 17 districts) of Cabo Delgado including the 5 districts supported by PROMER. At the moment, there are no synergies between the provincial union and OIKOS activities. These activities should be more coordinated by establishing formal consultations between OIKOs, the provincial and district unions. In particular, support for FOs and unions should be harmonized through joint planning by OIKOS and the provincial union.

10. **Functional adult literacy.** Functional adult literacy is already showing some early results. For example, farmers' improved reading and writing skills have enabled them to read scales, resulting

in less cheating on weight. Training in adult literacy has progressed well in Blocks A and C in the last 6 months, while in Block B it will start in March 2013. The number of beneficiaries trained in both blocks A and C is estimated at 2,936. Trainings are carried out in 100 literacy centers (60 in Block A and 40 in Block C). Beneficiaries are trained by facilitators trained by UATAF through MOUs signed with the SP. The monthly fees for facilitators are paid by the Government and literacy shelters built by the community, which is commendable and in line with the sustainability of this activity. The Provincial and District Directorates of Education are also involved in the implementation of functional adult literacy through MOUs signed with the service provider. The Provincial Directorate of Education coordinates the trainings and ensures that the required methodology and quality are respected, while district directorates select facilitators, supervise and evaluate training activities.

11. Current plans are for the literacy training cycle to take three years, in line with government policy. However, with this approach, only a single training cycle can be organized over the implementing period of the programme, thus reaching less than 40% of the PROMER target of training 10,000 illiterates. At design, it was planned to offer functional literacy training for one year, after which beneficiaries would join government literacy programmes on a voluntary basis. *It was agreed that the PMT develop a programme to increase the number of beneficiaries, including the possibility of limiting the free functional literacy training courses to one year, and offering beneficiaries interested in continuing the possibility to do so by paying the trainer salary.*

12. **Market-linkage building.** Another major achievement since March 2012 is the facilitation of market linkages between FOs and traders. Some 96 FOs (of 330 participating FOs) were linked to markets and managed to negotiate a farm gate price above the spot market price (see table 2), and in some cases obtained future contracts. In addition, most FOs prepared production plans for the current agricultural season based on market expectations, which can be improved with more realistic yield assumptions. Main crops easily marketed by FOs include sesame, maize, beans, and peanuts. Service providers played a key role in facilitating links between FOs and buyers through contracts. Negotiated contracts include a minimum reference price, an amount that should cover at least the production costs and a reasonable profit margin. In the last marketing season, FOs managed to sell a total of 719 t of produce with the facilitation of service providers. The table below shows the average farm gate price compared to the market price in Block B for the above-mentioned crops.

Table 2: Average price (MZM per kg) of main crops

Crops	Spot market price	Farm gate price	Variance	Increase (%)
Maize	5.0	6.0	1.0	20
Beans	5.5	6.0	0.5	10
Peanuts	17.0	22.0	5.0	30
Sesame	22.0	25.0	3.0	15

Source: OIKOS

13. **Extension support.** One of the main constraints raised by FOs met is the low yields of crops due to insufficient extension services. The draft MOU to contract 16 Market-linkage Extension Officers was approved by the Provincial Directorates of Agriculture (DPAs). They will provide agronomic support to participating FOs. PROMER will fund the salary of the extensionists for two years, after which the financing will be taken over by the government. To sustain the positions, the extensionists will be fully integrated into the SDAEs. The mission reviewed the draft terms of reference (TOR) of these extensionists, suggested adjustments to avoid any overlapping of their tasks with those of the service providers, and shared the revised TOR with the PMT (see draft in Attachment 2). To ensure that the 16 extensionists are operational in the current agricultural season, *it was agreed that the recruitment process for the first extensionists be completed by 15 November 2012.*

III. Priority Actions for 2013 AWPB

14. PROMER is in the process of preparing the 2013 AWPB. Priority actions to be included in the AWPB for the Support for Farmer Organizations sub-component should be in line with agreed actions mentioned in the Aide Mémoire and actions foreseen at design which have not yet started. These actions are summarized as follows:

- (i) **FOs trainings and market-linkage building:** Evaluate the effectiveness of trainings and elaborate a plan to emphasise market linkage facilitation, to reduce the intensity of support for FOs having completed the training modules and include new FOs to increase the outreach of the programme;
- (ii) **FO union support:** Recruit Union Advisors to build the capacities of FO unions and support district Unions to develop and implement business plans in coordination with the zonal unions and FOs;
- (iii) **Functional literacy:** Start functional literacy trainings in Block B and develop a functional literacy programme in the three Blocks to increase the number of beneficiaries;
- (iv) **Extension support:** Complete the recruitment process for the 16 extensionists and ensure that they are fully operational in the current agricultural season ending in March 2013.

Attachment 1: Draft TOR - Union Adviser

The Union Advisors are expected to build the capacities of FO unions that are sufficiently proactive to build viable institutions, in particular at the zonal and district levels. They will report to the team leader of the service provider. Their main tasks can be summarized as follows:

- (i) Assist unions to prepare annual and seasonal business plans in coordination with zonal unions and FOs;
- (ii) Contribute to put in place a market information system for information dissemination regarding prices, markets and potential buyers;
- (iii) Assist the unions in the process of loan application and matching grants requests;
- (iv) Advise unions in marketing relationships with traders, suppliers, financial institutions and other partners;
- (v) Put in place a monitoring and evaluation system and control mechanisms to assess physical and financial performances of unions and FOs;
- (vi) Coach the unions in the preparation of the financial statement, accountancy and report to unions members;
- (vii) Ensure that union short-term and long-term business goals are met.

Attachment 2: Draft TOR - Market-Linkage Extension Officers

Example for Niassa Province

Introduction

1. The Rural Markets Promotion Programme (PROMER) and the Provincial Directorate of Agriculture (DPA) of Niassa agree, through a Memorandum of Understanding (MOU) to collaborate with each other in order to contribute to the strengthening capacities of District Services of Economic Activities (SDAEs) to provide extension services oriented to market linkages in 6 districts of Niassa province covered by PROMER.

2. PROMER promotes the development of groups and farmer organizations (FOs) through Service Providers contracted for this purpose. One of the tasks of the Service Providers includes the empowerment of FOs to improve their capacity as market intermediaries. Service Providers have also responsibility to advise FOs to produce the quantities and the quality demanded by the market, particularly the FOs involved in specific selected value chains.

3. PROMER will promote in 2013 the development of a network of traders and input supply companies in all districts through contracts with service providers for the input and output traders. The activities of the service providers include the establishment and management of demonstration plots on improved inputs. The service providers will have to coordinate with SDAEs extension staff, the local traders and input supply companies.

4. The market-linkage extension officers will be integrated into SDAEs of Marrupa, Maua, Metarica, Cuamba Mecanhelas and Mandimba. The extensionists will work with the above-mentioned service providers, FOs, and Value chain leaders.

General Responsibilities

5. The general responsibilities of the market-linkage extension officers include:

- (i) Empowering smallholder farmers to improve production, productivity and assist in disseminating market information and improved technologies to meet the quality and quantity standards required by the market;
- (ii) Participation in the implementation of the input demonstrations to be conducted by Service Providers and provide FOs with required advisory services to adopt improved inputs.

6. The responsibilities and activities of the extensionists will complement those of Service Providers contracted by PROMER to support the development of FOs in the rural districts by working with FOs supported by the service providers. The extensionists will also coordinate their work with the service providers for the input and output traders. The work plans of the extensionists will be developed in coordination with the service providers.

Specific Responsibilities

7. Working under the supervision of the Head of the SDAEs with FOs supported by service providers contracted by PROMER, the market-linkage extension officers will:

- (i) Agree with Service Providers on which farmers, which crops, and extension messages to develop;

- (ii) Identify the limiting factors to increase production, productivity and income of FOs through a continuous process of observations and in conjunction with producers;
- (iii) Assist FOs to prioritize their problems and define in collaboration with the service providers possible technology options to address them, develop action plans to implement input demonstrations, and provide FOs with extension services related to selected technologies;
- (iv) In collaboration with service providers, support and facilitate the FOs in developing their production and marketing plans as well as the evaluation of the season outcome; Organize and advise FOs to engage in producing crops with guaranteed market, particularly crops within the value chains supported by PROMER;
- (v) Guide and facilitate FOs to produce the quantity and quality required by the market, particularly FOs involved in specific selected value chains;
- (vi) In collaboration with the specialized service provider, participate in the monitoring and evaluation of input demonstrations results; Participate in the selection of areas for field trials and the design and evaluation of research trials conducted by researchers in collaboration with SDAEs;
- (vii) Serve as a catalyst and facilitator of horizontal exchange of information between FOs, on the results of field trials and other agriculture technology options; Participate in meetings at district/provincial level to review new improved technologies with farmers, researchers and extension officers, exchange knowledge on production systems, limiting factors and results of application of technology options by FOs;
- (viii) Ensure that market information collected by SDAEs and other partners reaches FOs;
- (ix) Sensitize FOs on cross-cutting issues as gender, HIV/AIDS and natural resource management;
- (x) Prepare monthly action plans and reports on extension activities and submit them to SDAEs, service providers and PROMER cell.

Outreach target

8. Per market-linkage extension officer, the general target is to work with 30 farmer organisations. Should there be less farmer organisations participating in PROMER in a specific district, the market-linkage extension officer would include also other groups in his/her work programme (chosen by SDAE).

Duration of contract

9. The contract will last one year, renewable after successful evaluation of the performance of the incumbent.

Qualifications

10. The requirements for the position are as follows:

- (i) Graduation in a technical high school of agriculture (*Technico medio*);
- (ii) Attendance of the pre-admission course mandatory for all extensionists with a minimum duration of 45 days;
- (iii) Dynamic personality and with the ability for team work;
- (iv) Good communication and computer skills;
- (v) Previous experience as extensionist will be an advantage.

Appendix 3: Value Chain Initiative

A. Introduction and background

1. The purpose of this appendix is to assist the Project Management Unit (PMT) in implementing PROMER's component 2 – Enterprise-led Value Chain Initiatives. It contains more detail on the findings and agreed actions of the Mission Aide Memoire related to component 2, as well as some additional considerations and recommendations by the Mission.

B. Implementation progress

2. The progress of this component continues to be gradual and no activities in the field have started yet. This is largely attributed to: (i) the laborious recruitment of the new Agribusiness Expert; (ii) the protracted development of the value chain facilitation guidelines (VC guidelines) finalized in April 2012; and (iii) time-consuming consultations for the development of concept notes and Strategic Investment Plans (SIPs). With the Agribusiness Expert recruited part-time as of 1 September 2012 and full-time as of 3 December 2012, the development of SIPs will undoubtedly speed up. Currently, one SIP is under implementation and two concept notes are in the PMT's review process.

C. Performance

3. **Strategic Investment Plans.** The mission discussed and reviewed the Sesame SIP by Corredor Agro Limitada (CAL) and the Sesame Concept Note by OLAM. It found satisfactory improvements to the SIP, in line with agreements made during the March 2012 mission, in the areas of: (i) describing the value chain structure; (ii) the analysis of market opportunities; (iii) the number of participating farmers; (iv) information on inputs, business targets and expected results, as well as calculations showing business feasibility including a cost-benefit analysis; and (v) the expected impact on the participating farmers.

4. Regarding the Sesame SIP by CAL, the mission notes, however, that while the SIP addresses a promising area of growth for smallholder-agribusiness collaboration, its poor quality in terms of additionality, company commitment and the weak link between the investments and smallholder commercialisation needs has only been accepted by IFAD in order not to block the first SIP to go forward as a learning ground from which valuable lessons can and must be derived. As such, this SIP cannot serve as an example for a SIP. In particular, the areas that future SIPs need to address more comprehensively are: (i) a detailed description of the key value chain constraints the SIP wants to address and why; (ii) sufficient economic justification supporting the VC constraint intervention, resulting in maximum impact on the PROMER target group; (iii) a detailed description of the roles and responsibilities of the stakeholders involved and (iv) a feasibility and cost-benefit analysis to demonstrate whether projected benefits outweigh the costs of the investment.

5. *Nonetheless, three unsatisfactory areas still need to be addressed:* (i) highlighting the key constraint to be addressed by the new investments. While most constraints are identified in production and post-harvest activities, PROMER is requested to fund input supply and crop collection activities instead. Additional rationale should be provided to validate maximum development impact to PROMER's target groups; (ii) the SIP does not sufficiently clarify whether CAL's contribution is existing collateral or new investment; and (iii) the detailed contract arrangements (i.e. on price, price premium, minimum quantities and possible value addition resulting in higher returns for the farmers) are not stipulated clearly. In order not to lose more time, *it was agreed that the Agribusiness Expert will request these areas to be clarified by CAL at short notice.*

6. CAL has discontinued the development of the cassava SIP. The main reason for this was that the suggested buyer in the SIP, the Dutch Agricultural Development & Trading Company Ltd. (DADTCO) was not willing to provide the necessary market linkage for the cassava supplied by CAL

out-grower programme. The business philosophy of DADTCO is to deal directly with farmers and not with intermediaries. This illustrates the importance for PROMER to liaise from an early stage with all stakeholders involved in the SIP to assess the viability of proposed investments, partnerships and market linkages. In particular, the originator of the SIP needs to ensure that the key stakeholders in the value chain that is to be developed are fully on board, including farmer organisations, other companies and district administrations (for example, in case of road rehabilitation).

7. **Concept notes.** The mission discussed the sesame concept note by OLAM with the PMT and agrees it serves the PROMER development objectives and addresses a key constraint in the sesame value chain. Its key shortfall relative to the VC guidelines is that it requests PROMER funding for recurrent costs and credit rather than for investments (which is not consistent with the VC guidelines). From the total investment proposed in the OLAM concept note, four items can be considered eligible for the matching grant contribution which are: plows, sprayers, warehouses and cleaning units. For sustainability, the operations, ownership and maintenance of these units also needs to be addressed in the concept note. For example, it is not clear how the many animal draught units for ploughing will operate without training for the oxen owners.

8. The mission reviewed also the beans concept note by Cistér, a 100% subsidiary of the Portuguese multinational Raimundo & Maia Lda. active in Mozambique since 2006, and found it not serving the PROMER objectives satisfactorily. Its main weaknesses lie in the field of improving market linkages, as the absence of plans to invest in establishing contractual arrangements with FOs does not address the key constraint in the bean value chain and thus does not assure maximum impact to the PROMER target group. These conceptual issues need to be addressed and discussed with Cistér to bring it closer to the PROMER objectives.

9. **SIP development, feedback and approval process.** The mission discussed the current process and recommends that it should be faster, more transparent, formalized and with clear response times for each step. It was agreed that the total process lead-time should not exceed ten weeks. The process facilitation section in the guidelines could be improved as follows:

- a) The preparation of the concept notes should be supported by the staff of the cells, informing the partners about the VC guidelines, clarifying the approach and providing general guidance. It should be made clear to the prospective applicants (mostly companies) that this support is not a negotiation process but assistance to increase the quality of the concept notes and their responsiveness to programme objectives. Technical questions should be relayed to the Agribusiness Expert. At this point it is also explained that the concept note must be formally submitted to the PMT to start the review and approval process.
- b) When a concept note is received, the Agribusiness Expert will firstly assess if it will serve the Programme objectives. A short written note on this assessment should be prepared and shared with the Programme Coordinator and the cells. Secondly, he will visit the applicant, discuss the concept note with the programme cell, the stakeholders and perform an industry check on the applicant. This will take place before discussing the concept note within the PMT and sending a written reply not later than two weeks after receiving the concept note. The applicant will have one week to reply and provide additional information, if required, before the concept note will be submitted to the Value Chain Advisory Committee (VCAC) together with a written assessment and recommendation by the Agribusiness Expert in consultation with the Project Coordinator. The VCAC decision will be communicated to the applicant within one week. Total lead time for concept note review and approval will thus be four weeks and should be monitored by the PMT.
- c) Together with the notification of approval of a concept note, the PMT will send an invitation for SIP development to the applicant. This should be in writing and well documented, and include observations by the VCAC and the Agribusiness Expert for addressing in the SIP, and an indication of a lead time of no longer than four weeks for developing the first draft SIP. Again, the cell and the Agribusiness Expert will provide assistance to the applicant in developing the SIP. The Agribusiness Expert will assess the draft SIP with support from the

Financial Manager, using Annex 3 of the VC guidelines as a reference. The PMT will respond in writing not later than two weeks after receiving the draft SIP. From then, the applicant will have one week to reply and provide additional information, if required, before the SIP will be submitted to the VCAC, together with a written assessment and recommendation by the Agribusiness Expert in consultation with the Programme Coordinator. The applicant is asked to present in person the SIP to the VCAC. Total lead time for SIP development will thus be seven weeks.

10. Furthermore, it was agreed to formalize the annual call for proposal process as follows; in June each year there will be a call for proposal by sending invitations to the updated VC leader list, followed by advertisements in the national papers. The window for receiving and accepting concept notes will close end of July. Concept notes will be handled on a first-come-first-serve basis. The Agribusiness Expert is responsible for coordinating this process and ensuring it is clearly communicated to all the stakeholders.

11. Characteristics of the selected value chains, its beneficiaries and the companies presenting investment proposals vary significantly. It should therefore be unlikely to see uniform applications. On the contrary, the amount of matching grants should vary widely and can be expected to often be far below the maximum, also as a result of the 50% cofinancing requirement being enforced. With the first two investment proposals applying for the maximum amount, attention should be paid that the interested parties understand the grant mechanism as a development tool to reduce risk in new investments, to be applied in proportion to its development impact. Furthermore, grant allocation should normally be phased over the implementation period and not fully allocated in the first year.

12. The PROMER cells are predominantly occupied with coordinating activities, while they should also be involved in identifying and assessing investment opportunities and establishing private sector partnerships. *It was agreed that the cells and the service providers receive general training and team building by the Agribusiness Expert on the content of the VC guidelines, the agribusiness promotion process, and their roles and responsibilities before end-November 2012.*

13. **Value Chain leader market linkage and partnership.** The VC guidelines give a selection of companies and associations from which PROMER can start to promote VC initiatives, the so called VC leaders. A VC leader is not necessarily the largest or most important actor in the chain. This selection is of course not exhaustive and needs to be constantly updated with the help of the programme cells. Also initiatives and platforms like the Confederação das Associações Económicas (Confederation of Business Associations, CTA) and Centro de Promoção de Investimento (CPI) are valuable sources for PROMER to identify potential VC leaders and investors and they should therefore be consulted regularly.



14. The mission had the opportunity to meet two new potential value chain leaders: World Food Programme (WFP) with its Purchase for Progress initiative (P4P) and the Dutch Agricultural Development & Trading Company Ltd. (DADTCO). WFP is a large buyer of maize and mixed beans, with fluctuating demand between 2,500 and 4,000 t annually, all in contracts with a fixed minimum price agreed at planting. P4P is implemented in four provinces and in the following PROMER districts: Alto Molocué, Gurué and Ribaué. It buys from FEDAMOZA, FEPROG and ICURU Ltd.. World Vision is supporting the farmer federations with training. From 2013, WFP will start buying fortified maize flour for its school feeding program. This means a huge value addition opportunity for FOs and processors, which may present opportunities for PROMER to support. The P4P financial partner Banco Oportunidades Mozambique (BOM) is providing commercial credit at 17% annual interest to some FOs using their P4P advance contracts as collateral. This credit can go up to 80% of the contract value. This credit facility can ease somewhat the lengthy but standard WFP payment conditions. Linking farmers to a large institution like WFP brings its own challenges. WFP's administrative procedures are extensive, procurement processes are rigid and payment terms long. Furthermore, P4P has limited resources to work with FOs on topics of production, post-harvest, storage and management. Capacity building in these areas is essential for successful engagement of

FOs with P4P. PROMER may play a role in supporting the above mentioned capacity building and value addition investments.

15. The mission visited the processing facility of DADTCO for cassava cake in Ribaué district. The cake is the major ingredient for brewing the first ever commercial-scale cassava-based beer, “Impala”. DADTCO has established operations in Nigeria for cassava cake and flour and recently signed an agreement with SAB Miller for the cassava cake supplies for producing Impala. DATCO engages directly with smallholder farmers for sourcing cassava. Farmers can either deliver themselves to the processing site (at a price of at MZM 1,500 per t) or have the cassava tubers collected at MZM 1,000 per t. While cassava is a bulky raw material, the processing unit is mobile and can be located close to production areas, minimizing transport cost and following the country’s production cycle. Because of limited brewing capacity the processing unit operates on a 30% capacity at the moment. DADTCO has a partnership with the International Fertilizer Development Center (IFDC). IFDC, in collaboration with DADTCO, identifies and groups cassava farmers (suppliers), assisting them in services such as training in improved agricultural practices, input supplies and mechanization. IFDC also has a partnership with CAL for the propagation of cassava roots. The demand for cassava cake is growing steeply as ingredient for beer but also for other uses like flour, starch, alcohol and glucose. DADTCO is going to place another Autonomous Mobile Processing Unit (AMPU) in the rural areas around Beira by the end of 2012, planning to start processing by January 2013. DADTCO is an interesting potential VC leader for cassava. In a future partnership, PROMER might support further new investments in the processing capacities and also focus on organising the farmers to link efficiently with DADTCO.

Illustration: Cassava processing

The DATCO processing operation in Ribaué with its Autonomous Mobile Processing Unit (AMPU)

	
<p>Smallholder farmers bring their cassava to the mobile processing unit. Here it is boxed, weighed and checked for quality before processing.</p>	<p>Entry of the cassava tubers into the processing plant. 5t of tubers will process 2.5 – 3.0 t of cake.</p>



16. **Contract framework.** For matching grants in the SIP, the mission reviewed the current contract framework, annexes and financial procedures and suggested improvements in the following areas: (i) procurement procedures; (ii) ownership of goods, data and information; and (iii) suspension and cancellation of grant contracts. It was agreed that the PMT strengthen the VC guidelines in these areas.

17. **Procurement.** The procurement of goods, works and services under SIPs (and thus under the Matching Investment Grant Facility) will be carried out by the VC Leader implementing the SIP, using the following procurement procedures:

- a) The procurement of goods, works and services financed by at least 50% by the VC Leader will be carried out by the VC Leader using its own procedures and without prior approval of the PMT. This may be permitted as the use of 50% own funds will ensure that the VC Leader will strive for the best value for money in the procurement process. In the case of services, in addition to clear TOR and CVs, safeguards will be required such as reports and proof of payment.
- b) The procurement of goods, works and services financed at more than 50% by PROMER grants will be carried out by the VC Leader in accordance with PROMER national procurement procedures (that is, national procurement procedures modified as per agreement with the Ministry of Finance) including no-objections from the PMT. In this case, the VC Leader will submit to the PMT all procurement documentation for review and approval prior to the issuing of any contract for the purchase.

18. By contrast, the procurement of goods, works and services under the Small-Scale Value Addition Matching Grant Facility (sub-component 1.2) will be implemented and managed directly by beneficiary communities (FOs, cooperatives and unions), using procedures for community participation in procurement to be defined by the PMT.

19. **Ownership of goods, data and information.** All purchased goods, data and information are the property of the PMT during the implementation of the grant-funded project. The grant recipient would enjoy the property rights for the programme-supported goods, equipment, data and information only after a successful completion of the grant-funded project. In case of non-performing projects, the

PMT will issue a warning letter to the grant recipient stating the non-performing situation and steps to be followed to remedy it, with deadlines. Should the deadline slip, a second warning letter will be issued. Should the deadline slip again, the PMT may repossess the items and dispose of them as best as possible, usually either through reallocation or sale.

20. The grant recipient is responsible for taking care of all property and providing for proper maintenance of goods and equipment and is liable for the use of purchased goods, equipment, data and information only for implementation of project-related activities during the project implementation period. In case of necessity, the beneficiary provides insurance of this property against plunder, theft, fire, accidents, etc. For vehicles and mobile machines, this insurance will be obligatory and inscribed in the grant contract. In case of closing down of the beneficiary, negligent performance or on the basis of violation of the grant contract, the PMT may repossess the equipment, following the procedure indicated above. Repossessed equipment would be reallocated or sold, and proceeds from any sale shall flow back to the programme accounts. This applies also to relevant data such as maps, diagrams, plans, statistics and supporting materials.

21. **Suspension and cancellation of grant contracts.** The PMT holds the right to terminate the grant contract at any time, if: (a) the grant recipient does not follow provisions of the grant contract; (b) the grant recipient has significant delays in the implementation of the project and the PMT believes that the project cannot achieve its objectives; (c) the grant recipient fails to submit a complete financial report; (d) the grant recipient fails to submit copies of financial documents to complete financial reporting; (e) the grant recipient does not maintain appropriate accounting and financial records; (f) the beneficiary submits false documents or information; (g) the grant is used to finance expenses not approved by the PMT, and conducting activities other than approved; (h) the grant recipient terminates implementation of the project; (i) the grant recipient sells the assets procured with grant funds before the end of project; or (j) the grant recipient utilises the assets procured with grant funds fund outside the project.

22. In the case of cancellation of the grant contract, the grant recipient shall return all funds received under the project that have not been used to the designated PROMER account. In addition, the PMT shall cancel all amounts which have not been paid under the contract, and it may repossess all assets (including buildings and equipment) purchased with grant proceeds. In the case of misuse of grant funds, the grant recipient will be liable for repaying any grant funds found to have been misused and all steps will be taken for recovery according to the Mozambique legislation.

Appendix 4: ProParcerias and its Linkages with PROMER

A. General

1. Up to this moment, ProParcerias has not been able to set up any inclusive business partnerships between local communities and external investors. The Project is therefore still far from achieving its goal, although it has already reached the completion date of 30 September 2012 as stipulated in the grant agreement between IFAD and DNPDR. Nevertheless, the contracted service providers have just concluded their inception phase and are ready to start operations at field level. The Government still has high expectations for ProParcerias, especially with regard to the guidelines on setting up community-investor partnerships.

2. The IFAD completion date of the two-year project was on 30 September 2012. As both progress and disbursement rates are still low, DNPDR is considering asking for a 15-month extension, which is considered reasonable given the time required to identify private partners. A similar request has been made to the Dutch Government. *It was agreed that a request with full justification be submitted to IFAD by 5 November 2012, including a revised 2012 AWPB and a proposal for the 2013 AWPB.* Given the low project execution and disbursement rates, a request for an IFAD top-up cannot be considered at this time. The mission noted the project management team's concern regarding the need for a full-time coordinator, an administrative assistant and technical consultants to run the project effectively. As IFAD funding is reserved for service provider contracts, the issue will be discussed with the Dutch Embassy.

B. Technical Aspects

3. Research and lesson learning. With regard to research and lesson learning into national and international experiences, two studies have been identified: one by SNV from 2011 and another by CFJJ, FAO and IFAD from 2008.

4. As a follow-up to IFAD's Regional Land Workshop in May 2012 in Nairobi, the ProParcerias team and the three service providers went on a visit to Swaziland in August 2012 to learn from two IFAD projects, namely the Lower Usuthu Smallholder Irrigation Project – Phase I (LUSIP-I) and the Sustainable Land Management Project (LUSIP-GEF). The former is investing in a large-scale irrigation system for the area. The Chief's Letter of Consent (CLC) has been an effective mechanism for facilitating the transfer of use rights from customary owners to farmer groups. LUSIP-I has now gone ahead with the registration of Chiefdom Development Foundations (CDF). The idea is that each Farmer Company (FC) gives a contribution to the Foundation for the land the FC is using and this revenue is used for the implementation of community development projects identified in the Chiefdom Development Plans (CDP) and, to a smaller part, for showing allegiance to the Chief (*khonta*). The visit was highly appreciated by the participants and is feeding into discussions on the potential models for the community-investor partnerships to be established under ProParcerias.

5. In Mozambique, various new partnerships have been set up over the last few years. The *Iniciativa para Terras Comunitárias* (iTC), for example, has been setting up partnerships between communities in Nampula and Green Resources, a Norwegian private company, for the production of soya and sesame. In Niassa, iTC has a similar experience with soya and beans. *It was agreed that ProParcerias will document existing experiences, with a specific focus on agriculture.*

6. It will be important to make sure lessons learned from these experiences are shared with the various stakeholders and a wider audience. The Project should reflect on the best way to disseminate the information that is collected. A website would be a good tool, maybe the one of DNPDR or of the *Conselho de Negócios Inclusivos* (CNI).

7. The idea of the CNI was launched during a national conference on inclusive businesses in October 2011 in Maputo. The Council will officially be set up on 22 November 2012. It comprises of DNPDR, *Centro de Promoção de Investimentos* (CPI), *Centro de Promoção da Agricultura*

(CEPAGRI), *Direcção Nacional de Terras e Florestas* (DNTF), *Centro de Formação Jurídica e Judiciária* (CFJJ), *Confederação das Associações Económicas* (CTA), Millennium Challenge Account (MCA), *União Nacional de Camponeses* (UNAC), iTC and *Organização Rural de Ajuda Mútua* (ORAM). The different partners are available for providing technical assistance and capacity building support in various areas, such as land delimitation, community awareness raising, development of land use plans and participatory investment feasibility studies. ProParcerias has been playing a very pro-active role in setting up the CNI.

8. **Pilot community-investor partnerships in the agriculture sector.** So far, 17 potential communities have been identified for piloting partnerships with external investors. This is an on-going activity and will feed into a database on communities that have expressed interest in establishing these kinds of partnerships, which has been requested by the CNI. This database will be linked to another one with interested investors, which is being developed by the *Confederação das Associações Económicas de Moçambique* (CTA). This will allow for communities that have been identified but are not supported by ProParcerias to be linked up with investors.

Table 1: Potential communities identified by ProParcerias, as at 26 Oct. 2012

	Province	District	Community	Delimitation of community land	DUAT
1	Gaza	Massingir	Zulo	In process	In process
2		Chibuto	Inkwai	In process	Certified
3	Manica	Gondola	Mukurodzi	Done	No data
4		Gondola	Mpinda Nhanga	Done	No data
5		Mussorize	Gunhe	Done	In process
6	Sofala	Nhamatanda	Chirassicua	Done	In process
7		Nhamatanda	Nhampoca	Done	In process
8		Gorongosa	Canda	Done	In process
9		Chemba	Chimbue	Done	No data
10		Buzi	Joo	Done	No data
11	Zambezia	Nicoadala	Trepano	Done	No data
12		Nicoadala	Mecelo-Novo	Done	Certified
13		Namacurra	Maleia	Done	No data
14		Maganja da Costa	Missale	Done	No data
15	Nampula	Murupula	Chacalua	Done	Certified
16		Malema	Intacasse	In process	In process
17		Malema	Muhissa	In process	In process

9. In April 2012, contracts have been signed with the two service providers for facilitating the setting up of partnerships (LUPA and ORAM/MERCAL) and with the service provider for documenting the process of establishing partnerships and formulating guidelines (PROSPECTUS). However, the approval of these contracts by the Administrative Court was only obtained between 16 July 2012 and 10 August 2012, which has caused some delay in the implementation. *It was therefore agreed that the service providers will submit clear and realistic action plans for the piloting of partnerships.*

Table 2: ProParcerias service provider contract status

	ORAM/MERCAL	LUPA	PROSEPCTUS
Signature contract	27/04/12	17/04/12	25/04/12
Approval Administrative Court	16/07/12	10/08/12	10/08/12
First payment	19/09/12	19/09/12	Not yet

10. The service providers have now finalised their inception phase, which included their introduction to identified communities and local authorities and the collection of basic data on the

communities. The Mission noted that the community profiles included in the inception report still lack information. *It was agreed that the community profiles will be completed by 15 December 2012.* A clear format needs to be agreed on. PROSPECTUS's inception report does not meet the agreed standards and, therefore, the company has not yet received its first payment. The project management team recommended that PROSPECTUS submit a revised version of the inception report to ProParcerias by 30 October 2012, including a realistic workplan based on the analysis.

11. As part of the second phase, the service providers now have to give priority to the identification of and consultations with potential investors. Investors will be attracted by launching tenders and by using the contacts of the members of the Project's Reference Group, such as CPI and CEPAGRI.

12. A Memorandum of Understanding has been signed with AgDevCo, a not-for-profit company operating in agricultural development in sub-Saharan Africa. Acting as principal, it invests "social venture capital" to create commercially viable agribusinesses, bringing them to the point where they can attract private investment from domestic and overseas investors. AgDevCo and ProParcerias will work together to set up two or three agricultural partnerships in Manica, Sofala and Zambezia. The agreement foresees carrying out soil and hydrological surveys, identification of national and international investors, pre-feasibility studies of business plans, socio-environmental impact studies, mobilisation of funds for project implementation and infrastructure investments. Discussions are currently on-going with three potential investors: SAB Miller, Rio Tinto and OLAM.

13. The Mission noted that the Administrator of Malema district was not aware of the existence of ProParcerias, although the Project team reported having had two meetings with him, as documented in a report. This shows the importance of maintaining a continuous flow of communication with the local authorities, especially as they are often well aware of investment requests. *It was agreed that the inception and progress reports of the service providers and ProParcerias progress reports will be shared with the district and provincial authorities.* It will be important to ensure harmonisation between the partnerships and the District Economic Development Plans.

14. **Toolkit development.** PROSPECTUS is responsible for the development of guidelines on the establishment of sustainable community-investor partnerships. This will be one of the main outputs of the Project. During the third Consultative Forum on Land (*Fórum de Consulta sobre Terras - FCT*), held in Nampula on 21 and 22 March 2012, ProParcerias was asked to produce these guidelines by September 2013. *It was therefore agreed that a draft version will be developed by 15 December 2012.*

C. Management and Fiduciary Aspects

15. The Project has set up a multi-stakeholder Reference Group comprising eight members: CPI, CEPAGRI, DNTE, CFJJ, CTA, UNAC, iITC and *Centro Terra Viva* (CTV). The Mission, however, noted that the Reference Group does not appear to carry out its main role of overseeing the implementation of ProParcerias. So far, no meetings have been held where all the eight members were present. *It was agreed that the Reference Group will be revived in order for it to play the role that was foreseen:* (i) strengthen coordination with other initiatives, especially pertaining to relevant research, selection of pilots, community land delimitation, community land use planning, business planning and others areas related to the facilitation of community – investor partnerships; (ii) provide advice in the selection of pilots (including the development of selection criteria), identification of case studies and research themes, formulation of guidelines and policy recommendations and policy dialogue. Project progress reports and studies need to be shared with the Reference Group members. Similarly, five Provincial Technical Committees have been set up in the Project area to oversee the implementation of ProParcerias at local level. It was mentioned to the Mission that the committee in Nampula is working well.

16. Project management brought to the Mission's attention that communication difficulties with IFAD continue to exist. The Mission reiterated that IFAD's focal person for ProParcerias is the

Country Programme Manager (CPM), who may delegate certain tasks to other IFAD staff. *It was agreed that if the Project is in need of assistance, specific request will be made to the CPM.*

17. Although the ProParcerias progress report for the first semester 2012 was finalised in July, it appears that IFAD only received a copy during the Mission. The Mission noted that the format does not follow the outline of the components as set out in the design report. *It was therefore agreed that in the future, progress reports will be sent to IFAD on-time, in hard and soft copy and that the outline of the components as set out in the ProParcerias design report will be followed.*

D. PROMER and ProParcerias linkages

18. Given the similarities between PROMER and ProParcerias, during the March 2012 follow-up Mission several recommendations had been made for strengthening the collaboration between both Projects. Although some progress has been made, mainly with regard to IFAD administrative issues, it was agreed that collaboration can be strengthened in the following areas:

- In the overlapping project district of Malema, ProParcerias stands to benefit a lot from various activities PROMER is carrying out, including training and market linkages for farmer organisations (FOs) and matching grants in community-owned storage and agro-processing facilities to FOs and value chain leaders. This could provide important complementary support for ProParcerias. Which could be used to leverage equity in joint ventures. Similarly, PROMER is providing support in the development of market access, including roads which could have an impact on better opportunities for joint venture partnerships, if taken into account. In order to promote this, collaboration at local level still needs to be strengthened. This would be the responsibility of the DNPDR officer in Nampula, responsible for overseeing both PROMER and ProParcerias and member of the respective provincial reference groups. The officer needs to make sure information and experiences are exchanged between the two Projects. It was agreed that a meeting will be held between the service providers of the two Projects working in Nampula, namely the SNV-led consortium and ORAM/MERCAL, to exchange information and experiences.
- It was agreed to continue strengthening the exchange of knowledge and experiences between PROMER and ProParcerias at national level through regular meetings between the respective coordinators. This relates mainly to the various studies, information on potential investors and the development of the guidelines by ProParcerias. ProParcerias will facilitate the linking up of PROMER with the CNI. Moreover, as a much smaller project, ProParcerias does not have an equivalent of the human resources and PM&E system available to PROMER. When this issue was raised during the discussion with DNPDR on knowledge management, DNPDR confirmed that it will provide technical support to ProParcerias, if necessary, in preparing its M&E plan.
- During the field visits, the Mission noted that with increasing commercialisation in PROMER's implementation area, land conflicts are also increasing. This was mentioned by local authorities and representatives of farmer organisations. Communities are becoming more aware of the importance of securing their land tenure rights. At the same time, ProSavana is expected to have a significant impact on people living in the PROMER implementation area. This tripartite project between Mozambique, Brazil and Japan aims at promoting a more productive commercial agriculture, based on the untapped potential and resources available in the northern provinces (including the PROMER project area). The ProSavana agreement was signed in 2009. On 11 October 2012, UNAC issued a statement warning of the expected negative impacts of ProSavana, which will threaten food security and increase conflicts over land. It was therefore agreed that PROMER will monitor the incidence of land conflicts and liaise with ProParcerias partners, such as iTC, to help communities in finding a solution.

Appendix 5: Market Infrastructure

A. Introduction and background

1. The purpose of this appendix 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 this sub-component, and some additional considerations and recommendations by the Mission.

B. Implementation progress

2. Road rehabilitation under this sub-component continues to progress well, with approximately 120 km rehabilitated in 2011, 223 km under rehabilitation in 2012 and a planned rehabilitation of two roads per district for 2013. In 2012, rehabilitation has started in June for a six-month contract period and is expected to be completed by the end of December. Road maintenance continues to be a major challenge despite government's commitment in the Loan Agreement to fund and execute it. While spot improvement is a focus area in the government road sector strategy, at district level preference is given to full rehabilitation, resulting in cost escalation and less roads to be improved. This should be avoided as much as possible.

C. Performance

3. The mission is pleased with the progress and the quality of the works. It also met with the Road Fund and the *Administração Nacional de Estradas* (ANE, National Road Administration) to discuss payment processes, road maintenance and road engineer supervision. ANE acknowledges that road maintenance is a challenge and despite district staff training, implementation remains weak. In Gabo Delgado, road works are experiencing delays due to limited availability of road engineer supervision. ANE has given the PROMER road works first priority for the three supervisors in Gabo Delgado, which should reduce the current delays.

4. The mission clarified that the maintenance work required under the Loan Agreement, to be monitored by the PMT, do not entail the complete maintenance of the roads rehabilitated under the programme. Since PROMER supports spot improvements, the maintenance the programme is principally concerned about is the maintenance of the sections rehabilitated by PROMER, thus the difficult sections of the roads which need most regular maintenance: bridges, culverts and steep sections of the roads with the need for cleaning the drains.

5. Furthermore, *it was agreed that: (i) the PMT will present cases of payment delay to the Road Fund for follow-up and clarification; (ii) ANE will send the PMT a monthly report on the payments processed; (iii) ANE will send a quarterly progress report on road maintenance; (iv) pressure for district road maintenance will be increased through the reference groups and by the PMT sending quarterly progress reports to DNPDR; and (v) as of 2014, selection of districts eligible for further road investments will depend on the sufficient maintenance of PROMER and PAMA supported roads, as monitored by the programme cells.*

6. **Selection of roads and markets.** While the final road selection is done by the district authorities, it is important to ensure that the roads selected will improve the accessibility of the PROMER-supported Farmer Organizations (FOs). For operational planning purposes, *it was agreed that the ANE maps will be detailed with the location of participating FOs.*

7. Using the baseline study, each District Reference Group has proposed one market to be rehabilitated. These proposals need to be assessed by the PMT for their viability, in order to determine the project-supported market infrastructure for support in 2013. Meanwhile, the 2013 Annual Workplan and Budget (AWPB) can include a general budget allocation for market infrastructure. *It*

was furthermore agreed with the PMT to widen the scope of market rehabilitation to allow other demand-driven innovations which serve the programme objectives, such as crop collection points.

8. Planning and construction of new markets or rehabilitation of existing markets requires a number of factors to be taken into account, such as: accessibility and attractiveness of the location for consumers, current and projected level of trade, sanitary facilities, and market management arrangements including fee collection and use. An important lesson can be derived from the experience of building new markets under the Niassa Agricultural Development Project (NADP), which constructed two markets at district capitals, located close to the District Administration but more than 1 km from the established commercial activity and of the used commuting and trade routes. These facilities were constructed without thorough farmer consultation and remain underutilized, while sales at small kiosks and village-based shops continue as before. This experience illustrates the strengths of a demand-driven selection process over an administrative selection process.

9. Another important experience to look at closely is the management of fish markets constructed under the Sofala Bank Artisanal Fisheries Project (PPABAS). These markets are suffering from low use, poor maintenance and generally poor management. The Institute for Development of Small-scale Fisheries (IDPPE) is currently looking at alternative management models, including contracting the market management and fee collection to private companies. The mission recommends that the PMT contact the Project Coordination Unit (PCU) of ProPESCA for sharing the experiences of market development.

Appendix 6: Access to Finance

General

1. PROMER support to rural financial services remains weak. Two activities (technical assistance to improve bankability of value chain participants, and rural finance training to farmer associations and traders) have not yet started. The short-term institutional support to two financial institutions risks developing into a zero-impact long-term institutional support. The support through FARE has progressed, although it appears to have reached its limits in the programme area.

Financial Support for Input and Output Traders

2. The environment for this support is still premature given the delays of component 1.1. It was agreed that the technical assistance and training for traders, and also the establishment of the Supplier Credit Risk Mitigation Fund, will be included in the service provider contracts under component 1.1.

Technical assistance to improve bankability of value chain participants

3. While technical assistance to improve bankability of value chain participants needs to await further maturity of the SIPs, the programme-supported farmer associations have now reached the point of requiring rural finance training so that this should start by about March 2013. For example, the mission met associations that kept substantial amounts of cash with one of their members, which is not only unsafe but also a missed opportunity of introducing the associations to formal financial services. For an efficient programme implementation, it was agreed that the three service providers start introducing this technical assistance and training packages for FOs in 2013.

Short-term Institutional Support to Development Finance Institutions

4. The two development finance institutions present in the project area at project design, GAPI and AMODER, are strengthened and assisted in their rural outreach by this activity. Based on the agreements dated March 2011, the PMT disbursed USD 50 000 to AMODER in May 2011, and USD 75 000 to GAPI in July 2011. Reporting by these two institutions remains a serious constraint. Since the March 2012 mission, no reports have been received by the PMT, and AMODER presented a written report during the meeting during the mission, as it did in March 2012. This leaves a lot of room for improvement in terms of client responsiveness, contract management and information management.

5. During the mission, a short report was received from AMODER, outlining physical progress, which is slow. The refurbishment of the office in Alto Molócué has taken place, albeit with poor quality to the extent that AMODER has started a legal procedure against the contractor. AMODER also reports on its credit and micro-credit portfolio in 13 of the 15 project districts, albeit without cumulative information and none on the quality of the portfolio. At the same time, the loan tracking software for AMODER, a key investment of the grant, is still unidentified. In this respect, the mission advises to purchase an off-the-shelf loan tracking software rather than attempting a customisation that will be expensive, time-consuming and possibly unreliable. GAPI starting construction in one of two locations. It is important that both GAPI and AMODER prepare and submit workplans with the remaining project-supported activities, and start reporting against these in the timing foreseen in the contracts. This needs to be addressed urgently, with sound follow-up by the PMT. In addition, both contracts will require extensions. The mission is of the opinion that 1-year no-cost extensions can be granted on the basis of acceptable workplans.

6. The key objective of this activity, however, is the increase of access to finance for the programme target group. In this respect, no progress has been achieved so far. Nonetheless, AMODER identified an opportunity to introduce an agricultural loan product in conjunction with training provided to smallholders producing cash crops, and will consider introducing this product at its Alto Molocué branch. The product involves an NGO (in the Niassa example it is Fundação Mundukide) that provides technical training to cash crop farmers, to whom AMODER provides credit for inputs. The possibility of recruiting a service provider under the PRONEA Support Project (PSP)

to provide the technical training to farmers can be explored, and would constitute a productive and concrete collaboration between the projects that would not require an MOU between the two projects. The introduction of this loan product would also be congruent with the MOUs with GAPI and AMODER, that require that the PAMA Support Project credit lines are applied to serve the PROMER target group. The mission encourages GAPI to devise similar products at its branches in the project area. In addition, it was agreed that the PMT will start monitoring the application and quality of the PAMA credit lines based on GAPI and AMODER reporting.

Support to Financial Institution Outreach in PROMER Area

7. The support to financial institution outreach in the PROMER area under the MOU with FARE dated November 2010 has progressed: four microfinance institutions (MFIs) have received matching grants from PROMER to expand their rural outreach, with FARE providing credit funds to them in line with their borrowing capacity. The total matching grant amount for the 4 MFIs amount to MZM 13.22 million, of which MZM 11.50 million have been disbursed so far (see Attachment 1). Updated versions of this table will be useful to the PMT and its service providers in component 2 to know the financial outreach of FARE in their areas of operation, and it is suggested that the PMT regularly follow up with FARE to share these.

8. However, while FARE's availability of credit funds is improving, the interest in matching grant support in the PROMER area is low, reflecting the still low level of commercial activity. As such, it was agreed that the MOU be reduced to the current level of collaboration, and that the remaining matching grant funds by PROMER be reallocated to other activities. By contrast, the credit funds of the PROMER component of the upcoming MDG Programme are still required for the reinforcement of the lending capacity of FARE's clients in the programme area. For these two elements, the MOU with FARE will need to be amended once the MDG Programme has been integrated in the Loan Agreement for PROMER. FARE will then provide these credit funds to its clients following a general call-for-interest round.

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Attachment 1: RFI Clients of FARE in the PROMER Area, with PROMER Matching Gants shown in Blue, 24 October 2012

Nº	Nome	Distrito	Província	Matching Grant (MZM)			Linha Crédito (MZM)		
				Aprovado	Des-embolsado	Saldo	Aprovado	Des-embolsado	Saldo
1	Khan	Chiure	Cabo Delgado	3 435 500	3 435 500	0	7 500 000	3 750 000	3 750 000
2	Kuyakana Micocrédito			3 050 000	1 225 000	1 825 000	4 000 000	0	4 000 000
3	MAP -Micricrédito de Apoio ao Produtor			3 117 974	0	3 117 974	4 200 000	0	4 200 000
4	CCOM			0	0	0	12 000 000	6 000 000	6 000 000
5	MML	Montepuez, Balama e Namuno		714 858	714 858	0	980 000	980 000	0
				3 600 000	3 600 000	0	9 000 000	9 000 000	0
				1 449 650	1 449 650	0	6 783 000	6 783 000	0
6	ADC	Cuamba	Niassa	2 740 000	2 740 000	0	7 200 000	3 600 000	3 600 000
	0			0	0	6 000 000		6 000 000	
7	Amoder			2 525 000	2 525 000	0	9 037 500	4 337 500	4 700 000
8	Cuamba Microcrédito			3 211 204	3 211 204	0	7 200 000	2 700 000	4 500 000
9	CPPM	Mandimba		3 600 000	1 800 000	1 800 000	9 000 000	0	9 000 000
10	CPPM	Marrupa		2 166 625	2 166 625	0	0	0	0
11	Modelo Microcrédito	Ribáwè		Nampula	1 650 000	1 650 000	0	2 500 000	2 500 000
12	Modelo Microcrédito	Ribáwè e Malema	2 228 400		2 228 400	0	9 000 000	3 600 000	5 400 000
13	Zandamela Microcrédito	Malema	3 330 000		3 330 000	0	5 400 000	2 700 000	2 700 000
14	Matias Microcrédito	Alto Molócue	Zambézia	1 750 000	1 750 000	0	2 500 000	2 500 000	0
15	Tseco Micofinanças	Alto Molócue		3 502 500	3 502 500	0	5 400 000	0	5 400 000
16	Micredis	Guruè		2 920 500	2 920 500	0	9 000 000	3 600 000	5 400 000
17	Banco Oportunidade de Moçambique			0	0	0	21 000 000	21 000 000	0
Sub-total Matching Grants from PROMER funds				13 318 000	11 493 000	1 825 000	22 300 000	6 450 000	15 850 000
Sub-total Matching Grants from PAFIR funds				31 674 211	26 756 237	4 917 974	115 400 500	66 600 500	48 800 000
Total				44 992 211	38 249 237	6 742 974	137 700 500	73 050 500	64 650 000

Appendix 7: Market Transparency

IV. Introduction

1. The objective of the Improving Market Transparency sub-component is to “improve market transparency through the establishment of a regional market information centre in Nampula, as well as by promoting the dialogue between market participants and Government on relevant issues for agricultural marketing”³. To this end, the sub-component comprises the following three elements: (i) Regional Market Information Support; (ii) Support for Effective Engagement with Government on Market Linkages; and (iii) Support for Improved Dialogue with Market Intermediaries.

2. This Appendix reviews the progress made by PROMER under the sub-component. It complements the Aide Mémoire by providing more details on the implementation of planned actions in 2012 Annual work plan and budget (AWPB). In carrying out its tasks, the mission worked in close consultation with the PMT, PROMER cells and the service providers.

3. Most of the activities planned in 2012 AWPB were implemented. These include district surveys to identify local market information initiatives, elaboration of proposals for pilot initiatives in Block C, support for operationalization of one initiative in Alto Molocue district, and support for the Ministry of Industry and Commerce (MIC) to implement the agreed joint annual plan.

V. Implementation progress

4. **Regional Market Information Support.** So far, PROMER initiatives to establish a regional market information system (MIS) platform in Nampula in partnership with stakeholders involved in MIS were not successful. At the moment, Provincial Directorates of Agriculture (DPAs) and Provincial Directorates of Industry and Commerce (DPICs) coordinate market information collection and dissemination through respectively SIMAP and INFOCOM. The coverage of INFOCOM is limited to urban markets whereas SIMAP coverage is bigger with the inclusion of rural markets. The market information is broadcasted through provincial and community radios. In addition, periodic bulletins on market information are produced and published by SIMAP and INFOCOM. It should be however noted that the market information provided by SIMAP and INFOCOM is focused on price. Key information on the quantity and quality of produces required by the buyers is missing.

5. The process of obtaining and disseminating data through SIMAP and INFOCOM is very time consuming, making the price information costly, outdated and obsolete at the time of dissemination. In trying to resolve the matter, PROMER recently started piloting the broadcast of price information through local radio in Alto Molocué district in consultation with DPAs and other partners. To this end, an editorial committee was established to design the content of the market information which is broadcasted once a week. The farmers visited during the mission were not aware of this service, which may be a timing issue. *It was agreed that the cell representatives will continue to negotiate with the local radio for times when farmers can listen to the radio, while also promoting the service through radio ads, SDAEs, and service providers.* It is also foreseen to evaluate the effects of this initiative by January 2013. *Based on this evaluation, it was agreed to develop by March 2013 detailed plans to support market information initiatives at district, provincial, and regional levels.* District requests to establish new radio transmitter stations, such as from Malema District, need to be reviewed for their investment cost and supported by a full commitment by the district to fund the operating costs.

6. In addition, there remains a need for a regional MIS which can provide market information on request. This system should ideally also have a push-SMS function through which extension messages and other information can be delivered to farmers, for example by value chain leaders. *It was agreed*

³ PROMER - Final Design, Main Report.

that PROMER continue the dialogue with public and private MIS operators to assess the scope for obtaining price information from key markets and farm gates in PROMER areas. The cost of providing such services and training farmers could be subsidized by PROMER for a certain period with a view for these services to be delivered by the MIS-provider post-programme on a financially sustainable basis. The PMT should also be proactive in sharing initiatives experienced by other institutions which have already established partnerships with private MIS operators. These institutions include CLUSA and TechnoServe which operate in the programme area.

7. **Support for Effective Engagement with Government on Market Linkages.** PROMER provided support to MIC to implement the agreed joint annual plan which comprises market dialogue fora and events, agriculture trade fairs, monitoring of agricultural marketing activities, and training of district technicians in market linkages issues. Activities implemented by DPIC in Block B include: (i) evaluation of the marketing season and preparation of the next season; (ii) workshop to launch the new marketing season and discussion of key constraints and opportunities in agricultural marketing; and (iii) participation of five FOs in the provincial trade fair. Blocks A and C have not yet started to implement the joint annual plan. Activities implemented by MIC constitute a good opportunity for interaction between government institutions, farmers, traders and other market actors. However, there is no action plan, after the workshop with key stakeholders, to ensure that key constraints are addressed.

8. **Support for Improved Dialogue with Market Intermediaries.** This activity is aimed at establishing network platforms for market intermediaries including traders and FOs/Unions to address common constraints such as transport services and access to financing. The implementation of this activity is delayed since it is closely linked to the support for input and output traders (sub-component 1.1) which is not yet operational.

VI. Priority Actions for 2013 AWPB

9. PROMER is in the process of preparing the 2013 AWPB. Priority actions to be included in the AWPB for the Market Transparency sub-component should be in line with agreed actions mentioned in the Aide Mémoire and actions foreseen at design which have not yet started.

10. **Regional Market Information Support.** As mentioned above, the evaluation of the effects of Alto Molocué initiative as well as the continuous dialogue to establish a regional MIS will result in the development of detailed plans to support market information initiatives at district, provincial, and regional levels. The elaboration and implementation of those plans should be prioritized in 2013 AWPB. The delivery of market information services to FOs by private MIS operators based on a cost sharing principle should also be foreseen in the AWPB.

11. **Support for Effective Engagement with Government on Market Linkages.** The joint MIC-PROMER annual plan should be updated for 2013. The design document should be a reference to develop this plan. PROMER will make sure the agreed plan is implemented in the three Blocks. The evaluation of the effectiveness of implemented activities under the plan should be done at the end of the marketing season.

12. **Support for Improved Dialogue with Market Intermediaries.** With the start-up of the support for input and output traders (sub-component 1.1) foreseen in 2013, the project AWPB should also include activities aimed at supporting improved dialogue with market intermediaries.

Appendix 8: Targeting and Gender

A. General overview

1. The mission noted that the activities implemented by the project to support farmer organizations (FOs) (in areas including functional literacy, organizational development and market linkages) have successfully reached out to poor smallholder farmers, including women. Outreach to women is high, as they comprise between 40-50% of the target beneficiaries (56% of women in literacy training), which is well above the quota of 30% set in the log-frame. The great involvement of women in project activities was favored by the high participation of women in grassroots organizations, though their role in group leadership and marketing is still limited and needs to be strengthened. A minimum of 30% participation of female members in lower-level farmers' associations was also required as a condition for the programme to work with an association. Gender and other crosscutting issues (i.e. HIV/AIDS) have been included in the TOR of project staff and service-providers.

2. It appears that the commitment and attention to the incorporation of gender equality issues in the activities carried out by service-providers varies across the three target blocks, whereby Block C – Nampula and Zambezia – presents more weaknesses. The level of incorporation of gender issues in the reporting system is also uneven, as in some cases gender-disaggregated data are lacking. Therefore, it is important that gender-related approaches and actions are harmonized across the three blocks and that all service-providers incorporate gender-disaggregated data in their progress reports, including a dedicated section on gender, targeting and HIV/aids.

3. With regard to poverty targeting, as already noted, the project's target group is in line with the intended target group of the project, that is to say *those among the rural poor with the potential and interest to produce for the market* (PROMER Appraisal report). During the field visits, the mission noticed that the members of FOs targeted by the project are mainly poor small-holder farmers with limited assets but with potential to produce surplus for the market.

4. The majority of target FOs at the grassroots level do not have a legal status, and need strong support for improving their production and management capacity. However, further efforts should be made to pursue *an inclusive approach in order to enable the extremely poor with the necessary labour and other minimum assets to take advantage of the market opportunities that the programme will create*. A further issue, relates to the risk that better-off farmers could gain access to the financial resources provided through the matching grant for small-scale processing which in turn requires the implementation of adequate mitigation measures. Concerning the SIP proposals (component 2), it is important that the number and socio-economic characteristics of the participating farmers is included in the plans submitted by value-chain leaders, as well as that their effective participation is carefully monitored.

B. Capacity-building of FOs

5. With regard to organizational development, training activities have promoted women's participation in leadership and decision-making, although, only one of the three contracted service providers, OIKOS, included a specific module on women's leadership in the training programme. A quota of 40% for women's participation in leadership positions has been established as a criterion for graduation and apparently progress in this area will be monitored.

6. The functional literacy programme implemented in Block A (Niassa) and C (Nampula and Zambezia) is well appreciated by the target group and particularly by women, who are the main beneficiaries (see table 1). Unfortunately, in Block B (Cabo Delgado) the functional literacy training has not yet started, due to a delay in the implementation schedule. Concerning the other training activities (i.e. organizational development and business management), women's participation ranges from 38% to 50% of the total number of beneficiaries, higher in Block A.

Table 1: Functional Literacy Training

Block	No. of beneficiaries	No. of women	% of women
Block A	1,714	822	47
Block B	-	-	-
Block C	1.222	811	67
Total	2,936	1,633	56

7. The large majority of field-staff are men, although efforts have been made to recruit women particularly as functional literacy trainers. In Niassa, 30% of functional literacy trainers are women, which is a good achievement, especially considering that in Cabo Delgado only 10% of the trainers are women, although efforts have been made to attract female staff.

8. The female participation in the Organizational Development Business Management Training courses was also good (see Tables 2 and 3), although not quite as impressive as for literacy classes. For Block C, the mission could not obtain any data.

Table 2: Organizational Development Training

Block	No. of beneficiaries	No. of women	% of women
Block A	3,396	1,660	48
Block B	1,886	727	38
Block C	No data	No data	No data
Total (without Block C)	5,282	2,387	45

Table 3: Business Management Training

Block	No. of beneficiaries	No. of women	% of women
Block A	3,520	1726	49
Block B	1,826	698	38
Block C	No data	No data	No data
Total (without Block C)	5,346	2,424	45

9. Despite these positive efforts, women's capacity to participate in marketing activities and to access resources and benefits from improved market linkages is generally weak. This reflects the fact that the marketing of agriculture produce in the target area is mostly done by men. Women are generally involved in the sales of low-value products at home or in the vicinity, whereas high-value crops are often managed and marketed by men, who have a better capacity to interact with larger traders and other market actors.

10. Recommendations: To address gender imbalances in marketing and decision-making it was agreed to:

- Consider gender issues in the forthcoming evaluation of training activities to be conducted in November 2012 by: i) conducting a qualitative assessment of women's participation in decision-making and marketing activities, including their capacity to effectively access the income generated from the sale of products; and ii) taking into consideration the different impact of training activities on women and men.

- Systematically monitor women's ability to participate in marketing and access to income in the course of project's activities (this task would effectively be carried out by the three service providers).

11. Overall, although some FOs met by the mission have reported that their access to market has improved, it is unclear whether the approaches adopted by the service-providers in the areas of post-harvest management and market linkages are actually contributing to strengthening the capacity of poor women and men producers to effectively interact and negotiate more profitable deals with traders and other market actors. Therefore it would be important to adopt a more participatory, gender-sensitive approach to value-chain development. This would require a more systematic engagement of service-providers in a multi-stakeholder process through the organization of meetings and workshops with different value-chain actors – i.e. women and men producers, small-scale traders and larger traders. This process is key to build farmers' capacity to interact and negotiate with market actors, identify collective interests and potential conflicts all along the value-chain, while addressing gender equality issues in the negotiation process.

12. Recommendation: Considering these challenges, it was agreed that if weaknesses are identified in the forthcoming assessment, a training programme will be implemented to strengthen the capacity of service-providers and field-staff in mainstreaming gender and other crosscutting issues in the programme activities as well as in promoting more effective pro-poor, gender-sensitive approaches to market linkages and value-chain development. The TOR of the training programme are included in attachment 1.

13. Women usually play a critical role in value-addition as this is an area of critical importance for both quality improvement and women's empowerment. However, training activities on post-harvest management and value-addition are still weak, particularly in Block B. The service providers have included an exchange programme between FOs in the work plan for 2013 as part of the capacity building activities implemented with FOs. Although women-only groups comprise only a minority of existing FOs in the project's area, some of them are particularly dynamic and have great potential for development and graduation, therefore it would be important to involve them in the training programme.

14. In the programme area, good opportunities exist for women in processing and value-addition. However, women's participation in trading is limited as poor illiterate women have generally weak business and marketing skills. In addition, cultural values also contribute to constrain women's mobility. Travelling for long distances is generally not seen as a suitable option for married women. Thus, as part of the exchange programme, successful women's groups and organizations will be selected as models for mobilization and enterprise motivations among women.

15. Recommendation: it was agreed that women's specific capacity-development needs will be addressed in the exchange programme in order to stimulate women's participation in processing and trading activities and the promotion of poor women as entrepreneurs.

C. Matching grants for small-scale processing an value-addition

16. The matching grant fund for small-scale processing and value-addition is not yet operational. Service-providers operating in Block A and C have already started identifying potential proposals. However, communication activities on the matching grant fund should be strengthened. The mission noted that there is a high demand for warehouses and other small-scale agro-processing equipment, such as mills particularly from women. However, many FOs have different maturity levels and the majority of them still lacks a legal status (approximately between 60% and 70% of target FOs), which in turn can constrain their capacity to access the fund.

17. Recommendation: It was agreed that in order to ensure that all target FOs have the opportunity to access the matching grant, the service providers will initiate awareness campaigns on the matching grant fund and accelerate the process of legalization of FOs.

18. Although there is some evidence from the mission field visits that service-providers are engaging with the project's target group, it is also clear that a risk exists that better-off farmers with a stronger asset base and capacity to access credit, or organizations/individuals whose main activity is not farming could also gain access to the fund, if pro-poor eligibility criteria are not clearly spelled out and implemented. However, in some isolated cases (such as that of an FO consisting of local constructors that were planning to start some agricultural operations) the members were evidently part of the upper income quintile in the district, and these FO should thus not form part of the participating FOs.

19. Recommendation: it was agreed to further define the eligibility criteria which are included in the value-chain guidelines. Basic eligibility conditions should include that:

- i. farming is the main livelihood and source of income for the members of FOs
- ii. in case of doubt, the wider community in which an FO resides should confirm that the FO members are not part of the upper income quintile in the area. If this confirmation cannot be obtained, the group should be excluded.

20. Moreover, it is proposed that about 10% of the matching grant fund should be ring-fenced to ensure that women-dominated organizations (which are about 15-20% of the target organizations) also have access to grants. In Niassa, GAPI is currently supporting two women's organizations (*Marrupa – Ass. de Nangia* and *Maua – Ass. 7 de Abril*) in formulating their proposals. These two associations present a good level of organizational development and potential for agro-processing and marketing.

D. Other crosscutting issues: food security and HIV/AIDS

21. It is recognized that in certain areas of the programme the promotion of market linkages for staple crops (i.e. cassava and beans) may jeopardize food security. To a certain extent, food security messages are addressed in training activities with FOs and in particular in the formulation of the production plan. For instance, in Cabo Delgado, where food and nutritional insecurity is more severe than in the other provinces, field workers are training farmers on the production cycle ensuring that the production plan takes into consideration how much to set aside for household consumption, and how much can be produced for sale. Trainers are also sensitizing farmers on the importance of planning production at the household level to ensure attention to household food security.

22. Recommendation: it was agreed that all family members should participate during this exercise.

23. Concerning HIV/AIDS, only GAPI, which is operating in Niassa (Block A) reported that HIV/AIDS issues have been addressed in training-of-trainers activities. Overall, it appears that the mainstreaming of HIV/AIDS issues in the programme is still weak.

24. Recommendations: it was agreed to establish partnerships with other organizations and actors that are conducting education and sensitization activities on HIV/AIDS issues in the programme area. This is particularly important given the high rates of HIV/AIDS incidence in some of the target province (for example, 18% in Zambezia as per INE 2004) and the risk that improved market linkages and the development of communication infrastructure might increase the risk of infection.

E. Road and market construction

25. It is commendable that the programme is striving to implement a quota of 25% for women's participation in road construction. In Cabo Delgado, programme staff reported that constructors have a preference for hiring women as they are generally more reliable than men. This was confirmed by contractors in Nampula. The main challenge is to overcome men's resistance to women's participation in this activity.

26. Recommendations: It was agreed that the programme will make sure that road construction activities do not take place during the agricultural season in order to enable farmers, particularly women, to be hired by contractors. To achieve this, road works contracts need to start immediately after the rainy season, so that a possible extension of the contract does not collide with the beginning

of the next rainy season. In relation to markets, it was agreed to ensure the provision of basic facilities such as toilets, drinking water and store room, which will facilitate women's access.

F. Enterprise-led value-chain development

27. Under Component 2, value-chain field activities have not started yet. It would be important that a clear description of the number and socio-economic characteristics of the participating farmers will be included in the SIP proposal, to ensure the effective inclusion of poor smallholder farmers in the development of the value-chains. A further issue relates to the fact that generally in contract farming schemes contracts to farmers are issued in men's name.

28. Recommendations: It was agreed that the socio-economic characteristics of farmers entering contract farming schemes will be carefully assessed and monitored, to ensure that the project's target group is actually benefitting. As a strategy to ensure that women producers also benefit from contract farming arrangements, it was agreed that the programme will advocate that contracts to married farmers are also issued in women's name. If possible both husbands' and wives' names should be included. It was also agreed that the socio-economic characteristics of farmers entering contract farming schemes will be carefully assessed and monitored to ensure that the programme target group is actually benefitting.

G. Partnership-building

29. Coordination activities and partnership building with other actors working in the area of gender equality and women's empowerment have been weak and need to be strengthened.

30. Recommendation: In order to strengthen gender-related activities, it was agreed to proactively explore new partnership opportunities with different Government and other donors programmes, which work in the area of women's economic empowerment, girls education (i.e. *programa de educação de rapariga*) and legal support (i.e. *FAO Legal Empowerment of the Poor Programme*).

Attachment 1

Draft TOR for a trainer on gender and crosscutting issues

Reporting to the Programme Coordinator, the consultant will be responsible for training programme for staff and service providers on the incorporation of gender and poverty targeting issues in programme's activities. Specific tasks of the consultant would include:

- Discuss the programme's Gender and Targeting Strategy among project staff;
- Facilitate a process of critical reflection by the project staff on the incorporation of gender equality and poverty targeting issues in programme activities, with special attention to market access and value-chain development;
- Present successful approaches and experiences in relation to gender-sensitive pro-poor value-chain development;
- Develop a methodology for participatory, pro-poor/women value-chain development;
- Review the incorporation of gender and social inclusion issues in the training programme;
- Facilitate the exchange of good practices and experience between the three contracted service providers and other field-staff involved in the training programme, in the area of gender, poverty targeting HIV/AIDS and food security;
- Improve or propose new indicators on gender equality and women's empowerment for the project;
- Prepare a training report.

Duration: 2 months

Duty station: Maputo with extended travel to the programme area

Basic requirements:

- Experience in addressing gender equality issues in agricultural value-chain development;
- Experience in training and capacity-building activities, using participatory approaches;
- Good knowledge of the country – knowledge of the target provinces would be an asset;
- Familiarity with IFAD gender and targeting approaches; and
- Knowledge of the value-chain methodology developed as part of the Gender Action Learning System (GALS) methodology would be an asset.

Appendix 9: M&E and Knowledge Management

A. Introduction

For PROMER, 2012 has been the first year that substantial practical implementation experience has been gained on the ground and results have been achieved that benefit the target group. Properly recording progress and results, and analysing lessons learned to improve implementation performance is important at this stage. ProParcerias is in a similar position and will have only one more year of implementation, during which results will have to be measured at output level, and for the project purpose and goal. The main focus of this appendix is on the Monitoring and Evaluation (M&E) function, which will be critical for both projects from now on. The following will be covered in this appendix:

- progress made with implementation, and observations on performance and results, under PROMER sub-component 4.1 Knowledge Management and Coordination;
- progress made with implementation, and observations on performance and results, under PROMER sub-component 4.2 Policy/Institutional Support;
- review of the M&E function of PROMER, under sub-component 4.3 Programme Management, and recommendations for improvement;
- review of the M&E function of ProParcerias and recommendations on how to ensure adequate data are collected during the last year of implementation.

B. Knowledge Management and Coordination

DNPDR's KM Unit

Support for Knowledge Management (KM) in DNPDR has begun to show some results, and the Director of DNPDR has reiterated that KM is an important area to be developed within the directorate. The mission was informed that the KM unit is operational and staffed with people who have received training, although members of the unit also have other responsibilities in DPDP and can only devote part of their time to KM.

Basic instruments for capturing information on rural development have been put in place, including a matrix with indicators related to the Rural Development Strategy and a related report format. Provincial staff has received training on how to use this system and national staff has carried out monitoring trips. An intranet is operational in DNPDR, and information is shared through publications on rural development (bulletin, *Revista Rural* magazine). However, various constraints still require attention: thematic exchange among the Ministry's programmes as previously proposed has not yet been successful (themes were chosen but round table discussions did not take place); the culture of sharing and using available information is still weak (for example, the intranet is not being used very effectively); and staff of the KM unit and at provincial level do not have a strong background in this area and need further training.

Additional support is therefore proposed under PROMER, and DNPDR has prepared a proposal on how to further strengthen the KM unit and culture, which has been discussed during the mission. Key elements of the proposal include: (i) staff training in planning, monitoring, evaluation, project design, training methods, documentation and communication; (ii) transport and computer equipment at provincial level; (iii) library expansion at DNPDR, Maputo, comprising civil works to triple the available space, library equipment (scanner, server, software, computers, network, climate control), and training for library staff; (iv) operating costs of KM activities, such as publications and workshops; and (v) technical assistance to transform the library into an effective documentation centre, medium-term expertise in KM attached to the KM unit, and short-term specialist assistance in rural development and local economic development.

It was agreed that practical support to the KM unit by medium-term technical assistance has a high priority, while it was questioned whether financing library expansion under PROMER is appropriate. In case technical assistance is provided, it must be ensured that such technical assistance is focused on capacity building and strengthening the KM culture in DNPDR, with a clear exit strategy. Otherwise, there is a risk that the consultant/s will become the implementer/s of KM activities, relieving regular staff from this burden but leaving a vacuum once the contract ends (and thus actually reducing rather than building capacities).

The DNPDR proposal does not include quantities or a budget, and mentions that a results framework specifically for KM is in preparation. Before a final decision can be made about the investments, the proposal needs to be further elaborated in terms of investment items and costs, and linked to practical results in the KM logical framework. It was agreed that DNPDR will prepare these detailed modalities with help from the PMT. Ideally, this would be done before or during preparation of the 2013 AWPB for PROMER, so that selected activities and investments can be included.

The proposed medium-term technical assistance in DNPDR would have a role that is quite similar to the proposed position of inter-project KM Facilitator/Officer for the IFAD country programme, potentially also based in DNPDR. Appropriate draft Terms of Reference (TOR) have already been prepared for that position by the Country Management Team (CMT). It has been agreed that these draft TOR will be discussed with DNPDR with the aim of modifying them in such a way that the position of inter-project KM Officer and proposed technical assistance can be combined. This would be more cost effective and facilitate recruitment of one highly qualified person.

Basic capacity in KM has been established under PROMER, mainly through training at PMT level. The programme is well-equipped and has staff with an M&E/KM focus in Block A (Niassa Province) and Block B (Cabo Delgado Province). Service providers have been asked to include best practices and success stories in their reports but this has not yielded results. More proactive guidance and follow up will be needed by the PMT. During 2013, there will be various opportunities to put the programme's KM capacity to the test. It has been agreed that the 2013 AWPB will propose priority themes, how these will be tackled and any external support that may be required. The AWPB preparation process itself should also be used to share experiences and lessons learned, including among service providers. The mission observed several key thematic areas where investigation, analysis, documentation and sharing would be useful for the programme and beyond.

Prospective Thematic Areas

First, different contract terms and conditions are used in different areas, in contracts between Farmer Organisations (FOs), District Unions and commercial buyers. The different modalities, advantages and disadvantages, and their effectiveness in ensuring that producers benefit from improved market access through these contracts should be listed, analysed and shared. Second, training in organisation, leadership, functional adult literacy and post-harvest storage and marketing is a pillar of the support that service providers offer to the FOs. After one year of support, the effectiveness of this training should be assessed, and lessons learned are expected to lead to improvements in the training approaches. Third, the process of SIP preparation and the characteristics of a good SIP should be analysed and shared: important lessons, both positive and negative, have been learned in this area and should be used to ensure that the process becomes more efficient and that new SIPs are of better quality. Fourth, the programme advocates the “spot improvement” approach to road improvement, which is not always well understood or appreciated, for example by District Administrations. The programme can share its own and other experiences with this approach. These examples are not exhaustive and the PMT and implementing partners should discuss these and possible other areas that can be given attention during 2013.

C. Policy/Institutional Support

The expected result of this sub-component is an increased capacity of DNPDR and national partner institutions, in particular the Ministry of Agriculture (MINAG) and the Ministry of Industry and Commerce (MIC), to promote policy dialogue and policy formulation in the area of agricultural

marketing, and to be able to respond effectively to policy and legislative issues arising during programme implementation.

Reference groups are at present the main programme-related fora where policy dialogue can take place, but this has not happened so far: meetings are used mainly to discuss implementation progress and work plans. So far, no clear policy issues have emerged from implementation experience that require attention and where PROMER should try to have an impact. Until this is the case, or until the new Agricultural Marketing Strategy that is being prepared by MIC provides guidance, policy issues and development will not be pursued as a priority under the programme. However, programme management and reference groups should be alert and ready to respond when policy and legislative issues do crop up, for example in relation to linkages between FOs and other market operators, or the implementation of SIPs. The PMT intends to revisit the question whether there are policy issues that require attention, during the planning process for the 2013 AWPB.

Based on the Memorandum of Understanding (MOU) of May 2011 with MIC, activities were included in the 2012 AWPB under this sub-component, focused on planning and monitoring of agricultural marketing in programme districts by staff of the DPIC in each province and the District Services for Economic Activities (SDAE). The planned activities included:

- meetings involving staff from DPIC and SDAEs in each province, to analyse information on agricultural marketing for the 2011/12 season and prepare for the 2012/13 season;
- training for technicians of DNC/MIC, DPICs and SDAEs on issues related to markets and agricultural marketing;
- monitoring agricultural marketing activities in the 15 programme districts;
- systematic data collection on market dynamics (price and other information) by SDAE and DPIC staff in each of the four provinces;
- exchange forums organised by DPIC on topics related to agricultural marketing and implementation of marketing plans; and
- district fairs and monitoring of agricultural markets by DPIC.

Progress is reported to have been good in Cabo Delgado, reasonable in Nampula and Niassa, but below expectation in Zambézia. These activities, including training of district staff in aspects of agricultural marketing by a consultant recruited by MIC, will continue next year. The data on planned and actual agricultural marketing can be useful to PROMER, to reveal trends and as a benchmark to which the performance of FOs supported under the programme can be compared. Data need to be presented clearly and consistently to make this possible, and the PMT should follow up with MIC to ensure that data are presented in a useful manner in reports, and to see how performance can be improved especially in Zambézia, possibly with the help of the training consultant.

D. M&E in PROMER

Baseline Study

Elaborate baselines studies were conducted during 2011. The exercise was very costly but the reports are generally of good quality. *Volume I. Socio-economic component* consists of three parts, with part 1 containing socio-economic data from a sample of 934 households⁴ in PROMER's 15 target districts, including data on programme-specific and IFAD RIMS indicators that were identified in the PROMER PM&E Guidelines to measure programme outcomes and impact⁵. The report also includes useful comments on selected indicators.

⁴ A random sample was purchased from the National Institute of Statistics (INE), distributed proportionally according to the size of the population in each district and using two-stage cluster sampling. According to INE, the size of the sample means results can be considered representative for the whole study area, but cannot be meaningfully disaggregated by district.

⁵ *Farmers using purchased inputs; volume of marketed produce by beneficiaries; number of farmers signing forward contracts with buyers; asset ownership of rural households; prevalence of child malnutrition* (data from the UNICEF Multiple Indicator Cluster Survey has been

Part 2 analyses agricultural production and marketing in the programme area. This includes the production situation, inputs use by crop, produce marketing methods and constraints, storage, agro-processing and access to financial institutions. Quantitative data was hard to come by. General qualitative analysis is complemented by more specific information in district profiles. An initial conclusion is that the production and marketing situation in the target districts is rather similar, and that the same problems are faced by producers in their relationship to market intermediaries. Part 3 presents gender analysis, which includes an analysis of roles and responsibilities in agriculture (production and marketing), land ownership, decision making, and recommendations for gender integration for programme activities under each component.

The second volume is a technical report containing detailed analysis of selected roads and market infrastructure in three districts of Niassa Province and five districts of Cabo Delgado Province. The baseline study reports provide a useful starting point for comparisons during future impact assessment studies. However, the reports are not widely available, and KM activities should include distribution of and reflection on the findings in these reports, which include important qualitative analyses on the market, socio-economic and gender situation. These should be used during the various planning exercises PROMER carries out, including annual planning and the preparation and review of SIPs, and by lead service providers.

Planning and M&E System

The PM&E system of PROMER is not yet operational as envisaged. Data have been entered in the database mainly at activity level: planned activities for the 2010, 2011 and 2012 AWPB. However, instead of adding information on implementation progress to planned activities during the year in the database, this is done in Excel after exporting the planned activities. To keep the system up to date, this means that such progress information then has to be entered again in the database by the M&E/KM Officer, which means doing the work twice. As this is not always done, the system is not up-to-date which makes it difficult to produce useful progress reports at activity level. Annex 3 shows a summary of the data currently available at the PMT on programme progress, together with a short discussion of the indicators used.

For financial management, a separate system is used (TOMPRO), with cost codes that are used in both systems as the link between physical and financial progress. A question raised by the PMT is whether reconciling expenditure incurred with physical progress can be improved. For example, a planned activity may be 20 literacy training courses, each with a duration of nine months over the period March-October in Montepuez District – the planned activity would look as follows.

Component 1. Developing More Dynamic Market Intermediaries: Farmer organisation support

Activity	Q1	Q2	Q3	Q4	Where	By who	Target	Costcode	Comments
Functional adult literacy training courses for FO members	■ ■ ■ ■ ■ ■ ■ ■				Montepuez District, local FAL centres	OIKOS, Ms. Celia	Training (20)	11A11100	Actual training is 9 months (March-October), planned for 30 people per course on average

Physical progress for this activity by the end of May could look as follows (zero means none of the 20 training courses have ended, 40% means the estimated completion level of the activity is 40% since all the preparation work, plus 3 out of 9 months of the training, has been completed).

Activity	Institution / person responsible	Q1	Q2	Q3	Q4	Unit	Target achieved	Completion	Date action required and other progress comments
Functional adult literacy training courses for FO members	OIKOS Ms. Celia	● ○ ○ ○ ○ ○ ○ ○				TRA	20 → 0	40%	None Course preparation done, 3 out of 9 months of training completed, courses are on schedule

However, 80% of the budget for this activity may have been spent, because all the materials for all the training courses have been bought in bulk at the start. The easiest way to improve clarity in this respect would be to ask service providers to include comments that explain the reason for disproportionately high expenditure in the early stages of an activity.

used and will be used in the future for this indicator); *improvements in food security* (households experiencing a hunger season); *female/male literacy*; *primary school enrolment*; and *income derived from sales of agricultural produce*.

At output level, an Institutions Register, Training Register, Grants and Incentives Register, Infrastructure Register, Studies and Surveys Register and General Register make up a Management Information System (MIS) where the PMT can compile data on key programme results. By linking the data to programme indicators as they are entered, summary reports on output indicators and IFAD RIMS indicators can then easily be prepared.

During the mission, programme staff raised questions about how best to record training results and avoid double-counting, especially for training that consists of several modules. There are various scenarios. In the case of literacy training, captured under the indicator *People trained in Functional Adult Literacy*, beneficiaries who have completed the first year of training may still continue with literacy training during subsequent years. In such cases, where the type of training and the indicator continue to be the same, only the first training and the number of people who have completed that training should be recorded. In the case of training that consists of multiple modules that should all be completed in order to gain the necessary knowledge/skills, and that relate to one topic or indicator (e.g. farmer organisation training or the indicator *People trained in business and entrepreneurship skills*), the number of people trained would be only those who have completed the entire training. In the case of training that consists of multiple modules, but modules that can be taken independently with each module giving participants relevant knowledge/skills, each module should be treated as a separate training. In that case, it is assumed that each module has a different topic and relates to a different indicator. There may be other scenarios not covered here, but the same rationale would apply: (i) treat training modules that are independent and impart knowledge/skills related to a distinct topic or indicator as separate trainings; (ii) avoid double-counting where possible, especially when the same people attend several training modules on the same topic or related to the same indicator.

Another question was how the total number of programme beneficiaries should be determined. Indicators for total outreach by PROMER are defined in the PM&E Guidelines (appendix 9, paragraph 164). *Small traders and farmer association members directly supported*, and the related RIMS indicator *Households receiving project services*, are used to measure total outreach by counting the members in FOs supported under the programme (men plus women) and small traders directly supported by PROMER, presented as one total number.

This MIS has hardly been used so far. The programme is now assisting more than 300 FOs, which have not yet been entered in the Institutions Register. Extensive training on group organisation, functional adult literacy, and post-harvest operations has taken place during 2012 but not entered in the training register. Some effort has been made recently to enter initial data on 18 roads that are being improved under the programme, and the Studies and Surveys Register contains some data on four items: *situational analysis and action plan to establish Knowledge management systems at DNPDR*; *production of Value Chain guidelines*; *inception of PROMER PM&E systems*; and the *Baseline Study in PROMER operational Areas*. The General Register, that should contain data related to indicators such as *enterprise-producer partnerships established*; *workshops/seminars conducted*; *knowledge management and advocacy products created*; *market-related publications*; and *AWPBs, progress and audit reports submitted on time*, is empty, although there are quite a few results that could have been entered here.

The envisaged approach of decentralised data collection and data entry, by programme cells and contracted service providers, with automatic consolidation at PMT level has also not been used. Instead, efforts have been made to provide provincial service providers with data collection formats in Excel for output and outcome-level results, and report formats for consistent reporting. On the positive side, this means that data on programme results is being recorded. However, the actual format of progress reports prepared by service providers varies greatly, and more work (including feedback from the PMT) is needed to improve the use of formats and quality of data. The same applies to formats used at the level of FOs, introduced by the service providers. This requires supervision by programme staff in the cells. It also means that data from service providers has to be extracted from their reports and entered in the database by PROMER staff in the programme cells. At present, there is a major backlog with data entry on output indicators, which negatively affects programme management and the quality of reporting: for example, RIMS indicators are exported from the

database but, in the absence of data in the system, targets/results then have to be added by hand. It was agreed that specific efforts will be made to resolve this problem once the new PM&E/KM Officer is in place.

The underlying problem for the ineffective use of the PM&E system is lack of staff capacity, primarily caused by staff movement. The current PM&E/KM Officer has for a long time had multiple other responsibilities due to staff constraints in the PMT, and has not managed to familiarise himself with the system in all its detail and make it operate effectively.

A replacement PM&E/KM Officer will join in December 2012, and it is hoped that this will improve the situation. Two M&E staff in the Cuamba and Pemba cells have been in place only one year and three months, respectively, while the new Alto Molocué cell only has one person for all the work, which is a constraint that needs attention. Training for new M&E personnel has been inadequate and the understanding of the PROMER approach to PM&E and practical skills to use its systems need to be enhanced for these staff members. It was agreed that the PMT will look at options to strengthen the Alto Molocué cell, and will include capacity building – training and potentially also a backstopping arrangement with the Eduardo Mondlane University or similar institution – in the 2013 AWPB. As a minimum, such training should cover:

- the PROMER results management framework: what results is the programme expected to deliver and how are progress and results to be captured (at activity level, and using quantitative indicators at output, outcome and impact level)?
- how does qualitative analysis complement quantitative data and how can such analysis be carried out under the programme?
- what elements does the PM&E system of the programme consist of, and how can data be captured using the different tools that are available?
- how can monitoring data be used, as a management tool, to improve programme implementation and to produce good quality reports?
- training should be practical and include hands-on experience and some field work, so that the training serves several purposes: skills development; reducing the backlog of data to be entered; and creating motivation by demonstrating to programme staff how they themselves can benefit from easy access to progress information that is reliable and up to date.

FO Classification

A good effort has been made to systematize FO classification. The programme is using a four-tier system that was started under PAMA, which defines advanced/mature farmer associations (type A), intermediate/developing associations (type B), basic associations requiring intensive support (type C) and associations that are new (type D) or still in a preparatory stage. Farmers themselves are becoming familiar with this classification and are proud when they are able to report that improved performance is recognized in a higher classification. See also Appendix 2 (Farmer Organisation and Extension Support).

A more systematic approach is proposed using six areas of assessment for FOs: vision; strategy/plans; culture of the organisation; organisational structure; human resource capacity; and available resources. A process of assessment by field staff, data compilation at district level and final evaluation at block level (the PROMER blocks A, B and C) will lead to an annual reclassification of all the FOs, with the possibility of an FO obtaining a higher or lower classification. The graduation system uses 28 indicators under the six areas of assessment, with a maximum attainable score of 100. Scores necessary to graduate to a better classification have been defined. Since the system is new, and consistent interpretation and use of the indicators throughout the programme area are important⁶, it is

⁶ Some indicators, for example *number of effective market linkages, transparency and financial accountability and improving production and productivity from year to year* are open to interpretation.

recommended to carry out field testing before embarking on full_scale reclassification of all the FOs that the programme is currently working with.

E. M&E in ProParcerias

With field activities about to start and only one year of implementation remaining, measuring results will be critical for ProParcerias. A monitoring plan has been prepared, which is very detailed but limited to activity and output monitoring and has semblance to an annual work plan. The means of verification as specified in the monitoring plan is review of plans, reports and other documents, which is too limited for higher level results.

The mission noted that the activity and output monitoring in their monitoring plan is not linked to the outputs defined in the ProParcerias design document. Therefore, while the monitoring plan can be useful for tracking implementation progress, the project must also measure the achievement of its outputs, purpose and goal as per the result-based logical framework of the project document. This logical framework is a practical tool with one goal, one project purpose, three outputs and relevant quantitative and qualitative indicators.

It has been agreed that a revised M&E plan be prepared, which clearly links to the project outputs, purpose and goal. This will have to include quantitative indicators as well as qualitative analysis. A format that could be used for this is shown in Table 1.

Table 1. Possible Format for ProParcerias M&E Plan

Result	Indicator	Qualitative analysis	How to collect data	By whom	When	Requirements
Project goal, purpose or output from the logical framework	Indicator from the logical framework	What should be further explained about the indicator/result in text/comments	Data source (e.g. which report) or method (e.g. interviews)	Who will collect and record the data and write the comments	When will the data be collected and recorded	Any practical requirements (resources, people)

The logical framework contains simple quantitative indicators (e.g. under Output 2: *Number of workshops convened to discuss policy and implementation aspects of partnership formation* with a target of one), quantitative indicators that require careful analysis (e.g. under Output 1: *Number of households benefiting from partnership arrangement* with a target of 1,000 and the unanswered question, what does ‘benefit’ mean), and qualitative indicators (e.g. under the Project Purpose, *Quality of the lesson learning and policy dialogue*). For these indicators, the M&E plan could be build up as shown in Table 2 below. The type of information that comes out of this will be highly relevant for a project completion report.

Table 2. Format for ProParcerias M&E Plan with Sample Data

Result	Indicator	Qualitative analysis	How to collect data	By whom	When	Requirements
Project Purpose: <i>Enhanced lesson-learning and policy dialogue on the establishment of sustainable community/investor or partnerships in rural areas</i>	<i>Quality of the lesson learning and policy dialogue</i>	How does lesson learning and policy dialogue take place now, as different from before, what are strong points and weak points?	(i) project reports describing events (ii) collect views of partners (DNPDR, MINAG, others) (iii) compare process before/after ProParcerias and analyse reports for results following lessons learned / policy dialogue	ProParcerias coordinator / DNPDR	March 2013	Small post-project study budget
Output 1: <i>At least five successfully launched community-investor partnerships</i>	<i>Number of households benefiting from partnership arrangement</i>	How are households benefitting?	(i) numbers of households from service provider reports and partnership documents (ii) household interviews (~20) to assess benefits	Inacio; DPDR and SDAE staff to assist with interviews	November 2013	DNPDR support to prepare simple semi-structured interviews
Output 2: <i>Increased knowledge, capacity and experience of establishing community/investor or partnerships amongst community groups, service providers, investors and government staff etc.</i>	<i>Number of workshops convened to discuss policy and implementation aspects of partnership formation</i>	What came out of the workshop(s) that is useful?	(i) number of workshops from project reports (ii) proceedings and results by analysing workshop reports (iii) discuss proceedings/ results with national reference group	ProParcerias coordinator	December 2013	x
etc.						

Some of the questions listed in the previous mission report, from the questionnaire developed under the WB/FAO/IFAD/UNCTAD-initiative on principles for right agricultural investment, can be useful when preparing this table. As a much smaller project, ProParcerias does not have an equivalent of the human resources and M&E system available to PROMER. This is a typical situation where the KM unit in DNPDR and the capacity that is being created with assistance from PROMER can be put to good use. During mission discussions, DNPDR confirmed that it will be able to provide technical support to ProParcerias if necessary, in preparing its M&E plan.

Appendix 10: Programme Management

A. Introduction and background

1. Sub-component 4.3 primarily concerns the development of a PMT in Maputo with satellite cells for adequate and responsive implementation of the programme, including effective monitoring and evaluation and financial management.

B. General Programme Management

2. The Rural Markets Promotion Programme (PROMER) has been effective since April 2009. As of 30 September 2012, total IFAD loan disbursement stood at 28%. Apart from categories II (vehicles, equipment and materials, 67%) and VIII (other operating costs, 75%), IFAD disbursement is lower than expected at this stage of the programme. The execution of the 2012 AWPB is low at 50%. Nonetheless, with some large outstanding expenses coming up, total year-end execution is expected at around 70%. Despite total cumulative expenditures having almost doubled since March 2012, they are still low at USD 5.9 million, or 20%.

3. These figures show that project implementation has progressed since the last mission and the programme is gathering speed. However, the low disbursement to date indicates that more attention needs to be made in regards to timely implementation of the programme to prevent substantial delay at the end. Consequently, with the expected increase in activities for 2013 effective and responsive implementation is required from all stakeholders to build on the momentum and to ensure a sustainable impact of the programme.

4. The mission confirmed the high level of planning in the programme, at central and cell levels. Implementation plans seem to be well thought through, and the PMT is taking great care to in managing implementation. The mission concurs with the importance of good planning, but also notes that the dynamic and rapidly moving private sector requires a great amount of flexibility to ensure that emerging opportunities are being adequately capitalized upon. It is especially at cell level that the complementarities between the various programme activities can be strengthened in both planning and oversight, together with a fortified communication approach. For this, the development of ideas and initiatives at cell level should be promoted further, together with a focus on results-based management together with increased space for flexible activity planning to allow adapting to the evolving market environment.

5. In order to foster an environment that encourages the development of ideas and initiative at cell and central level, the PMT should encourage staff to present suggestions on how to improve work processes and new ideas on a regular basis, both through informal chats with individual staff and collective team meetings. This could also be supported through employee recognition initiatives, such as formal praise, and “outstanding performance” and “best idea” awards that could be handed out twice a year. New ideas could be tested for a few months and, if successful, be implemented as standard. Potential improvements could be in the form of:

- improvement of work processes and way of doing things, such as communication between cells and head office;
- exploration of previously unforeseen opportunities, such as emerging value chain leaders and different partnership modalities; or
- taking initiative in order to improve the impact of PROMER for example by “thinking outside of the box” and suggest alternative solutions to challenges.

6. In order to follow a dynamic approach to realising market opportunities, the PMT will naturally need to accept a certain level of risk as decisions may have to be taken on the basis of limited information and unforeseeable market developments, while at the same time ensuring adequate due diligence.

7. To address the market dynamics more effectively in terms of infrastructure development, the PMT can work in collaboration with the reference groups in developing an objective score-sheet to assist in identifying potential roads and markets to be rehabilitated based on pre-set criteria. The reference groups can utilise this score-sheet when prioritising infrastructure locally, and the PMT should use the same score-sheet to internally prioritise infrastructure between provinces. As such, any potential conflict arising from a perceived preference of one district over another can be justified on the basis that selection has been made on these objective criteria developed in conjunction with all stakeholders.

8. Staff turnover remains high. Reportedly, one of the reasons is the rising salary levels in Mozambique, and particularly in the cells due to recently started large-scale mining. The housing benefits of some staff in Pemba and Cuamba have recently been adjusted. Nonetheless, the PMT regards the situation as still critical, and requested a revision of the salary levels. It was agreed that the PMT juxtapose the current salary levels of comparable projects in Mozambique to illustrate the situation, and in case this information is unavailable it will elaborate a scenario based on inflation data. The proposal will be submitted to IFAD for no-objection and eventually to DNPDR for approval. The PMT should also encourage staff to suggest additional improvements that can be made in order to make the project more attractive as a workplace. This could potentially be in the form of increased focus on career development through capacity training and focused coaching guided by a “personal development plan” as well as increased responsibility for “high-performers”.

9. Due to the lack of an agribusiness specialist, the cell coordinator’s direct line-manager is the Programme Coordinator. This results in a substantial amount of workload for the Coordinator, who is directly managing all aspects of the project. In order to alleviate the Coordinator of some of this workload, it was agreed that the responsibility for supporting the cells in technical and market support aspects will be gradually phased to the Market and Intermediaries Officer and the Agribusiness Officer, with the Programme Coordinator having the overall supervisory responsibility.

10. Some MOUs between PROMER and partnering institutions seem to fail to progress as expected by the PMT, particularly those signed with AGRA, UNAC (both now cancelled), GAPI and AMODER. Although the reasons for the delay of implementation of individual MOUs varies, the mission notes the relatively high quantity of MOUs that fail to materialise even with frequent follow-up by the PMT. In order to mitigate the possibility of this becoming a systemic issue throughout the remaining implementation-period of PROMER, the mission recommends that the PMT opens a dialogue with the different partners in order to explore pragmatic improvements. Some changes that might be introduced could be to rely less on phone and email communication, and focus more on face-to-face status meetings on regular (for example monthly) basis, and documenting these in internal notes to the file. Frequent and brief programme updates can be shared with different implementing partners both orally and written about the status of implementation. These updates could include information about amount of people trained, type of training, market linkages established, infrastructure development, and market transparency initiatives established. The objective of such updates should be to create a “human face” to their activities and remind partners about the importance of their participation in the programme.

11. The Finance Manager is envisaged to be assisted by an accountant and an assistant at central level. The accountant recently left the programme and the PMT is currently in the process of recruiting a new person for this post, expected to be filled by mid February 2013. At cell level there is an Administrative Officer per cell who reports to the Finance Manager for finance related matters. All original documents and receipts are stored centrally. The mission finds the financial capacity adequate, with a good knowledge on the use of the TOMPRO accounting system.

C. Financial Management

12. Generally, liquidity in the PMT is high. Withdrawal applications (WAs) are now submitted more frequently. IFAD's average processing time of WAs for the project has drastically reduced from about 49 days to 20 days. As the Finance Manager will be without an accountant for quite a lengthy time period due to holidays and a quiet January period, it will be increasingly important to continue to submit WAs monthly to prevent potential liquidity constraints.

13. At the Road Fund and PROMER cells, liquidity can sometimes be a constraint to implementation. To address this, it was agreed that the advance to the Road Fund be increased to USD 350,000. Furthermore, it was agreed that the PMT develop an incentive-based system that allows higher advances to cells that demonstrate adequate financial management. The system could have different levels of advances depending upon adequately submitting reports and receipts where those cells with adequate financial management receive the maximum advance, while the advance is gradually reduced depending upon the amount of days reports and receipts are delayed. By having a clear and transparent system, all staff members will be aware of what is required to increase cash-on-hand, which should reduce the level of frustration in case of liquidity problems. The system should be periodically reviewed and updated according to feedback from the cells.

14. The mission found the books and accounts up to date and the financial reports and reconciliation statements adequate. It also reviewed the details of WA 11 by randomly checking the supporting documentation for the statements of expenditures (SOEs) and verifying the special account reconciliation and financial records, and found all documents fully satisfactory (see table 1).

Table 1: Spot Check of SOEs of recent Withdrawal Applications

WA	ITEM	Voucher	Category	Description	Total Amount in USD	Consistent with Loan Agreement
11	1	326	I	BANK TRF TO TEDECO	2,181.88	√
11	9	177	II	BANK TRF PLAIDEX	1,686.28	√
11	20	271a	II	BANK TRF IMZA TRADING	1,836.88	√
11	21	271b	II	BANK TRF IMZA TRADING	844.60	√
11	29	75	III	CASHOUT ADELINO JOAQUIM	45.41	√
11	39	17	III	PAULO MACHAVE	269.43	√
11	137	34	VII	BANK TRF TO SUREMED	2,067.83	√
11	152	53	VII	Bank TRF TO RECEB FAZENDA PEMBA	78.12	√
11	432	44	VIII	CASHOUT I.PEDRO	60.00	√
11	494	57		CASHOUT P.A CUAMBA	85.15	√

15. In the special account reconciliation statement it was noted that advanced funds to other institutions were listed under section 5, and the mission recommended that advanced funds should rather be listed under section 11.

16. PROMER was found to be compliant with the Loan Covenants. However, there are a few areas that are on the borderline, including maintenance of roads and reporting by the financial institutions. The issue of tax will also need close attention to ensure that government meets its ongoing commitment to finance all taxes and also that there will not be a breach of this loan covenant at the end of the programme. In this regard, the PMT needs to monitor these issues closely to ensure compliance with the loan covenants.



**International Fund for
Agricultural Development**

Via Paolo di Dono, 44

00142 Rome, Italy

Tel.: +39 06 54591

Fax: +39 06 5043463

E-mail: ifad@ifad.org

www.ifad.org